

BUSINESS STUDIES

Paper 0450/01

Paper 1

General comments

The paper proved accessible to the vast majority of candidates. As usual it discriminated effectively across the full ability range. However all candidates were able to score positively on most questions. The entry for the subject was up marginally on last year and the standard of work was very similar. It is pleasing to note that the number of very weak Centres continues to fall. There was much evidence that candidates had been well prepared for this paper. As a generalisation the greatest weakness of candidates lies in their inability to focus on the specific requirements of a question. Thus a question that asks for an explanation of something cannot be answered effectively by a response that basically describes features.

Comments on specific questions

Question 1

- (a) Well answered, although some candidates found difficulty in determining the absolute number of employees in the tertiary sector.
- (b) Too many answers focused on explaining what tertiary activities involved rather than on explaining why structural shifts occur.
- (c) Generally well answered. However, a number of candidates got a little confused between monopolies and mergers. Thus they explained a monopoly purely in terms of companies merging. Some found it hard to explain a monopoly as being more than a large business. The implications of a monopoly situation both to the company and to the consumer were well understood by many.
- (d) Some candidates wrote about different types of economies e.g. command and mixed, and thus mentioned a market economy in passing. Others answered largely in terms of features that a market economy did not contain e.g. no government ownership of activities.

Question 2

- (a) Although candidates coped well with this finance question, certain common errors did occur. In (i) answers like wages and rent were given. In (ii) some referred to limited liability. In (iii) there was some confusion with credit given to customers as a means of gaining business. In (iv) dividends were often seen as part of shareholders' funds. Nevertheless many answers showed good understanding of these basic finance terms and concepts.
- (b)(i) Answers here tended to be too narrow. They concentrated too much on the reinvestment of profits back into a business. Only better candidates made reference to distribution to shareholders and addition to reserves.
- (ii) This question proved the most challenging on the paper for many candidates. Many responded by considering what the government might do with these profits like placing a tax on them. Others suggested that the company's accounts should be checked. Only the better candidates were able to consider how profits need to be placed in context so that some judgement can be made regarding their size e.g. rate of return on capital. Absolute profit figures say very little about a company.
- (c) The concept of security for a loan was well understood by most candidates. However, many answers suffered from an inability to explain clearly what securing a loan actually involves.

Question 3

- (a) Pricing methods were well known. However, in part (ii) many answers explained how such methods operated rather than explaining the advantages to a business of these methods.
- (b) Particularly well handled by many candidates. Better answers focused on the marketing requirements of the specific product. Weaker ones tended to lack specificity and made reference to factors that were inappropriate for the marketing of a child's bicycle.
- (c)(i) The idea of market orientation was well understood.
- (ii) Too many answers simply listed all the different types of economies of scale known to the candidate. Only the better answers were able to identify and focus on specific production economies such as production line methods; spreading of overheads; economies of bulk purchase; specialisation gains and flow methods. There is still a tendency to write in an indiscriminate manner by some candidates.

Question 4

- (a)(i) Well answered.
- (ii) Answers here often failed to make clear the importance of the information. They frequently said little more than applicants would need to know this but did not say why.
- (iii) Again good identification of appropriate location for the advertisement but often little attempt to explain why.
- (b) Although the distinction between dismissal and redundancy was known to many, a surprising confusion existed in the minds of a sizeable minority of candidates. Common errors involved getting the explanation the wrong way around. A number stated that employees who had retired were made redundant. Many focused on financial benefits sometimes associated with redundancy and explained the difference purely in these terms.
- (c) Although there were some very good answers given, many responses were either too simple or misdirected. Some stated that the demands would be based on the fact that workers needed more to feed their families (a rather simple way of explaining cost of living related claims). Others focused on the functions of trade unions and benefits members might gain from joining.
- (d) This was pleasingly well answered. Many candidates rightly noted that a rise in wages did not automatically lead to a fall in profits.

Question 5

They probably were able to refer to their international spread but were unable to identify other relevant characteristics.

- (a)(i) Surprisingly, many candidates knew very little about multinational companies.
- (ii) This question was poorly answered. Many answers said little more than it was to do with the growth of international trade. This section of the syllabus seemed somewhat under taught.
- (b) The basic idea of cost benefit analysis was known to many candidates. Some experienced difficulty in contextualising their answer.
- (c) Answers were somewhat mixed. Most candidates were aware of the existence of such laws. However many found it difficult to make it clear exactly how consumers benefited from such legislation. General answers like it prevents them from being cheated were often given. A minority of candidates had an impressive appreciation of the topic area.

General comments

The paper discriminated between candidates of differing ability in an effective manner. The general standard of answers was significantly higher than in previous years. The context of the case study perhaps made it easier for candidates to relate to the business situation. Certainly there was evidence that candidates were able to provide illustrations that were appropriate given the nature of the business being considered. As always, better candidates focus their answers on the specific requirements of the questions while weaker ones tend to produce generalised responses largely reproducing facts that they have learned.

