

# BUSINESS STUDIES

Paper 0450/11

Short Answer/Structured Response

## General comments

The paper discriminated well between candidates of differing abilities. Candidates were clear about the number of reasons required for each question and at least attempted to provide some analysis to points raised. Often the answer given did not constitute an explanation of points identified but was simply another statement which could only be considered as another knowledge mark. Part (e) of all questions continues to be the most challenging element for all candidates as it attempts to assess their evaluative skills. The stronger candidates were able to suggest and justify decisions successfully. Weaker candidates struggled to provide any judgement for many of the questions, and those that did were unable to provide reasoned statements to back up their views. The majority of candidates need to think through their responses and link their ideas together more carefully.

The financial elements of **Question 2** proved to be quite challenging for the majority of candidates. There is clear evidence that financial accounting and ratio analysis are areas of the syllabus which requires more attention in the Centres.

Most candidates would benefit from being reminded that:

- questions need to be read carefully;
- calculations should generally include an indication of the method being used;
- answers need to be in context wherever possible;
- the command to explain requires a development of the point not a statement of a new point;
- the command to justify requires an answer to be supported with developed logic resulting in a conclusion.

## Comments on specific questions

### Question 1

- (a) The majority of candidates correctly identified cost plus pricing or had sufficient awareness of the term to earn at least one mark.
- (b) This proved to be a challenging question for most candidates. Few candidates showed any real understanding of the concept of profit margin. Most confused the term with a simple definition of profit, which could not be rewarded. A reasonable number of candidates did manage to explain the idea of a small margin for one mark. The difference between profit and profit margin is important and needs greater emphasis in the teaching of many Centres.
- (c) Most candidates could identify two relevant factors that could cause a cash flow problem for Joel, but were unable to explain why these factors would result in cash flow problems. It is not sufficient to simply state 'there was a two month delay in payment so it is difficult to manage cash flow' – for the second mark they must explain how or why it would cause the business difficulties.
- (d) Generally well answered. Virtually all the candidates were able to suggest three relevant factors in choosing a paint supplier. The more able candidates were able to develop the points to show why these issues were important. Weaker candidates struggled to make this link.

- (e) A mixed response to this question. A number of candidates failed to grasp what the question was asking, simply commenting that Joel should ask for payments up front rather than considering the suitability of various pricing methods. Most candidates could identify different methods, but the majority were unable to show why they were suitable or not in this scenario. The question asked for a recommendation, which the majority of candidates did not provide so were unable to access the evaluative marks for the question. It did not matter which way the candidates concluded but a failure to make a decision was an error.

### Question 2

- (a) Generally well answered. The most common errors included definitions of the terms which were not acceptable or the confused liabilities with examples of expenses or assets which were incorrect.
- (b) This calculation proved challenging for many candidates. A significant number did not know the correct formula, whilst others inserted the wrong profit figure. For those who included the relevant formula they were able to be rewarded the available method mark.
- (c) This proved a difficult question for most candidates with few being able to explain the significance of long term liabilities to a bank. Most candidates were aware that they might not be able to repay the debts, but were unable to expand upon this simple observation successfully.
- (d) Most candidates knew the implications in terms of control if too many shares were sold, but many struggled to identify other valid considerations. Too many focused on dividend payments or profits as factors which were not issues for the company.
- (e) This question proved to be a good discriminator. There were a number of good responses which explained the key indicators. A significant number did not attempt the question, whilst the common errors for those attempting the question were to confuse performance with liquidity ratios, or incorrectly interpret the data to show a fall in performance. This is clearly an area where some candidates need to improve their knowledge and understanding of the terms.

### Question 3

- (a) The concept of piece rates was well known although often explained very simply.
- (b) Generally well answered by most candidates.
- (c) This proved a challenging question for the many candidates. Many answers referred to ideas such as piece rates that are unfair, yet the argument is that they usually relate rewards directly to effort and are therefore entirely fair. Few candidates looked at potential problems such as the measurement of output.
- (d) Well answered by most candidates. Many were able to identify relevant factors that Reo should consider and made creditable attempts to explain the significance of these points.
- (e) Many of the answers given failed to focus sufficiently carefully on the specific question asked. Often a whole range of possible methods were identified but frequently there was little attempt made to show how motivation might be increased as a result. Few candidates provided a recommendation as to what should be done with any supporting justification. If a question asks for recommendations it is clearly a mistake not to provide one.

