

**GCE**

**Business Studies**

Advanced GCE **A2 H430**

Advanced Subsidiary GCE **AS H030**

**OCR Report to Centres June 2014**

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Reports should be read in conjunction with the published question papers and mark schemes for the examination.

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## F291 An Introduction to Business

### General Comments:

This was a paper that allowed candidates of all levels of ability the opportunity to access and answer the questions. There was no evidence of time pressure on the paper and a lack of a response to any of the questions was very rare.

Evaluation on questions 4 and 5 remained as elusive as ever, despite this issue being flagged up repeatedly in this report. Once again, this meant that the lack of it, or even an attempt at it, meant that many candidates who had developed a strong analytical answer underperformed on the question overall.

The paper certainly demonstrated that a key feature of the way to gain marks for analysis and evaluation on F291 was to put answers firmly into context. Candidates were not expected to know about Network Rail's relationship and contractual agreements with the train operating companies but better answers drew clearly on the material in the case. There were too many generic answers (such as 'technology is costly but will increase the business' productivity in the long run' on question 3 or 'recruiting the right people is important but can be expensive so needs to be done properly' on question 4). Worse, there were frequently statements such as 'technology will be beneficial as it can increase the number of items they can make', i.e. completely ignoring the context of Network Rail as a provider of a service rather than the producer of a physical product. The higher levels of the mark scheme require a clear contextual focus. On the other hand, on question 5 it was very pleasing to see so many candidates well informed about a current business issue. It was also encouraging that it was rarely approached as 'a one-sided rant' and was usually properly answered in the context of Network Rail's stakeholders.

Writing and legibility remain an issue but the use of paragraphs was slightly better on this session.

### Comments on Individual Questions

#### 1 (a)

The overwhelming majority of the candidates scored well on this part of the question with the likely differences well known. Regrettably there were still a number who equated 'a public company' with 'the public sector' which has been a perennial problem on this paper. The difference had to be *outlined*, not simply implied. Therefore "A private company is usually small" only scored one mark but "A private company is usually small; however, a public company is large" was worth two marks.

#### (b)

Any objectives, strategic or tactical were acceptable. Popular choices were increasing revenue, growth, and survival. The overwhelming majority of the candidates scored both marks. Weak answers which were not rewardable were usually very vague - along the lines of 'keep on making the goods', or a statement such as 'promotion' which cannot be considered an objective at all.

**(c)**

Any reference to strategic or tactical objectives was acceptable. An obvious route into the question was to work within the ‘SMART’ framework, but there was no necessity to do so.

The knowledge demonstrated here was usually sound but the phrasing of the answer was often poor. Typically an answer might begin “Employees will know exactly what they are expected to achieve” which was correct, but this might then be followed by “and so they can do things better”. Instead of ‘things’, better answers made reference to improved co-ordination between a business’ different departments (being a level 2 question the answer did not have to refer to Network Rail) or an improvement in employee productivity. As has been noted before, the use of ‘man in the street’ language will not score as highly as when the correct business terminology is used.

**(d)**

The payment of a subsidy effectively enables Network Rail to lower its costs. Graphically, this is shown by the supply curve shifting to the right causing price to fall and equilibrium quantity to rise.

On this sort of question in the past, diagrams have proved popular and a useful way to gain marks. Far fewer than usual drew a diagram this time but this was not a requirement and so there was no disadvantage in simply offering a written analysis.

Essentially, in Network Rail’s case this means that more tracks could be provided as NR would have more finance available and/or existing tracks could be maintained more often allowing more trains to run on them. Either way this meant that ‘supply of track availability’ to the train operating companies will increase. Alternatively the candidate could have analysed the effect of the subsidy being spent on an increase in (say) marketing, training, or an increase in wages.

**2**

Technical microeconomic terminology and knowledge were not necessary and on the whole a sound understanding of the market structure (the section of the specification it came from) was shown

Popular responses were “The only firm in the market”, “has a market share of 25% or more”, and “the firm can set prices”, although quite a few candidates made references to potentially complex issues such as barriers to entry or even contestability.

**3**

Weaker answers only made very vague reference (or no reference at all) as to what the technology involved might be. References to ‘doing things faster’, ‘making employees’ jobs easier’ and ‘improving the way Network Rail is run’ were correct as far as they went but, being so generic, were never going to score highly. Candidates were, of course, not expected to know about the technological implications of running the rail network in any detail and reference to any valid type of technological change in the context of Network Rail was acceptable.

The case study provided several possibilities, e.g. improved technology for tracking trains (‘showing ‘where trains are on the track’ or ‘safety technology preventing train crashes’). Many of the candidates pointed out that changes here would improve safety and prevent

all the expense and bad publicity associated with accidents. Also, a more accurate picture of 'where trains are' meant that the *efficiency and productivity* of Network Rail will improve.

Furthermore, the new Head Office has state of the art information technology. This improved ICT should mean better communication within the new Head Office and throughout the company (the case makes reference to the existence of over 2500 stations) reducing mistakes, making faster decisions and implementation of policy more effectively which will hopefully improve Network Rail's efficiency.

Technology for issuing tickets/buying online was another possibility. Automated ticketing means saving on labour costs but brings redundancy issues.

There was information in the case study which could have been used on this question but a sizeable proportion of the candidates chose not to do so.

#### 4

The specification makes reference to "the significance of the workforce" and workforce planning, recruitment, selection and training so any reference to one or more of these was acceptable. Detailed knowledge of these was not necessary - and neither was a detailed knowledge of employment law. One issue on this question was the number of candidates who did not recognise the emphasis of the question and, therefore, the standpoint from which it needed to be answered. The question here was concerned with assessing the impact on human resources, rather than the employees themselves.

The case study made reference to employees losing their jobs if they could not commute to Milton Keynes in 75 minutes and so it was no surprise that redundancy issues proved the most obvious and popular response here. Should it be voluntary or compulsory? While it was quite in order to state 'HRM would have to deal with this and it would be time consuming and expensive', better answers considered what the opportunity cost of the time and money might be.

