

# BUSINESS STUDIES

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**Paper 0450/11**

**Short Answer/Structured Response**

## General Comments

The paper produced a wide spread of marks reflecting its ability to differentiate effectively between candidates. The questions provided ample opportunities for candidates to demonstrate their knowledge and understanding of business concepts from all parts of the syllabus. There were also many chances to apply knowledge to given situations and to make evaluative judgements. Such opportunities were taken by strong candidates whose quality of work was very impressive.

However the paper proved quite challenging for a significant number of candidates. This was particularly true of certain Centres who had perhaps not fully prepared their candidates for the rigours of the examination. There was clear evidence of parts of the syllabus not being taught. Concepts such as niche markets, price elasticity of demand and product life cycle extension methods were not known by whole Centres. Teachers perhaps need to be reminded that the whole of the syllabus is available to the Examiners to assess and selective coverage is to be strongly discouraged.

There was also evidence that some candidates (usually the weaker ones) simply do not read questions carefully enough. They tend to answer their own question rather than the one set and this simply does not score highly. Consequently the focus of the answer is often misplaced. Data questions also pose surprising problems for some candidates. Candidates must be encouraged to look carefully at the information and to make an effort at interpreting it. Credit will always be given to a meaningful attempt to process information but no credit can be given to a blank response. In summary, candidates should be reminded to:

- Learn business terms accurately
- Read questions carefully
- Show their working in calculations
- Follow the key command word in the question (explain, do you think, justify).

## Specific Comments

### **Question 1**

Generally this proved a high scoring question for the majority of candidates.

- (a) (i)** Most candidates recognised that the payment system linked financial rewards to the time worked but few could make any comment on the significance of the payment being 'high'. The question differentiated very effectively.
- (ii)** Many good answers were provided here. However some candidates failed to focus carefully enough on whom exactly gained in a given situation. Thus 'working harder' is a gain to the business rather than the employee unless there is explicit linkage between working harder and extra payment.
- (b) (i)** Many very effective answers were given showing good knowledge and understanding of motivational issues. Weaker candidates failed to make the link between responsibility and motivation strong enough.
- (ii)** Again well answered with many candidates able to write with confidence about laissez faire management styles. Rather bizarrely some answers referred to an autocratic style of management.

- (iii) The weakest aspect of answers here was a failure to concentrate on the impact of training on employee performance. Most candidates had some idea about the nature of training but some then wrote about methods of training rather than the outcome.

### Question 2

- (a) Although answered well by some candidates a surprising number found plotting the sales revenue line beyond them. The Examiners found this somewhat disappointing. The breakeven output was 200 units and the breakeven revenue \$800.
- (b) Many answers to this question were of a general nature that paid no attention to the concept of a price elastic demand. Indeed understanding of the impact of the proposed price increase on customer demand was often very weak. Some wrote 'yes he should increase his prices because he will earn more cash'. Many totally ignored the impact of the price increase on the number of customers that the business might expect. More able candidates analysed the impact of a price increase given the price elastic nature of the demand and correctly concluded that such a move would not be very sound.
- (c) A number of candidates ignored the idea of a budget and wrote about why businesses market their products. Stronger answers referred to concepts such as allocating and limiting expenditure and hence controlling marketing costs.
- (d) Answers to both parts of this question were usually very sound. The idea of a brand was well known and most could make sensible comments on how brands help a business become better known. Weaker answers here failed to focus on the 'building up his business' aspect of the question.

### Question 3

- (a) Niche market was not well known. Many answers assumed that it was a gap in the market.
- (b) Many very good answers were given making reference to the role of wholesalers in breaking bulk and making access to products easier and cheaper. Some candidates became confused between wholesalers and retailers.
- (c) Knowledge of exchange rate movements was usually sound with many candidates able to see that an appreciation of a currency meant that imported goods became cheaper. This was 'good news' to the wholesale business who bought their supplies from other countries. As usual with this sort of question weaker candidates became confused as to which way the exchange rate had moved.
- (d)(i) This question predictably produced a range of widely differing answers. Better candidates saw the issue as being about economics (costs and profit) and ethics. They often wrote intelligently about this and with sensitivity. However some largely missed the whole point of the question and suggested that child labour would produce poor quality products and this was the reason why purchasing should be stopped. Others suggested, with more justification, that this issue was nothing to do with Sudhir's business as he was merely a customer and not an employer of these children. The question differentiated very well and was a particularly good test of candidates' understanding of business issues.
- (ii) Again many good answers characterised by demonstrating what needed to be done and analysing the impact of this on the business. Such understanding was not unfortunately demonstrated by all.