Comments on specific questions

Question 1

To score full marks candidates need to be accurate in their explanation or to produce an answer that shows clear development of basic knowledge illustrated by appropriate examples preferably in the context of the case. It is not a good idea in explaining a term to use the term in the answer. Thus to explain a market segment by saying that it is a segment is not helpful. All four terms were known to many candidates although answers showed great variation in depth of understanding. Common errors included the following:

- A tendency to use the term segment in the answer. A failure to focus on what exactly are the characteristics that allow markets to be broken down into parts.
- Failure to emphasise the predictive nature of a forecast. Some confusion over what exactly a cash flow prediction includes as there were some references to profits.
- Some confusion between the term liquidity and liquidation. Often candidates were aware that it was something to do with the cash position but perhaps little more than this.
- The distinction between gross profit and any other profit was blurred.

Nevertheless most candidates made a creditable attempt at some if not all of the four parts.

Question 2

Generally candidates were well informed about the topic area of market research. The distinguishing feature of a quality answer was the ability to select from knowledge the specific information required by the question. Thus in **(a)** the focus should have been on features like the size of the potential market and the degree of competition that existed. Some answers referred to non market based information which clearly was irrelevant. In **(b)** the focus needed to be on the value of the information to the bank in assessing the proposal. Thus a good answer would have mentioned things like the market research might have shown the potential for the business and hence the degree of risk. Also market research is at the heart of the data in the business plan. In **(c)** reference to methods of primary data collection would have been well credited.

Question 3

- (a)** The numerical calculations proved surprisingly easy to many candidates. Answers were **(i)** \$2.5, **(ii)** \$62.5, **(iii)** \$18000. The most common error was in part **(iii)** to show the weekly profit of \$360 not the annual profit as required.
- (b)(i)** The break even chart was also well answered by many. Some candidates had problems in determining the value of the fixed costs and many labelled the total cost line as the variable cost.
- (ii)** This was answered accurately; the break even point was 333 customers per week.
- (iii)** Many answers were able to identify the value of the break even point to the management of the business even if only to state simply that it would show when a profit starts to be made.

Question 4

This question was particularly well done. Almost all candidates were aware of methods of promotion. Most were able to identify a number of possible strategies. Better candidates were able to justify their choices. Weaker answers tended to include methods that could not really be thought appropriate for a new start up business on a small scale e.g. national television advertising. All candidates need to be encouraged to think about the context of the case before they answer the question.

Question 5

Again the Examiners were very pleased with the impressive quality of answers from many candidates. Most had an awareness of the meaning and importance of motivation. Better candidates were able to explain the particular importance of the concept in a service industry here the employee deals with the customer directly. In **(b)** a wide range of methods that could be used were identified. Some candidates forgot the size of the business and made suggestions that clearly would be beyond the ability of a small company to fund e.g. private health insurance and payment of school fees for children. The major weakness here lay in an uncritical list type answer of all theoretically possible methods that could be used with insufficient thought given to the type of business and its size. Methods that are used by multinational corporations are not always employed by a small business.

Question 6

This question proved an effective discriminator. Weaker answers tended to focus on decisions that had already been made e.g. where to locate the business. Better answers made reference to things like good management control; control over cash flow and debt levels; feed back from the market and the need to keep the “product” up to date; maintain high standards in the shop. Many candidates produced highly creditable attempts at this quite challenging question.

Paper 0450/03

Coursework

General comments

Once again the majority of Centres who submitted coursework have done so for several years. There was a small number of new Centres where candidates were entered for this option. Existing Centres continued to show good practice which led to their candidates producing well researched, well written pieces of coursework. A wide variety of assignments were set by Centres covering many aspects of the syllabus. Coursework titles which had been successfully used in the past were usually used again or improved upon. The majority of Centres submitted work of a good standard with 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 most popular form of gathering primary research. Although many of the questionnaires were compiled to obtain the relevant information as required by the chosen topic, some were compiled with little care and much irrelevant information was obtained which only served to clutter the data bank. The majority of candidates chose a variety of sources of information which also 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. These were all valuable sources of information in addition to secondary sources such as textbooks, newspapers, company reports and the Internet. A minority of candidates relied mainly on only one 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 and the data was usually converted into different and appropriate forms of presentation. Effective use of IT was 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.

Some candidates included too much Business theory that they failed to make much reference to in their chosen topic, e.g. the history of the selected company. To achieve high marks the theory should be applied to the topic at every opportunity.

Sometimes, the data gathered was merely presented with little analysis of the findings e.g. 10 said 'Yes' and 15 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. Candidates must evaluate their evidence and provide conclusions based on that evidence only.

