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# BUSINESS STUDIES

**Paper 0450/12**
**Short Answer/Data Response**

## Key messages

- Some candidates would benefit from a more precise understanding of key business terminology in order to achieve in this paper.
- Candidates should be reminded to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. Candidates should not repeat the same application for both points. Candidates should not use the same analysis twice in the same question.
- Effective evaluation is an area which requires development. Candidates should be reminded that evaluation must include a justified decision that follows on from the points raised in the answer, not a repetition of points already explained. The mark scheme for each **part (e)** question includes one example of how this may be demonstrated in the answer.

## General comments

It is important to remind candidates that **part (e)** is a general question. Many candidates contextualised their **part (e)** answers but there are no marks for application.

Questions requiring definitions and knowledge, such as **part**s **(a)** and **(b)** of each question were generally well attempted. Many candidates needed to be more precise when defining concepts, especially for **Questions 1(b)**, **2(a)** and **3(b)**.

For most **part (c)** (excluding **3(c)** which only assessed knowledge) and all **part (d)** questions, it is important to link each point made to the context. To do this, candidates should use the information from the stem to ensure that the points raised are appropriate to the business. Candidates should use a different point of application for each point made.

**Part (e)** questions assess evaluation. This requires candidates to make a supported judgement. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. To access the evaluation marks, 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. For example, candidates could give a supported reason for their decision and then explain why it is better than the alternative option discussed.

## Comments on specific questions

### Question 1

**(a)** A well answered question. A common mistake was to confuse shareholders and the company. Other candidates simply stated that it involved having a separate legal identity, but this did not define the term.

**(b)** Well answered by most candidates. A common error was to describe the niche market as a small market rather than as part of a larger market. Other candidates incorrectly assumed that the product had to be luxury or expensive which is not necessarily true.

**(c)** Good knowledge was shown by most candidates. The strongest responses were then able to link points such as wider choice and convenience to the scenario to access both application marks. A common mistake was to answer the question from the viewpoint of the business rather than outline potential benefits for consumers of using e-commerce.

**(d)** This question produced a range of responses. The best answers explained why this shoe manufacturer should consider factors such as the amount and length of time when deciding which source of finance to use. Weaker responses needed to develop or apply the points made. A number of candidates misread the question and incorrectly focused on which source of finance to use.

**(e)** Good knowledge was evident in most responses, but the majority of candidates needed to develop their answers in order to gain the analysis or evaluation marks. Instead of developing the advantages and disadvantages of a takeover, most candidates focused on trying to link their answer to the scenario which was unnecessary. Evaluation was rare and mainly awarded to candidates who compared the merits of a takeover with another method and then offered a supported reason about which was the best way for a business to grow. To gain the second evaluation mark the decision needed to be clearly linked to a large business.

**Question 2**

**(a)** Most candidates were able to provide at least a partial definition. These answers either understood that market segmentation involved dividing the market or recognised that it involved grouping customers together based on having similar characteristics. A common error was to repeat the words market and segment without defining the term.

**(b)** Well answered by nearly all candidates.

**(c)** Most candidates demonstrated a good understanding of factors affecting the accuracy of market research. The strongest responses gained both application marks available by using different references from the scenario to support the points made. A common error was to include points of analysis which could not be awarded as only knowledge and application were being assessed. Some misread the question and incorrectly outlined methods of market research. Other candidates made vague statements about the reliability of information but did not explain the reason behind this.

**(d)** This question proved challenging. Most candidates gained knowledge marks for recognising that being a multinational company could help spread risk and offered the potential for increased sales. Better responses were able to develop their points to show the effect of these benefits for the business. Instead of analysis, weaker responses repeated their knowledge point(s) such as more customers would result in higher demand or identified another benefit. A number of candidates misread the question and incorrectly focused on the general advantages of being a large business. Others ignored the fact that ABA was in the tertiary sector and discussed the potential benefits for a manufacturing business. None of these answers gained any marks.

**(e)** This was the most challenging question on the paper. Some candidates achieved knowledge marks for recognising that using renewable energy could involve high costs of installation, or identifying alternative ways, but explanations of these points were rare. The best responses recognised that the amount of energy used by organisations in the tertiary sector was not significant and therefore alternative ways such as reducing the amount of single use plastic might be more effective. Instead of analysis or evaluation, most candidates repeated earlier points made. A significant number of candidates misread the question and incorrectly focused on whether a tertiary sector business should contribute to sustainable development rather than discuss the best way to do this. A number of candidates did not attempt this question.

**Question 3**

**(a)** Well answered by most candidates. The most common error was to omit the brackets to signify that each figure was a negative value.

**(b)** This question produced a range of responses. The best answers were able to provide a precise definition. A common error was to confuse the term with job production or flow production.

**(c)** This was the only **part (c)** question which did not require application. Many answers were awarded either two or three marks with quality control, quality assurance and training being typical responses. Candidates who lost marks often used vague statements such as a quality checks or described activities rather than identifying the method itself.

