

BUSINESS STUDIES

Paper 0450/01

Paper 1

General Comments

As usual the paper differentiated well across the full ability range. The well prepared candidates showed an excellent grasp of business terms and concepts and had plenty of opportunity to display their skills of analysis and evaluation. A minority of candidates struggled with the ideas and consequently could only manage somewhat limited responses in terms of knowledge and understanding. The numerate questions proved particularly challenging for some candidates from certain centres. Candidates need to be continually reminded of the importance of:

- including their working in numerical questions
- thinking carefully about what the question is asking them to do
- reading the instructions in the question carefully e.g. explain **one** reason
- applying their knowledge to the context of the question
- allocating their time sensibly between the parts of the questions
- demonstrating understanding rather than just knowledge
- expressing a judgement when required by the question.

It may seem obvious to point out that candidates need to read the question carefully. However despite the fact that the rubric was totally clear many candidates failed to spot the significance of key words in the questions:

- **Question 1 (c)** "other than price" was sometimes ignored
- **Question 1 (d)** "at the end of their holiday" was missed by many
- **Question 2 (b)** "factors" was not spotted as the focus of the question by some
- **Question 3 (b)** "importance for the management of the business" often not considered
- **Question 5 (d)** failure to spot the emphasis on social benefits as opposed to social costs.

Errors such as these result in a significant "loss" of marks because the answer given fails to address the main thrust of the question.

The major disappointment experienced by the Examiners lay in the answers to **Question 5 (e)**. A significant number of candidates appeared to have little knowledge and even less understanding of business events and changes in their own countries. Indeed, on a more general note, many candidates have quite a sound grasp of theoretical business ideas but a much more limited understanding of how these ideas can actually be applied to a specific business in a given situation. Developing understanding and an ability to apply knowledge are key skills in business education. Perhaps some centres should look at their teaching strategies to see if these skills can be enhanced.

Specific Comments

- 1 This question as a whole proved quite challenging for many candidates.
- (a) (i) A number of candidates found the data difficult to comprehend. Weaker candidates ignored the pie chart in fig. 1 and gave an answer of $\$400\text{ m} - \$320\text{ m} = \$80\text{ m}$. This type of answer occurred throughout certain centres. Thankfully many candidates from other centres were able to see that Gulliver Travel had a 12.5% share of the market and hence their sales were worth $\$50\text{ m}$.
- (ii) Again somewhat variable answers were given. Some candidates failed to attempt the question at all. Others who made errors identified the growth as being $\$100\text{ m}$ but failed to express this correctly as a % increase. Better candidates had little difficulty in generating the correct answer of 33.3%.

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- (b) This question differentiated particularly well between candidates. The biggest weakness in the answers was that the concept of price elastic was not properly understood. Thus many candidates merely said if the price of the holidays went up the sales might fall. [This of course is not always true and is not what is meant by a price elastic demand]. Better candidates were able to point out that in a competitive market where value for money was thought to be important to customers, the demand for such holidays was likely to be especially price sensitive and hence the demand is price elastic.
- (c) Almost all candidates chose to write about promotion as an element of the marketing mix that could be used by the company. Generally the knowledge shown here was good while the better candidates were able to apply their knowledge of promotional methods to the holiday market.
- (d) Both parts of this question were answered somewhat moderately by many candidates. In (i) some candidates wrote about why a business might undertake market research in general rather than considering why this particular method might have been used. In (ii) the usual answer given by weaker candidates was that people might not tell the truth in their answers. Better candidates considered the concept of bias in data collection and were able to discuss whether this might apply here. The information given in the stem that the questionnaires were given at the end of people's holidays was often overlooked.

In general many candidates did not score very highly on this question as a whole.