### Question 4

- (a) A significant number of candidates seemed to think that conversion of a business to a public limited company meant that the company was now to be owned by the government. Thus their discussion of the consequences was totally misplaced. Those who did understand the nature of a public limited company found the question straightforward and were able to identify features such as share issue, capital raising, ownership and disclosure of information.

- (b) A few candidates seemed to think that cutting costs meant increasing them. Thus they wrote a similar answer to both **part (i)** and **(ii)** of the question. Better candidates wrote effectively about the impact of technology on improving efficiency but occasionally struggled to link this explicitly to cost savings.
- (c) There were many sound answers provided here that recognised that health and safety laws gave employees added protection. Better candidates were able to give examples of these benefits and were able to go further to show that such laws generally prove helpful but that this might not always be the case. Weaker candidates said little more than health and safety laws helped employees' health.

### Question 5

This whole question proved very challenging for many candidates. Often such candidates lacked the basic knowledge of the concepts to answer effectively. The Examiners were very surprised by the difficulties experienced by many.

- (a) Better candidates gained full marks on both parts of the question. (Answers were \$30m and 12.5%). A significant number of candidates were unfortunately unable to meaningfully attempt the question. Interpreting simple business data is an important skill that all candidates must aspire to gain. It is rather sad that for some it appears that unfamiliar data means no attempt is made to respond.
- (b) Although the concept of batch and flow production methods was familiar to most, many displayed an insecure grasp of the distinction. This was particularly so when it came to explaining the benefits of flow methods. Many could say little more than 'able to produce more'.
- (c) (i) Very few candidates knew that time is represented on the x axis. Some (many even) actually wrote x on the diagram much to the dismay of the Principal Examiner.  
(ii) All too often candidates simply wrote about how a business could increase sales rather than how it could extend the product life cycle. This was the whole point of the question and it was lost on many candidates.
- (d) Forecasting and its benefits was not well known or understood. Some confused it with market research and discussed how research might be carried out. A disappointing level of response was provided by many candidates.

# BUSINESS STUDIES

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**Paper 0450/12**

**Case Study**

## General Comments

The paper produced a wide spread of marks reflecting its ability to differentiate effectively between candidates. The questions provided ample opportunities for candidates to demonstrate their knowledge and understanding of business concepts from all parts of the syllabus. There were also many chances to apply knowledge to given situations and to make evaluative judgements. Such opportunities were taken by strong candidates whose quality of work was very impressive.

However the paper proved quite challenging for a significant number of candidates. This was particularly true of certain Centres who had perhaps not fully prepared their candidates for the rigours of the examination. There was clear evidence of parts of the syllabus not being taught. Concepts such as niche markets, sales forecasting and product life cycle extension methods were not known by whole Centres. Teachers perhaps need to be reminded that the whole of the syllabus is available to the Examiners to assess and selective coverage is to be strongly discouraged.

There was also evidence that some candidates (usually the weaker ones) simply do not read questions carefully enough. They tend to answer their own question rather than the one set and this simply does not score highly. Consequently the focus of the answer is often misplaced. Data questions also pose surprising problems for some candidates. Candidates must be encouraged to look carefully at the information and to make an effort at interpreting it. Credit will always be given to a meaningful attempt to process information but no credit can be given to a blank response. In summary, candidates should be reminded to:

- Learn business terms accurately
- Read questions carefully
- Show their working in calculations
- Follow the key command word in the question (explain, do you think, justify).

## Specific Comments

### **Question 1**

Generally this proved a high scoring question for the majority of candidates.

- (a)** Most candidates wrote sensibly about the likely impact of a change in the payment system on both parties. However some had greater difficulty in explicitly showing which party would gain and exactly why this would happen.
- (b)(i)** Well answered. Almost all candidates could identify the management style as being autocratic.
- (ii)** Many sensible but often rather simple answers were given. Most concluded that he should consult because this would make employees feel valued. Few candidates looked at the context of the question and the appropriateness of consultation in a small business.
- (c)(i)** The concept of a job description was well known to most. The majority of candidates could produce a job description appropriate to the specific job referred to in the question. A few incorrectly included personal specifications in the job description.
- (ii)** Again well answered. The main weakness of some answers was a failure to link basic knowledge to the 'help in recruitment' aspect of the question.

