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# BUSINESS STUDIES

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<p>Paper 0450/01</p>
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<p>Paper 1</p>
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## General comments

The overall standard of scripts was similar to last year. However, there remains substantial differences in the performances of candidates between Centres. All questions proved accessible to the well prepared candidate although inevitably some provided greater challenges. The paper as a whole was marginally easier than last year. Candidates might find the following points helpful in improving their performance:

- In calculation questions workings should always be included. Method marks are available if errors are made.
- The instructions in the question stem should be read carefully. For example when a question asks for two methods to be explained it is not satisfactory to include half a dozen methods none of which are explained. This approach is awarded marks for knowledge but none for understanding. The consequence of this is that the candidate gains perhaps two out of six marks.
- When a question asks for an example it is always a good idea to provide an example which is appropriate given the context of the business. Thus if a business is a sports clothing manufacturer promotional methods must be appropriate to that kind of business.
- Candidates should remember that a definition of a term is not the same as an explanation of that term.
- As a general guide the length of an answer should reflect the number of marks available. Thus it is unlikely that a single sentence answer will be sufficient to gain three or more marks. Sensible and considered development of a point is required showing understanding of the concept under consideration.
- Candidates should be encouraged to read the context against which the question is set very carefully. Often there is information included here that will be helpful in answering the question. e.g. **Question 3 (b)** production methods used were stated in the question stem.

## Comments on specific questions

### Question 1

- (a)(i)** Most candidates had some understanding of the nature of debtors although a few became confused as to exactly who owed money to whom.
- (ii)** This question caused problems for many candidates largely because they wrote about cash flow problems with no reference to profits. Profits are the surplus remaining after allocated costs have been deducted from sales. This is different from cash movements. The distinction is insufficiently clear in the minds of many candidates.
- (b)(i)(ii)** Both of these questions were generally well answered. Weaker candidates explained an overdraft simply in terms of a short term loan. In part **(ii)** many options were identified but some answers failed to provide advice as to which option(s) should be followed.
- (c)(i)** Value of shareholders funds was \$100000. (\$500000 – \$400000).
- (ii)** Almost all candidates were able to give examples of both fixed and current assets.
- (iii)** This question differentiated particularly well. Most candidates had some idea regarding what would be found in a balance sheet but only the better candidates were able to explain why such information would be of value to a bank manager. There were a number of excellent answers provided here that referred to things like gearing ratios/collateral security to underwrite a loan. A number of candidates seem to think that a balance sheet shows the profitability of a business. This was a frequent error.

**Question 2**

- (a)(i) Generally well answered. The most common errors were a failure to make sufficiently close reference to what the information actually showed and hence how it would be of value to Ginola Ltd. A number of candidates gave textbook type responses merely stating why businesses carry out market research.
- (ii) Almost all candidates made a meaningful attempt at constructing a bar chart to illustrate the data. The most common error was a failure to label the y-axis. A few candidates produced a bar chart of all the sports and some added the values of men and women together. Overall, however, a pleasingly high standard of response.
- (b) This question was not well answered. Far too few candidates picked up on the point that the company produced high quality sports equipment and hence its selling point was unlikely to be its cheapness. Lower prices would send confusing messages to potential customers. Candidates might also have considered the concept of price elasticity. There were many rather simple answers provided that failed really to show any depth of understanding.
- (c)(i)(ii) The examples of promotional methods frequently failed to make any reference to sports equipment and were just generic. In part (ii) many answers failed to make any reference to the marketing mix and hence the integrated nature of marketing effort. Many candidates wrote well about the nature of promotions but did not consider its importance.

