www.dynamicpapers.com

BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Many candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions.
- 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. The same analysis point should not be used twice in the same question.
- Effective evaluation is an area which requires attention. Candidates need to make a supported judgement which should follow on from the points raised in the answer, and not simply repeat points already made. An example of an answer which includes evaluation can be found in mark scheme for each **part (e)** question.

General comments

Overall, many candidates showed good knowledge, but found application, analysis and evaluation more challenging.

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were generally well attempted. However, many candidates lacked the necessary precision to gain both knowledge marks.

Most **part (c)** (excluding **2(c)** which only assessed knowledge) and all **part (d)** questions, require candidates to link each point to the context. To do this, they should use information provided in the stem to ensure that the points made are appropriate to the business. Candidates should be reminded to use a different point of application for each issue being raised.

Some candidates included analysis in the **part (c)** questions and application in the **part (e)** questions. This was unnecessary and these candidates lost valuable time trying to analyse points or apply their answer to the case study.

Candidates need to develop their evaluative skills. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. One approach is to make a choice, provide a reason for this decision and then explain why it is better than the alternative option or viewpoint discussed.

Comments on specific questions

Question 1

(a) The best responses correctly identified two reasons. Typical answers included fewer trade restrictions and better transport links. Answers such as enter new markets were also accepted.

(b) Most candidates understood a depreciation of an exchange rate involved a fall in the value of the currency. Better responses were able to provide a precise definition. A common mistake was to repeat that it was a fall in the exchange rate, which showed no understanding.

© 2022

www.dynamicpapers.com

(c) Good knowledge of stakeholder objectives was evident in most responses. Typical answers were taxation and higher pay for government and employees respectively. The best responses then linked the points made to the scenario to gain the application marks. There were two common mistakes. Some candidates identified general government objectives which is a different question. Others repeated the same application for both answers which can only be credited once.

(d) It was clear that most candidates were familiar with the concept of flow production. However, many candidates found it more difficult to explain possible disadvantages compared to the advantages. Instead of development, many repeated the knowledge point. The best responses linked points made to the context often by recognising that the business had 130 employees and made glass bottles. A small number of candidates confused flow production with batch production.

(e) This was the most challenging question on the paper for most candidates. Only the strongest answers were able to successfully develop the points made. These responses recognised that renewable energy might not be a reliable source of power which could lead to delays in production. A significant number of candidates misread the question so discussed whether a business should contribute to sustainable development rather than focus on the best way to contribute. Some made vague statements about higher/lower cost which needed further explanation to be awarded. For example, introducing renewable energy might involve a high set up cost or lower energy bills. Others confused the concept with increasing efficiency or being ethical. Many candidates attempted to link points to the context of a glass bottle manufacturer which was unnecessary.

Question 2

(a) This question produced a range of responses. Most responses correctly identified X as total revenue, but many struggled to state what Y represented. Common incorrect answers included variable costs for X, and profit instead of margin of safety for Y.

(b) Most candidates correctly defined total cost. A common mistake was to confuse the term with average cost or start-up capital.

(c) Candidates showed good knowledge of location factors with 3 or 4 being a typical mark. Some repeated similar points which could only be awarded once. Others ignored that the question referred to a service business, so points related specifically to manufacturing businesses were not credited. Many used single words, such as transport or access, which needed further clarification to be credited. A small number of candidates attempted to list more than four factors, which was unnecessary as only the first four responses can be marked.

(d) Most candidates knew business plans can be used to set goals or help get a bank loan but were not able to develop these points effectively. Instead of analysis, many identified new knowledge points or simply repeated what they had already written. For example, '*banks will lend because they trust them because they have produced a business plan*'. Some simply described the information included in a business plan without explaining why or how it could be helpful. Application was often awarded for recognising Nancy was an entrepreneur, and the business was a bookshop.

(e) Candidates who explained the consequences of increased competition but at the same time had increasing opportunities for sales scored highly on this question. However, very few candidates were able to make effective evaluative comments. Weaker responses were descriptive as candidates offered additional points of knowledge but did not attempt to develop them. Many included statements about e-commerce being expensive or cheaper without identifying which costs were being referred to. A number of candidates wrongly focused on consumers, or discussed whether to start up a business, which were different questions.

Question 3

(a) Those who understood the business cycle generally achieved full marks. The most common error was to confuse the concept with stages of the product life cycle.

(b) This question was well answered. A common mistake was to place the values for revenue and gross profit in the wrong order when attempting to calculate gross profit margin. Others incorrectly calculated the profit margin.

© 2022

www.dynamicpapers.com

(c) The difference between profit and cash is a difficult area of the syllabus. Only the strongest responses were successfully able to explain the difference, which was necessary to gain full marks. However, most candidates showed good knowledge of profit or cash, and then used the information provided to clearly link their answers to the context. A common misunderstanding was to assume revenue is the same as cash.

