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# BUSINESS STUDIES

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Paper 0450/01

Paper 1

## General comments

The Paper proved an effective discriminator across the full ability range. There is much evidence that candidates are well prepared for the Paper and that the overall level of knowledge and understanding has improved. The following points should help to improve examination technique.

- Read questions carefully and answer the specific one set.
- Always follow the rubric of the question e.g. if two reasons are asked for it is a misuse of examination time to provide four or five.
- Candidates need to be clearer as to what a specific trigger word means. For example instructions like explain, justify and comment were often ignored. Thus often candidates were able to identify relevant points but frequently struggled to add relevant development or explanation. The consequence of this is that their answer is denied access to the higher level skills of analysis and judgement.
- Candidates need to be encouraged to think about questions and not simply repeat learned material which is used, irrespective of the focus of the question.

## Comments on specific questions

### Question 1

- (a) Most candidates mentioned, often by implication, the sole trader feature but many failed to identify other relevant features such as unlimited liability and an unincorporated business. Many candidates failed to separate their answers to parts (i) and (ii) and thus referred to the reasons why people set up such a business as being a feature of a business. Part (ii) was well done by the vast majority of candidates.
- (b) This topic area was well known and produced many good answers. Virtually all candidates were able to suggest that an increase in both sales and probably profit lay behind the growth objective of many businesses. Some candidates were able to refer to things like market share, reduced risk and diversification.
- (c) Although there were many good answers given to this question there was a surprising tendency to assume that privatisation almost automatically created a private monopoly and hence reduced choice to consumers. This seemed somewhat perverse given the fact that usually the argument in favour of privatisation is that it creates an opportunity for competition along with greater variety and more choice. A few answers focused on the advantages rather than the disadvantages of the change. Sometimes candidates failed to notice that the question made reference to consumers and referred to matters like unemployment and social costs.
- (d) The majority of candidates were able to calculate correctly the number of people employed in secondary activities although a few got confused between percentages and absolute values. In part (ii) many answers focused on what changes had occurred rather than on possible reasons to explain them. Furthermore answers often made reference to factors like economic development but failed to really explain why this created employment shifts.

**Question 2**

- (a) Candidates found this question quite challenging. Many stated that costs must have risen but found it difficult to link this in with increased sales. Few were able to suggest that perhaps the increase in costs was not reflected in a rise in selling price and hence profit margins might have been squeezed. There was much confusion in some candidates' minds between an increase in total costs (because more was being produced) and an increase in unit costs. Cash flow problems were often wrongly cited as the cause of the problem with profits.
- (b) Although this was handled better, answers here were not strong. Most candidates had some grasp of the fact that cash flow problems were something to do with an imbalance between cash in and cash out. Some were able to refer to factors like stock levels or debtor/creditor relationships. Weaker candidates simply stated that costs must have risen.
- (c) This was well answered. A small minority of candidates incorrectly included profit/loss items here.
- (d) Most candidates could identify at least two disadvantages of using bank loan capital. Some were able to develop their answers to show the implications of such a strategy in terms of costs, cash flow and gearing.
- (e) This question proved the most difficult on the Paper. Most candidates were able to say that the accounts allowed you to see the level of profits earned by a business. Few answers went much beyond this. The Examiners were hoping that criteria for measuring success might be referred to such as rate of return on capital. Some were able to refer to appropriate ratios but found it difficult to make the next step to show how these were linked to the final accounts of a business.

**Question 3**

- (a) Many candidates made a mistake in assuming that the system illustrated was a piece rate one. They ignored the fact that initially wages were independent of output. Candidates need to be encouraged to look at unfamiliar figures and to interpret what they see. There were many good answers given here that referred to the motivational impact of money. However all too often answers lacked focus and started to discuss the impact on quality and the need for control systems. The question was centred on whether financial targets are a good method of generating motivation.
- (b) Many good answers were provided here with reference to factors like skill shortages and lack of other fringe benefits. Generally a high level of understanding of these concepts was shown.
- (c) Both parts to this question were very well handled. Most candidates were able to refer to two different types of training such as in house/induction/external and generally were able to outline the differences between them. Furthermore the potential advantages of a skilled labour force was well known and understood with reference to factors like increased productivity and efficiency with its impact on costs and profits.