2. (a) All parts of this question were usually well answered. Explanations of fixed assets showed good knowledge and almost all the examples of current assets were correct. The most common error in (i) was to confuse fixed assets with fixed costs. In (iii) the answers also showed that most candidates had a good understanding of the concept of cash flow forecasts. The most common error here was a failure to emphasise that a forecast is a prediction of future flows and is not a record of what has happened.
- (b)(i) This question differentiated well between candidates. Most could write something sensible while better candidates were able to display high levels of understanding regarding the value of financial accounts to a potential lender. Some candidates have a somewhat limited understanding as to what accounts actually show. They do not show whether a business WILL be profitable which is what many candidates seem to think
- (ii) Some candidates misinterpreted this question thinking it was about factors that a business needed to consider before deciding whether to expand. The question required consideration of the factors influencing the methods of finance and how they might be analysed. Better candidates wrote effectively about capital needs [short/long] and about whether more debt capital was sensible if they already had outstanding loans. Generally many candidates found this part of the question challenging.
- (c)(i) This calculation was well done by the vast majority of candidates. Answer = 0.916. The majority of candidates could gain at least half marks in part (ii) by describing features in the table such as a lack of cash. Better candidates made good use of their calculated current ratio to comment on the weak liquidity of the business. The general level of understanding of liquidity was impressively high.
3. (a) A very high scoring question for most candidates. Almost all could identify factors that the business needed to consider in making its location decision. The differentiating part of the question lay in the requirement to explain why these factors needed to be taken into account. Better candidates made very effective use of the nature of the business [application] while weaker ones produced standard textbook responses that could apply to any business. Candidates need to be encouraged to think about the context in their answers.
- (b) Generally well answered. However the focus of the answers for some was not quite right. The question asked why knowledge of the laws would be important to the management of the business. Often candidates ignored this and wrote about the safety requirements of employees and the community. Careful reading of the question is very important if high marks are to be gained.
- (c) An area of the syllabus that seems very well known to almost all candidates. The answers here were very good. The most common error was to suggest that trade unions make laws regarding minimum wages and safety regulations.

- (d)(i) All but the weakest candidates were able to interpret the data and show that company A had increased its wages by the biggest amount [\$4000].
- (ii) There was a good level of understanding shown here with many candidates able to point out that companies may increase their wage levels either as a result of rising productivity or because of a need to recruit or retain employees.

In conclusion this whole question was often answered well and sometimes very well. The marks gained were impressively high.

4. The whole question was concerned with the management of human resources within business. This is an area where the vast majority of candidates have good knowledge of the terms and concepts. Indeed a significant number of answers showed genuine insight and appreciation of the issues involved in dealing with people. The Examiners were impressed with the general level of answers to this question as a whole.

(a)(i) Most candidates were able to correctly identify the style of management being used as autocratic. Those who could not were usually all in the same centres.

(ii) Almost all candidates were able to identify relevant points to include in their answer to this part of the question. Most thought that the style of management used was not a good way to run a business. They usually made some attempt to justify their viewpoint. However not all were able to argue in a manner consistent with the context of the question.

(b) Delegation was a term known to most and hence the majority of candidates were able to refer to matters like passing on the authority to carry out a task to a subordinate. Some correctly mentioned the idea of final responsibility being retained by the superior.

(c)(i) Again well answered with many candidates showing good appreciation of the concept of redundancy. They were thus able to recognise that this instance was one of dismissal not redundancy.

(ii) Answers here showed quite good knowledge but perhaps less good understanding. Many answers simply stated that money motivated people but failed to explain why this might be so. Others almost totally dismissed the importance of money as a motivating tool quickly passing on to discuss matters like higher order needs. The more perceptive recognised that money clearly did matter and showed why, but then went on to demonstrate that it is not the only factor that leads to higher levels of motivation. This led to a discussion of issues often contained in Maslow's hierarchy of needs resulting in an evaluative judgement regarding the extent to which money helps motivate employees. Contextual reference was needed for top marks. Weaker candidates often fail to draw any conclusion to their answers frequently "sitting on the fence".

5. Taken as a whole this question was badly done by candidates. For some it was a matter of simply not having sufficient knowledge to answer accurately e.g. depreciation of a currency. For others there was an almost complete lack of awareness as to what changes had occurred in their country.

(a) This part was handled quite well by most. Most recognised that profit is an objective of many businesses in the private sector although they often struggled to say much else. A frequent error is to state that profit is needed to pay for wages or other costs. Given that profit is the surplus left after all allocated costs have been covered this seems a curious nonsense of an answer.

(b) Understanding of added value was insecure for many candidates. Many explained it in terms that meant it was another word for profit. Better candidates were able to use appropriate examples from an agricultural context to illustrate the concept. Generally though this appeared to be a term that simply was not familiar to many.

