

Business Studies

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

Reports on the Units

January 2010

H030/H430/R/10J

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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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Advanced Subsidiary GCE Business Studies (H030)

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Chief Examiner's Report

This was the first full series for all components of H430, with the A2 units assessed for the first time. It is, therefore, of particular importance that Centres pay close attention to the attached Principal Examiners' reports. As with the AS units last year, all four of the option units are now marked on-line and so the comments of my predecessor in his reports last year, about how candidates set out their answers and, in particular, the importance of clearly numbering any answers on supplementary sheets are worth revisiting.

There appears to have been a smooth transition from the legacy A2 units, which has justified the examining team's decision to make only minor changes to the units. However, there also appears to have been little change in the main reasons for any poor candidate performance. These remain the lack of use of context (particularly in unseen case studies), not carefully reading the question and spending too much time listing the issues instead of getting quicker to the heart of the question. It remains frustrating to still see a large number of candidates who show very good analytical skills but then fall short of achieving a Level 4 mark, due to a lack of any attempt at evaluation.

A further problem inherited from the legacy specification, but one that seems to have got worse, is the lack of more detailed subject knowledge at A2. It is vital that candidates have this extra knowledge to support their move from AS to A2. Although retained knowledge from AS is essential, there is a large body of additional knowledge which is required, particularly for the 'specialised' option units.

On a much more positive note, it is very pleasing to note how well candidates generally performed on the 'new' strategic question at the end of each of the option papers. This question will always require two things from the candidate. Firstly, a decision needs to be made, analysed and justified. Secondly, the other three functional areas, not the subject of the unit, must be considered. An answer which considers the functional area that is the subject of the unit will only score the bottom mark in the relevant level.

F291 An Introduction to Business

General Comments

There were a number of better scripts this series. Obviously some Centres had taken note of comments made last year. This allowed the candidates to achieve at least a Level 2 response. There is still a tendency to simply list/explain factors rather than analysing the implications of those factors on the business. Therefore, the ability of the candidates to evaluate is hampered. This was particularly true of Question 2 and Question 5 where much time was spent on describing factors, rather than on analysing them. Overall candidates were able to apply knowledge and to use their experience of present financial conditions and the current situation of Royal Mail to inform their responses and this added a new dimension to the work. There was little evidence of candidates being unable to complete the paper in the time provided and, on the whole, language skills were better than in previous series.

Comments on Individual Questions

- 1(a) This was a straightforward opening question for the majority of candidates and answers making reference to an organisation/a business which is owned, run or controlled by the government gained the marks. Reference could also have been made to the fact that public sector organisations may well be run for service (rather than profit) - though this does not appear to be the case with Royal Mail.

As ever there was the confusion, which has been noted before, between 'a public company' and 'the public sector'. Candidates really should not be making this mistake at this level.

Those who gave examples of organisations in the public sector such as the NHS, schools, and libraries did not receive any credit as these are not characteristics.

- (b) This part of the question was not particularly well answered and a very large number of candidates thought that 'sampling' was synonymous with 'market research'. Such an approach led them down the wrong path. Where sampling was considered, the answer often referred to the technique rather than why it would be used.

Those who did understand sampling made a statement and quickly moved on. Statements such as "It's cheaper than questioning the whole market", "It saves Royal Mail time" and "It's not necessary for Royal Mail to research the whole market" were sufficient.

It is worth reiterating that the space on the examination paper serves as a guide as to the expected length of the answer – in this instance it was a single line. Candidates who ignored the trigger word and who wrote at length by continuing at the end of the booklet were only wasting valuable time.

- (c) On the whole this part of the question was well answered and the majority of candidates were able to distinguish between secondary and primary data. Once again, many candidates ignored the trigger word. For full marks, a few words of explanation of each source were necessary. Hence "Competitors" scored at Level 1, whereas "Some data could be got from a competitor's report and accounts" scored at Level 2. On this point, whilst a report and accounts might certainly be a source of some types of data, many candidates assumed that competitors would be only too pleased to disclose additional detailed sets of data on demand.