There is no requirement for candidates to evaluate their research methods and they will not be awarded 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 but it was the assessment of analysis and evaluation, in particular where descriptive questions were used, when the marks awarded were too generous.

Very few Centres awarded high marks for limited research but this lack of scope for the research was usually as a 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. Where a 'Sources of Information' section had been included it was very useful in seeing where the candidate had obtained their data. It is important that all information used in the assignments is supported by some evidence of the research undertaken.

Appropriateness of assessment tasks

The majority of Centres instructed their candidates to have a clearly stated question and these were usually questions that encouraged analysis and evaluation of the data collected. Pleasingly there were few examples of descriptive questions such as 'How do people communicate in a large business?'.

Often simple open ended questions worked very well such as, 'How could the Marketing of (the named product) be improved?'

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 'What would be effective ways to motivate the workers in XYZ company to work harder?'
- *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 and a conclusion which fully justified 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)?'
- How could the marketing mix for product be improved?
- Are the lines of communication in XYZ plc effective?
- With reference to 2 businesses of your choice, examine why the 2 businesses in the same industry differ in terms of size, structure and objectives.

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.

<p>Paper 0450/04 Alternative to Coursework</p>
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General comments

On the whole, the candidates demonstrated a sound knowledge of business concepts and were able to relate these concepts to the problem outlined in the paper. The content of the paper proved accessible, especially the report that proved particularly within reach of even weaker candidates resulting in higher marks on **Question 3** than is normally the case. However, candidates scored less well on some parts of **Questions 1** and **2** that seemed to prove slightly more challenging. Rarely were questions left unanswered. The majority of candidates seemed to be well prepared for this type of paper.

Comments on specific questions

Question 1

- (a) This question was generally well answered with many candidates achieving 3-4 marks. However, a number of candidates repeated the wholesaler channel because they did not read the question carefully. Some candidates lost marks by explaining the channel of distribution but forgetting to add the consumer.
- (b) Many candidates managed to score one mark by discussing the need to register the product, many could name patents, few went on to explain that this meant that the business could sue anyone who copied the product.
- (c) This question was well answered by the majority of candidates where they usually managed to score 4-6 marks by discussing that a larger business would be more difficult to manage and need a lot more finance. There was also discussion of not being in close contact with customers or employees and losing the personal touch. Few candidates used the information provided in the figures to apply their response to Mustafa and hence few scored full marks.
- (d) Many candidates scored well on the first part by mentioning costs or revenue information needed to forecast profits. However, there were some weak answers about balance sheets, cash flow and trading, profit and loss accounts. A number failed to recognise that this was a new product and consequently suggested using past sales figures, which was not a good guide to future profits. The second part of the question was not well answered. Candidates again, as they have tended to do in previous years, listed questionnaires, etc. and did not explain HOW the research could be carried out. Unfortunately a minority discussed the merits of the research methods instead of how to carry it out.

Question 2

- (a) There was some confusion between R & D and market research. There were many general points identifying the need to know your market and the best 'mix', but few focused upon product development and quality issues. However, candidates did often deal with the merit of research required and scored some marks.
- (b) A good knowledge of economies of scale was shown by many candidates who easily named two examples. Marketing, financial and technical were the most common examples along with managerial. Some candidates confused types with examples and could not name types but could explain and give examples, hence scoring some marks.

- (c) This question was not well answered. Many candidates missed the point and discussed the organisational structure of the business. In Fig. 1 it mentions the changing legal structure and gives examples so if candidates had read the figures carefully they should not have been confused about this question. Better candidates could discuss the need to change because of limited liability, or the increased finance required, etc.
- (d) Candidates could give the name of the company, address, or what the company made but many candidates did not score full marks on this question. They found it difficult to explain the difference between the two documents. A minority of candidates confused the memorandum of association with a memorandum used in internal communication.

Question 3

Most candidates appreciated the layout of the business report and achieved maximum format marks. Introductions were weak with many candidates just repeating the stimulus material. There needs to be discussion of the problem and why it is a problem for Mustafa's business. The main section of the report proved very accessible to candidates with a number scoring full marks and most scoring at least half marks. The stimulus material was used effectively with discussion of the advantages and disadvantages of the different types of business organisations. The conclusions once again proved to be poor by all but the most able candidates. The majority resorted to repeating what they had discussed in the main section of the report rather than weighing up the pros and cons of the alternatives. The recommendations also often did not score many marks because candidates could not go beyond giving a recommendation and then repeating the earlier reasons. They needed to develop a strategy for Mustafa's business so that the problem would be addressed. The recommendations were not always applied to the small business and were totally inappropriate, such as becoming a plc. This was equally true of weaker reports - in general they did not apply their answers to Mustafa's sole trader business.