**Question 4**

- (a)(i) Most candidates demonstrated a basic understanding of the hierarchical nature of organisational charts and identified a few relevant features. Better candidates were able to incorporate context features into their charts.
- (ii) Although many candidates were able to explain both terms quite adequately a number failed to follow the instruction to make use of their chart drawn in part (i).
- (b) Many answers here were somewhat unfocused. They described a communication system and only made reference to effectiveness by accident. Better answers were able to refer to factors like speed, accuracy and feedback.
- (c) This was very well answered. Almost all candidates could identify two managerial functions and most were able to explain adequately what they involved. A small minority just produced a list of functions with no attempt at an explanation.

- (d) Again generally well answered. Most candidates had some knowledge of laws that impact on employment. However some had difficulty in explaining how these laws actually impact on employees. A few candidates focused on their impact on the employers. A small number discussed this question in terms of trade unions. Detailed knowledge of legislation was required, merely an awareness of the impact that such laws have on the rights of workers.

### Question 5

- (a)(i) Many good answers were seen here. The Examiners were expecting reference to things like cost plus and market based pricing. Many of the better answers adopted this approach. A number of weaker answers discussed things like the quality of the fruit and even seasonality factors. However they were usually unable to show how these factors had any relevance to pricing decisions.
- (ii) This part was particularly well done. The only area of weakness was the inability of some candidates to explain why their chosen method of promotion might be appropriate.
- (b) The impact of advertising on sales was well known and well understood. There were many very good answers given to part (ii) explaining why badly focused advertising would be ineffective.
- (c)(i) A surprising number of answers failed to draw an extension strategy in an appropriate manner.
- (ii) Many answers here were of two or three methods rather than of an explanation of one method as required. A few answers made reference to bringing out a new product. The Examiners felt that many candidates had an insecure grasp of the concept of an extension strategy.

Paper 0450/02

Paper 2

### General comments

The Examiners were pleased with the general standard of candidates' scripts. The Paper proved effective in allowing all candidates to show signs of positive achievement. Weaker candidates were able to demonstrate knowledge and some understanding while stronger candidates were able to apply their knowledge and make evaluative judgements. The main conclusions of the Examiners were:

- candidates are much better prepared for the Case Study Paper than they used to be.
- there was a marked improvement in the standard of answers given to the numerical question.
- all candidates would benefit from a stronger awareness of the main facts contained in the case. It is disappointing to see candidates recommending an increase in borrowing (**Question 6**) when this is explicitly ruled out in line 31 of the text.
- careful reading of the specific questions is essential if high marks are to be achieved. Thus if a question requires an explanation or a justification then a simple knowledge and factual response is insufficient.

### Comments on specific questions

#### Question 1

All four terms were known to most candidates.

- (a) Many candidates were aware of the basic idea of a sample. However many found it difficult to get over the essential feature that it is a sub-group of people whose views are taken to be representative of the total group. A few candidates used the term in a practical sense of a piece of material (e.g. sample garment).

- (b) Most candidates produced good answers to this drawing attention to the fact that it was the relative importance of a business in a market measured in terms of relative sales.
- (c) This was well answered. The most common error here was to focus on the concept of an absolute value rather than on the idea of a margin.
- (d) This part caused the greatest difficulty. Most candidates were aware that it referred to a method of production but many had difficulty in identifying its essential features.

### Question 2

The Examiners were pleased with the general standard of answers here. However all candidates would do well to remember that a clear presentation of working along with an explanation of what is being calculated is very important. In some cases incorrect answers were given with no indication as to how they had been derived. The answers were: (a) 37.9%; (b)(i) \$424m, (ii) \$53m, (iii) \$0.795m.

The most common errors were in (a) to incorrectly calculate the % increase by expressing the rise of \$110m as a % of \$400m; in (b) confusing the growth as being 5%; in (c) failure to interpret the pie chart segments correctly and in (d) calculating the 5% share of the jean market as being \$2.65m but assuming that this was the gross profit (the profit margin was 30%).