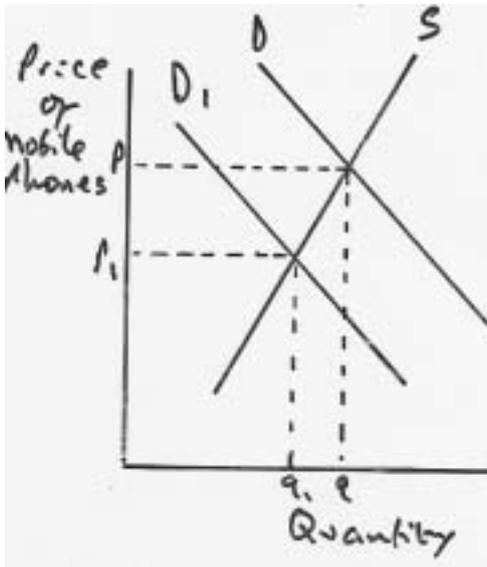
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- 2 Answers for Royal Mail as a corporate entity, ie “The Mail”, “The Post Office” and/or Parcelforce were accepted. An answer could, therefore, concentrate on one or more of the three parts of it. The question centred on the sections of the specification “What businesses need”/”Objectives”/”The market” and “Other influences”. There were, therefore, many possibilities.

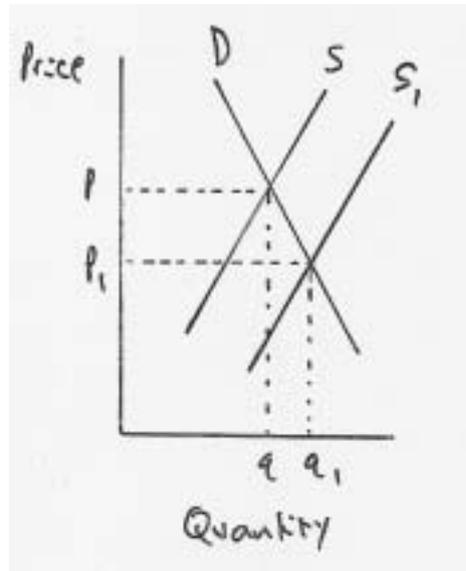
It was encouraging to see candidates make relevant reference to the dispute at Royal Mail last winter; real world knowledge of a business is all too often absent at AS level or is given in a context which adds little to an answer. However, a sizable number of candidates mentioned the industrial relations problems (the term did not have to be used) of 2009 and the importance of Royal Mail avoiding a repeat of them as it was likely to lose business to competitors.

The same issue that has been observed on the last two F291 papers was evident again here; after some excellent analysis, a huge number of candidates cut themselves off from the highest level of the mark scheme by failing to offer a judgment on the most important factor(s) likely to determine the future success of Royal Mail.

- 3 A diagram was the route into the question for many but, as was made clear on the paper it was not compulsory. If a diagram was chosen then there were two obvious ones to use. Firstly, to represent the situation in the market as a whole, ie a shift of the supply curve to the right causing more mail/parcel deliveries to be made at a lower price. Secondly, the situation could have been considered from the effect on the demand for Royal Mail’s services, ie a leftward shift of the demand curve - also resulting in a lower price.



Market as a whole



Royal Mail

The route into Level 3 was a statement of the effect on, implication of, or a reaction from Royal Mail such as “Royal Mail will have to respond by improving customer service and lowering their own price”.

With a few bizarre exceptions, those candidates who did use graphs drew and used them correctly and this is very encouraging. “The market” is an important part of the specification and candidates need to know and use the concepts in it.

- 4 (a) This was a question which has appeared on the previous specification and it was usually answered well on this paper. Reference could have been made any of the usual differences, eg to the time period involved (tactical short term, strategic longer term), the

nature of the objective (tactical routine, strategic non-routine), who was likely to set them (tactical junior/middle managers, strategic senior managers) and the amount of detail involved in the objective. It was unfortunate to see candidates who clearly knew the answer get these differences the wrong way round.

