www.dynamicpapers.com

BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Definitions need to be precise. They do not need to match the coursebook word for word, as long as the meaning is clear.
- 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. A different contextual reference is needed for each point made.
- Candidates cannot gain credit for using the same analysis for both points within the same question.
- Evaluation continues to be a skill that needs improving. Evaluation requires candidates to make a supported judgement. This should build on the analysis points made and clearly answer the question set. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each **part (e)** question.

General comments

Candidates found this to be an accessible paper with most candidates demonstrating good subject knowledge. However, some candidates did not include application or analysis. Most candidates struggled to access the evaluation marks.

It is important that candidates read each question carefully to ensure they have the correct focus and are answering the question set. For example, many candidates misread question **1(c)** which resulted in low marks for these candidates on this question.

Some candidates need to be more precise when defining terms. This was particularly an issue in question **1(a)** where answers often confused added value with other concepts including profit margin.

Most part **(c)** questions (excluding **3(c)** which only assessed knowledge) and all **part (d)** questions assess application. To gain application, candidates need to use the information provided in the stem to support the point being made. Using appropriate references from the scenario allows candidates to gain these marks. A different point of application is required for each answer given within the same question.

Analysis involves developing the points made. Some candidates repeated their knowledge rather than explaining how or why a given initial point was relevant. Others identify new points of knowledge which is unnecessary.

Developing evaluation skills is important. Many responses still do not include a decision in **part (e)** questions. Of those candidates who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. Candidates should be encouraged to make a decision, provide a supporting reason for the decision and then explain why it is better than the alternative discussed.

Comments on specific questions

Question 1

(a) Most candidates understood that added value is linked to selling price but were unable to explain how this related to the cost of raw materials. Better responses were able to provide a full definition. A common mistake was to identify ways to increase added value. Other candidates confused the terms price and cost whilst some described different concepts including profit or profit margin.

© 2024

www.dynamicpapers.com

(b) This question was well answered by most candidates. A common mistake was to omit mentioning that production involved using raw materials to make the products. Other candidates provided examples of secondary sector business activity which was unnecessary.

(c) This question was poorly answered. Many candidates did not read the question carefully so identified possible objectives the business might have set rather than outlining reasons why the objectives might have changed. Better responses recognised the business might have achieved its current objectives or that there may have been changes in the level of demand or competition. The best responses gained application marks for appropriate references to the small bakery.

(d) Most candidates showed excellent knowledge of non-financial methods of motivation, and many were able to explain the points made in context. A common mistake was to identify financial methods of motivation including examples of fringe benefits. Other candidates repeated the same application point for both methods which could only be awarded once.

(e) This question was poorly answered by some candidates. Better responses recognised that a business could use recruitment agencies or newspapers to advertise job vacancies and then explained an advantage of using each method. The most common mistake was to discuss methods of selection rather than recruitment. Whilst other candidates discussed the advantages or disadvantages of using external recruitment. There were also vague statements about advertising without indicating where this should be done, for example on online recruitment sites. Some candidates confused methods of advertising jobs with advertising products. These responses could not be credited.

Question 2

(a) This question was well answered by most candidates. However, weaker responses lacked the necessary precision in their answers, so they did not clearly explain the characteristic. For example, referring to 'low GDP' rather than stating it was falling or negative GDP and 'unemployment' instead of an increase in unemployment.

(b) Some candidates understood that a pressure group would try to influence business decisions. Better responses were able to provide a full definition. A common mistake was to identify examples of how or why the pressure group might try to influence business decisions. Other candidates repeated the word 'pressure' which did not help explain the term, whilst some defined a stakeholder group.

(c) This question produced a range of responses. The best answers focused on how the business might have to change its production methods in the factory or change the raw materials used when making its hats. Some candidates repeated their application point, namely hats, for both answers, which could only be awarded once. Other common mistakes included identifying ways a business could damage the environment or the advantages to a business of trying to protect the environment. Whilst some candidates outlined what might happen if the business did not respond to the legal controls, for example, it could damage its reputation. Such answers were not credited. Many candidates provided answers which contained analysis which is not a requirement for a **part (c)** question.

(d) Most candidates could identify at least one advantage or disadvantage of using emails to communicate with customers. Better responses were able to explain how points such as being able to send messages to all customers at once could save time, whereas if there were technical problems the message would not be sent or received. Application was often awarded for appropriate references to hats or mass market. A common mistake was to focus on employees, instead of customers. Other candidates made no reference to the context, which meant these candidates missed the opportunity to access application marks.

(e) Good knowledge was evident in most answers. Better responses were able to explain how being able to identify customer needs could help a business develop suitable products. Weaker responses listed lots of knowledge points but did not develop them. Others made comments about how market research data would 'ensure success' or 'satisfy customers' which were too vague to be credited as candidates needed to explain why or how this would happen. Evaluation was rare. Instead of a supported decision based on the points discussed, candidates offered a summary or identified new points of knowledge. Another common mistake was to identify methods of market research, and their respective advantages or disadvantages, which was not relevant.