(d) Most candidates could identify at least one way, namely lower prices or increase advertising. Better responses correctly used appropriate words from the scenario to ensure their answers were applied. However, most candidates struggled to develop points. To gain analysis, candidates needed to explain how each method would work. For example, lower prices might result in the products being more affordable. There were several common errors. Some identified ways that were not appropriate. Others made imprecise statements about improving the services or better quality. A small number of candidates misread the question and so focused on ways to increase sales or tried to explain the impact of increased competition on the business. None of these answers could be credited.

(e) This question produced a range of responses. Many candidates demonstrate some knowledge of leasing or alternative sources of finance. Stronger responses were able to develop points such as 'not responsible for maintenance' to show how this could be helpful to a small business. Instead of analysis, many identified additional knowledge points. Evaluation, where attempted, tended to repeat points already made rather than provide a reasoned judgement. A mistake made in some responses was to wrongly assume that the business was the one leasing out the vehicles, and therefore would provide a source of income. Others made vague statements about renting, loans and interest payments. None of these points were credited.

Question 4

(a) Many candidates understood delegation involved managers giving tasks to a subordinate but only the strongest responses were able to provide a full definition. Some candidates were not aware that the authority to carry out tasks is also passed down. A small number of candidates did not attempt this question.

(b) Good knowledge of motivational theories was evident in most responses. A common mistake was to identify methods of motivation.

(c) This question was well answered. Typical correct answers included flexibility and lower labour costs. The best responses then used the information from the stem to link points to the context to access marks for application. Some candidates incorrectly assumed that all part-time employees would have higher levels of motivation.

(d) There were many good answers to this question. These responses were able to effectively explain how reasons such as fewer mistakes or increased efficiency could be advantageous to a cereal manufacturer. For example, increased efficiency could lower the average cost of making its breakfast cereal. A common mistake in weaker responses was to repeat the knowledge point or identify a different benefit rather than offer any development. Others used the same application for both points. It is important that candidates answer the question set. Some candidates explained what would happen if workers were not trained, these responses could not be credited.

(e) This question was poorly answered. Most candidates could identify at least one advantage of a public limited company, for example the ability to sell shares on the stock exchange, but most candidates were unable to sufficiently develop points to show analysis. Evaluation was rare. A common mistake was to repeat the advantages of one type of organisation as a disadvantage of the other, but such answers are only awardable once as mirror arguments are not allowed. Many candidates made vague statements about 'access to capital' and 'control'. Others identified features which are common to both public limited companies and private limited companies, which did not answer the question. A significant number of candidates incorrectly assumed that a public limited company is owned or controlled by the government.

© 2022

www.dynamicpapers.com

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 is apart from one of the **(a)** questions which 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 hotel business that is owned by a sole trader.
- Candidates should try to give a full explanation of the positive and negative consequences of a business decision when this is asked for. Responses in **(b)** questions 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 option(s) by making reference to why the alternative option(s) was rejected.

General comments

The majority of candidates had been well prepared for this examination and there were many high scoring scripts. Candidates are developing a strong examination technique and clearly understand what is expected of them. The context of MH, a hotel business, provided an accessible scenario for candidates. Those who applied their skills to the context of MH achieved higher marks.

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. In the **(a)** questions if it asks for one advantage and one disadvantage then candidates will not be credited for giving more than one advantage or one disadvantage. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, there was little evidence of topics not being understood.

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. 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 their decisions to secure Level 2 and Level 3 marks.

Comments on specific questions

Question 1

(a) This question was well answered. The majority of candidates gave four suitable communication methods. The most popular methods were meetings, emails, noticeboards, and phone calls. However, weaker responses needed to explain all four methods without repeating the same explanation for different methods, such as able to give feedback or allows discussion. Some

© 2022

www.dynamicpapers.com

answers did not offer any explanation which clearly identified how the method could be used to communicate with employees. A minority of candidates referred to verbal, written and visual communication but did then give examples to gain credit for the method being used. This was a generic question and therefore there was no need to refer to the case study, answers that did try to apply the explanation often lost the focus of the question.

(b) This question was a mix of well answered and vague responses. Many weaker answers were descriptive of the method, such as describing what contents should be on the website rather than why the method would help to promote the hotel. However, there was often good application by referencing the lack of photographs on the website and limited information. Social media was clearly understood but again candidates needed to focus on how it can be used for promotion or the possible expense of popups. Emailing existing customers tended to be the better answered of the three alternatives, as even weaker answers recognised the benefits of increased customer loyalty. It was also recognised that emails may be seen as annoying or simply go into spam and not be seen therefore making them ineffective. Answers were often well applied by referring to the hotel and customers booking rooms. The recommendations in weaker responses often just repeated earlier points. Better responses had a recommendation that was in the context of this business and justified a choice for promotion with a comparison of why the alternative choices were rejected.

