

# BUSINESS STUDIES

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Paper 0450/01

Short Answer/Structured Response

## General comments

The examination proved accessible for the well prepared candidate, and also differentiated effectively between candidates. As is often the case, candidates penalise themselves by a failure to read the question sufficiently carefully and by an inability to respond specifically to the command word. Thus a question that asks for an explanation requires more than a simple, factual, knowledge based response. Candidates need to be encouraged to think more about what they learn and not be content to merely repeat information. An area of specific weakness is an inability to interpret information that is presented in an unfamiliar way. Consequently **Question 3 (a)** posed particular problems for many candidates presumably because the graph was new to them. Virtually all candidates completed the paper and there was no evidence of any time related problems. Candidate's attention should perhaps be drawn to the following -

- An answer must be in context to score full marks.
- Show methods and workings in numerical questions.
- Explanation requires more than a list of facts.
- A 'do you think' question requires an opinion to be given and supported.
- Develop answers so that a conclusion emerges.
- Spend time thinking about what the question demands. Think before you write.

## Specific Comments

1

- (a)(i) Generally answered correctly. The most common error was confusion between total cost and revenue lines.
- (ii) Again this was a high scoring question. A number of candidates gave Y and Z as the answer. The question specifically asked for the break even volume.
- (b) A concept well known to most candidates. The main error was a failure to link the fixed costs to output, so that sometimes the answers said that it was a cost that is unchanged over time.
- (c) This question proved challenging for many. Most answers focused on what a break even chart shows in terms of break even volumes, but few provided any evaluative comment regarding the usefulness of the chart in decision making. The question differentiated effectively.
- (d)(i) This question proved more difficult than expected. Although many candidates correctly gave the formula for calculating rate of return on capital and produced the correct answer of 20%, a surprising number had no idea how to answer this question. Common errors included  $\$400000 - \$80000 = \$320000$ . Simple calculations of this nature do not appear to be taught in some Centres.
- (ii) Again this was a question that posed problems for many. Many vague answers were given along the lines that \$80000 profit seemed quite high so it was probably acceptable. The Examiners were looking for some consideration of yardsticks that could be used to assess acceptability such as last years figures or rival companies. Simple financial understanding appears to be an area that is under taught.
- (e) Most candidates were able to talk about the nature of cash flow and profit and loss. Only the better candidates were able to consider the relative importance of the two statements.

**2**

- (a) Generally, a well answered question in terms of knowledge. Unfortunately many candidates failed to explain their reasoning. A typical answer might read 'raw materials are imported because they are of better quality'. This is not an explanation, merely a statement. This type of response gains half marks.
- (b) Exchange rate questions always pose problems for some candidates. However, many were able to identify the fact that an appreciation of the currency would mean that imported costs would be less and this would be helpful to the company. Relatively few went further and pointed out that export prices would rise and this might damage sales.
- (c) Many answers to this question missed the point. The stem of the question stated that the factory had just opened in country J and it expected its costs to be reduced as a result. In effect this was a location based question, not a general question about how costs might be reduced. So answers that stated 'because of economies of scale' could not be credited. Neither could answers that suggested that the company went to country J to be near its raw materials as the stem clearly pointed out that the raw materials were imported. Only the better candidates were able to contextualise their answers to score highly.
- (d)(i) Generally well answered with many candidates making reference to rising GDP.
- (ii) Many answers here were limited by the failure to appreciate the significance of the company being an exporter. However, most were able to gain 1 – 2 marks for realising the general effects on sales and profits of an economic boom.

**3**

- (a)(i) This question proved difficult for many. A frequent error was to assume that company E operated a time rate system while company F used piece rates. The diagram clearly showed that the x axis was labelled 'output' in both cases so that there was no mention of time. Better candidates picked up on the major differences relating to the minimum wage offered by company E and the higher piece rate incentive offered by company F. This question discriminated particularly effectively.
- (ii) Some interesting answers were often provided to the question, some of which demonstrated good understanding of the implications of the two systems. A common error was to assume that if you worked for company F you would earn more money.
- (b) Answers to this question were often not very well focused. Many discussed the impact of money and largely ignored the significance of praise. However most candidates produced answers worthy of credit.
- (c)(i) Well answered, with most candidates showing knowledge of possible reasons. Full marks were often awarded.
- (ii) Candidates had little real understanding of the advantages of external training.