### Question 4

- (a) Well answered by most candidates.
- (b) Generally well answered. The majority of candidates had some awareness of the concept to earn at least one mark. The use of examples to illustrate the term helped many explain their ideas.
- (c) Well answered again. Good knowledge of location factors was shown. The most common error was the use of generic points without considering why these factors were important to Isaiah, who was a clothing manufacturer not a retailer. It is important that candidates do not overlook the context of the questions if they wish to score higher marks.

- (d) Many good answers were provided. Virtually all candidates identified suitable methods of marketing. The most common errors were the inability to explain how their selected method would help Isaiah market his new business; or candidates that provided similar examples of advertising (by television, radio or newspaper) or promotion that could only be credited once.
- (e) A question that produced a mixture of responses. Whilst most candidates were able to give some explanation of added value few were able to explain the link between the term and the concepts of success and profitability. Many others lacked the correct focus, choosing instead to concentrate on the word success without any consideration of the concept of value added. Candidates need to be reminded of the importance of reading the question carefully.

**Question 5**

- (a) Well answered by virtually all candidates.
- (b) The majority of candidates were able to make a meaningful attempt to explain the term 'an exchange rate fall'. Weak answers made simple reference to the currency not buying as much. Better candidate stressed the fall in the value of a currency measured in terms of other currencies.
- (c) This question was generally quite well answered. Many candidates recognised that there would be a reduction in consumer choice and that prices might rise due to scarcity factors. Some made implicit assumptions about quality of goods and these answers would have been improved if the assumptions had been explicit.
- (d) This question proved difficult for some candidates. Much confusion occurred over what constituted a structural change in an economy. Weaker candidates wrote about such things as roads and education or perhaps unemployment and living standards. Better candidates were aware that the concept referred to the change in the balance between the sectors in an economy. There were some very good answers making reference to the decline in primary activities due to resource depletion. This was a question that produced a wide range of answers of very differing quality.
- (e) This again proved to be a difficult question for many. Although most candidates knew what the fall in the exchange rate meant they found it difficult to analyse its impact on the business sector of an economy. Thus, there were many vague non committal answers which basically said that it might help but perhaps not. Few were able to sustain a reasoned response.

# BUSINESS STUDIES

Paper 0450/012

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The financial elements of question two proved to be quite challenging for the majority of candidates. There is clear evidence that financial accounting and ratio analysis are areas of the syllabus which requires more attention in the Centres.

Most candidates would benefit from being reminded that:

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## Comments on specific questions

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- (c) Most candidates could identify two relevant factors that could cause a cash flow problem for Joel, but were unable to explain why these factors would result in cash flow problems. It is not sufficient to simply state 'there was a two month delay in payment so it is difficult to manage cash flow' – for the second mark they must explain how or why it would cause the business difficulties.
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- (e) A mixed response to this question. A number of candidates failed to grasp what the question was asking, simply commenting that Joel should ask for payments up front rather than considering the suitability of various pricing methods. Most candidates could identify different methods, but the majority were unable to show why they were suitable or not in this scenario. The question asked

for a recommendation which the majority of candidates did not provide so were unable to award the evaluative marks for the question. It did not matter which way the candidates concluded, as failure to make a decision was an error.

### Question 2

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- (b) This calculation proved challenging for many candidates. A significant number did not know the correct formula, whilst others inserted the wrong profit figure. For those who included the relevant formula they were able to be rewarded the available method mark.
- (c) This proved a difficult question for most candidates with few being able to explain the significance of long term liabilities to a bank. Most candidates were aware that they might not be able to repay the debts, but were unable to expand upon this simple observation successfully.
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### Question 3

- (a) This proved to be a difficult question for many candidates. Most understood that the wages were not fixed, but their explanations lacked clarity or assumed that the term was the same as piece rates, which is not correct.
- (b) Generally well answered by most candidates.
- (c) This proved a challenging question for the majority of candidates. Following on from (3) (a), candidates tended to confuse performance related pay with piece rates so answers focused on issues such as motivation, higher costs and quality rather than difficulties in accuracy or criteria of assessment.
- (d) Well answered by most candidates. Good knowledge of potential issues for the business were shown and most attempted to explain the impact of these problems on the business.
- (e) Generally well attempted by most candidates. Good knowledge of points both for and against external recruitment was evident. However, the development of these points was usually limited and any conclusion was simple in its reasoning.