Question 2

(a) The majority of candidates could give an advantage and a disadvantage of delegation to the owner. However, a minority of candidates answered this from the viewpoint of employees which was not what the question asked, or they confused delegation with specialisation and so assumed employees would be given just one task making them bored. Weaker responses listed points without development and gave several advantages and disadvantages, again not what the question asked. The most popular advantage was that the owner would have more free time to focus on important decisions and the most popular disadvantages were that employees may make mistakes or costs would increase from training the employees to carry out these tasks. Application was often gained by candidates for recognising the owner worked 60–90 hours a week, the business being a sole trader, that the owner lacked financial skills, or the effects on the reputation of the hotel.

(b) Weaker candidates needed to read the question carefully as they tended to focus their answers on why quality is important to the hotel rather than how these three ways may help the business to improve its quality. This meant weaker answers tended to be descriptive and repeat the question limiting credit to Level 1. Other weaker answers repeated explanation, such as this would reduce complaints or improve brand image rather than focus on how each way could improve quality. Better responses recognised that buying quality ingredients may help improve the quality of the meals in the restaurant which could attract customers to return but that there may be higher costs to pay. Room cleaners being made responsible for checking their own work was the weakest of the three ways with many answers just stating this would improve quality without any consideration that motivation may increase, and cleaners may take pride in their work or that costs may be saved by not needing supervisors. However, many candidates thought that lazy cleaners would do a bad job and reputation of the hotel would get worse. Chefs sampling their own work was the best understood of the three with answers stating that this would prevent bad food being served but that time and food might be wasted. However, a minority of candidates mistook this for sampling as a marketing concept and thought the hotel was giving samples of food to guests and asking for their opinions. Conclusions often chose room cleaners as the main complaints outlined in Appendix 2 were about rooms not being cleaned well and not for poor food being served in the restaurant. Weaker conclusions did not focus on the quality of service but on why quality is important.

Question 3

(a) Candidates responded well to this question. Many answers gave four advantages of changing to a partnership with the most popular being increased capital, sharing of responsibilities, more ideas, shared risk and additional skills from partners. Lack of application was the main reason for less than full marks. Some answers gained credit for applying their explanation of the advantage, but a large number of candidates treated this as a generic question and therefore limited their marks to four in total.

© 2022

www.dynamicpapers.com

(b) This question was well answered by the majority of candidates. Weaker responses were also able to correctly carry out some of the calculations. Good use was made of the information in the case and even if the calculations were not included candidates could still include a good discussion of the two options. The calculation of revenue for option 1 was often correctly calculated. However, mistakes such as thinking that the price had doubled rather than increased by 50 per cent or that the price was $3000 per room resulted in incorrect calculations of revenue for option 2. This made it more difficult for weaker candidates to make a justified valid recommendation. Other errors seen were assuming that only 50 rooms needed to be redecorated or the price for option 1 was reduced by $50. Some weaker responses mistook the revenue figures for profit and therefore made incorrect assumptions. The recommendations mainly selected option 1 because of the high cost of option 2 and the need to borrow money to redecorate. Others recognised the change in the type of guests and the expense of carrying out a new marketing campaign to attract high income tourists. Responses were well applied as the information for the two options were widely used in answers.

Question 4

(a) This question required candidates to explain how two new legal controls would affect the hotel. Many candidates answered this well by highlighting that listing all ingredients would increase costs from reprinting the menus but that it would be likely to increase customer satisfaction and therefore increase sales. Application was often gained by referring to food allergies or information from Appendix 3 in the explanation. Not using single-use plastic bottles was also well understood with answers again referring to higher costs but this time from the purchase of glass bottles. It was also argued that the image of the hotel would be improved by being seen as environmentally friendly and therefore also attract more customers. Application was often achieved by referring to glass bottles or the hotel in explanations. Weaker responses gave general responses which, whilst not unreasonable, did not explain how the legal controls might affect MH and were more about the impacts on the customers eating at the restaurant or the planet generally.

(b) The majority of candidates gained some marks from this question, but many forgot the question was about how to improve the cash flow of the hotel. Therefore, some answers included a general discussion of the three ways without referencing the impact on the cash flow which often limited answers to Level 1. Better responses which did relate their explanation of the three ways of how cash inflows or outflows would be impacted moved into Level 2 in the main body of the answer and then Level 3 in the conclusion. Bank loans were well understood by the majority of candidates and better answers referred to the short-term inflow when taking out the loan but that outflows would increase when repaying the loan with interest. It was recognised that customers paying a deposit would increase inflows and possibly make the booking less likely to be cancelled and the deposit was lower than competing hotels that required a 30 per cent deposit. Trade credit was the least well understood, and some candidates thought suppliers would stop supplying the hotel altogether. The 20 per cent deposit was the most favoured choice in the conclusion as it increased cash inflows quickly but did not affect outflows. To gain higher marks in the conclusion answers often needed to be applied to the context and also justify in more detail why the alternative ways had been rejected.

© 2022