**4**

- (a)(i) Almost all candidates gained full marks.
- (ii) There was much repetition in the two benefits suggested by many candidates. In many cases the second point was often merely a rewording of the first point. However, the general understanding of the advantages of being a market orientated business was high.
- (b) There was a general understanding of the basic concept that higher advertising expenditure leads to higher sales. Only the better candidates looked at the strength of this relationship. A minority of candidates got the relationship the wrong way round and suggested that higher sales led to higher advertising.
- (c) Most answers focused on the link between lowering prices and increased sales. Better candidates considered the relevance of price elasticity of demand. Few candidates explored the contextual significance of a fashion business lowering prices to shift unsold stock. A number of answers failed to distinguish between temporary price cuts and permanent price reductions.

- (d) There were many competent answers to this question. General points about the advantages of Internet selling were often well made. However, the contextual link to selling clothes by such a means was not well made. Candidates must be encouraged to think about the appropriateness of a method in a given situation. There was clear evidence here that this rarely happens in many Centres. Without a contextual link it was difficult for the candidate to sensibly advise the company as to the best course of action.

**5**

- (a)(i) The topic of communications was well understood by many candidates. Most were able to identify why good internal communications mattered. Some struggled at explaining the reasons.
- (ii) Most answers showed some knowledge of the reasons why communication breaks down in organisations.
- (b)(i) There were some excellent answers to this question. However, some Centres had clearly not taught this and this was shown in the vague and imprecise nature of some of the responses.
- (ii) Much the same applied to this part of the question, but those who knew what was meant by a joint venture were usually able to identify advantages that it generated.
- (c)(i) Most candidates were able to identify stakeholder groups.
- (ii) Answers to this part tended to be simplistic. It was often suggested that this expansion by Wang Electricals would solve the unemployment problem of a country and hence the government would benefit. Although the broad concept may be correct, the degree to which it was operating seemed somewhat excessive!

Overall an accessible paper that differentiated well.

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| <b>Paper 0450/02</b> |
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| <b>Case Study</b> |
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## General comments

The paper proved accessible to candidates of all levels of ability with all but a minority of candidates attempting every question. Candidates responded well to the paper and most questions did not appear to present any problems. **Questions 2a and 2b** proved to be the most difficult questions for candidates with many scoring the lowest marks across their paper on this question. Sound knowledge of Business Studies theory was demonstrated by many candidates although, as with previous years, marks were lost through failure to **apply** the theory to the case study. However, there was a slight improvement in the number of application marks awarded and the case study itself appeared to be within the understanding of candidates. The biggest problems were that candidates did not answer the question asked and did not go into sufficient depth to obtain higher marks. Candidates often preferred to list points rather than explain them. Questions where they could give a more textbook style response, such as 3(b) and 4(a), scored more highly whereas questions which required more thought such as 2a were weaker.

Areas of the syllabus which appeared to be poorly understood by a significant number of candidates were: **how** market research is carried out – they were not able to outline the practicalities of carrying out market research such as a questionnaire; suitability of different methods of finance for a particular purpose – they did not know when to use particular sources of finance and why; many did not know what is meant by flow production – where candidates knew what it is they often could not outline any advantages to the business of using flow production.

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. E.g. **Question 2a** asked 'how' the market research information might have been obtained, not what are the advantages and disadvantages of market research.
- Candidates need to pay careful attention to the wording of the question. If the question says 'Do you think the Government in Country X should encourage NP to open a new printing factory?' then the advantages and disadvantages to NP of opening a factory 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, 'NP will need to recruit employees to work in the new printing factory. Discuss whether they should recruit people living in Country X or transfer workers from their factories in other countries', then the advantages and disadvantages of both alternatives should be discussed and then a decision made as to which would be the best thing to do and why. A large number of candidates start their answer with 'Yes' or 'No' and think they have justified their decision when in fact they have not done so. A judgement 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, 'Advise NP on what factors will be most important when deciding where in Country X to locate the new printing factory.' 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**

In **part (a)** only a few candidates gained full marks even though the majority of candidates scored quite a number of marks. Candidates tended to list a few advantages, but only the most able were able to give a full explanation. However, those candidates who did gain good marks explained the advantages of employing low paid labour, spreading risk, selling to a wider market, avoiding trade barriers or alternatively discussed economies of scale. Quite a few candidates listed more than two advantages and could only score marks for two of the advantages given. A number of candidates went off course and wrote about the benefits of being a plc.

There were many good answers in **part (b)** explaining the pros and cons of the government encouraging the opening of a new printing factory. Points often included the creation of jobs, employment and gaining tax revenue, better ones gave both sides e.g. against was profits sent back to NP's base and job losses to local firms versus greater competition and more choice for consumers. There were some good detailed answers and a number of candidates reached Level 2 with good application marks. The absence of a conclusion was the reason why few scored over 8-10 marks. Also a failure of some candidates was to discuss the advantages/disadvantages to NP.