**(d)** This question discriminated well between candidates. The best responses were able to identify ways such as negotiate longer credit terms or ask customers to pay more quickly and explained how these strategies could help SMR reduce either the cash outflow or cash inflow. Many were able to identify ways but found it difficult to apply or develop points. These answers tended to repeat that it would improve cash flow without explaining how this would be achieved or they did not link their answer to the scenario. There were many vague statements identifying ways to lower costs or increase sales which could not be awarded. Others incorrectly identified ways to increase profit or explained how profit might be affected.

**(e)** This was a challenging question. Many candidates understood that bonuses may increase business costs but needed to develop the point. Better answers discussed alternative methods such as job rotation and demonstrated their arguments using theorists such as Taylor and Maslow. The best answers built on the idea that bonuses might create jealousy between employees, or may only provide a short-term boost, which then might reduce rather than increase productivity. Evaluation was rarely awarded. Some candidates did attempt to make a decision, but often simply repeated earlier points made. There were a number of errors seen. Some confused bonuses with profit sharing. Others made general statements about motivation which were not relevant to this question.

**Question 4**

**(a)** Most candidates were able to identify at least one correct way. A common error was to repeat the same answer for both ways or make vague statements about output or sales. A small number of candidates incorrectly assumed that profit is a way to measure the size of a business.

**(b)** Well answered by nearly all candidates. A small number of candidates lost marks by describing specific types of training or made vague statements such as go to college or watch someone work.

**(c)** Most candidates showed good knowledge of the effects of a high rate of labour turnover. The best responses were then able to link both answers to the scenario. A small number of candidates misread the question and incorrectly outlined reasons why employees might leave the business.

**(d)** Candidates were familiar with concept of location factors. Better responses were able to develop their points to show why such factors needed to be considered by this furniture manufacturer. For example, the high cost of rent could lead to higher fixed costs which this small business might not be able to afford or that the business might need access to trained employees to be able to maintain the quality of its handmade products. A large number of candidates identified proximity to customers or competitors as factors but as these are more relevant for a service sector business these answers were not awarded. It is important for candidates to consider the type of business in the question rather than identifying general location factors.

**(e)** There were a number of good answers to this question. These responses compared the advantage of the quick decision-making offered by autocratic leadership, and the benefit of being able to respond more quickly to opportunities, with the inclusive nature of democratic leadership style and the positive impact the latter can have on both employees and the business. The best answers then used the contrast between the two styles as the basis for their evaluation. For example, a small business is likely to have fewer employees so the time spent consulting employees might be not be significant compared to the potential benefits gained from listening to employees' ideas which in turn could increase motivation and lower labour turnover. Weaker answers tended to be descriptive or made vague statements about the merits of different leadership styles without explaining why these points needed to be considered. Where evaluation was attempted, most candidates tended to repeat earlier knowledge points or did not relate their answers to small businesses in general.

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# BUSINESS STUDIES

**Paper 0450/22**
**Case Study**

## Key messages

This is the second March paper for the new syllabus. The style of the question paper has remained the same as the previous syllabus. However, small differences in the weighting of the assessment objectives has resulted in some changes in the mark scheme. The **(a)** questions have more analysis marks available and fewer application marks. The **(b)** questions have had no change to the weighting of the assessment objectives but the level descriptors have been amended slightly. This has not changed the awarding of marks on the 12-mark questions. These small changes have not made any significant difference to the marks achieved; in fact, for some candidates, they may have raised their marks.

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 is except for one of the **(a)** questions that will be generic. Applying answers to the case 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 business that adds personalised designs onto T-shirts.
- 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 the 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 by making reference to why the other alternative option(s) were rejected.

## General comments

Many candidates had been well prepared for this examination. They have developed a strong examination technique and clearly understood what was expected of them. The context of ST, a business that prints designs onto T-shirts, provided an accessible scenario for candidates. Those who applied their skills to the context of ST 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. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not as well understood, these included ways to increase added value and the effects of government policies to reduce unemployment.

Overall, there were many good scripts seen and very few weak ones. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and the conclusion/recommendation in the **(b)** questions should also be applied to the case. Candidates should aim to consider the consequences / implications / long-term / short-term / balance issues of the decisions to secure Level 2 and Level 3 marks.

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**Comments on specific questions**

**Question 1**

**(a)** This question was well answered. The most popular responses were; being able to keep all the profit, being their own boss and making all their own decisions for the advantages, and unlimited liability, no separate legal identity and limited sources of capital for the disadvantages. Some candidates needed to understand the difference between limited and unlimited liability. This is a generic question and therefore there was no need to refer to the case study and answers that did often lost the focus of the question. However, it was possible for answers that did refer to ST to still gain all the marks available.