### Question 4

- (a) Well answered by most candidates.
- (b) Generally well answered. The majority of candidates had some awareness of the concept to earn at least one mark. The use of examples to illustrate the term helped many explain their ideas.
- (c) Well answered again. Good knowledge of location factors was shown. The most common error was the use of generic points without considering why these factors were important to Isaiah, who was a clothing manufacturer not a retailer. It is important that candidates do not overlook the context of the questions if they wish to score higher marks.

- (d) Many good answers were provided. Virtually all candidates identified suitable marketing. The most common errors were the inability to explain how their selected marketing would help Isaiah market his new business; or candidates provided similar examples of advertising (by television, radio or newspaper) or promotion that could only be credited once.
- (e) A question that produced a mixture of responses. Whilst most candidates were able to give some explanation of added value few were able to explain the link between the term and the concepts of success and profitability. Many others lacked the correct focus, choosing instead to concentrate on the word 'success' without any consideration of the concept of value added. Candidates need to be reminded of the importance of reading the question carefully.

**Question 5**

- (a) Well answered by virtually all candidates. The most common error was to include profit as a measure of size. Candidates need to be reminded that profit is not a good measure of size as it depends on many other factors, which can significantly influence the amount of profit made, so it is unreliable.
- (b) Very well answered by virtually all candidates. Some candidates did confuse public sector with public limited companies but it was pleasing to see that this is now the exception.
- (c) This question provided a mixture of responses. The better candidates were able to identify relevant issues and explain how they could disadvantage consumers. However, a number of answers assumed that prices would rise or choice would fall but there was no evidence in the question to justify these assumptions.
- (d) Generally well answered. Most candidates were able to identify methods such as legislation, financial penalties or permits. Common errors included reference to relocation of businesses, but this did not reduce pollution simply moved the problem elsewhere; whilst some answers often lacked the correct focus so identified actions that a firm could take, (which was a question from a previous session) rather than government measures.
- (e) This again proved to be a difficult question for many. Some answers lacked the correct focus, looking at the impact of the recession on businesses. Whilst too many looked solely at pros and cons of expanding the public sector without considering how the points could benefit or hinder the country. Few attempted to offer a conclusion.



# BUSINESS STUDIES

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, it was rare to see a blank space for an answer. The changed nature of the question paper with all part **(a)** questions worth 8 marks, which ask for either two or four responses, and part **(b)** questions worth 12 marks which ask for a judgment, has made the paper even more accessible, particularly for weaker candidates. The prompts in the answer space on the paper to help candidates structure their answers has also been an improvement and it is envisaged that this style will remain for the foreseeable future.

Candidates, on the whole, showed sound knowledge of business theory and its application to the case study. The questions did not appear to cause any problems for candidates, apart from **Questions 3 (b)** and **4 (b)** which proved to be the most difficult questions with many scoring low marks on these two questions. Most candidates were familiar with the break even chart but only a minority of candidates were able to extract specific data from it. 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, application is still a problem for many candidates and continues to be a reason why potential marks are reduced. 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 and including a conclusion or recommendation to part **(b)** questions which does more than just repeat statements made earlier in the answer. Candidates scored more highly on questions where they could give a more textbook style response, such as **1 (a)** and **4 (a)**, whereas questions which required more thought such as **3 (b)** and **4 (b)** were weaker. Even the best candidates repeat themselves too often in the questions that are laid out in a certain way such as 'Advantage' and then 'Explanation'. They usually repeat exactly the same words already given for the statement thus wasting a lot of time. Candidates would perhaps be better to begin the explanation with the word 'Because'.

The layout of the question paper has helped candidates to structure their answer and also encouraged them to write more explanation in their answers; this has particularly helped weaker candidates and there were fewer examples of very low scoring scripts this examination session.

