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# BUSINESS STUDIES

Paper 0450/01

Paper 1

## General comments

The general standard of scripts was marginally higher than in previous years. This was reflected in the mean mark being 55.5 which was up by 1.1 on last year. The standard deviation was greater reflecting the fact that the paper differentiated well. All questions were accessible to candidates although some inevitably proved more challenging. In particular, the following questions proved challenging: **1 (c)(i)**, **2 (c)**, **3 (d)(iii)**, **4 (a)** and **5 (c)(ii)**. Candidates might find the following helpful in improving their performance.

- Questions that ask for an explanation require a response that is more than just a list of points.
- If a question asks you to advise someone then the answer must be of a positive nature, i.e. put forward one recommendation or another. It is unsatisfactory to conclude perhaps yes but maybe no!
- If a question asks for a diagram or a chart to be constructed then it is essential that the axes are correctly labelled.
- Always read the command word in the question carefully. All too often candidates fail to gain marks through an inability to focus their answer on the specific question set.

## Comments on specific questions

### Question 1

- (a) Both parts to this question were generally correctly answered. Part **(ii)** caused problems for some candidates. The most common error was relating sales volume of Classic Computers to the total market value of sales. The correct answers were \$800 and 20% respectively.
- (b) Although most candidates drew a diagram that generally resembled a product life cycle a large number failed to indicate what was being measured on the axes. Some candidates found explaining the maturity stage of the life cycle difficult. Often their answers focused on an aspect of sales that failed to differentiate it from any other stage of evolution e.g. sales continuing to increase.
- (c)(i) Too many of the answers here failed to focus on the concept of price elasticity. Indeed this appeared to be a concept that was not well understood by many. In part **(ii)** most candidates wrote successfully about other elements of the marketing mix that would impact on sales. However the weaker answers provided illustrations that were inappropriate for the marketing of computers.

### Question 2

- (a) In general both parts of this question were well answered. Candidates generally had some idea about appropriate health and safety issues. These were sometimes directed towards consumer aspects such as the safety of toys rather than safety in the factory. The biggest weakness in answers was the lack of focus of some responses. Answers looked at the problems rather than at considering whether government action was needed.
- (b) Candidates generally recognised that Anesh's problem lay in the fact that cheap imports took sales away from his company. Most answers referred to action such as tariff barriers being an appropriate way of dealing with the problem. Some interpreted the question as meaning what action Anesh himself could take to be more competitive.

- (c) This question differentiated very effectively. Better candidates recognised that interest rates might push up costs and hence put pressure on prices. Some went further and argued that interest rates might also fall because consumers would see a fall in disposable income. Weaker candidates were confused as to the exact nature of interest rates and appeared to think that they were some kind of tax to be paid to the government.

### Question 3

- (a) Most candidates correctly calculated the gross profit and net profit margin. Errors did occur in the concept of a profit margin however. Answers were \$50 000 and 8.3%.
- (b) Although there were many good answers to this question a surprisingly large number of candidates seemed to think that profits are needed in order to meet costs and pay wages.
- (c) The implications of a change in legal structure of a business were understood by better candidates. A sound grasp of this was however lacking in many answers. Answers not infrequently referred to things like sharing the work load and discussing problems. These matters would not specifically be addressed by ownership change.
- (d) (i) and (ii) were quite well answered although many candidates failed to explain why debtors would be included in business accounts. Part (iii) proved very challenging to many candidates. Often they were unable to provide a ratio and even when they did they were frequently unable to explain how it would help judge financial success. The Examiners were expecting an answer like rate of return on capital.

### Question 4

- (a) This question differentiated exceptionally well. Better candidates were able to identify the fact that the difference in the average number of years in the job was the indicator of Manfred's inability to retain staff. Weaker candidates often referred to factors like wage differences.
- (b) Most candidates referred to table 3 to gain supportive data to help explain the reasons for the high staff turnover rate. Weaker candidates failed to show how the data helped explain the problem merely stating that it did.
- (c) Although often well answered, a number of candidates merely repeated what they said in answer to part (b). Better candidates recognised this as a question dealing with staff motivation and the impact of financial incentives.
- (d) The concept of training was generally well understood. The areas of weakness in answers were an inability to focus on induction training and also a lack of focus in answers as to the usefulness that training might be to a business. Answers often made reference to the benefits to the employee.