Training issues was another possible consideration. However, there was often a tendency to simply talk about on and off the job training in a very generic manner. Those candidates linking training to the 'state of the art technology' mentioned in the case material scored more highly. A similar issue arose with regard to recruitment. Lengthy generic explanations of where jobs might be advertised did not focus on the central issues facing Network Rail. What sort of skills might be required at the new Head Office? Would managers move more easily than 'ordinary employees' and so cause fewer recruitment problems? The figure of 150 employees leaving which was quoted was often put to good use. Some candidates argued that this was a large number and would cause significant problems. Others argued that given the size of Network Rail this was quite an insignificant figure. There was no correct answer here and this line of answering was well rewarded. Data in the case study is there to be used.

As stated above, generally, there was little attempt to evaluate the implications.

5

Essentially this question revolved around ‘who benefits and who loses out from HS2?’ - and ‘to what extent?’ The question discriminated well between those candidates who adopted a standard ‘if the company makes a profit how might the stakeholders be affected?’ approach (which was not the question but was often the approach adopted) and those candidates who thought carefully about the stakeholders in the context of the case study. Some of those candidates who did consider profit rightly pointed out that it might be a very long way off on this project because of its nature. As has been stated before simply using the terms ‘short term’ and ‘long term’ are not in themselves sufficient for marks to be gained for evaluation; decisions and conclusions have to be justified.

When candidates ignored the context they tended not to score highly - and in some instances parts of an answer could obtain no credit at all - it clearly states that the ‘Members’ who own Network Rail do not run it with profit maximisation in mind. Therefore, references to ‘success leading to higher dividends’ was incorrect.

It was encouraging to see so much analysis on this question but an evaluation was rarely attempted – and if it was, it tended to be unsupported or was merely a repetition of what had already been said. Previous reports have repeatedly flagged this up as an issue for centres to consider.

## F292 Business Functions

### General Comments:

This year's examination was, as usual, based on a pre-issued case study, although it was issued to centres much earlier than in previous years. It was, therefore, extremely disappointing to see so many answers which either ignored the context of AAB (a designer, distributor and retailer of mother and baby items) or showed very weak understanding of it. One example, seen countless times, was the reference to AAB producing the product and/or changing how it produced the products when, in fact, it was stated in the case study that AAB uses a large number of sub-contracted firms in the Far East to produce all of its products. Examiners expect candidates to have a sound understanding of the business in question, even more so now that they have a longer time to study it. Centres are recommended to make use of the pre-issued material throughout the year, while studying the topics which make up this unit.

Another significant issue to which candidates must pay more attention is answering the actual question set. This is the common mantra of many teachers and examiners. However, it is becoming a major factor which inhibits the performance of many candidates. For example, in Section B of this unit, each of the four longer questions asked for a different type of response (apart from the fact that each question addresses one of the four business functions). One question asked about how a particular theoretical concept may be used, another asked for solutions to an issue, another was about how the business' success is affected by a current situation and the final question asked about the benefits of information to different stakeholders. It is very difficult for examiners to award the highest marks (at levels 3 and 4) if the candidate is not answering the actual question set. For example, many candidates gained few marks for much effort on Question 4 as they spent a lot of time discussing what AAB needed to change, with regards to its organisational structure, rather than how the current structure may affect its future success.

As a result of the preceding comments, the general standard of scripts this year was rather disappointing. However, those candidates who did use the case material well and answered the actual question which was set produced some very good answers.

Performance on Section A was also slightly down on previous sessions, with a surprising proportion of the candidates not appearing to know what a 'quality circle' is and, even more surprisingly, what a 'hygiene factor' is.

### Comments on Individual Questions:

#### Question No. 1(a)

Too many candidates did not really appear to know what a 'hygiene factor' is. Many just guessed that it was to do with cleanliness or tidiness or gave examples of Herzberg's 'motivators' or Maslow's 'hierarchy of needs'.

In most cases it was only possible to award one mark as the factors given were examples of the 'working environment'. However, to gain both marks, the two factors needed to be clearly different; for example, conditions of employment (e.g. pay or working hours) and job security.

**Question No. 1(b)**

There is still a fundamental misunderstanding of what a 'laissez-faire' leadership style is. It does not mean, as many candidates implied in their answers, that there is no leader or the leader does not care. Better answers were brief and to the point. However, some candidates are still wasting time by ignoring the keyword in the question, which in this case was 'Identify'.

**Question No. 1(c)**

About half of all candidates scored both marks when asked to define 'lead time'. Those who did not, generally ignored the reference in the question to '...in relation to stock control' or confused lead time with re-order level.

**Question No. 1(d)**

This part of the question differentiated very well with the whole mark range used. The main mistakes were missing out the minus sign for the March net cash flow and/or subtracting the net cash inflow, instead of adding it. There were a wide variety of mathematical errors and the own figure rule had to be extensively used for both the closing balance figures.

**Question No. 1(e)**

This part of the question about the advantages of using quality circles was the least well done in the whole examination. Large numbers of candidates (over 40%) appeared to have no idea about what the term means. Many answers went down the quality control/quality assurance route, giving answers which were so vague or general that they could have been applied to any quality issue. Better answers identified the key role which quality circles play in improving communication, motivation and productivity in the workplace.

**Question No. 1(f)**

Candidates' knowledge about product orientation was generally better than it was about quality circles. However, on many occasions, both consequences given were too similar to be able to mark them separately, so limiting the mark to a maximum of two. Centres need to remind candidates that consequences can be positive or negative.

**Question No. 2(a)**

About a third of all of the candidates gained full marks on this income elasticity of demand calculation. The most common mistakes seen were the inversion of the formula and the addition of units, usually percentage, to the correct answer.

However, it was also clear that a significant minority of candidates had no idea about how to attempt this part of the question - over 10% of the candidates did not even attempt the question. A smaller number managed to ignore the actual question by calculating the price elasticity of demand or calculating income elasticity of demand but for the wrong product.