© 2024

www.dynamicpapers.com

Question 3

(a) This question was well answered by most candidates. A common mistake was to refer to profit which is not a cash inflow. Other candidates identified stakeholders including customers and suppliers without indicating how they might represent a cash inflow or outflow. Some attempted to define the terms which is a different question.

(b) Good knowledge was evident in most responses. The common mistake was to identify sources of finance rather than factors affecting which source was chosen.

(c) This question produced a range of responses. Those who knew about market segmentation, generally gained 3 or 4 marks. A common mistake was to confuse market segmentation with stages of the product life cycle or identifying types of markets including mass and niche.

(d) A generally well answered question with most candidates showing good knowledge of multinational companies (MNCs). Stronger responses then explained how advantages such as access to larger markets could increase sales. Answers were generally well applied with most candidates mentioning hotels or recognising the business operated in 18 countries. A common mistake was to identify advantages to the host country. Other candidates ignored the fact that FR was a hotel and included points about cheap production or access to raw materials which were not relevant. Instead of development, some repeated their knowledge point or identified new knowledge.

(e) This question was challenging for most candidates. Those who showed knowledge rarely scored beyond 2 or 3 marks as their development lacked analysis. Only the best responses were able to explain how a cash flow forecast could help support loan applications as it showed an ability to pay, or by helping to identify cash flow problems, it could allow the business time to take corrective action. Weaker responses managed to identify knowledge points but offered no relevant development. For example, they could identify that it allowed the business to see cash inflows and outflows, but they did not explain how this could help the business. All candidates struggled to provide effective evaluation. A common mistake was to assume that a cash flow forecast could be used to measure profit, loss or working capital. Others confused the cash flow forecast with other financial documents such as an income statement.

Question 4

(a) Most candidates understood that break-even output occurs when a business is not making a profit or a loss. The best responses were able to provide a precise definition recognising that it was where total costs equal revenue. The weakest answers simply repeated the term ‘break even’ in their definition without offering an alternative explanation.

(b) Candidates who understood the formula for margin of safety generally gained full marks. A common mistake was to calculate the value of revenue or contribution. A small number of candidates did not attempt this question.

(c) This question produced a range of responses. Many candidates could outline at least one method, with discounts and BOGOF being typical responses. The best answers used the information provided to link their answers to this t-shirt retailer. A common mistake was to identify methods of advertising or ways to increase sales. The level of application was mixed. Some candidates attempted to use ‘shop’ as application which was excluded as it was stated in the question. Others repeated the same application for both answers. Many candidates made no attempt to link their answers to the context. Application could have been awarded for either using appropriate references from the stem or data from the table.

(d) This was a well answered question. Candidates showed a good understanding of location factors and were generally able to explain why points including cost of rent and access to customers needed to be considered. Application for this question was also good with most candidates referring to the ‘t-shirt’ business or recognising that Suliman was a sole trader. A common mistake was to reuse the same application for both points. Other candidates identified factors such as access to raw materials, ignoring the fact that this business was a retailer.

© 2024

www.dynamicpapers.com

(e) Good knowledge was evident in most responses. Better answers were then able to explain how points including having all the profit or unlimited liability could represent an advantage or disadvantage to a sole trader business. Instead of analysis, weaker responses tended to identify additional points of knowledge. Some candidates had the wrong focus so discussed the advantages and disadvantages of being a small business. Some did offer a decision, but this was either not supported or summarised points already made.

© 2024

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 part **(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 parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a business that manufactures traditional meals from another country.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Answers need to go beyond saying that the business is affected or is changed by explaining how it is affected or how it is changed. 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 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 was expected of them. The context of AF, a food manufacturing business, provided an accessible scenario for candidates. Candidates who applied their answers to the context of AF were able to access the higher marks/levels.

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, there was little evidence of topics not being understood. Although market segmentation and the effects of an appreciation in the exchange rate 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 reasons for government support for the start-up of new businesses given were reducing unemployment, increasing economic growth, gaining more tax revenue for the government, increased competition and improved variety of goods for

© 2024

www.dynamicpapers.com

consumers. As this was a generic question there were no application marks, but a minority of candidates still tried to apply their answers. Although the majority of candidates could give three or four correct reasons, they could not always go on to explain the reason but instead repeated the reasons such as 'to provide jobs to increase employment' rather than explaining that by creating more jobs the unemployment rate would decrease. Some weaker candidates explained *how* governments provided support rather than *why*.