### Question 3

Candidates had been well prepared for the topic area of employee motivation. Many were able to demonstrate knowledge and understanding of motivational methods and attempted to explain their ideas. There were far fewer list type answers than in the past. However, weaker candidates were totally uncritical in their demonstration of knowledge and included fringe benefits that were totally inappropriate for factory workers. An increasing number were aware of motivational theorists but often failed to use their knowledge to their best advantage. Simply saying what Maslow for example thought does not constitute an answer to the question.

### Question 4

Both parts (a) and (b) were well answered. In (a) weaker candidates tended to repeat what was in the case study text. Better candidates were able to draw valid inferences from the market research findings and hence were able to identify the key findings that were of particular value to the business. The basis of a good answer was to identify the fact that the research allowed the business to become market orientated by producing a product that was appealing at appropriate prices, sold through a distribution chain that was suitable. This then needed to be illustrated with suitable case study reference. Some answers produced textbook-like responses that made no mention of this specific piece of research. Candidates should be discouraged from this approach.

In (b) there were many very good answers that were able to draw upon knowledge of the marketing mix along with good contextual reference. Strong answers referred to things like a prestige pricing policy reflecting the fashionable image that the product displayed. Consideration was also given to the retail outlets to use along with promotional and advertising campaigns. Weaker answers focused upon the 4 p's with little or no reference to the case.

### Question 5

There were large variations in the quality of answers to this question. Some candidates clearly had learnt this part of the syllabus and were able to identify and explain the concept of economies of scale. Other candidates did not appear to have covered this part of the syllabus in any depth and this was reflected in the calibre of their answers. To score well candidates needed to be able to explain what cost advantages large businesses had potential access to. Many were able to refer to mass production techniques, bulk purchase of stock, distribution advantages and financial and managerial gains.

### Question 6

Far too many answers ignored the text and suggested the business applied for a bank loan. Good answers suggested leasing or use of retained profit with full justification. The question proved an effective discriminator. A number of candidates tend to produce quite detailed answers with insufficient thought given to their appropriateness in the situation under consideration.

**Question 7**

The majority of candidates found this a difficult question. However most were able to gain credit in part (a) by making reference to things like misleading adverts, poor quality and refunds. Some candidates lost marks for not focusing on the focus of the question and made reference to social and environmental issues. In part (b) candidates needed to make close contextual reference to score highly. Thus answers referring to, for example, the jeans must be of merchantable quality and fit for purpose (stating fabric content, washing instructions) were relevant. There was little doubt that many candidates found this strict application of their knowledge quite challenging.

**Paper 0450/03**

**Coursework**

**General comments**

There were a few new Centres, but the majority of Centres who submitted coursework have done so for several years. These Centres continued to show good practice, which led to their candidates producing well researched, well written pieces of coursework. Assignments were set which covered many aspects of the syllabus. Coursework titles that had been successfully used in the past were usually used again or improved upon. A minority of Centres' candidates opted to complete one longer piece of work instead of three shorter assignments. The majority of Centres submitted work of a good standard and there were few examples of low scoring assignments.

**Assessment criteria**

There was evidence of much original research being undertaken through both primary and secondary research. Questionnaires were the easiest and most popular form of gathering primary research. The majority of candidates chose a similar variety of sources of information, as had been used in previous years, which included visits to factories; interviews (with parents, peers, teachers, business people, the general public); gathering information such as maps, advertisements, leaflets, official documents, personal observation, photographs. In addition, secondary sources such as textbooks, newspapers, company reports and the Internet were also used. Only a minority of candidates relied on one main source of information. Assignment titles generally encouraged a wide range of research although a minority were not focused on adequate opportunities for primary research.

Generally, presentation was of a high standard with effective use of IT being made to produce a variety of graphs, charts and spreadsheets. Most candidates attempted to present their findings in a logical manner. The best assignments were compiled with some clear objectives set out at the start of the work.