**Question No. 2(b)**

Most candidates were familiar with the two techniques and gave good non-contextual explanations. Many then made an attempt at locating the different mattresses onto the Boston Matrix, although there were many mistakes. As ever, the problem came with the requirement to answer the question. Too many answers only went as far as stating, "The Basic Foam mattress is a dog product so it should be dropped or an extension strategy could be used". There was little discussion of what benefits this might bring or even why this perhaps might not be a good idea, due to the 'knock-on' effect which it might have on other products in the range, or the fact

that this product is the 'entry level' mattress for AAB. The examiners were looking for candidates to genuinely use the marketing techniques to show how AAB "...make[s] decisions about its product portfolio", rather than to describe what they tell us about AAB's products.

There were very few evaluative answers, where candidates looked at the benefits of the techniques; too many relied on just lifting the passage from the text about "guesswork and ballpark figures" without using this information and/or expanding on their own ideas.

Better answers concisely combined the two marketing techniques, questioning the contradictory nature of some of the evidence and how it may or may not be of any use, given the type of market in which AAB operates and the recent economic environment.

### **Question No. 3**

The best responses to this question about improving waste management and efficiency were where when the candidates made good use of the context, suggesting that AAB could reduce the number of suppliers, have more depots in other countries or reduce the very high level of stock holding shown in the balance sheet.

Many candidates wasted time describing the reasons for AAB's current waste problems or what it has already done to try and improve it. Weaker answers did not successfully explain solutions to the problems identified and/or did not apply them to AAB. There were also many rambling and repetitive answers covering every possible method to improve efficiency, such as Kaizen, JIT, Kanban, Lean Production, TQM and EPOS which failed to get out of level 2, as the answers were written without any hint of a correct reference to AAB. Recycling, repackaging and environmental issues distracted some candidates from writing specifically about waste and efficiency.

Too many answers were also based on the incorrect assumption that AAB manufactured its own products, especially when discussing JIT, and were unable to analyse how such a technique would work in a non-manufacturing environment. There was also a significant number of answers which spent a lot of time referring to the organisational structure issues at AAB which would have been better placed in Question 4. If these problems were clearly linked to issues such as communication, and that this may be the cause of the recent stock issues, for example, then Examiners were able to reward the answer at Level 3 at least. However, answers which went on and on about how the organisational structure was the problem and how AAB must change it gained very little reward.

It was rare for a response to prioritise suggested changes effectively, though there were some good attempts at evaluating whether solutions would work in reality; for example, JIT being impractical due to the number of suppliers and their distance from AAB. Another example of good evaluation which was sometimes seen was that many of AAB's problems may well be short-term and the recent 'teething problems' due to the opening of the Gatwick depot will soon go away, as long as the management has a little patience.

It was clear to the examiners that there was a poor understanding of what the term 'waste management' actually means in a true business setting and this is a topic which centres need to place greater emphasis on in their teaching in the future.

### **Question No. 4**

This question was poorly answered with many candidates simply going through the charts for the three companies, discussing whether they were 'tall' or 'flat' and how 'complicated' it all was. Many answers did tend to pick out and focus on family issues and differing workloads, but the implications of these usually came back to communication issues and there was little evidence of real consequences for the business. A significant proportion of the candidates suggested that

the three companies should 'merge', showing a complete lack of understanding of the nature of the business.

Comments such as "there is no obvious reason for AAB being set up in this way" or "AAB needs to sack the Strategic Oversight Director as Javier should be carrying out this role" showed a hugely simplistic and naïve understanding of not only how AAB is structured but how businesses actually operate in the real world. Another example of this was how Ranjit "may be confused about her role because she is in all three companies", although as Personnel Director she clearly must appear across the whole of the business structure and her duties will be very clear to all.

Another significant problem which led to many answers being overly long was that the candidates misinterpreted the question and spent too much time explaining how AAB should change, rather than how the current structure may impact on future success. For example, many suggested that x number of Directors should be sacked, thereby saving AAB tens of thousands of pounds (some even did intricate calculations based on what they assumed a typical Director may earn).

Better contextual answers talked about Nick Fosten's span of control and advised appointing regional managers to minimise further problems of communication and control, although adding another layer would cost money in the short-run but could eradicate many of the problems in the future (especially as AAB is planning more stores). Not having too many family members as Directors and suggestions to balance out the spans of control were also common. Few answers looked to the future and considered how key positions such as International Distribution Manager or Overseas Marketing Manager would need to be developed, with the planned growth of AAB.

Given the length of time which the case study is now available before the examination, the examining team was surprised and disappointed how limited candidates' knowledge was, with regards not just to the context of AAB but to the organisational structure of real businesses, as opposed to those found in textbooks. In fact, one candidate grandly stated that "In the 21<sup>st</sup> century AAB has a rather unique approach when it comes too (sic) their organisational structure." Suggestions such as 'get rid of Jeremy as his job is pointless', 'put all three businesses together as they should not be separate' or 'reduce the number of employees to make the structure easier to operate' are a poor reflection on candidates who have studied the subject for a minimum of one academic year.

### **Question No. 5**

This question about how different stakeholders may make use of AAB's final accounts was marginally the best answered in Section B. Many candidates demonstrated good understanding of how different stakeholders might use final accounts and contextualised this by using details from the accounts, such as the rising turnover and increasing cost of sales.

Weaker answers failed to distinguish between different stakeholders and/or made no use of the data provided in AAB's final accounts, so were unable to move out of Level 2. Better answers even sometimes had a rather simplistic appreciation of how a particular stakeholder may react to the evidence. For example, governments will have to reduce the size of the welfare state (just because one company has made no profit), competitors will 'rub their hands with glee' (even though AAB's turnover is still growing) and lenders will not lend to AAB anymore (although AAB's long-term borrowing is low and it has substantial collateral).

It was also surprising that so many candidates referred to shareholders being distressed at their lack of dividends and being likely to sell their shares; candidates clearly had no grasp of who the owners were and how they would be in the best place to know the true picture behind the figures.

Evaluation came from many aspects of the context. Examples included suppliers not being worried about the accounting information, as they may have contractual agreements with AAB which hold it to agreed payments or suggestions that once stakeholders realised that this had been a year of investment and growth things would not be quite so bad.