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- (c) Candidates always appear to have difficulty in understanding how currency movements affect exporting businesses. In this particular case the currency had lost value [depreciated] and exports become cheaper to foreign buyers. This should help boost volume sales and turnover measured in the domestic home currency. A significant number of answers got this round the wrong way and hence their answers were inaccurate. Many assumed that because export price was lower the exporting business received less money.
- (d) This part of the question was adequately done in the sense that most who knew the concept of social benefits were able to identify a number of probable benefits that might be generated. However a number of answers discussed social costs alone or sometimes both costs and benefits. This was despite the highlighting of the instruction that what was required were benefits, in the question paper.
- (e) Without doubt this question produced answers that were most disappointing. The major problem lay in the fact that many candidates were unable to identify any significant change that had happened in their country. The Examiners were expecting answers like structural changes involving industrialisation or perhaps deindustrialisation. Alternatively changes such as the arrival of multinational organisations or perhaps privatisation or nationalisation. However many candidates wrote about trends such as inflation or poverty issues. Without identifying an appropriate change, gaining access to marks relating to the impact on employment and national wealth was very difficult. This topic area is clearly included in the syllabus so that it was very disappointing to see so many candidates struggling to find things of relevance to discuss.

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Paper 2

General comments

The paper proved accessible to candidates of all levels with all but a minority of candidates attempting every question. Indeed, candidates responded well to the paper and most questions did not appear to present any problems. **Questions 4b** and **5b** proved to be the most difficult questions for candidates. Sound knowledge of Business Studies theory was demonstrated although it must be emphasised again that many marks were lost through failure to **apply** the theory to the case study. The case study itself appeared to be within the understanding of candidates. The standard did vary between centres and many candidates did not answer effectively the questions that called for explanation or evaluation. Candidates often preferred to list points rather than explain them. 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 and there is no allowance for alternative responses.
- Candidates need to pay careful attention to the wording of the question. If the question says 'explain the problem Bettabuild might experience from a high level of skilled workers leaving each year' then stating reasons why workers might be leaving 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 judgement, such as, 'Do you think the economic data in Appendix 2 is favourable or not favourable for Bettabuild? Explain your answer', then a judgement should be made as to whether each piece of data is favourable or not and why.
- 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, 'Why do you think Sheena, the Finance Manager, is concerned about Bettabuilds' cash flow?' Marks will be awarded for applying the answer to this business. Candidates should try to avoid textbook answers to questions, as full marks will not be gained by doing this. In most of the questions on the paper, marks are going to be 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 judgement 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**

- (a) Most candidates were able to name two objectives with the most common answers being profit and growth. However, few were able to achieve full marks for the second part of the question, with many referring to parts of the case study and talking about, for example, improving the working conditions for the employees or the number of days taken to build houses rather than focusing on why the objectives were important to Bettabuild.
- (b) Most candidates gave a correct definition and were able to talk about the costs incurred with an expansion. Stronger candidates were able to identify many of the cash inflows and cash outflows and also to recognise the fact that outflows were likely to be large. Good candidates also recognised that there would be a time lag between the cash outflows and the time when payment for the completed buildings was received. Weaker candidates identified some cash outflows and cash inflows but they mainly concentrated on the outflows. Many candidates failed to consider the time lag between expenditure and receiving payments. Some weaker answers also referred to profit and loss rather than cash flow or where the money for expansion would be obtained.

Question 2

- (a) The majority of candidates included several relevant factors in their advertisements with only a small number misunderstanding the required content. A small number drew up an advertisement for flats and/or shopping centre. Most candidates included reference to the quality of the houses, the fact that they were built for families and that Bettabuild was a business with 15 years experience. The quality of the workers and the raw materials used was also correctly identified. Better candidates often also included a price and contact details for interested parties. Perhaps surprisingly, several candidates omitted the name 'Bettabuild'. Despite the clarity of the question, some candidates provided lists of advertising media that Bettabuild could use; produced an advertisement for recruitment of workers; referred to planning permission procedures and/or extent of government intervention/control; or described the features/facilities of a home in broad aesthetic terms and usually with no reference to families or quality. Conversely the better candidates provided a comprehensive selection of information that really did 'sell' the product.
- (b) The majority of candidates identified both primary and secondary methods and gave some advantages and disadvantages of specific methods e.g. questionnaires, interviews, newspapers, government statistics etc. Good answers concluded by saying which method was most likely to be effective and explained why. Weaker candidates stated that a specific method would be effective but failed to explain why.