**(b)** This question was generally well answered and even the weakest candidates were able to achieve some marks for comparative statements, such as order A has more orders than B, order B has a price that is $30 higher than order A. Profit was the most popular calculation and some stronger candidates also calculated gross profit and the profit margins for both orders. In the conclusion where the actual profit was calculated then some candidates chose order A because the profit was £5000 more than order B. Stronger candidates did recognise that order B had been ordered on more previous occasions and some showed that order B would achieve a higher profit over the whole year and was therefore the better choice. Some conclusions also considered loyalty in justifying why their choice was order A or order B. Candidates sometimes gave correct figures but incorrect terminology, for example labelling profit as revenue, or gross profit as profit. A small minority of weaker candidates simply repeated the data from Appendix 2 and could not be awarded any marks.

**Question 2**

**(a)** This proved to be a challenging question for many candidates who confused increasing added value with increasing profit and then provided explanations which considered costs/revenue/profit. There was also confusion between input costs and costs of production with the suggestion that machinery or employee costs should be reduced rather than focusing the answer on input costs only. Answers referring to T-shirts or sales being made in a niche market were the most popular ways candidates gained application. Better answers identified ways such as increase price and reductions in the cost of inputs/raw materials and then usually went on to gain the remaining marks for their supporting explanation. A small number of candidates discussed advantages and disadvantages of the way Saanvi can increase added value, rather than focusing on how the way could be achieved.

**(b)** Whilst many candidates understood the terms niche and mass marketing, only stronger candidates demonstrated the reasoning and evaluation needed to achieve the highest marks. Whilst disadvantages were relevant to the recommendation the question asked about advantages. Candidates who discussed disadvantages at the expense of the advantages in the early part of the question, tended to produce answers which lacked sufficient detail. Some answers were mirror responses, for example a niche market tends to be small with only a few customers, but a mass market is large with a lot of customers, this can only be rewarded once. Extending this to discuss that this means in a small market that there is a close customer relationship can be achieved with specialised/customised products and the opportunity to charge high prices exists as there are few competitors and higher profit margins can be obtained, would move an answer into the higher level mark band. Answers that gave mainly limited statements in the earlier part of the answer often did not move into the Level 2 mark band in the recommendation as comparison and analysis of the options were not made clear. However, the recommendation did not always link back to the expansion plans of ST. Discussion of too much competition in mass marketing and ST should keep to producing high quality for their loyal customers was often the recommendation made by candidates.

**Question 3**

**(a)** Candidates responded well to this question. Many answers gave the benefit of an increase in efficiency/productivity and with an explanation in context, often referencing the 30 production workers employed by ST. The most popular second benefit was reduced labour turnover or reduced labour absenteeism, again this was explained to some extent in most answers. Weaker answers need to develop their explanation and apply their answers to the case.

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**(b)** As the post to be filled was that of Operations Manager candidates should have considered the nature of the job. Weak answers needed to go beyond copying all the information in Appendix 3 with limited or no interpretation about how and why it could influence the choice of who should be offered the job. It would also be more effective to use some of the information and develop the point rather than including everything in the Appendix. Some candidates simply made statements connecting the qualities of the candidates, for example, good communication may lead to motivating the employees rather than go on to explain why this would make this applicant more suitable. Weaker candidates gave vague or unsubstantiated assertions, for example '*Sai can repair machines which will be helpful to ST*'; the answer needed to go on to explain why. In recommendations better answers addressed why alternative applicants had been rejected as well as why a particular applicant had been chosen. A small number of candidates did not make a choice.

**Question 4**

**(a)** This question required four reasons with an explanation of each reason in the context of ST. Therefore, answers which did not apply the context were immediately limited to four marks. Brand image, brand loyalty, reputation, able to charge a higher price, attracting new customers and increasing sales were the most popular responses. T-shirts and niche markets were the most popular applications. Although needing to give 100 per cent satisfaction as stated in the advert in Appendix 1, sold to business customers and already having a good reputation for high quality products were also often given. Weak answers were often the result of repetition of content, for example more sales can be obtained/more customers can be gained.

**(b)** Generally, this was a poorly answered question and only a minority of candidates achieved the highest marks. Candidates understood the effects of the slump much better than the effects of the government reducing unemployment. The effects of the slump had answers that identified issues such as rising unemployment, lower disposable income, falling demand for luxury high priced goods, likely falling revenue, the possible need to reduce prices/cut costs. There was apparent confusion for some weaker candidates who wrote about the rising price of raw materials, wage costs and concerns about inflation. For the government trying to reduce unemployment weaker candidates thought that ST was being forced to recruit workers and costs would increase as a result. Subsidies and lower taxes were the most popular government policies that were considered. Very often the conclusion tended to be a repetition of the first section on the impact of the business cycle moving into a slump. Also, reference to revenue was not always included in the conclusion, which meant it did not answer the question. Application was mainly gained by explanations that included reference to the 30 employees, high priced T-shirts and being aimed at niche markets.