Sometimes, the data gathered was merely presented with little analysis of the findings e.g. five said 'Yes' and twenty-five said 'No' to the question, 'Would you buy the product advertised as it is?' This is reporting when what is required is some comment on the significance of this data such as 'these figures suggest that the majority of those questioned are not influenced by the advertisement which means that a new advertisement must be considered if the product is to achieve higher sales'.

Some candidates seem to manipulate the data to prove their original assumption, although there were some who were honest enough to admit that their assumption had been proved wrong, for example a proposed business should not go ahead as there is insufficient demand for the good or service. Candidates must evaluate their evidence and provide conclusions based only on that evidence.

Some candidates evaluated their research methods but they could not be awarded any credit for doing so.

A few Centres provided feedback sheets containing constructive comments for the candidates as to where they had gained marks and where they could improve their marks in future pieces of work. These comments were not only helpful to candidates but also for the moderation process.

### Application of the assessment criteria

Centres generally accurately applied the assessment criteria. However if Centres were slightly generous they tended to be with the awarding of analysis and evaluation. The discussion by candidates in some cases was brief and not in depth and this could not be awarded the highest marks. Conclusions needed to be based on the data collected and answer the question posed in the title.

Very few Centres awarded high marks for limited research but a lack of scope for research was usually the result of a narrow question posed as the title for the assignment. Also data should be converted to appropriate and alternative forms of presentation and it was pleasing to see the majority of candidates, even weaker ones, did this successfully. It is important that some evidence of the research undertaken supports all information used in the assignments.

### Appropriateness of assessment tasks

As the majority of Centres have been undertaking coursework for some time they usually instructed their candidates to have a clearly stated question and these were questions that encouraged analysis and evaluation of the data collected. Pleasingly, there were few examples of descriptive titles such as 'Setting up a business'. Sometimes when these sorts of titles were set the candidate would, in the introduction, outline a hypothesis to be tested.

Often simple open ended questions worked very well such as, 'How could ... increase their sales through changes to their marketing mix?'

Assignments that continued to be successful were:

- Motivation: candidates studied several workers to see what motivated them; more able candidates went on to compare their results with motivation theory. Candidates posed questions such as 'Is money the most important factor in motivating people at work?'
- Setting up a new business: candidates found this interesting and it encouraged a variety of methods of research. This ought to be written up as a feasibility study but a few candidates still adopted a narrative form describing the steps necessary to set up a business. Analysis and evaluation of the data gathered should be included for high marks to be awarded. A conclusion is needed which fully justifies the recommendation as to whether or not the business should be set up - e.g. 'Is XYZ likely to be a successful new venture in ... (town/city)?'
- Are the lines of communication in XYZ plc effective?
- How does firm X compete and why?
- What factors are most important when trying to attract tourists to...?

Again a pleasing number of candidates did relate Business Studies theory to the information gathered from their primary and secondary research. The majority of Centres made good use of business activities around their area (city/town) and these proved a very effective focus for study.

**Paper 0450/04**

**Alternative to Coursework**

### General comments

The Paper proved accessible to candidates of all levels. Many of these candidates demonstrated a very good understanding of Business Studies concepts and are to be congratulated on their hard work. However, this year the report in **Question 3** proved difficult for more able candidates to score high marks, mainly because they did not read the question carefully enough. There are a number of points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Candidates need to pay careful attention to the wording of the question. If the question says 'describe' then no explanation is required. If the question says 'explain' then the candidate must give an answer not just a list. The number of marks for the question also gives an indication of the amount of explanation required. Full sentences and a paragraph for each point will often encourage candidates to write more detailed explanation.
- 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.
- Weaker candidates sometimes resort to copying the information provided when answering the report. This will not be rewarded and candidates should be discouraged from doing this. They should try to put their answers into their own words; this is particularly common in the introduction to the report.
- In the main part of the report candidates should explain the advantages and disadvantages of each alternative, they should not just describe each alternative as the marks are not for describing the point itself but for their advantages and disadvantages.
- The conclusion and recommendations of the report are often done poorly even by better candidates. Encourage candidates to *compare* the alternative strategies discussed in the main body of the report not simply repeat the advantages and disadvantages of the different strategies in list form. Comparative statements should be present e.g. 'using piece-rate as the system of payment for employees would be better than time rate because .....'. They should weigh up the pros and cons of these alternatives. Weaker candidates just repeat what they wrote in the main body of the report and this scores few marks. The recommendations should then be clear as to what the business should do to solve the problem and why. It is relatively easy to score some marks for the recommendations but for higher marks this recommendation must be justified and explained as to how this will help the business overcome its problem and become more successful.