**Question 2**

- (a) (i) Most candidates knew that overheads represented the indirect costs of a business that are unrelated to the level of production of that business.
- (ii) The Examiners were surprised at the number of candidates who were unable to draw the total cost line shown by the data. Frequent errors were to start the line from the origin (thus ignoring the overheads) or to draw a line with a gradient unrelated to the variable costs of \$6 per hour of work.
- (iii) Again this calculation caused problems for the majority of candidates. The most common answer by far was 20 hours. This would of course produce sales revenue of \$200 (20 times \$10) but not a profit of \$200. Answer was 150 hours of work which could have been read off from the chart. Any meaningful attempt to do this was rewarded if it was consistent with the chart produced by the candidate. It surprised the Examiners that candidates were unable to distinguish between profit and revenue.
- (b) (i) Often well answered. However many candidates ignored the requirement to explain ONE method and considered briefly a number of alternatives.
- (ii) The question differentiated very well between candidates. Some assumed that an increase in customers must automatically increase profits. More thoughtful candidates realised that much would depend on how the extra customers had been acquired. Had extra costs been incurred? Had profit margins been eroded?
- (c) This part of the question produced a variety of answers of differing quality. Some identified more than three problems showing extensive knowledge but failed to explain why they represented a problem. The basic problem faced by many candidates was to show why the point identified represented a problem at all. So for example if the candidate wrote 'might need managers' this would gain one mark but the explanation would need to refer to things like control implications or extra costs for the explanation mark to be awarded.

**Question 3**

- (a) Niche market was not well known. Many answers assumed that it was a gap in the market.
- (b) Many very good answers were given making reference to the role of wholesalers in breaking bulk and making access to products easier and cheaper. Some candidates became confused between wholesalers and retailers.
- (c) Knowledge of exchange rate movements was usually sound with many candidates able to see that an appreciation of a currency meant that imported goods became cheaper. This was 'good news' to the wholesale business who bought their supplies from other countries. As usual with this sort of question weaker candidates became confused as to which way the exchange rate had moved.
- (d) (i) This question predictably produced a range of widely differing answers. Better candidates saw the issue as being about economics (costs and profit) and ethics. They often wrote intelligently about this and with sensitivity. However some largely missed the whole point of the question and suggested that child labour would produce poor quality products and this was the reason why purchasing should be stopped. Others suggested, with more justification, that this issue was nothing to do with Sudhir's business as he was merely a customer and not an employer of these children. The question differentiated very well and was a particularly good test of candidates' understanding of business issues.
- (ii) Again many good answers characterised by demonstrating what needed to be done and analysing the impact of this on the business. Such understanding was not unfortunately demonstrated by all.

**Question 4**

- (a) A significant number of candidates seemed to think that conversion of a business to a public limited company meant that the company was now to be owned by the government. Thus their discussion of the consequences was totally misplaced. Those who did understand the nature of a public limited company found the question straightforward and were able to identify features such as share issue, capital raising, ownership and disclosure of information.

- (b)** A few candidates seemed to think that cutting costs meant increasing them. Thus they wrote a similar answer to both **part (i)** and **(ii)** of the question. Better candidates wrote effectively about the impact of technology on improving efficiency but occasionally struggled to link this explicitly to cost savings.
- (c)** There were many sound answers provided here that recognised that health and safety laws gave employees added protection. Better candidates were able to give examples of these benefits and were able to go further to show that such laws generally prove helpful but that this might not always be the case. Weaker candidates said little more than health and safety laws helped employees' health.

### Question 5

This whole question proved very challenging for many candidates. Often such candidates lacked the basic knowledge of the concepts to answer effectively. The Examiners were very surprised by the difficulties experienced by many.

- (a)** Better candidates gained full marks on both parts of the question. (Answers were \$30m and 12.5%). A significant number of candidates were unfortunately unable to meaningfully attempt the question. Interpreting simple business data is an important skill that all candidates must aspire to gain. It is rather sad that for some it appears that unfamiliar data means no attempt is made to respond.
- (b)** Although the concept of batch and flow production methods was familiar to most, many displayed an insecure grasp of the distinction. This was particularly so when it came to explaining the benefits of flow methods. Many could say little more than 'able to produce more'.
- (c) (i)** Very few candidates knew that time is represented on the x axis. Some (many even) actually wrote x on the diagram much to the dismay of the Principal Examiner.