For Level 2 the difference had to be explicit; an answer saying "Tactical is short term" only *implied* the difference and was therefore Level 1. "Tactical is short term and strategic is long term" *outlined* the difference and scored at Level 2.

- (b) As with Question 2, answers for Royal Mail as a corporate entity, ie "The Mail", "The Post Office" and/or Parcelforce were acceptable. One issue here was that many candidates assumed that the mere setting of an objective always lead to its achievement. Statements such as "If they set a clear objective such as to grow by 5% in the next year this will mean a huge increase in customers and also profit" were common. Whilst it was in order to make reference to the benefits arising from meeting an objective, there needed to be some recognition that it did not automatically occur in order to achieve Level 3 of the mark scheme.

Overall, the majority of candidates clearly understood the importance of objectives to a business and so scored at Level 2. The link to *the benefits to Royal Mail* was not always strong and this context was frequently overlooked; the question was not "why are objectives important to a business"?

- 5 There were frequently long 'streams of consciousness' answers with few (or no) paragraphs on this final question. Candidates writing in this way do themselves no favours. The mark scheme makes reference to "Complex ideas.... expressed clearly and fluently using a style of writing appropriate to the subject matter" and candidates do need to take heed of this.

There was some confusion between 'shareholders' and 'stakeholders' here and, worse, shareholders were often mistakenly used as an example of a Royal Mail stakeholder, eg "Royal Mail's shareholders might be happy with the decision as getting rid of loss making branches might cause the share price and dividends to rise". Even candidates who had correctly identified Royal Mail as owned by the government in Question 1 appeared to have forgotten by the time they answered Question 5!

On the whole most candidates were able to analyse how the different stakeholders were likely to be affected and Level 3 was achieved in the majority of cases which was encouraging. However, it remains disappointing that so few candidates even attempted to evaluate. Even when an attempt was made (eg by suggesting that one stakeholder was going to be more affected than another) this was often done as a 'throwaway' remark at the very end such as "...so the ones most affected are the employees".

As has been stated in the past, it is crucial that *supported* judgements are made if a candidate expects to score highly. Developing the skill of evaluation is something many Centres and candidates will need to work on if they are to access the highest level of the mark scheme.

F292 Business Functions

General Comments

As the first “full January series for this unit, just under 1400 candidates sat the paper, with the vast majority being re-takes. All candidates seemed to be familiar with the new structure of the paper and there was no evidence of candidates using the case study about FIF to answer questions in section A.

The examining team agreed that the paper as a whole was a good test for candidates and the standard was a little improved to January sittings of the previous version of this unit, 2873. There was no suggestion of time pressure and few candidates used any additional sheets.

Section A: There was a good range in the marks for Section A (between three and eighteen) and it proved to be a good discriminator. Most candidates scored between eight and fourteen marks, out of eighteen. Some answers are still too long and Centres need to remind candidates that they do not need to write in full sentences, but must remember to provide an explanation in their answers to Question 1(e) and Question 1(f).

Section B: The case study itself was easily accessible to candidates and they appeared to grasp many of the main issues facing the business. It was pleasing to see many candidates being able to engage with case evidence, especially in Question 2(b) and Question 4. As is typical with the sitting of the examination in January, there was little evidence of any evaluative answers, although there was generally more evidence of contextual analysis. It is vital that Centres are able to find the time, before or after the Christmas holiday, to help prepare candidates for this examination by helping them with their understanding of the pre-issued contextual material.

Another recurring problem with questions linked to the pre-issued case study is that of candidates spending a lot or most of their answer outlining what the problem is, rather than discussing how the problem can be solved or avoided in the first place.

