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BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Definitions need to be clear and precise.
- Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. Different points of application are needed to access both application marks within the same question.
- Candidates should not use the same analysis for both points within the same question.
- Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer, and clearly answer the question set. A decision alone or summary of points made is not evaluation. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

This paper produced a wide range of marks. Overall, candidates showed good knowledge of concepts, but many found accessing the application, analysis and evaluation marks more challenging.

Parts (a) and **(b)** of each question were generally well attempted. However, many candidates lacked the necessary precision in their definitions or range of knowledge to access all the marks available.

It is important for candidates to be reminded that questions can be set on any area of the syllabus. It was clear that some candidates were not familiar with topics such as sampling and legal controls over marketing.

For most **part (c)** questions (excluding **2c** which only assessed knowledge) and all **part (d)** questions, candidates need to use information from the stem to link their answers to the scenario to achieve application marks. Candidates should not use the same application for both points within a question.

Candidates must understand which skills are being assessed in each question. Some included analysis in **part (c)** questions and application in **part (e)** questions. However, **part (c)** questions only assess knowledge or knowledge and application whilst **part (e)** questions assess knowledge, analysis and evaluation. No other skills can be awarded in these questions.

Candidates need to develop their evaluative skills. Of those candidates who did attempt an evaluative comment, many 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 discussed.

Comments on specific questions

Question 1

(a) Most candidates understood inflation referred to an increase in the price of goods or services. Only the strongest responses were able to provide a full definition. Many candidates overlooked the time element. Another common mistake was to explain reasons for inflation. Other responses lacked precision as they referred to cost instead of price. Some candidates made the mistake of referring to a single product rather than general prices.

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

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(c) Most candidates could outline at least one way with fair pay to employees or not using child labour typical answers. Better responses used the information provided to access the application marks. For example, recognising the business had 200 employees or that the factory produced cars. Some candidates confused ethical and environmental issues. A common mistake was to focus on environmental issues and outline different ways a business could do this which could only be awarded once. Others wrongly outlined the benefits to a business of being ethical.

(d) This question produced a range of responses. Many candidates recognised that higher interest rates could increase the cost of borrowing or lower demand. Better responses were able to explain how each point might affect the business in terms of higher cash outflows and lower revenue. Many responses gained application marks for an appropriate reference to cars or for recognising the business was planning to introduce new technology. Weaker responses struggled to develop the points made. A common mistake was to state the business would pay more interest which was repetition of the question. Others discussed the effects of inflation, exchange rates or imports.

(e) This was a challenging question for most candidates. Stronger responses recognised that import tariffs could increase costs, and that this might lead to higher prices and less demand. These responses recognised the effect on different types of products such as raw materials and finished goods. Weaker responses were not able to develop the points made. Some candidates identified possible effects such as fewer sales but needed to make it clear why tariffs were the reason for this. Others misunderstood the question so focused on whether the business should import products by considering factors such as quality and availability. Some candidates confused tariffs with quotas. Several candidates started their answer by defining the term which was unnecessary. Effective evaluation was rare. Those candidates who did attempt a decision tended to repeat earlier points made.

Question 2

(a) Most candidates were able to identify at least one cause. Typical answers included lack of finance or poor management. A common mistake was to mention problems any business might have such as efficiency or communication which do not identify why a business might fail.

(b) Candidates who understood how to calculate the acid test ratio of 0.5 gained both marks. Some candidates made an error in the final calculation, but they were still able to access the method mark for showing their working. A common mistake was to calculate current ratio.

(c) Many candidates could identify reasons such as able to meet demand and benefit from economies of scale. Only the strongest responses gained all four marks. A common mistake was to identify types of inventories and not reasons for holding it. Other candidates repeated similar points which could only be awarded once. For example, meeting demand and to meet orders are different ways of saying the same thing.

(d) Good knowledge was evident in most answers. Better responses then developed the points made. A common mistake was to repeat the knowledge point rather than offer development. Other candidates simply reused the wording from the question stating they would use information from the financial statements without identifying the information they would be interested in. A common misconception was to assume profit is used to pay wages or suppliers. Some candidates made vague comments about financial problems or cash issues. Application was surprisingly limited. One way to include application is to use relevant data from Table 2.1. to support the points made. For example, instead of financial problems candidates could have referred to the $10 000 loss or that cash has fallen by $5000.