### **Concluding comments**

- Questions 1(b), 1(c) and 1(d) were the best answered and Question 1(e) was the least well answered on the paper.
- There was virtually no evidence of candidates running out of time; non-attempted longer questions were rarely seen in Section B.
- Too many candidates did not know the context of AAB well enough to be able to produce analytical answers; Centres are advised to spend more time, during the course of the year, linking the theory studied in class to the case material already published.
- The four evaluative questions were answered to a very similar standard by candidates
- Candidates should be advised to establish a thorough grounding in the underlying theory, rather than trying to second guess the examiner
- Candidates need to appreciate not just the theoretical content of the question but also what task is being asked of them
- Better answers, as well as knowing theory and context to a high standard, were generally shorter (quality as opposed to quantity) and were written using paragraphs.
- The standard of writing continues to be a challenge to examiners who try their best to interpret what the candidate has written, but this can be an impossible task when writing is very small, or letters are so badly formed to the point of being no more than a squiggle.

## F293 Marketing

### General Comments

The Marketing option is one which allows the candidates to be creative and think about how a business could fulfil its objectives using a marketing approach.

The context of a skatepark gave many candidates an accessible business upon which to base their marketing knowledge, understanding, analysis and evaluation. Most candidates made good use of the market research data and understood the segmentation of the market which formed the basis for much of the context used. Understanding of the market beyond the case study (for example from the candidate's own experience of such facilities) was not required and did not unfairly advantage any candidates.

While it is understood that this is a time pressured examination, there is still a need to spend a reasonable amount of time reading and understanding the case study. This case study allowed the candidates to access the majority of the context available and few candidates were unable to analyse because of the lack of context. This was a significant improvement on last summer.

For many candidates this was the first unseen case study they will have been expected to use. F291 requires this skill, but within a much shorter context. Therefore, centres should prepare and practise the use of unseen case material before the examination. A good technique can be to read the case study, read the questions and then to go back to the case study again. This process is likely to take 10-15 minutes of the examination, but it will produce responses which are more likely to attain high analysis and evaluation marks.

Distribution of time between the questions was much improved in this examination and less candidates were tempted to write overly long answers to Question 6. This led to a much better distribution of marks between the three evaluative questions and more focussed candidate answers. Most candidates were aware of how to structure an evaluative response, although there was still evidence of centres teaching a formulaic structure which may not fit every question which the candidates encounter. A good example of this was Question 4 where the best approaches did not try to analyse each pricing strategy and then come to a conclusion, but instead, showed how the business might change its approach to pricing as the product life cycle progressed. In this type of answer, evaluation was evident throughout the response and a conclusion was often irrelevant.

### Comments on Individual Questions

1. The ability to identify a marketing objective would seem to be an obvious skill for candidates who have studied marketing. However, many candidates struggled to come up with an appropriate objective which was based in the marketing area of the specification. On this occasion the candidates were given credit for objectives which were not explicitly based in the marketing specification; however, centres should make future candidates aware of the need to use the specific content from the marketing specification in their answers.

To analyse an appropriate marketing objective the candidates needed to use the context to show how the objective was appropriate and the effect of the objective on SNL. Centres should practise how the candidates can show the appropriateness and suitability of their answers in the context of an unseen case study. Without the context, candidates are limited to Level 2 answers.

2. Sampling is often a misunderstood aspect of marketing and it was pleasing to see that the majority of the candidates could identify a number of sampling methods and understand their use. To progress to Level 3, the candidates needed to analyse the sampling methods which could have been used by SNL, not the research methods which could have been used. It was a common mistake to analyse the outcome of the research and not the impact of the sampling method. Many candidates got 'lost' in their answer by going off track and arguing the benefits and costs of market research. In this respect this question was a good discriminator for those candidates who could structure a good response and stay on track for the majority of their response.

The most common good answers were that SNL could have used stratified and quota sampling. Both of these methods allowed the use of the case material in the analysis of the sampling method. Random sampling was often used, but in most cases there was little case material to 'back up' the use of random sampling and, therefore, such answers tended to lack context.

Centres should work with their candidates to try to be more discerning over their choice of marketing knowledge, not just to tell the examiner everything they know about a topic, in this case sampling. The best responses focussed on two or three sampling methods which were based on the context of the case. Some of the worst responses went through every sampling method which the candidates had been taught whether they were relevant or not.

3. Price elasticity of demand is an important concept in the Marketing specification and it is always likely to divide candidates into those who can handle numbers well and those who cannot. Most candidates made an attempt at the calculation which was an improvement from the last time a similar question was asked. The most common mistakes were:
- using actual changes in the numbers rather than the percentage changes
  - getting the figures the wrong way round (ie  $\% \Delta P / \% \Delta QD$ )
  - using the wrong figure as the basis for the percentage change.

There were also a number of candidates who had such an unfeasible answer that common sense should have indicated that they recalculate. A four mark question on this paper should have a minimum of six minutes given to it. This gives plenty of time for most candidates to calculate and then check their answers.

This question also included a requirement to give answers to one decimal point. Many candidates ignored this and, while accurate answers to more than one decimal place were accepted, candidates must follow the instructions given in the examination to ensure that they are fully rewarded.

4. This was not a question about pricing strategies alone, although many candidates simply told the examiner about as many strategies as they had learned. Again, the ability to be selective based on the context of the business is essential.

This question required a different type of answer which did not necessarily fall into the standard evaluation response. A good response was one which identified the word 'change' in the question and adapted the response around this requirement. Evaluation could easily be shown by analysing the changing nature of the different stages of the product life cycle and linking this to an analysis of the impact of pricing strategies.

Many candidates were able to analyse the impact of one or more pricing strategies at different stages of the product life cycle, but relatively few were able to evaluate the changes.