**(ii)** All too often candidates simply wrote about how a business could increase sales rather than how it could extend the product life cycle. This was the whole point of the question and it was lost on many candidates.
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# BUSINESS STUDIES

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Paper 0450/02

Case Study

## General comments

The overall outcome of the examination was broadly in line with the performance of candidates in previous years. The paper was accessible to candidates of all levels of ability and in nearly all cases they attempted all the questions. Candidates responded well to the paper and the case study material appeared to be within the understanding of candidates, illustrated by the high scores of many candidates on **Question 2b**. The questions did not appear to cause any problems for candidates, apart from **Questions 3c** and **5b** which proved to be the most difficult questions for candidates with many scoring low marks on these two questions. There continued to be clear evidence that many Centres had prepared their candidates well by ensuring wide coverage of the syllabus content so that candidates possessed a good knowledge and understanding of Business Studies terminology. However, a lack of application in answers continued to reduce potential marks. It should be said though that there continues to be an improvement in the ability of candidates to apply their answers to the case. Where better candidates still lose marks is by not developing their answers in sufficient detail. A few well explained points will gain much higher marks than many points which have just been listed. Candidates found questions where they could give a more text book style response, such as **3a** and **4b**, scored more highly whereas questions which required more thought such as **3c** and **5b** were weaker.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- To gain the highest marks the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope they will gain some credit. The mark scheme is written to reward the answer required for the question. E.g. **Question 2b** asked 'Explain how the objectives of the business might be different if it was owned by the government.' Candidates should have compared these two types of business in terms of their different objectives not just described one of the types of business.
- Candidates need to pay careful attention to the wording of the question. If the question says 'Outline the recruitment and selection process Generation Elect will need to follow to employ these workers' then explaining what type of skills these workers will need will not score any marks.
- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgment, such as 'Should Generation Elect use primary research or secondary research to find out which activity will be most popular?' then the advantages and disadvantages of both alternatives should be discussed and a decision made as to which would be the best thing to do and why. A number of candidates started their answer with 'Yes' or 'No' and thought they had justified their decision when in fact they had not done so. A judgment should come after they have weighed up the arguments and therefore should really be at the end of their answer. The highest marks are often lost because either a conclusion is not included at all or a conclusion, saying they should do one thing rather than something else, is made but there are no reasons given for this decision.
- Paper 2 is a case study and the majority of the questions will be in the context of the business in the case study, for example, 'Explain the possible financial problems that might arise for Generation Elect if the actual costs of the hire of the power boats or fishing equipment were higher than the estimated costs.' Marks will be awarded for applying the answer to this business, such as 'this increase in costs may cause cash flow problems and the company is already spending a large amount of money building the dam' – instead of just saying that 'the increased costs will cause cash flow problems' which could apply to any business. In most of the questions on the paper, marks

awarded for applying these concepts to the business in the case and failure to do so will mean these marks are not achieved.

- Where a question carries 10 or 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if a judgment is called for in the question. Candidates need to realise that they will not gain high marks for writing long lists of answers, even if they are all correct, but they will be rewarded for explaining these points. Depth is better than breadth in a candidate's answer and so candidates should be encouraged to select a few points to explain in detail rather than write long lists. For example, 3 or 4 points well explained will score many more marks than a list of 7 or 8 points.

### **Comments on specific questions**

#### **Question 1**

The first part was generally well answered as most candidates could identify stakeholder groups although there was a tendency to put down any stakeholders rather than those affected by the building of the dam, as asked for in the question. A few incorrectly chose Country X or Generation Elect. The second part of the question was answered well by many candidates who gave the effects on their chosen stakeholders. However, others tended to make generalisations about the effect of the dam or considered the stakeholders from the point of view of the dam not being built rather than it being built.

In the second part many candidates were able to point out that PLCs maximised profit and some could develop this in various ways. However, fewer were able to express how the government owned business would be different such as, a government owned business objective is to provide a service and not to maximise profits. Some candidates did not develop their points but left them as brief statements. Quite a number of candidates did not even know the difference between the two types of business ownership. Weaker candidates listed points about each type of business rather than contrast the differences and others would focus on the characteristics of the two rather than consider their objectives.

#### **Question 2**

In the first part of the question many candidates could give a vague definition, such as it affected the local community, but fewer came up with a clear definition relating the external effects to the business decision. Candidates who attributed the costs and benefits to the business itself were surprisingly numerous. Candidates found it easier to give examples than to give accurate definitions. Of the two, there were more often two correct examples for external benefits than two correct answers for external costs of the dam. The most frequent examples were loss of farm land, food production reduced, people forced to leave their homes, fewer power cuts, leisure facilities provided, increased employment.

**Part (b)** was answered well by the majority of candidates with many looking at the advantages and disadvantages of the dam being built and these were well applied to the case. However, very few then tried to come to a conclusion about the project and where they did it tended to be yes, it will be a good idea, or no, it will not benefit the country, without any justification of their conclusion. This meant there were many candidates who scored high marks but very few who scored full marks in this question.

#### **Question 3**

It was surprising that this straight forward question was, on the whole, not answered well. Candidates either scored high marks by describing the recruitment and selection process or scored little or no marks because they did not actually refer to the recruitment and selection process asked for in the question but instead gave details of the type of workers to employ.