**Question 3**

- (a) Both parts of this question proved challenging to many candidates. There were a large number of very simple responses such as 'variable costs are those costs that change'. Better candidates recognised that a variable cost is one that changes in relation to output. Some gave examples of such costs to further reinforce their explanation. A frequent error was to suggest that variable costs change over time. The concept of a unit cost was again often very simply interpreted. Better candidates showed how it would be calculated and emphasised that it included both fixed and variable costs on a per item basis. Too many candidates had an insecure grasp of these concepts.
- (b) Generally well done. Most candidates recognised that the business used flow production methods and modern technology. Given that, they were often able to show how such methods could result in low costs. Some candidates failed to relate their answer to the stem of the question and hence wrote in abstract about methods and costs. Reading the context of the question is very important.
- (c) This was very poorly done. Many candidates confused unit cost with total costs and hence suggested that the costs rose because the business produced more. Relatively few were able to identify why such unit cost increases could have occurred. The answer lay in terms of diseconomies of scale or production beyond the optimum capacity of the business.
- (d) Motivational methods are generally well known to most candidates. It is therefore disappointing to see so many candidates failing to make the best use of their knowledge. Many answers gave far more than two methods that could be used and hence their response was of a list type. Relatively few explained why their chosen method would actually have a positive impact on motivation. For example many saw the solution in terms of higher pay. However there was often no explicit attempt made to show how this would correct the problem.

**Question 4**

- (a) All three parts of this question were generally well answered. The Examiners were pleased to see the awareness of many candidates regarding the potential benefits of multinationals in part (iii). A number of careless errors occurred in part (ii). Sometimes candidates gave the answer as 200 and ignored the million. Occasionally the wrong percentage was used in the calculation.
- (b)(i) The organisational chart proved surprisingly difficult for many candidates. The Examiners were looking for a chart that contained appropriate detail for a multinational business. This would therefore include some reference to geographical spread along with functional divisions and several levels of hierarchy. Unfortunately only the best candidates came close to matching up to this. Many candidates gained perhaps only two marks for a very simple chart containing little by way of detail.

- (ii) Concept of span of control was generally well known, with the most usual mistake being a failure to emphasise the direct accountability of subordinates.
- (iii) Answers here frequently lacked focus. Many candidates said that a wide span of control would cause a problem but then said that it might encourage things like delegation. Thus it was far from clear what their thoughts on this matter really were. Candidates should be encouraged to develop an idea in a clear and structured fashion. A number of unrelated and unstructured points does not really produce a strong answer.

### Question 5

- (a) Many candidates found this question very challenging. It appeared to the Examiners to be a topic area that had perhaps not been taught in any depth by many Centres. Some candidates recognised that technology had helped reduce costs of the business by savings in time and staff. Others saw potential gains from access to a greater range of customers. Relatively few recognised both these points and hence their answers did not focus on two separate advantages.
- (b)(i) Well answered with most seeing that travel shops suffered from the increased competition of internet web sites.
- (ii) Although the idea of social costs was well known to most candidates the majority of answers failed to address the central issue of the question. A private sector company has a strong focus on making a profit and social costs such as laying off employees helps achieve this objective. Candidates were asked to consider the potential conflict here between the objectives of different stakeholder groups. Too many made general comments like a public sector business should consider social costs not private sector ones. The answers here were generally disappointing.
- (c) Too many candidates failed to see the link between the two parts of the question. Overheads represent costs that cannot be allocated to a particular aspect of a business and are unchanged by the level of production/sales. Thus if a business experiences a fall in sales revenue then it will create problems because these costs remain the same. High overheads also tend to imply a high breakeven volume and this too creates problems particularly in declining markets.

**Paper 0450/02**

**Paper 2**

### General comments

This was the first November session of the new IGCSE Business Studies Syllabus. Paper 2 has seen minor changes to the old style Paper 2. This proved accessible to candidates of all levels. Indeed candidates responded well to the paper and no question appeared to present problems. Sound knowledge of Business Studies theory was demonstrated although marks were lost through candidates not applying the theory to the case study. However, there was evidence of candidates making judgements more often where the question called for this, but they did not always consider alternatives in their answer. The case study itself appeared to be within the understanding of candidates. The standard did vary between Centres. 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.