5. Promotion is a well understood area of the specification and as such, most candidates made an attempt at answering this question. However, many candidates obviously did not know the difference between above the line and below the line promotion. Some candidates 'hedged' their bets and went for one above the line and one below the line method. This may have allowed them to access some marks in this examination but had this been a question analysing one method, such candidates would not have gained a significant number of marks. This is an aspect for centres to develop their candidates' knowledge – especially since promotion is obviously such a well taught topic.
6. Centres had obviously made good use of past papers and the 'standard' format of this question to prepare their candidates well such as this decision. Most of the candidates were aware of the need to use more than just marketing knowledge in their responses and a good range of AS and A2 knowledge was utilised well.

There were still a significant number of candidates who tried to apply a formulaic approach which mentioned the terms 'depends upon' and 'short term/long term' to try and evaluate. However, this approach can only be rewarded when based on good contextual analysis with a two sided argument. Some of the weakest answers spent far too much time following the formula and not actually tackling the question.

There were a number of different arguments and no two responses were the same on this question. Some obvious non-marketing arguments surrounding finance and human resource issues were utilised well and candidates used far more of the context in answering this question than the other questions within the examination.

Centres still need to remind their candidates of the need to set up a chain of analysis within their answer and to come to a conclusion based on their own chain of analysis. Too often candidates analysed each individual piece of evidence only to come to a conclusion which had little basis in their argument. An evaluative answer must lead the reader through the analysis and then specifically show how the analysis leads to the evaluation. It is not enough to expect the examiner to 'fill in the gaps'.

### **Preparation Points for Centres**

- Candidates must spend more time reading and understanding the specific context of the case study and be prepared to use this in their analysis. The context is the key to good Level 3 analysis and provides the most appropriate answers to the question. Too often candidates decide what knowledge they want to tell the examiner and find ways to 'shoe-horn' it into whatever context is given. This is the wrong approach and more time should be spent on being selective in the use of knowledge based on the business in the case study.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain level 3 or 4 marks.
- Candidates too often make a point and do not take it far enough. For example on Question 2 where many candidates correctly identified a sampling technique but did not analyse the impact on the business of using that method. This is not good enough for Level 3. It leaves the reader asking 'so what is the implication for the business?' To take it

further and analyse the likely impact on time taken, cost to the business or even accuracy of the end results was required to access the higher levels.

- At the heart of level 4 evaluation is actually answering the question. Too many candidates provided analysed points to questions 2, 4 and 6 but never actually answered the question. In many cases the candidates kept on producing analysis, often moving further away from the central arguments, and just repeated their analysis in a conclusion. This is repetition and does not provide justified evaluation.
- An answer is more coherent and convincing when there is good use of technical marketing language, marketing theory, sentences and paragraphs. The mark scheme for Question 6 is specific about the need for this but every answer will benefit from a more robust approach from candidates. Too many candidates produced answers which were one long paragraph, making it very difficult to follow the twists and turns in their arguments. This was especially true on questions 1 and 5. Even in these six mark answers a good structure is essential to show a chain of thought/analysis.

## F294 Accounting

### General Comments

The overall standard of work was similar to past examination series. There did not appear to be any issues with time and a majority of candidates seemed to understand and attempt all six questions.

As in past series, there was a noticeable variability in the level of understanding of accounting methods and concepts. This was very noticeable in the quality of the responses to Question 5.

### Comments on Individual Questions

1. This was a numerical question requiring the candidates to calculate revenue, cost of sales, gross profit and net profit (loss) for the business. The vast majority of the candidates were able to use the data supplied in the resource materials to achieve maximum marks.
2. This question required the candidates to use Table 1 and other resource materials to evaluate the value of break even analysis when setting up the business. Although not a prerequisite, it was noticeable that better candidates started by defining break even analysis. The data in Table 1 enabled the candidates to calculate the business' break even in hours and, once more, better candidates used this figure (2500 hours) to frame a strong response. The other resource material was used by better candidates to analyse the limitations of break even analysis, e.g. the likelihood of the business achieving a maximum level of demand in its first year, the potential price fluctuations in its major variable cost - fuel. Again, the better candidates identified that the break even point could be quickly reduced if the owner decided to reduce the level of her salary.

The message here was quite clear – the effective use of quantitative data is the best route into analysis and evaluative levels of response.

3. This question required the candidates to analyse two ways in which the application of IT would impact on the business' accounting function. This question required the candidates to focus on the accounting function of the business and not the general ways in which a business can use IT.

The better candidates used the resource materials to support their answers and framed their responses around achieving efficient and accurate accounting procedures. Another route employed by candidates was to discuss how the application of IT would impact on the business' decision making.

4. This question required the candidates to discuss whether straight line depreciation was the most appropriate method of depreciation for the business' motor vehicles.

Better candidates were able to give a clear definition of straight line depreciation and offered a clear distinction between this method and the declining balance method. As in past examination series, there was a significant variation in the quality of responses to this aspect of the specification and, disappointingly, a high proportion of the candidates demonstrated only a vague understanding of depreciation methods and the impact the choice of method has on profit, the balance sheet and taxation levels.

The better candidates understood the impact on a business' accounting results and also employed the resource materials to illustrate their answers, e.g. the nature of the business' use of motor vehicles.

5. This question required the candidates to analyse one reason why the business should have an understanding of the annual report and disclosure requirements for a private limited company. From the quality of the majority of candidate responses, it appears that this was an overlooked aspect of the specification. A starting point to address this area of the specification would be for centres to pay particular attention to the mark scheme relating to this question.
6. This question follows a standard format; in this series the question required candidates to recommend whether the business should purchase another business.

As in past series, the vast majority of the candidates were able to access the relevant resource information in order to make an attempt at analysing the purchase decision.

As this is an accounting unit, it was expected that the candidates would carry out a thorough and accurate analysis of the financial information available for both businesses. Better candidates pinpointed the poor profit levels achieved by the business and assessed the root cause, e.g. high maintenance costs, salaries, etc.

A good route into the higher marks was to discuss whether the state of the motor vehicles would require significant new investment and how could this be funded by a relatively new business and with an owner reluctant to invest personal funds.