(b) This question was reasonably well answered. The rise in the minimum wage was the best explained by saying that it might increase costs but that employees would then be motivated, and efficiency would increase. Application marks were often gained as it was recognised that employees were already paid above national minimum wage or that there were 10 skilled employees working for AF. Stronger responses realised that the rise in the minimum wage would mean many employees would have more disposable income and therefore there may possibly be more sales for AF. Answers in the health and safety section often stated that there would be an increase in the costs for training and purchasing safety equipment. However, answers were often brief statements rather than developed explanations of the effects on the business, keeping answers in the lower mark band. Weaker candidates thought that the third legal control was not a problem as they thought AF's employees only needed to work 40 hours. Stronger candidates recognised the problem of not being able to meet orders during busy periods, and possibly needing to increase the number of employees leading to higher wage costs or lower sales during busy periods if more employees were not recruited. Conclusions often repeated earlier points or did not justify the statement, such as health and safety changes would increase costs the most but did not say why.

Question 2

(a) Many candidates recognised that segmentation was aimed at a target group or a specific market. Reducing advertising costs, charging a higher price and recognising a gap in the market were the most popular answers. Better answers had a developed focus which was based on a clear understanding of segmentation, such as a business can charge a higher price due to a lack of competition within the segment which means a higher profit margin. Some candidates did not gain credit for the second benefit as it was just repetition or rephrasing of the first one. Weaker responses related their answers to market research instead of market segmentation.

(b) This question was quite well answered even by weaker candidates. Penetration pricing and price skimming continue to be an issue for some candidates with weaker candidates describing penetration as having high prices. However, many candidates did recognise that penetration pricing was a low price. Several candidates suggested that price skimming would be better and more profitable as AF was the only producer of these meals and hence there was no need to have a low price to attract customers. Some candidates also stated that penetration pricing may be seen as an indication of low quality leading to lower sales.

Selling through retailers was seen as a way to increase sales and some candidates discussed higher prices from the retailers adding on their own margin and increased competition at the retailers from other manufacturers of meals, limiting the increase in sales. Social media was generally well understood, and answers were often developed. However, reference to selling globally/internationally was not appropriate for this business. Many candidates did not answer the question in the conclusion and focused on an element of the marketing mix. Answers did not often state whether the marketing mix was suitable, which resulted in very few answers achieving the Level 3 mark band.

Question 3

(a) Appreciation in the exchange rate is another area of misunderstanding with weaker candidates saying imports would be more expensive. However, the majority of candidates realised that the ingredients would be cheaper and explained that this would result in lower costs of production and increased profits. Better candidates discussed that cheaper materials could allow AF to reduce prices and therefore increase sales. They also realised that cheaper imported consumer goods would increase incomes to be spent on other goods and may allow more spending on AF's meals. Recognising that 90 per cent of ingredients were imported was the most popular application point. Incorrect responses usually related to exporting meals which was not suitable for this business.

© 2024

www.dynamicpapers.com

(b) The majority of candidates gave explained responses for investing in new technology but then often just repeated the point as mirror arguments in the second part about buying more of the existing equipment, which limited their marks. Many answers recognised that new technology would bring improved productivity, motivation to employees as the task may be more interesting, quality may increase but employees would probably need training, and it would be twice as expensive as buying more existing equipment. Answers that gained credit for being applied often made reference to the business having 10 skilled employees, that it produced high-quality meals or that the costs to purchase the equipment would be £25 000 or £50 000. Weaker candidates often assumed that 'existing equipment' was 'old' and did not recognise that it was working well for AF currently and could achieve increased output. Due to mirror repeated arguments, it was only better candidates that produced conclusions which were in the Level 3 band. To achieve the higher mark band answers not only have to justify the choice made and be applied to the case, but also justify why the alternative option was rejected.

Question 4

(a) The most popular advantages were no interest to be paid, no need to pay it back, available straight away and no need to apply for external funding. The most popular disadvantages were not having enough retained profit available and reducing the return to the owners. To gain the higher marks each advantage and disadvantage had to be applied to the business and answers were often poorly applied. The knowledge for this question was very good but the application was generally more limited.

(b) This was well answered by many candidates as they demonstrated their ability to calculate gross profit and profit. However, whilst the calculations were correct, weaker candidates mistakenly labelled profit as gross profit or even revenue. Better candidates also included gross profit margin and profit margin, and some even included break-even calculations. Weaker candidates did not go beyond simple comparative statements, such as 'the price of meal 1 is higher than meal 2'. Others did not go beyond calculating total revenue and total costs and lost the opportunity for higher marks by not going on to calculate profit. Weaker candidates made their own assumptions which were not consistent with the data and therefore could not be awarded any credit such as, 'Meal 2 has less wastage because of the lower price', or 'Meal 1 has inefficient production methods because costs are higher'. Application was often gained by including reference to the data in the appendix. Many candidates having correctly calculated the profit for each option made a recommendation based on the calculations and moved their answers into the higher mark band.

© 2024