- To gain the highest marks the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope they will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses.
- Candidates need to pay careful attention to the wording of the question. If the question says "list three ways" then no explanation is required. If the question says "explain" then the candidate must give a fuller 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.

- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgement, such as, “Do you think piece rate is the best way to pay mine workers? Justify your answer”, then the answer should firstly introduce the concepts being asked about, then explain the different alternative methods for the business (not just one method), and finally make a judgement as to which would be the best method, explaining why this decision was reached. If the candidate does not tell the Examiner why they think this particular strategy is the best one to take then the Examiner cannot reward the candidate’s reasoning. If only one method is discussed it is difficult to fully justify why this method would be best.
- 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, “Explain how the introduction of new machinery could affect the workers in *this company*”. Therefore, 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. 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 eight, ten or twelve 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 marks will often be awarded for all these assessment criteria when they are constructing their answer to the question. They should try to demonstrate all these assessment criteria in their answers if they are to achieve full marks, depending on the command words used in the question of course, as evaluation is not always asked for.

### **Comments on specific questions**

#### **Question 1**

- (a) This was answered well by the majority of candidates. Answers were linked to an explanation of the benefits of expansion which included economies of scale leading to greater savings in costs, which gave greater profits. Reference was made to gaining greater market share which could lead to monopoly positions in the market. Better candidates commented upon diversification and the advantages this would give. Weak candidates just said ‘to increase profits’. However, answers were not well applied to the case study for quite a large number of candidates.
- (b) Generally well answered by the vast majority of candidates as they were able to outline two suitable sources of finance such as bank loan, sell shares, sell assets. However, candidates not applying their answer to the case lost marks. A minority of weaker candidates referred to Internal/External finance without naming them, therefore losing marks.
- (c) The question required candidates to consider alternative ways of financing the expansion. Marks were lost because only advantages and disadvantages of a single source of finance were given and candidates did not apply their answer to the case study. Better responses discussed two or more sources and concluded with a justification of which would be the better one to use and why. Weak answers listed the source of finance with little consideration of its merits or weaknesses.

#### **Question 2**

- (a) This was well answered. The majority of candidates recognised that prices would fall and many stronger answers gave good explanations of why that might be expected, such as increased supply or increased competition. However, very few candidates gained full marks, as they did not consider the extent of the price change. Very few candidates were unable to give some relevant points in answer to this question.
- (b) Return on capital employed was not understood by a number of candidates, who often tried to use the words in the question without demonstrating any clear knowledge. More able candidates gave a concise definition of ROCE. The training budget proved easier for candidates to gain marks if they made it clear that this was a sum of money put aside or allocated for training employees. However, a common error with poorer candidates was to state that the training budget was a sum of money that the industry paid to the workers who work in the industry or company. It was highlighted here that candidates should learn the definitions of key words and terms in the syllabus.

- (c) This question proved accessible to all candidates, however, many struggled to achieve the higher marks because they simply listed the information provided and did not analyse it. For example: "The social costs were higher for the coal mine", rather than "The higher social costs of the coal mine might result in problems with pressure groups and this could lead to the government restricting these activities".

### Question 3

- (a) The majority of candidates managed to gain some marks on both parts. They were well aware of the social costs and benefits that might arise from the development of the mine. The only misunderstanding in a minority of cases was that the company was responsible for the social costs and had to pay for social costs rather than the rest of society. A minority of candidates overlooked the instruction '*What is meant by*', and concentrated on examples without any attempt to define the two terms. Good candidates did both: they clearly defined the two terms and then gave relevant examples from the case study.
- (b) Variable responses were seen to this question. Common answers included responsibilities of employers for health and safety, pay and working conditions, site location, and environmental controls. Many of the better candidates extended their answers to control of monopoly power, tourism linked to location of site and limitation of using up precious resources. Good answers focused on the need to control activities such as pollution, exploitation of workers and/or consumers and went on to explain how each of these might be affected by business activity if it were not controlled. The best answers went on to discuss the extent to which government control might be desirable and/or necessary, but such answers were rare. A few candidates assumed government control could only mean government ownership.