(e) Most candidates were able to access knowledge marks for identifying either advantages or disadvantages of selling in a mass market. Stronger responses were able to explain how higher potential sales or high competition could lead to additional revenue or lower prices respectively. Other candidates compared the merits of a mass market with a niche market, which was another valid approach. The strongest answers then used this comparison as the basis for their evaluation. Weaker responses tended to be descriptive as candidates offered additional points of knowledge rather than analysis. Instead of evaluation, most repeated points already made.

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Question 3

(a) This question was well answered by most candidates. Typical correct answers included giving out tasks and checking the quality of work. However, some responses lacked precision. For example, comments about looking after or helping employees. Others stated supervisors would 'supervise' which is repetition.

(b) A well answered question.

(c) Most candidates understood that a takeover would help reduce competition. Stronger responses then linked their point to this insurance business. There were two common mistakes. Some candidates demonstrated good knowledge but there was no attempt at application, so they missed out on two potential marks. Others repeated a similar point for both answers which could only be awarded once.

(d) Most candidates demonstrated good knowledge of the disadvantages of autocratic leadership. Better responses then explained the consequence of issues such as low motivation for the business. However, many candidates struggled to identify a relevant advantage. A common mistake was to state who made the decision and not the advantage of supervisors doing so. Other candidates focused on the potential benefits of quicker decision-making such as being able to quickly respond to opportunities but forgot to include the reason why this was possible. Others simply stated it would be quicker without saying what this related to.

(e) This question was a good discriminator. Candidates were clearly familiar with the concept of sources of finance and most candidates were therefore able to access the knowledge marks. Better responses developed points which the weaker answers struggled to do. To access the analysis candidates needed to explain the advantage or disadvantage of using the respective sources of finance. Only the strongest answers managed to gain marks for evaluation. These answers compared the two sources and explained why one was likely to be a better than the other for a business looking to expand. A common mistake was to identify short-term sources. There were also vague statements about internal finance, external finance or borrowing from people without identifying the source. Some candidates defined the terms which was unnecessary.

Question 4

(a) This area of the syllabus was not well understood, and the question was poorly answered as a result. Some responses recognised that businesses would not be allowed to carry out misleading advertising. However, most candidates struggled to identify two different ways legal controls might affect the marketing strategy. Incorrect answers included identifying other areas of legal controls relating to employment or the environment. Others named legal controls which was unnecessary. A small number of candidates did not attempt this question.

(b) Well answered by most candidates. A common mistake was to confuse quality control with quality assurance. Other candidates identified reasons why quality is important.

(c) Most candidates found the concept of sampling challenging. The best answers recognised that sampling could help reduce cost and save time. However, application was rare as candidates forgot to link points to the context of this start-up business. A common misconception was to assume sampling is a different method of market research. Some candidates confused sampling with test marketing. Others wrongly identified reasons for carrying out market research.

(d) This question was a good discriminator. Most candidates could identify at least one disadvantage with unlimited liability and limited access to capital typical responses. Appropriate references to photography and new business allowed many candidates to gain application marks. Weaker responses identified disadvantages but either did not develop the points made or made no attempt to link their answer to Viktor's business. Others made assumptions about profit or workload. For example, the latter ignored the fact a sole trader can employ workers, so whilst they may have to work long hours, it is unlikely they must do all the work.

(e) Good knowledge was evident in many responses. Stronger responses were then able to develop the points made. Instead of analysis some candidates stated it would motivate employees or make them more efficient without explaining how the chosen method would help achieve this. Evaluation was limited or not attempted. To access evaluation, candidates needed to discuss two relevant

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methods. Instead of explaining why the chosen method was the best way to use, many candidates summarised points already credited. A common mistake was to identify methods such as piece rate which are not appropriate for the service sector. Others discussed the benefits of motivation which was not the question set. Many linked their answer to the scenario which was unnecessary for this generic question.

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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 is apart from one of the **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for the 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 **(a)** and **(b)** questions for application. In this particular case study, candidates were expected to refer to a paint manufacturing business.
- Candidates should try to give a full explanation of the positive and negative consequences of a business decision when this is asked. 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 the options 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 strong examination technique and clearly understood what was expected of them. The context of RW, a paint manufacturing business, provided an accessible scenario for candidates. Those who applied their answers to the context of RW 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 demonstrated good knowledge and understanding of the full range of the syllabus that was assessed, there was little evidence of topics not being understood. Although external benefits and external costs proved more difficult concepts for some candidates.

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 should also be applied to the case in **(b)** questions. 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.