### Comments on specific questions

#### **Section A**

#### **Question 1**

- (a) This question was generally well answered by the majority of candidates who usually gained 3 or 4 marks. Only a few candidates achieved full marks by giving sufficient detail or making a comparison between the two payment systems.
- (b) Again, generally well answered with answers relating to savings in wages which meant less costs and this money could be used to fund other things. Other common answers related to new staff who could be better qualified and therefore increase the efficiency of the restaurant and save time on training. Most candidates gained at least 3 marks and many scored more.
- (c) Another well answered question where all candidates could score some marks. However, only the better candidates explained how fringe benefits could improve motivation or recruitment of staff, achieving 4 to 6 marks.
- (d) A score of less than 3 was rare. Basic answers referred to examples, such as payment methods, fringe benefits, job satisfaction. Better candidates gave these examples but then went on to explain the ways that these methods could motivate and not motivate staff. However, very few candidates were able to give a balanced argument and concluding comments as to whether money was the only way to motivate restaurant staff. Hence marks of between 3 and 6 were the most common.



**Question 2**

- (a)(i) A minority of candidates mixed up the two methods. However, the majority gained 3 to 4 marks and could explain on-the-job and off-the-job training. There were inaccurate comments that off-the-job training was only theoretical and carried out when the restaurant was closed.
- (ii) A mixed range of answers was given for this question. Many candidates referred to on-the-job training stating that this would save money and give the chefs experience of how the staff worked and prepared meals. It was welcome to see better candidates explain that off-the-job training would be better as chefs would be fully trained and would be able to give new skills to the restaurant – such as offering new dishes to the present menu. The candidates went on to say that this would attract more customers leading to greater profits.
- (b)(i) The majority of candidates found it quite hard to score full marks on this part of the question. Candidates normally referred to the methods to carry out the research (i.e. interviews, questionnaires, observation, consumer panels) and gained some marks. It was rare to see a full breakdown of how a method of market research would be carried out. There were some good applications to the restaurant with discussion of putting suggestion boxes on tables for customers to fill in and hand back to the manager.
- (ii) It was disappointing to see that this was poorly answered given that this type of question is asked regularly. If marks were scored it was usually for mentioning bias, taking a very large sample for accuracy or for not having out of date data.
- (c) A minority of answers were not relevant as the candidates did not refer to the methods of recruitment but talked about job descriptions or needing to interview potential employees. Most answers were linked to the methods and candidates went on to outline the methods stated. Advertising in newspapers, posters, radio or notices on the restaurant window were the most common responses.

**Section B****Question 3**

It was rare to see candidates not using the report format. A very small minority of candidates used a letter format but they still included some of the report format subheadings. The introduction marks were gained by the majority of candidates; they found the context particularly accessible. The problems discussed included staff leaving, increased absenteeism, low staff morale, customer dissatisfaction and poor customer service.

Many candidates discussed the advantages and disadvantages of different ways of paying and motivating employees. The payment systems given in the stimulus material were discussed and additional fringe benefits were also included. However, some candidates lost marks by describing the payment systems or fringe benefits rather than discussing their advantages and disadvantages. Some candidates discussed the advantages and disadvantages to the employees rather than to the business and lost marks. The second part of the main section of the report was not well answered by most candidates. Common mistakes were to discuss the advantages and disadvantages of recruiting a new chef or new employees rather than the methods of recruitment themselves. Some candidates thought training was a method of recruitment. However, credit was given to training where it was discussed as part of motivation.

The conclusion continues to be poorly answered by the majority of candidates as they tended to repeat what had been said earlier rather than compare these alternatives as to their suitability for this business. Recommendations proved easier to gain some marks but again few candidates scored full marks as they did not develop a strategy, preferring to list what the restaurant should do.