The second part was tackled well by better candidates who realised the difficulties and dangers of constructing a dam and the expense of training unskilled workers. However, weaker candidates often gave vague answers and hence did not gain the application marks available. Many candidates focused upon the workers being quick and efficient without any development of workers getting up to speed with a reliable power output and starting to get back the costs of building such a one off project.

The third part proved to be a difficult question and hence a minority of candidates left this question unanswered. Of those that did answer it, only a few could put forward any advantages to the company of the workers belonging to a TU and several wrote about the advantages to the workers and not the company. It is important for candidates to answer the question set. The disadvantages proved to be easier for candidates to argue than advantages to the company. The main disadvantages being strike action halting production and increased costs to the business of higher wages and good working conditions gained by trade union action. The majority of candidates knew what unions were, and there were some good responses about single union deals and the benefits of only having to negotiate with one spokesperson.

#### **Question 4**

There was some confusion about primary and secondary research and primary and secondary industries, e.g. mining, fishing, with a minority of candidates choosing to write about the wrong one. Some candidates muddled up the two types of research, for example stating that secondary was expensive and up to date. Although the question asked for a choice between the two, very few candidates made that choice and those that did tended not to justify it. Better answers did not often go beyond describing the advantages and disadvantages of primary and secondary research. The few that did do all that the question required scored highly. Answers were often not well applied and gave text book style answers.

Many candidates were able to define price skimming well, although some confused it with other pricing strategies. A common mistake in the second part of the question was for candidates to discuss the use of price skimming instead of talking about other pricing strategies. The question was specific that candidates were NOT to go over the pro's and con's of skimming - they therefore treated skimming as just one of several alternatives and cut down the marks they could gain. A significant minority did not appear to know any pricing strategies despite this being clearly indicated in the syllabus and being asked about on past question papers. However, many candidates were able to give details of three or more different pricing strategies and score 8 marks.

#### **Question 5**

In the first part most candidates could explain the difference between fixed and variable costs reasonably well but there were some vague answers – typically candidates lost marks by saying that fixed costs did not change and they did not link their answer to output. The second part proved to be a difficult question and was poorly answered mainly because some candidates interpreted increased costs as increased prices of the fishing/boats and so missed the point of the question. Better candidates easily gained full marks but weaker ones tended to struggle and after suggesting 'cash flow problems' give up. Few referred to shareholders or the fall in profits.

This question proved to be difficult, with few candidates actually calculating anything with the figures from Appendix 3 and, where they did, the answers were not often correct. Only better candidates worked out the net profit of each activity and commented on the figures, coming up with a justified decision. However, the majority of candidates could score up to 4 marks by making comments about the financial situation for each activity. A minority of candidates misread the question as they considered if the business should provide both leisure activities or none at all.

# BUSINESS STUDIES

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**Paper 0450/03**  
**Coursework**

Centres who submitted coursework continued to be Centres that had entered candidates in the past. The assignments chosen were often similar titles to those that had been successfully used previously. The assignment title for many of the candidates was either a feasibility study, motivation analysis or an analysis of marketing used by a business.

The assignment titles should not be too narrow as it restricts the amount of research candidates undertake and therefore there is less information to analyse and evaluate. On the whole the standard of work was very good, including many examples of widely researched, well written assignments.

The standard of presentation by the majority of candidates was high; assignments were well structured and clearly written. The best work submitted showed candidates had gathered a variety of information, for example by questionnaires, internet, interviews, advertisements, observation and from textbooks. The information was often converted to alternative and appropriate forms of communication such as charts, graphs, diagrams and annotated maps and resulted in high marks under this criterion.

The most popular topic was a feasibility study, phrased slightly differently by candidates, examples are:

‘Would it be profitable to set up a ..... in .....(my neighbourhood)?’  
‘Which multinational company from the food industry would be successful on the .....Road?’

Other titles were:

‘Is motivation in XYZ Ltd adequate?’  
‘What marketing strategies can .....use in order to increase its sales?’  
‘Would a suitable location for XYZ Ltd be New Street?’  
‘What are the reasons for the falling sales of .....and how can the falling sales of the company be stopped or improved?’  
‘Is the marketing mix of ..... successful?’

The assessment criteria were generally accurately applied by Centres. Marks were not generous when descriptive titles had been chosen by candidates, or too narrow a range of information had been gathered, which had then limited the analysis and evaluation in the assignment. Where there was detailed and constructive written feedback provided for candidates it was very useful to the moderation process, as well as for the candidates, as it was clear why particular marks were awarded.

All the administration procedures were adhered to which made the moderation process go smoothly – Centres are to be thanked for their efficiency.