Beyond the accounting evidence, the better candidates considered whether the purchase of an existing business was the most appropriate method to grow the business. Many candidates recommended that the best option was for the business to reject the purchase and focus on organic growth. Furthermore, the better candidates recognised that there are low barriers to entry into the driving school market and so the purchase of an existing business was no guarantee of a greater market share.

Another aspect of evaluation was for the candidates to consider whether the owner had the necessary business skills to effectively manage a larger business, including the management of employees.

### **Preparation points for centres**

- Ensure that past papers are used to develop candidates' skill in prioritising which accounting ratios/information is the most relevant.
- Ensure that there is extensive reference to and use of past mark schemes.
- Ensure that candidates understand the underlying strategic nature of Question 6.

## **F295 People in Organisations**

### **General Comments:**

As stated in previous reports on this unit, there were no obvious signs of any time issues, with candidates being able to write at length. However, for many, more time could and should have been spent reading the case study in order to answer in context.

The case study offered the candidates many opportunities to utilise the information to help frame their answers. Many candidates unfortunately did not take advantage of the case information and, consequently, did not access the higher order marks on some questions.

The questions allowed the candidates to apply business terminology, theories and concepts as outlined on the specification. It was pleasing to note that there are now more candidates who are applying the theory and appropriate terminology to good effect. Although for the minority it was disappointing to see this not happen and to their detriment. Quoting appropriate and accurate theory is an obvious way to access higher marks. Those candidates who did use theory in context of the questions were well rewarded.

There were no questions which the candidates were unable to answer, which suggests that centres are covering the whole of the specification which was pleasing and is to be encouraged.

The quality of written English was of a good standard across the paper. Paragraphs remain 'hit or miss' in particular within the longer essay questions. Paragraphs can be used as an aid to break an answer down into distinct parts thereby enhancing its readability. Such a technique may also help candidates to organise their thoughts. However, the overall standard of spelling appears to have improved and this enhanced the readability of many answers.

It is always important that the candidates ensure that whatever is written is presented in such a manner as to allow the examiner to actually read it. There were still some scripts which tested the examiners' power of deciphering!

### **Comments on Individual Questions:**

#### **Question No. 1**

A pleasing majority of the candidates gained full marks on this question. It was also pleasing to report once again, that a large majority of the answers were well presented with clear signs of the calculations undertaken. Most candidates who did not gain full marks did not read the question that asked for the value of total annual performance; therefore, leaving out the salary of £37,000 and simply adding the bonus and PRP together (£2220 + £3520). A minority of the candidates failed to use the £ sign to signify the outcome.

#### **Question No. 2**

Those candidates who had read the question performed well on this question. The benefits identified had to clearly link to I. However many candidates discussed the benefits to the employees rather than the benefits to IL which was disappointing given this type of question has appeared regularly and reported on before. Many hints were provided in the case material for candidates to use in their response this question which were used well by most of them.

Some candidates failed to read the question with sufficient care and wrote about disadvantages to IL of using performance related pay which was not answering the question.

### **Question No. 3**

Despite this question requiring evaluation, a large proportion of the candidates managed to achieve only eight marks for their response. Most candidates used the theory behind different communication methods correctly. It was clear this part of the specification had been taught well and this was evident from the examples in the case study which the candidates used to illustrate the different methods of communication.

The number of candidates achieving evaluation marks was low on this question. The ability to evaluate at A2 ought to be within the grasp of many candidates – especially if the top grades are expected. A comment suggesting the extent to which factors affect IL's communication to customers in the USA would be affected was an obvious route in accessing the higher marks.

Some candidates failed to apply the communication methods used by IL and, therefore, managed to achieve only five marks. This was disappointing given the hints in the case study pointing to the fact that IL sends staff to USA four times a year which was a clear route into the context for this question. Generic answers cannot be awarded analysis.

A minority of the candidates failed to look at appropriate factors that IL would consider when selling to the USA and discussed, for example, language translation. Again, unless this was placed in some form of context they reflected generic answers and so could not access analysis marks.

The good candidates used the context well and focused on the cultural differences between the UK and the USA. Clearly the working day would be affected by the time differences between the UK and the USA which was picked up by a large proportion of the candidates. Another promising way to gain entry into higher marks would have been to look at how the staff may have to change, for example, their working day, managed shift patterns and the impact it would have on the logistics of IL. Such approaches would also have given the candidates a chance of accessing the higher marks.

Those candidates who managed to access the higher marks gave examples of wider reading of aspects of business. It was pleasing to see these candidates taking an interest in aspects of business and then using it in their answers.

### **Question No. 4**

This question was answered well overall. Some candidates compared in-house training to external training thus demonstrating that they had not read the question.

A small minority of the candidates looked at the impact of in-house training on the staff which also indicated that they had not read the question correctly. A few of the candidates also failed to analyse the benefit in terms of the business. Again a small number of candidates referred to the disadvantages to IL which was not required.

The good candidates used motivational theories in support of their comments which was not necessary when answering the question but which helped to cement the point they were making.

There was a lot of case material available to the candidates to allow them to access this question.

### Question No. 5

This question saw the most use of the theories of motivation and it was pleasing to see the extent to which the candidates were able to apply the theories. It was also good to read that the candidates could see that some parts of the different theories were useful in this context. The main references used were Taylor, May and Herzberg. Plentiful use of the case study was mentioned clearly demonstrating a strong element of the specification and good revision. Some of the not so popular theories used were Tannenbaum and Schmidt which was again received well and pleasing to see.

A small proportion of the candidates simply listed theory upon theory and failed to come to a judgement on whether motivational theory could explain IL's low labour turnover. This led to only a small proportion only of candidates being able to access the higher marks for evaluation.

A small proportion of the candidates ignored the motivational aspects and focused on how leadership was the main reason behind low labour turnover at IL. In this case there needed to be a further development of motivational theorists as the question required or some comparison with leadership, or salary packages in order to gain the higher marks.

Those candidates who performed well used the case study material and their own knowledge to draw some very good evaluative points. There were lots of examples of conclusions simply repeating what the candidate had already mentioned in the main body of their answer.