#### **Question 2**

A mixed response to **part (a)**. The main weakness was that candidates lost marks through discussing the various advantages/disadvantages of the different methods of market research instead of discussing how a method/s might be carried out. It was disappointing that only a few identified the use of census data and related it to age and gender of potential customers. Neither did many candidates offer the type of questions to be asked e.g. Do you buy fashion magazines, how often, how much etc. Better answers included discussion of sampling.

On the whole **part (b)** was not well answered. Unfortunately some weaker candidates ignored the information in appendices 1 and 2 and discussed the merits of the different magazines from a personal viewpoint. They also confused 'revenue' with 'profit' and 'cost' with 'selling price'. It was disappointing that the majority of candidates did not get beyond Level 1. Few actually calculated, in terms of providing a numerical response, the profit for each magazine. It was well answered by only the more able candidates, with calculations of the profits earned from the different magazines as well as advertising revenue gained and a justified conclusion as to which magazine to launch.

#### **Question 3**

**Part (a)** was generally well answered; able candidates produced high level answers, many explained what the graphs meant and the weakest candidates earned some marks for describing the data in appendix 3. Most candidates said it was not a good time to launch the new magazine and used the graph trends to support their argument. More able candidates discussed the high interest rates leading to more costs to the company by the way of loan repayments and the reduced growth culminating in less income for consumers meaning less sales of luxury goods such as magazines.

The second part of the question was well answered by most candidates, with many coming up with suitable pricing strategies and explaining them well. A few candidates confused the terms but obviously realised the impact that price has on sales, although for **part (ii)** there was sometimes repetition of reasons from **part (i)**

e.g. market share, new product, competition. Better candidates wrote about the new format and content of the new magazine and also linked this to the need to have a successful early launch.

#### Question 4

The majority of candidates answered **part (a)** well by giving good explanations of their choices of finance such as bank loans, shares, retained profits; although it is disappointing that some still went for the short term finance such as an overdraft or factoring. Selling some of their stock or having a fundraising event was also given by weaker candidates.

**Parts (b)** was disappointing from a number of candidates in that they simply listed points and went no further, so were capped at 4 marks for Level 1 and often 2 additional application marks, gaining half marks overall. A good number of candidates did move into the Level 2 range by offering the effects on quality, productivity, output and so on. Happily many scored the 2 application marks. Only the most able candidates reached Level 3 by including a conclusion which justified the best method to use. Valuable marks were lost by the weaker candidates because they failed to discuss the consequences to the firm, of e.g. 'lower wages,' 'not speaking the language' etc. A good many went for a compromise, bringing in trainers from other countries and then returning them, this in a low wage country seemed to be a fair idea, others went further and contextualised by suggesting they poach from the Country X firms. A minority focused on training and the methodology – internal/external rather than whether to recruit from home or abroad.

#### Question 5

**Part (a)** was not answered well. The majority of candidates knew what flow production was, but were unable to outline the benefits to the firm of using this method of production. Those that did know soon gained marks. Other answers were much more vague and went for "efficient" or "quicker". Several confused flow production with cash flow.

The majority of candidates displayed good knowledge of location factors in **part (b)**. Unfortunately, weaker candidates wrote down as many factors as possible, but without any further development, therefore not reaching Level 2. However, there were some excellent well developed answers from a good number of candidates. As this is the last question, perhaps many had forgotten the context and therefore did not gain the application marks. Too often a general list was offered with only limited references to NP, its plans for the future, the 80% urbanisation, etc. A minority discussed the marketing mix or factors of production.

# BUSINESS STUDIES

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**Paper 0450/03**

**Coursework**

## General comments

The Centres who submitted coursework had also entered candidates in the past. The assignments chosen were usually similar titles as those that had been successfully completed in the past. The single assignment for many of the candidates was a feasibility study. Care must be taken to ensure that the study of opening a new business is evaluative and not just a description of what needs to be done, as descriptive assignments will score lower marks. For example, 'What are the motivation methods used in a retail business – XYZ Ltd?' 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 the candidates undertake and they have less information to analyse and evaluate. For example, just looking at the pricing strategy of a single product and how it could be improved does not provide a lot of scope for the candidate to research and 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 showed candidates had gathered a variety of information 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, with examples of the titles below.

'Is there scope for a .... in my neighbourhood?'

Other titles were:

'Are the workers of ...Ltd well motivated?'

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

'Would a suitable location for XYZ Ltd be New Street?'

'How can the marketing mix for .....be improved?'

The assessment criteria were generally accurately applied by Centres. However, very occasionally 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. 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.