Comments on Individual Questions

- 1a) It was apparent from this question that most candidates did not know about the concept of variance. This is a new topic on the current specification, but is clearly flagged up in the specification outline and schemes of work. Many candidates (over 20%) did not even attempt the question and another 50% of candidates made wild guesses about what the term means – the most popular being to do with the variety of products or the marketing of a business!
- b) It was pleasing to see around 60% of candidates getting both marks on this part of the question, although it was disappointing that a minority of candidates ignored the stem of the question and so gave an answer to do with increasing sales. Some candidates also listed general corporate objectives, which were not rewarded by the examining team.
- c) Not answered particularly well, with half of candidates failing to score any marks. Considering that capacity is a regularly examined topic, this was surprising. Many candidates answered a different question, about what causes a business to operate above 100% capacity and others made suggestions that would lead to a permanent increase in capacity, rather than a temporary ability to operate above 100% capacity utilisation.

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- d) It was excellent to find this cash flow calculation to be the best answered question on the whole paper, with over 70% of candidates gaining full marks. Even those candidates who did not get full marks showed some evidence of understanding of the cash flow process.
 - e) Another very well answered question, with over 45% of candidates gaining full marks. Candidates who dropped marks mainly did so because they failed to explain why or how the implication they mentioned occurred or gave two answers that were virtually the same. It is vital that Centres remind candidates that they must look for clearly different answers in those questions in Section A which ask for two advantages, disadvantages, implications, consequences, reasons or options.
 - f) This part of the question, on the implications of a narrow span of control, was done surprisingly poorly. Over 30% of candidates failed to score any marks and less than 50% scored three or four marks. This seemed to be due to candidates being confused between a narrow and a wide span of control, as well as an inability by candidates to explain the consequences suggested in their answer. There were, however, some very good answers to this question which talked about the impact on vertical communication and other consequences of a tall hierarchical structure.
- 2a) Compared to previous occasions when break-even has been examined, this question was pleasingly well answered, with over 55% of candidates gaining full marks. Common mistakes included subtracting the unit variable cost from fixed costs or giving the answer as £148.

Centres need to keep reminding candidates to show formulas in their working, as some reward can be given even if the wrong figures are then used, or errors are made in calculations.

- b) This part of the question was done quite well, and differentiated well between candidates. It was pleasing to see many candidates engaging well with the evidence in the case study about uncertain raw material costs and Timothy's variable pricing policy.

Unfortunately, although many candidates made reference to the contextual evidence, fewer actually made use of it to analyse how it affected the usefulness of break-even for FIF. Those candidates who managed this were well rewarded and a pleasing minority went on to evaluate, generally by saying that FIF would only see significant benefits from using break-even if Timothy kept prices more consistent and/or raw material costs could be made less uncertain.

At the other end, it was disappointing to see around 30% of candidates having very little idea about the concept of break-even, resorting sometimes to comments such as "break-even is when a business is producing at its break-even point". Others answered a completely different question concerning whether FIF would benefit from having a fixed pricing policy. A small number of candidates also appeared to confuse break-even with investment appraisal.

- 3 This question on market segmentation was not well answered. It was very worrying to find many candidates who appeared to have no idea what market segmentation entailed and resorted to answering a completely different question, namely whether FIF should sell its products to homes and schools. A large number of candidates felt this question provided an opportunity to tell the examiner about how FIF, could and should, use market research. All of this led to around two-thirds of candidates' answers failing to move out of Level 2.

The minority of better answers did recognise that the homes and schools markets were different to each other and from FIF's current market, and a recognition of this would help

FIF. These candidates made good use of the evidence in the case study, and from their own prior research, to analyse how FIF would need to change different aspects of its marketing mix when selling to the new markets.

Unfortunately, very few of these better answers then went on to make any attempt at evaluating the importance of market segmentation for FIF, with reference to the context available.

- 4 This was the best answered of the four evaluative questions, although there were still very few candidates who scored over nine marks. There were lots of very generic answers that basically comprised a long list of ideas which any company could use to improve quality, such as quality assurance, Kaizen, benchmarking, quality circles and TQM. Many candidates also insisted on suggesting that FIF should do more quality control, even though this had been ruled out in the case study.