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. For example, **Question 3 (a)** asked 'Identify and explain two advantages of using interviews to research the market for Dilip's holiday homes.' Candidates should have focused specifically on the advantages of interviews rather than primary research in general. They should also not have discussed the disadvantages of primary research as this was not asked for in the question.
- Candidates need to pay careful attention to the wording of the question. If the question says 'Dilip wants well motivated employees. Do you think the leadership style used by Dilip will be the most effective way to achieve well motivated employees? Justify our answer,' then explaining the advantages of having well motivated employees to the business will not score any marks. The answer should focus on how employees in this context could be motivated and consider whether the leadership style used would be the most effective way of motivating employees.

- Candidates also need to respond to the command words used in the question. Command words calling for evaluation were not always answered well. This is often a technique by candidates. If the question asks for a judgment, such as 'Consider the advantages and disadvantages of the three options and advise Dilip on which would be the most suitable source of finance to use. Justify your recommendation,' then the advantages and disadvantages of the three alternatives should be discussed and a decision made as to which would be the best source of finance to choose and why. The highest marks were often lost because the recommendation was just a repeat of points made earlier and there were no reasons given as to why the chosen option was better than the other two options available.
- Paper 2 is a case study and the questions will be in the context of the business in the case study, for example, 'Dilip is a sole trader. Identify and explain one advantage and one disadvantage to Dilip of being a sole trader.' Marks will be awarded for applying the answer to this business, such as 'Dilip is an autocratic leader and therefore he will make all the decisions without having to discuss anything with partners or other owners – instead of just saying that 'Dilip is his own boss' which could apply to any business. In most of the questions on the paper, marks are awarded for applying these concepts to the business in the case and failure to do so will mean these marks are not achieved.
- Part (b) questions carry 12 marks and 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. 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 the new structure of the paper is encouraging candidates to do this. However, conclusions/recommendations are still an area of weakness even for better candidates.

### Comments on specific questions

#### **Question 1**

The first part was generally well answered by most candidates. They explained the advantage of sole traders keeping the profit for themselves or the benefit of making independent decisions. The most popular disadvantage mentioned was unlimited liability. It was good to see such sound knowledge of this business principle which earned good marks. However, few answers contained any application. Candidates should aim to use the context of the case or they will lose some of the available marks.

Sources of finance was well answered and often in great detail, although more in generic terms rather than in the context of the farm. The majority of candidates gave reasonable accounts of the advantages and disadvantages of each type of finance but most repeated one of those sets in the recommendation rather than weighing up the factors. Level 3 marks were very few and far between as were application marks. There was secure knowledge of bank loans and partnerships as sources of finance but much weaker understanding of bank overdrafts. Better answers justified the best choice by explaining why the other two options were not as suitable.

#### **Question 2**

It was pleasing to see that the questions suggested were generally well thought through and the majority of candidates gained 6-8 marks. Some original thinking was in evidence here. Candidates asked questions relating to qualifications, experience, customer service and being able to cook as well as the ability to speak foreign languages. Most candidates were able to offer some relevant questions supported by explanations which effectively related the possible questions to employment at the holiday homes.

In the second part of the question, the majority of candidates appeared to be familiar with the concept of motivation and many were able to distinguish between autocratic, democratic and laissez-faire forms of leadership but few related these concepts to the motivation of Dilip's employees. A few candidates mentioned that his employees required little skill and probably expected to be ruled by an autocratic employer. Quite a large number of candidates wrote of the need to offer non-monetary motivators, but many did not write about Dilip paying low wages. However, this part of the course appears to be well taught with a good level of understanding being shown by candidates. Very few answers came to a justified conclusion though, which prevented candidates earning the highest marks.



### Question 3

Good answers here explained the benefits of in-depth conversations, detailed responses and clarification of specific questions. Weaker responses considered market research in a more generic context. There was little application to the holiday houses by most candidates. Poorly answered in terms of actually answering the question, but most candidates achieved some marks for recognising what primary research could do. A few candidates wrongly assumed that this question related to a recruitment interview. Disappointingly, many more regarded market research as an advertising tool and wrote of creating a higher demand for the product. Those who adopted the correct approach, and there were many, realised that direct contact should provide instant, reliable and current market information.