Badly answered questions focused on the information they needed to find out and a lot focused on building materials and where to locate, prices or facilities.

Question 3

- (a) Some candidates treated this question and part **b** as interchangeable. They wrote about how to solve the problems caused in both **a** and **b**. Better answers focused upon delays, loss of contracts, increased costs, etc. Surprisingly few went on to link this to reduced profits or loss of market share despite it already having been identified by earlier answers. Many candidates mentioned production problems, the costs of training and advertising for new staff. However, some candidates went into great detail on how to overcome the problem of high turnover. A small number of candidates discussed the possible causes of a high rate of labour turnover rather than addressing the potential consequences of such an occurrence.
- (b) Generally the answers offered were sensible although some were offering what appeared to be particularly generous terms with company cars, school fees, free housing and extended holidays despite Bettabuild facing a potential cash flow problem. However a significant number did recognise the need to reconsider the autocratic approach to management. Strong answers followed the factors through to explain how they might achieve a reduction in labour turnover while the weaker answers merely listed several motivational tools without saying how they might persuade people to continue to work for Bettabuild. Good answers also used the case study materials well when answering this question and related their answers to building sites and to the incentives/conditions offered by other businesses.

Question 4

- (a) Many candidates correctly identified examples of social costs and social benefits and related them to the building of a shopping centre. Most candidates were able to list several relevant costs and benefits e.g. pollution (in its various forms), traffic congestion, deforestation; the creation of jobs and improvement of the infrastructure etc. Strong candidates then also discussed how the government might arrive at their final decision i.e. if the social benefits were greater than the social costs then permission was likely to be granted. Some candidates also pointed out that the government would base their decision on maximising social welfare for as much of the population as possible.
- (b) This question was poorly answered. Many candidates used the example in the case study and nothing else. Better candidates named or described other laws and regulations but these were not always discussed in detail in terms of their possible impact on businesses such as Bettabuild. Other candidates discussed the possible impact of laws and regulations without actually identifying the specific law in question. Many candidates identified employee and consumer protection legislation and explained how such laws might increase the costs of businesses. In many answers candidates concentrated on the disadvantages for a business and the advantages were often overlooked. Some strong answers explained how a business might benefit from protection from competition, for example cheap imports.

Question 5

- (a) This was answered quite well with most candidates achieving some marks although many forgot to multiply by 10 in the initial stages and stopped after calculating the materials cost or worked out the costs but then did not add them together to subtract from the selling price.
- (b) This was not generally well done. A lot of candidates referred to the economic indicators without mentioning the company, so they were describing the table with no reference to Bettabuild making it difficult to score marks. Some seemed to think they were economic indicators of the company and said that this meant the company was helping the economy and rate of employment etc. Others referred to how it was good for the government. A lot confused low unemployment with meaning that a lot of people were out of work. Good answers to this question considered the data in terms of how it might affect consumer spending, in particular, on houses and other buildings. Such answers often also recognised that a fall in unemployment might make it difficult for Bettabuild to find new workers, which could make their current situation even worse as they were already experiencing high labour turnover.

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Coursework

Many of the centres who submitted coursework were centres who had entered candidates in the past, there were no new centres. The assignments chosen were often the same titles that had been successfully completed in the past. The single assignment for many of candidates was a feasibility study. Care must be taken that the study of opening a new business should be evaluative and not just a description of what needs to be done, as descriptive assignments will score lower marks. For example, 'What is the difference between the marketing mix of company X and company Y?' This title is descriptive and gives little scope for analysis and evaluation.

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. For example, just looking at the packaging of a single product and how it could be improved does not provide a lot of scope for the candidate to research and then evaluate the information. 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, 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 criteria.

The most popular topic was a feasibility study, phrased slightly differently by candidates but an example is:

'Is there scope for a in my neighbourhood?'

Other titles were:

'A study of what motivates workers?'

'Is personal service the main reason why small shops survive?'

The assessment criteria were generally accurately applied by the majority of centres. However, in some cases marks were a little 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. Occasionally more detailed analysis and evaluation was required by candidates for the highest marks to be awarded for these assessment criteria. 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.