### Question No. 6

The majority of the candidates were able to provide a good a detailed answer to this question. A few repeated points from the previous questions which was disappointing. However, it was clear that the synoptic nature of the question was understood and many of the candidates were able to answer the question with relative ease. Lots of clear examples of other functional areas were discussed in depth.

Many candidates still list factors without really analysing their impact on IL. Comments were often left without a clear conviction as to their impact. This was disappointing as previous examiner reports have mentioned the requirement for the candidates to develop and discuss points in depth and detail.

Candidates who were able to access the higher marks were able to use the information in the case to a good level. Tom's expansion plans were discussed and also his reluctance to use banks. This point was then developed into the impact on the staff and their perks and, for example, that performance related pay may be affected if no external finance is taken out to fund the expansion. If staff stay at IL for these additional perks it may impact on the quality of software and customer service provided, therefore, impacting on the reputation of IL.

There was a lot of discussion around the ability to keep the family atmosphere and the impact on how two offices might be run in tandem due to cultural differences and the level of customer services.

Some candidates wrote generic comments around other functional areas such as business production and referred to 'production' being lower while the new office was set up.

Some candidates discussed the location of the office as the distance from the UK is relative to whether it would be on the east or west coast of the USA. Some even mentioned external economies of scale and pointed out that IL might want to locate near to or around Silicon Valley.

## **F296 Business Production**

### **General Comments**

The candidates seemed to have enjoyed the paintball case study and certainly had few issues relating to it and digesting the logistical issues faced by Mandy. Candidates, therefore, generally wrote very contextually based answers, furnishing their responses with quite intimate case study knowledge. Judging by the length of answers and particularly those to Question 6, it seems few had issues with time. The questions generally worked well, numeracy catching out some candidates as ever with some others being caught out by concepts/aspects of the specification which they simply did not know. Whether this is a centre or candidate issue is impossible to tell. Many candidates still find it difficult to evaluate but many are now demonstrating some sort of conclusion to a 13 mark question which scores into level 4. The candidates still have a lot of work to do in embedding evaluation throughout extended responses, rather than leaving it until the end to conclude.

### **Question 1**

Many candidates struggled with this question. It was the first time that diseconomies of scale has been asked. Some candidates confused it with economies of scale and gave purchasing, managerial, etc based answers. The biggest issue, however, was confusion with PPL's problem of over-demand. Candidates, en-mass, failed to be specific about diseconomies relating to the firm increasing in size/output and thus issues to do with communication, motivation and so forth arising. They should have been writing about issues of size, not issues of demand, overcrowding of customers and, essentially, capacity utilisation problems (actually asked in Question 2). They share some of the same outcomes, eg dissatisfied customers, but it is for a different reason. Credit was awarded where there was clearly some grasp of the diseconomies issue, but not for a straight demand/capacity answer.

### **Question 2**

Far too many candidates spent half of their response writing about the problems, before, only then, getting on to answering the question by looking at solutions. Centres must instruct their candidates to read the question. Usually they are either 'causes', 'problems' or 'solutions'. This was the latter. Those candidates who did analyse solutions, and most did, gave some excellent responses, although one answer which was not allowed was the totally unrealistic 'simply expand the premises' approach. While that does 'solve' the capacity issue by simply increasing it, it is not a case of PPL trying to go above 100%, so to speak, but better managing the erratic demand it currently has. Solutions such as price discrimination, better booking systems, resource planning, etc were good and regular answers. Candidates struggled to score evaluation marks, but had few problems with context.

### **Question 3**

This question (health and safety law) was very well answered by most of the candidates, who could relate it to very obvious areas at PPL such as training, maintenance, safety signs, forms, food, etc. If anything candidates need to be educated to write more concisely on the six mark questions as many spent far too long scoring six marks that could have been achieved in half the time and space.

#### **Question 4 a & b**

Most of the candidates got both part of this question correct, but a large minority of the candidates simply threw numbers together and churned out an answer. Break even is a very obvious and 'regular' production concept and it seemed to come as a surprise to many candidates. It was a shame to see candidates not rounding up their answers (ie technically getting it wrong) and dropping two very 'easy' marks.

#### **Question 5**

This was comfortably the hardest question on the paper for most of the candidates and the one which discriminated the most. Too many candidates simply had no idea about costing methods and gave motivational or marketing based answers (scoring zero). Others knew costing methods and produced 'text book based' responses but with little application. Many did access Level 3 at a low level but went little further. This question was clearly aimed at criticising what is currently done with suggestions of how to do it better. Many candidates did 'latch' onto the idea of a better/fairer distribution of overheads and how this would motivate Mandy. Some candidates went on to evaluate but such approaches were both rare and highly rewarded. The biggest error, and shame, was the odd candidate who discussed (very effectively) pricing methods – missing the point that this question was about costs, not prices. Overall, this was a very challenging question.

#### **Question 6**

Candidates, on the whole, really have now got to grips with the required approach to Question 6 and how to argue, in most cases very convincingly, on a course of action with well supported reasons. Still too often candidates will do 'arguments for versus arguments against' for four pages (ie Level 3) and then stick a conclusion on the end as their bid for Level 4. Candidates must be urged to encourage evaluation skills throughout the answer. As a candidate argues they should prioritise or weigh up just how much of an issue this is. Then pick another issue and do it again. And again and so on. This is probably about the best advice in this entire report!

## F297 Strategic Management

The single largest differentiator between the candidates was their discipline in answering the question which was set. While this factor has always been the case, it was very much more evident this session. One of the perils of a pre-seen case study is over reliance on prepared answers and materials for use in the anticipation of particular questions. This, coupled with the inherent dangers of skim reading questions, often meant the examining team reading a decent answer to a different question. This behaviour was most noticeable in the responses to Question 3. A sensible reading of the question showed that it was about how a decision taken is then enacted. Far too many candidates wanted to discuss the merits of the decision, and in doing so gave answers which barely touched the mark scheme. Regrettably, such tangential responses attract very little reward.