Comments on specific questions

Question 1

(a) This question was well answered. The most popular advantages were high output/efficiency and economies of scale leading to lower unit costs. The most popular disadvantages were that if one

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machine breaks down production will be stopped, and repetitive jobs may lead to lower motivation. Weaker answers lacked sufficient development to gain full marks. Some candidates listed several advantages/disadvantages rather than developing just one of each as the question asked, limiting the marks that could be awarded. Production of paint and 1 million tins produced were the most common examples of application in answers. To gain full marks explanation of both the advantage and disadvantage needed to be applied to the context.

(b) This question was reasonably well answered. All three changes were briefly explained with simple statements meaning most candidates were at least in the Level 1 mark band. Stronger responses developed their answers to explain how RW was likely to be affected by each of the changes. The decrease in competitors' prices was the best answered of the three changes as candidates recognised that RW was likely to lose customers and revenue if it did not also reduce its prices but that if it had loyal customers then revenue may be maintained. The increase in consumer incomes was assumed to lead to an increase in sales but it was not always made clear why this might happen. Changes in consumer tastes and fashion sometimes focused on what was happening to demand for wooden garden furniture rather than seeing RW as a supplier to these businesses. Stronger responses went on to justify which change was likely to have the most effect on RW's revenue and why the other changes would have less effect. Application was often achieved for references to paint, wooden garden furniture and bright/dark colours.

Question 2

(a) The majority of candidates were able to identify two problems. The most popular problems were that the business would be more difficult to control, lack of finance, poor communication, lack of commitment and motivation of employees. Stronger responses stated a problem, explained why the problem had occurred and then provided a consequence of this problem to the business. To achieve high marks candidates needed to ensure that each problem had three linked points as well as being applied to the context.

(b) This question was quite well answered by most candidates. However, there were a number of errors made in the interpretation of the data in the insert. These included there was no need to build a new factory at location A since one was already there, that each location could provide a new market when the main market was in the city, and they could use the port for dumping waste. Many candidates did attempt to develop their answers rather than just repeating the information in the insert, but development was often limited to simple impacts on RW, such as this will increase/decrease costs, skilled workers are available so less training is needed, or high unemployment means it is easy to get workers. Each of these points could have been further developed to explain how the business would be affected. This style of question requires interpretation of the data, for example, is it more or less significant to the business, how the business is affected and why? Stronger responses analysed each of the three locations and included a justified recommendation that included why the other two locations had been regarded as less suitable.

Question 3

(a) Candidates responded well to this question. Many answers gave four legal controls such as protection against unfair dismissal, minimum wage must be paid, protection against discrimination, health and safety laws, maximum hours that can be worked, provision of an employment contract and redundancy payments needing to be made. The second mark for each legal control was for a development of how the law benefits employees. Weaker responses sometimes incorrectly gave benefits to employers or benefits of being a member of a trade union. This question did not require application to the context, but some candidates still tried to apply their answers to RW.

(b) This question was generally well answered. Candidates had a good understanding of the two methods of training and could list the advantages and disadvantages of each method. However, candidates did not always go on to explain the advantages and disadvantages. This kept some answers in Level 1 and limited the marks achievable. Stronger responses developed points further by discussing how these advantages and disadvantages affected affordability, efficiency and labour turnover. Many answers did contain a recommendation that compared the two methods and justified which method to use. Some answers tended to be quite theoretical and not applied to RW, and others contained mirror answers, such as on-the-job being cheaper and off-the-job being more expensive.

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Question 4

(a) If candidates understood external costs and external benefits then they tended to gain high marks. Weaker responses discussed costs and benefits in general, such as more wages and more sales. The most popular external benefits were reducing unemployment in the area, increased tax revenue and improved infrastructure. The most popular external costs were river pollution from the factory waste and other types of pollution, such as noise. Waste from the factory thrown into the river, pollution from paint production, public limited company, wooden garden furniture and 100 employees being recruited to the new factory were the most common examples of application included in answers to gain the second mark for each external benefit and external cost.

(b) This proved to be the most challenging question on the paper. Many candidates made basic statements that if output doubled then everything else would double. Only stronger responses were able to develop their answers thinking beyond this and considered why the figures may or may not just double. For example, revenue of $10 million might not be achieved at the new factory because it may take more than a year to produce and sell the same output as the original factory. Some responses confused cost of sales with sales revenue and expenses were sometimes seen as the purchase of raw materials. There were only a few examples of strong answers that included consideration of why the figures for each section may or may not be achieved and then a conclusion whether the forecast profit figures of $2 million for both factories would be achieved.

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