Better answers did recognise that a couple of issues were key in affecting quality at FIF, namely the imported raw materials and the quality of the workforce, so were able to focus on how any suggested methods would help these two areas particularly. There was, however, only limited evidence of candidates analysing whether their suggestions would actually work for FIF or what impact their suggestions would have on FIF. It was also disappointing that even the better answers appeared to assume that any new idea implemented by FIF would automatically lead to an improvement in quality.

Less than 10% of answers did achieve Level 4, generally by questioning the appropriateness of any suggestions, given the current low motivation of the workers, or linking the suggestions back to the objectives that FIF had set for improving reject rates.

- 5 As regularly seems to be the case, this question on improving motivation elicited many very general answers. This led to over 70% of candidates failing to move out of Level 2 and so gaining a maximum of eight marks. It was also very surprising to find that most candidates ignored the issues in the customer sales and service teams at FIF, which was the main focus of the evidence in the case study about motivation being an issue. Those candidates who did address these problems were generally the ones who managed to score marks at Level 3 and Level 4.

Centres need to continue to emphasise to candidates that answers about motivation need to be more than just a run through of all the different motivational theories. There was ample opportunity for candidates to make reference to, for example, Taylor (in terms of piece rates for the production workers) or Herzberg (in terms of greater empowerment in decisions as being motivators for the sales staff), but the key word here is **reference** to the theories. Examiners know what the theorists say and so do not need endless paragraphs quoting pure theory (or reproductions of Maslow's triangle). What we want to read in answers is how the theories can be applied to the business in question.

It was also disappointing to note how many candidates still talk about Theory X and Y as a motivational theory and even then refer to workers, rather than managers, as being Theory X or Theory Y.

Summary

- No significant evidence of timing problems, as only 2% of candidates did not attempt the last question.
- A lack of basic knowledge in Section A, specifically adverse variance, capacity and span of control.
- A much better performance than in the past on the two calculative questions.
- In Section B, use of context to make answers non-generic is vital. This was particularly noticeable on Question 5. There were also far too many candidates who spent much of their answer (over a side in some cases) talking about what the problem is, rather than how to solve it.
- Answers to Question 3 showed evidence of many candidates not reading the question carefully enough and/or not knowing about market segmentation.

F293 Marketing

General Comments

The first paper of a new specification is always likely to present a number of issues for teachers, candidates and the examining team. The paper itself seemed to present an interesting and accessible context which candidates appeared able to make use of.

There was no evidence of time constraints with the two hours allotted helping candidates to make use of the evidence. The format of the paper will remain consistent with the allocation of marks (4; 6; 6; 13; 13; 18) being seen in future papers. The ordering of the questions, however, may change.

Comments on Individual Questions

- 1 The four mark, numerical question proved to be reasonably accessible to the majority of candidates, with around half of all responses scoring full marks. Under 20% of responses scored zero marks, with only a small number of 'no response' type of answers.

The calculation of PED has been tested many times on Marketing specifications and the performance by candidates on this paper seemed to be higher than in the past. The own figure rule was used where necessary. Candidates should be reminded of the need to show all working.

- 2 This question was concerned with pricing strategy, again a topic that has been used on several occasions in the equivalent legacy unit. It is always possible to make use of the evidence/answer shown from Question 1. It remains surprising, therefore, to report that few candidates actually made use of the previous calculation. It is likely that candidates who gave another PED calculation from the table and justified its use would have scored a mark in Level 3.

- 3 The key word in this question was 'relevance'. Too many candidates focussed on the idea of television advertising. This needed real justification and clarification. Better responses tended to focus on local radio, local newspapers etc. Some candidates were unsure about the actual concept of above-the-line promotion.

- 4 The disappointment with this question was the lack of context. Less than 25% of candidates achieved a mark in Level 3. Personal selling was generally understood as a concept, but candidates appeared to have some difficulty in applying it to the furniture store. Given the nature of how furniture is actually sold, it highlights how the average 17 or 18 year old appears to have spent no time actually in furniture stores - maybe we should not be surprised. Well over 90% of candidates scored two or more out of six on this question.