The context of the case seemed accessible to most of the candidates, with the majority of them recognising that APSL sells in a business to business market. Very few candidates were unable to offer a response of some sort to the five questions. As in previous series the number of 'No response' was most prevalent on Question 1(a). Other than that, none of the four written answers seemed to be consistently the best on scripts, although many candidates scored well on Question 4. Time and effort, as judged by answer length, was well managed with instances of overly long answers to Question 1(b) and overly brief answers to Question 4 very uncommon.

The need to mention poor script presentation and awful hand writing is by now a well-established, hardy annual. Despite the benefits afforded to the examiner by 'on=line' marking it is very difficult to follow a line of argument within an answer which is virtually unintelligible. Allied to this frustration is the ongoing rise of the very long sentence and the associated demise of the paragraph.

A possible unintended consequence of the move to online marking, and the allied use of answer booklets, is a lack of selectivity in using case material for particular questions. Although all questions, bar Question 1(a), are synoptic, the evidence in the case often is best utilised in answer to a particular question. Hence, a discussion of the physical merits of Flaxiboard is better in Question 2 and Question 4 than in Question 1(b) and Question 3. Candidates might well benefit from first reading all of the questions set and then aligning the case evidence before blindly launching into their answer to Question 1(b).

**Q1a.** This part of the question was an excellent discriminator, with marks spanning the entire 13 mark range. The best candidates simply did what was required; two solvency ratios and two shareholder ratios, expressed in the correct form, for 2013. Others managed to pick up marks via several different routes; for example, a partial answer or one in which there was method shown but an arithmetic error made. Within a surprisingly large number of scripts solvency was confused with liquidity. Similarly, when assessing shareholder ratios there was confusion between a share's par value and its market value (which is not an item of evidence in the case, so making ratios such as Dividend Yield inappropriate). The advice to centres on OCR's website regarding the structure and interpretation of financial accounts is again commended to teachers.

**Q1b** Few candidates used the values which they had calculated in response to part (a) in answer to this part of the question by, for example, linking an increase in interest rates with Interest Cover Ratio. However, as there is no strict requirement to do this their marks did not automatically suffer. The better candidates made it clear that a fall in household demand would eventually filter through to APSL as APSL's customers saw their demand falling. Also, several candidates made accurate, reasoned, links between UK interest rates and the value of sterling. Many candidates held that a rise in interest rates would make the achievement of the objectives more difficult. In many scripts there was very good analysis

to build to this view. Hence it was a disappointment that this was not always finished with an accurate and reasoned evaluation. Evaluation is a justified judgment, and there are a variety of frameworks which can lead to this. However, using the short run v long run approach, simply stating that in the short run it will be harder whilst in the long run things will be different is not enough for Level 4. What the examiner wants to see is a justification, one which blends case evidence and subject analysis, for this assertion.

A small number of candidates discussed the possible impacts of a fall in interest rates. Likewise, some candidates simply discussed the validity of APSL's objectives with no clear link to interest rates. Finally, the question did not require consideration of why interest rates might rise, nor how APSL might respond.

- Q2** It is good to be able to report that very few candidates discussed stakeholders as a homogeneous whole. Rather, almost all selected individual stakeholders and sought to argue their view about APSL's ethics. It is clear that this is a combination of specification content which is widely understood. However, in too many instances this understanding was descriptive rather than being subject to the higher order skills of analysis or evaluation. Hence, an answer which had several descriptive paragraphs, one for each of many stakeholders, scored less well than one which compared and contrasted just two, but gave an in depth consideration about how each might view APSL.

Common errors were answers which wanted to discuss the benefits of an ethical approach or whether the candidate's individual view about APSL as an ethical business.

- Q3** If stakeholders are a part of the specification which is well understood, the same cannot be said of the management of change. Answers which had any semblance of subject theory in them were a rarity, as were any with a logical, ordered sequence of stages to manage the change. Given the importance of change within business, and its role in improving business performance, this weakness was a considerable disappointment.

Far too often the candidates wanted to present the arguments for and against a third shift, often including the possible relocation to Hull. Appropriate reading of the question shows that the expected focus in the answers was how the move to a third shift might be implemented. That enough candidates did this validates the question as being accessible. Often these answers used Lewin's three stage model. Better answers used this model, or similar, as their foundation to present a clearly set out, reasoned series of stages whereby the change could be best managed.

- Q4.** Traditionally a 'decision question' is well answered, and this one about a small, one-off order, proved to be no exception. Many candidates achieved Level 4 by offering a balanced view supported by an accurate and robust analysis of different possibilities. For most of the candidates this included an attempt to analyse the cost and production data to show that the unit cost of Flaxiboard is higher than the plastic alternative and, hence, at the same selling price, the unit contribution would be less. Without knowing the unit price, assertions made by so many candidates that the higher costs equate to a loss were unfounded. Indeed, such comments suggested a lack of appreciation between the concepts of profit and a reduction in contribution.

What then separated the good from the best was the latter's recognition of the quantitative significance of the order in the context of the business as a whole. From Table 1 it can be deduced the manufacturing time for 60 doors, allowing for compliance, was 396 minutes, or just under 7 hours. Given 6.5 x 2 hours of output day, a 5 day week and a 48 week year, it was reasonable to assume that APSL operates 3,120 hours annually. Using Flaxiboard for the Albion order needs an additional time of 1.5 minutes per door, or 1.65 hours for all 60 units. This is a mere 0.05% of annual capacity, hence to turn down the order on grounds that it takes too long to make compared to the plastic equivalent is, at best,

simplistic (a similar approach is perfectly possible to show the increase in labour cost when switching from plastic to Flaxiboard). Rather, this decision is not actually about the numbers simply because the order is so small compared to the totality of the firm. In fact, one could argue that meeting the order is little more than an extension of R&D for APSL, but in this instance the business would derive some revenue from it. Instead the decision rests on other factors such as the importance of Albion as a customer, the markets in which APSL wishes to sell, the creation of some clear differentiator given the nature of competition in the industry and other strategic issues. Given the unit's title, 'Strategic Management', this lack of overall strategic (rather than tactical) decision making disappoints.

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