### Question 4

- (a) Most candidates were able to score three marks by listing such examples as meetings, letters, notice board, and telephone. A minority of answers incorrectly referred to advertising on television or the radio. A majority were also able to explain these three methods correctly in the second part of the question. Some did not advise the business on the best one to use, and consequently could not achieve full marks. Good answers evaluated each of their suggested methods in terms of speed, accuracy, and cost as well as considering the ability of the potential recipients e.g. whether they could read.
- (b) There were many good answers to this question that discussed the possible impact in terms of unemployment, the need to be retrained or the change in the nature of the work now undertaken. However, many candidates found it difficult to discuss these points in depth. General answers just gave comments of job losses, redundancy, training requirements and decrease in pay. Weaker candidates focused on the benefits to the company only and as a result gained few marks.

### Question 5

- (a) More able candidates identified a suitable method of primary research and then explained how the government would carry it out. They started with devising a suitable set of questions and then often suggested how sampling of the population might take place. Such answers were often followed through to the analysis of the data and the drawing of a conclusion. However, many answers did not focus on 'how' and even when they did they did not 'give reasons for' how the research was carried out. Answers were rarely clearly applied to finding opinion on the setting up of the multinational and hence application marks were not gained.
- (b) Most candidates gained some marks by using the information in the case study to identify such issues as fighting for better pay and conditions. Fewer candidates were able to finish their argument by relating to the advantage of having strength in numbers and thus making it more difficult for the managers to ignore the demands of their workers.

- (c) Where candidates defined piece rate at first it tended to lead to a better response. Applying the answer to mine work was often omitted and alternative methods of payment were also left out resulting in an answer which did not justify the best method of paying mine workers. Some candidates just said that piece rate would mean lower quality because workers were working quickly. However, this did not apply to coal mining. There were some excellent responses which considered that coal mining was not suitable for piece rate because the amount of coal mined may not be a reflection of how hard the person worked. Some parts of the mine may be more difficult to get coal out than other areas. The best answers defined piece rate in the context of coal mining and then went on to consider its suitability for mining. Then different methods were compared and comparisons made. Finally a best method would be selected and justified as to why it is better than the other method. Most candidates scored some marks on this part of the question.

<p><b>Paper 0450/03</b> <b>Coursework</b></p>
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### General comments

This is the first November session of the new syllabus. The coursework requirement is now a single piece of work (see the syllabus for 2004). Also the assessment criteria has changed and the total mark is now 50 instead of 40. Coursework is an optional extra for Centres.

Many of the Centres who continued to submit coursework were Centres who had entered candidates in the past. The assignments chosen as the single piece of work were often the same titles which had been successfully completed in the past as part of the three pieces undertaken. The single assignment for the majority of candidates was a feasibility study, which was always a successful assignment in the past. On the whole, the standard of work was very good including many examples of widely researched, well written assignments.

The standard of presentation by the majority of candidates was high; assignments were well structured and clearly written. The best work submitted showed candidates had gathered a variety of information, for example by questionnaires, interviews, advertisements, observation and from textbooks. The information was often converted to alternative and appropriate forms of communication such as charts, graphs, diagrams and annotated maps and resulted in high marks under this criteria.

The most popular topic was a feasibility studies phrased slightly differently by candidates but an example is: *'Is there scope for a .... in my neighbourhood?'*

Other titles were: *'What motivates blue collar workers most?'* and *'Is price the most important factor when people choose a ....?'*

The assessment criteria were generally accurately applied by the majority of Centres. Detailed and constructive written feedback was provided for candidates by some Centres. This proved very useful to the moderation process as well as for the candidates as it was clear why particular marks were awarded.