### Question 5

- (a) Almost all candidates correctly answered this question.
- (b) Again very well answered although in a few cases there was confusion between public sector and public companies.
- (c) The calculation proved easy for most. However part (ii) proved surprisingly difficult. A significant number of candidates failed to understand what a rise in the exchange rate meant. Even those who did were often confused as to whether it helped an exporter or not. Answers here were often very confused. The question differentiated very well at the top end of the ability range.
- (d) Environmental issues and business decision making is an area that many candidates are familiar with. Thus there were plenty of good answers here. Better candidates were able to point out the possible conflict between cutting costs and acting in a socially responsible manner. Most understood the idea of pressure groups although a few felt that they had the power to pass laws. Generally a well answered question.

**Paper 0450/02****Paper 2****General comments**

This was the first 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. Overall there was an improvement in the standard of responses and candidates are to be congratulated on their hard work. Sound knowledge of Business Studies theory was demonstrated although marks were lost through failure to relate the theory to the case study. 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 'state' 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, 'What would be the best method...'. 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 candidates 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. 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 8, 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 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 question was generally well answered by the majority of candidates and they gained at least half marks. The question asks for a comparison of working for yourself rather than someone else and marks were lost by candidates just saying, to be your own boss and to keep all the profits, instead of saying that she might get more money by keeping the profits rather than receiving a salary or making decisions for herself rather than having to follow orders given by someone else.

- (b) Again generally well answered with responses recognising the usefulness of Phillippe as an accountant and not having to employ an accountant thus saving the business money. Candidates included the advantages of having someone else to share the responsibilities of running the business, discussing decisions. The answers were often in the context of the case study, scored additional marks as well as often explaining the advantages to Sharma. Again the majority of candidates scored at least half marks.
- (c) Generally well answered with many scoring 5/6 out of 10 marks. However, candidates often only discussed private limited companies and did not consider alternative ways of financing the expansion. The context was not often used which lost marks. The best option ought to be fully justified by considering alternative methods of finance at least briefly even if not in detail.

### Question 2

- (a) Many candidates could not give an accurate definition of batch production. They just said it was producing on a large scale that was insufficient to score marks. So there were many 1 mark answers due to the vagueness of the responses that indicated that a quantity of products were produced.
- (b) Here the concept of flow production seemed to be understood. However, sometimes the context of the drinks market was not applied to answers and candidates did not always recognise that a large quantity would be produced meaning a large market would be needed for such a large output. The advantages of flow production were often described but only better candidates compared batch and flow production methods.
- (c) A minority of answers were able to explain that the a wider span of control meant that more subordinates would be under particular managers and a longer chain of command meant that there would be more layers in the hierarchy of the business leading to more people for messages to pass through from the highest levels of the business down to the lowest levels. Many candidates could only give a definition, which gained some marks, but only better candidates gained 4 marks, as particularly a lengthening of the chain of command was not well explained.
- (d) Internal/external recruitment was implied rather than stated clearly. Candidates commented on the cheapness of recruiting internal candidates rather than external candidates. Often candidates did not take into account the small existing staff with limited or no experience of running café bars. External recruitment often meaning employees being more experienced and having the skills required to run the café bars was often recognised. The majority of candidates gained at least 4/6 marks. A minority of candidates confused recruitment with internal and external training.

### Question 3

- (a) Many responses did not state the difference between primary and secondary research. A small minority mixed up the two for each other or stated that secondary research was better than field research. This was difficult to justify given that this was a totally new product. A weakness was in not applying the answer to the case study and just discussing primary and secondary research methods in general, hence few candidates scored full marks but many gained half marks or more.
- (b) Candidates found it reasonably easy to gain 3-4 marks for suggesting suitable questions for the questionnaire, although some examples could have been more focused on a new drink. Many candidates went on to justify their choice of questions. A few answers just repeated the question which did not score marks as it was not an explanation, e.g. (i) 'Do you go to café bars?' and (ii) 'I asked this to find out if they go to café bars'. This is not a justification and the candidate should have gone on to say why the business wanted the information. A minority confused this with application forms and gained no credit.