- 5 This question seemed to be the most disappointing on the paper. The most popular marks awarded were five, six or seven. This suggests that candidates struggled to show how an extensive product portfolio could be applied to BFL. The question required advantages and disadvantages. Too many candidates failed to focus on the disadvantages and then to also give a balance to the evaluative discussion. Better responses tended to make reference to either the Boston Matrix or to product life cycles. This type of analysis allowed an easy route into the context as there was a requirement to put product types to the different life cycle stages or the boxes in Boston.

- 6 This question was effectively 'new' to this paper. Performance was mixed with a range of responses. There were few really poor responses (only 8% scored less than six out of eighteen). The marks awarded to better candidates were then quite spread out. Better answers made full reference to the other functional areas within BFL and also gave a final judgement. One or two answers failed to give an actual final answer; The question is 'Should...' and must be answered as such. The lessons to be learned for future series should focus on the need to give a balanced discussion relating to both sides of the argument or decision. There should be enough evidence in the case to allow candidates to ultimately argue for either course of action. The quality of the argument is what is being rewarded, not the final judgement. There were very few really strong responses. It is hoped that this aspect of the examination will improve as candidates learn the lessons from the early papers.

F294 Accounting

General Comments

As this was the first examination of the new specification, it was interesting to note that the extra 30 minutes enabled candidates to assimilate the case study data and context.

In terms of preparing for this examination, it is critical that all aspects of the specification are thoroughly taught. Furthermore, Centres must practise the application of knowledge, for example, accounting concepts and the analysis of financial information, or, as appropriate, accounting ratios.

Finally, Centres must ensure that candidates understand that Question 6 is synoptic and high marks will only be achieved if answers are developed beyond accounting and finance.

Comments on Individual Questions

- 1 The vast majority of candidates achieved full marks in both part (i) and (ii).

Advice to Centres: Ensure that candidates always show workings and present answers to one decimal point (or as directed).

- 2 Having calculated the net profit margin as part of Question 1, many candidates recognised that they now had two net profit margin results. This was a logical starting point for the answer; to state the two figures and to note that the net profit margin had increased by 1.4%. A common misconception was to confuse the gross and net profit margins. The simple route into Level 3 was to discuss two possible reasons for the increase in net profit margin eg any reduction in overheads such as staff costs.

Advice to centres: Ensure candidates have a rigorous understanding of how gross profit and net profit are calculated.

- 3 It was disappointing to discover that few candidates questioned how Katie had arrived at the figure of £12,000. The objective of the question was for candidates to analyse how this figure was allowed/apportioned. In addition, the wording of the question was important. Too few candidates identified that these were “existing overheads” and, as such, would be incurred with or without the lunch service. Candidates who recognised this point were well rewarded.

Advice to centres: Encourage candidates to carefully read the question in order to better interpret the examiner’s guidance.

- 4 It was pleasing to find that a good majority of candidates could calculate the correct break-even number and also identify the margin of safety. This immediately demonstrated to the examiner that the candidate had identified the quantitative usefulness of break-even analysis.

Many candidates carried on to question the potential changes to unit selling price and unit variable costs. However, very few candidates thought to question the £12,000 fixed costs figure and why/how this arbitrary figure had a significant impact on the validity of the break-even result.

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Advice to centres: Encourage candidates to go beyond the 'text book' answer to the question. A critical analysis of how the 'numbers' have been calculated is always likely to lead to a high mark.

- 5 Accounting concepts have to be at the core of any accounting course. They are the guiding principles and cannot be ignored.

Therefore, it was very disappointing to discover that candidates either had no idea what accounting concepts are or had a minimal level of understanding. Many candidates confused accounting concepts and accounting ratios.

Once again, candidates are advised to pay careful attention to the wording of questions. The first three words of this question "To what extent", were placed to encourage candidates to argue that there was more to valuing a business than simply accounting concepts. For example, the amount of goodwill a business might have established over its trading life (both businesses, in the case study, were well established).