The second part of the question was a good discriminator as some gave only knowledge of product and promotion without applying them to Dilip's new venture. The best answers gave good descriptions of how product and promotion would be affected by the primary market research results with good application to the new holiday homes. Most of the weaker candidates failed to grasp the thrust of this question and did not offer many ideas on the likely influence on the product and even fewer ideas on promotion. Many candidates managed to point out the need to adapt the marketing mix to take account of customer opinion but only a minority developed their answers sufficiently well to score Level 2 marks. A lot of them seemed to miss the point of the question. A significant number of candidates lost sight of the 'high income earners' and suggestions of 'improved packaging' or 'buy one get one free' highlighted candidate confusion or unawareness of the context. In essence, candidates did not contextualise their 'product' knowledge: too few related to the holiday houses, features, style, and furniture. In terms of 'promotion' too few related to tourist magazines, specific website or travel agents.

### Question 4

The first part was well answered and many candidates were awarded 6 marks but, similar to **1 (a)**, not very many gained the application marks. Sensible suggestions were made here about different stakeholders. The most common were the government, employees, Dilip himself and the bank manager. Generally, this was a high scoring question but too many referred to 'shareholders' which was not appropriate for a sole trader business.

Part **(b)** was probably the question that was the most poorly answered after **3 (b)**. It was disappointing to see not many candidates making proper use of the break even charts to give meaningful answers. Very few candidates completed calculations, lots of Level 1 marks were awarded for reading the break even chart although many confused profit and revenue and there were quite a few candidates who did not refer to the break even chart at all in spite of being instructed to do so in the question. Most candidates recommended that Dilip should supply the supermarkets because they recognised from the graphs that a higher profit should result. Break-even figures were often quoted which suggests that the candidates understood the concept of break even, but very few calculated the likely profit for each option.

### Question 5

Part **(a)** was a mixed question, whilst some candidates were confused about the effects of currency appreciation, the majority knew that exports would become more expensive and could describe some consequences. Fewer stated that imports would be cheaper. There was much confusion in many answers where it seemed that the candidates were uncertain what an increase (appreciation) meant. Too many referred to increased costs of exporting, e.g. transport.

Good use was made of Appendix 1 in the case study to answer part **(b)** which allowed candidates to mention minimum wage, child labour and farm inspections. Very few answers went beyond this to develop these points for Level 2 or Level 3 credit. Candidates did not run out of time, rather they ran out of ideas. The best answers looked at both sides of the argument, but many looked only at one side and some confused fair trade with the supplying of goods to the new supermarket. Most seemed to realise that the farmers would receive a higher income and that fewer children would be employed but only the better candidates realised that the former would be an advantage and the latter a disadvantage to the farmers. The majority of candidates were able to get 6 marks for this question, as they gained 4 x Level 1 and easily got the 2 Application marks. However, answers tended to waffle and be somewhat repetitive mainly reading from the case. There were also some candidates who did not take any notice of the information and wrote about how the locals would be affected rather than the implications of the decisions and benefits for the farmers.

# BUSINESS STUDIES

**Paper 0450/03**

**Coursework**

The majority of Centres who submitted coursework are experienced in its delivery and have done so before. The assignments undertaken were usually similar titles to those that had been successfully used previously. The assignment title for candidates was usually either a feasibility study, motivation analysis or an analysis of marketing used by a business.

It was rare to see assignment titles that were too narrow and this was pleasing because they restrict the amount of research candidates undertake. These titles lead to less information being gathered for candidates to analyse and evaluate and this leads to candidates being awarded lower marks. On the whole, the standard of work was very good including numerous examples of widely researched, well written pieces of coursework.

The standard of presentation by candidates was high. The best work submitted showed candidates had gathered a variety of information, for example by questionnaires, the 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 these criteria.

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

‘Would it be profitable to set up a ..... in .....(my neighbourhood)?’

Other titles were:

‘Is motivation in XYZ Ltd adequate?’

‘What would be the best way for ..... to motivate and retain its employees?’

‘What marketing strategies can .....use in order to increase its sales?’

‘How can .....cope with the problem of falling sales?’

‘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 accurately applied by most Centres. It was pleasing to see that marks awarded by teachers 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. When detailed and constructive written feedback was 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 and samples of coursework were sent by the deadline. All this made the moderation process go smoothly – Centres are to be thanked for their efficiency.