### Question 4

- (a) The majority of candidates achieved good marks for knowing about the distribution channels between producer-wholesaler-retailer-consumer. The advantages of the wholesalers were adequately covered in the candidates' explanations allowing most candidates to gain high marks. Only the lack of explanation and not applying the answer to the case study lost marks for some candidates.

- (b) The 4 P's were known by the majority of candidates and therefore few scored low on this question. However, marks were lost for not applying the answer to the case study. The drink is new on the market and therefore penetration pricing would be most appropriate. Most answers gained over 9 marks, as there was no clear link between the different elements of the marketing mix. There should have been a clear strategy between the 4 P's for a new drink on the market aimed at teenagers and young adults. A minority of answers only considered one of the elements of the marketing mix and consequently scored low marks.

### Question 5

- (a) Generally well answered with many answers scoring at least 5 marks and often more. Interested groups were usually given as the government, creditors, banks, competitors and workers. The only reason for full marks to not be awarded tended to be due to a lack of explanation as to why the group would be interested in the accounts and how they might use this information.
- (b) The majority of candidates showed good knowledge of how to carry out ratio calculations leading to at least half marks being achieved. However, meaningful analysis and evaluation of what these ratios show was limited to only the better candidates who identified that percentage increases had risen less for expenses than gross profit and sales revenue thus leading to an improved performance in net profit. Weaker responses could do little more than repeat the figures without comment and consequently scored few if no marks.

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

This year saw the first candidates taking the new syllabus for IGCSE Business Studies. This new syllabus has some changes to coursework. One longer piece of coursework is now required and the assessment criteria, although similar, had some differences with the old syllabus. Coursework is also now optional with no alternative to coursework paper being required anymore.

The majority of Centres who opted to continue to submit coursework have submitted coursework for several years, with only a minority of new Centres deciding on this option. These existing Centres continued to show good practice which lead to their candidates producing well researched, well written pieces of coursework. Assignments set covered a few popular parts of the syllabus. The best coursework titles which had been successfully used for the old syllabus were adapted and used again. The majority of Centres submitted work of a good standard and there were few examples of low scoring assignments.

### **Assessment criteria**

Questionnaires were the easiest and most popular form of gathering primary research in most of the assignments. The majority of candidates chose a similar variety of sources of information, as had been used previously, which included visits to businesses; interviews (with parents, peers, teachers, business people, the general public); gathering information such as maps, advertisements, leaflets, official documents, and photographs. In addition, secondary sources such as textbooks, newspapers, company reports and increasingly the Internet were also used. Assignment titles generally encouraged a wide range of research although a very small 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.

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 will not be awarded any credit for doing so. A sources of information section was often included at the end of the work, which supported the marks awarded for information gathering.

A few Centres provided feedback sheets containing constructive comments for the candidates as to where they had gained marks. These comments were not only helpful to candidates but also for the moderation process.

### Application of the assessment criteria

Centres generally accurately applied the new assessment criteria. However if Centres were generous it 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 marks in the highest mark bands. 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. 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. Happily there were few examples of descriptive titles such as 'Marketing'. Sometimes when these sorts of titles were set the candidate would, in the introduction, outline a hypothesis to be tested. Where a title was not set at the start of the work the candidate found it very difficult to analyse their findings and draw conclusions, consequently marks were not gained for analysis and evaluation in the higher mark bands of the assessment criteria.

Often simple open ended questions worked best, with some teacher guidance as to an appropriate structure to use for the work. A report format for the work was an effective way of writing up the assignment.

Successful assignments included:

- *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. This tended to not encourage analysis and evaluation of the data gathered and resulted in high marks not being awarded for these assessment criteria. 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)?'
- *Marketing*: candidates investigated an existing business' marketing mix or part of it's marketing mix and suggested how it might be improved. An example is 'What are the most important factors that influence XYZ's pricing/promotion policy? Suggest how XYZ could increase demand'.

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.