Advice to centres: Ensure that accounting concepts are taught with reference to actual accounts and business contexts. Future examinations will focus on the application of accounting concepts.

- 6 In the main, this question seemed to be very accessible to candidates and there was good use of the case study evidence. However, one must always remember that the starting point for this unit should be a rigorous analysis of the financial information. Pleasingly, many candidates followed this approach by producing and analysing accounting ratios. However, too few candidates were able to prioritise these ratios and, for example, paid more attention to debtors' day (a very insignificant factor) than the return on capital employed.

To go beyond the lowest mark in a level candidates have to analyse the question from a synoptic view which takes into account external influences and the other business functions.

Advice to centres: Through practice, encourage candidates to prioritise the importance and relevance of accounting ratios. Ensure that candidates are aware of the synoptic nature of this final question.

F295 People in Organisations

General Comments

This was the first series of the new specification replacing Unit 2876 (Further People in Organisations.)

There were no obvious signs of any time pressures judging from the number of additional sheets used. Given there was no evidence that candidates had any problems with regards to the time in relation to the number of questions set, therefore, allocating sufficient time to read the case is time well spent.

There were several attempts to offer the candidates information within the case material to help them answer the various questions; many such attempts were missed. It is essential that sufficient time be taken to carefully read and absorb the case material before attempting to answer the questions asked.

In order to help the examiners, it is essential that candidates state clearly that an answer is continued on an additional sheet. Similarly, when an additional sheet is used, the number of the question which is being continued is clearly shown.

The quality of written English varied. The usage of paragraphs and complete sentences varied, with the standard of spelling in too many instances being of concern.

Comments on Individual Questions

- 1 a) This was a very straightforward calculation. The majority of candidates were able to access this question, with over 65% gaining full marks. Percentages still appear to trouble some of the weaker candidates. The layout of answers occasionally presented examiners with difficulties in ascertaining what figures had been used.
b) A large majority of candidates (over 75%) were able to gain the right answer. Although some failed to note that the question asked for the additional cost of paying overtime. Reading the question with great care will help to alleviate such errors.
- 2 This question was answered well by a large majority of the candidates. Most candidates were able to offer clearly linked analysis in the context of Holly's Hotel. Many candidates concentrated on the need to train staff and the subsequent effect on costs and the time to allow training to take place. Weaker candidates failed to clearly show how Holly's Hotel would be affected. Detailed knowledge of specific health and safety legislation was not a prerequisite for gaining full marks.
- 3 The question clearly asked the candidates to analyse two benefits to Holly's Hotel. Unfortunately, some candidates only offered analysis for only one benefit. In some answers, the focus was on disadvantages to Holly's Hotel and this consequently was not rewarded.

The majority of candidates scored at least half marks. Some very good answers went well beyond stating that staff would be motivated and offered clear beneficial implications for Holly's Hotel. Several candidates concentrated on the time saved by Holly because staff were involved in the decision-making process and, subsequently, she could spend more time on other important aspects of the business.

- 4 Many candidates failed to read the question with sufficient care and consequently concentrated upon how Holly should resolve the situation between Emma and Mr and Mrs Wood. Offering the most effective method of communication was well rewarded.

There is a wealth of communication theory which could have been applied to this question. Many candidates gained Level 2 marks only and, therefore, scored only five marks. Better candidates concentrated on answering the question and offered a recommendation that was justified and were subsequently well rewarded.

Very good candidates applied some communicational theory such as Shannon and Weaver, or referred to types of communication that would be appropriate for this particular set of circumstances. Several candidates used the context to good effect, noting that Emma was a long serving member of staff and that Mr and Mrs Wood were good clients. Sadly, few candidates offered any evaluative comments. Those candidates who did offer a justified judgement gained access to the higher marks.

- 5 This question discriminated well, with candidates scoring a wide range of marks.

Some candidates concentrated on discussing the various styles of leadership, not always accurately, without reference to the case. Generic answers were not awarded above Level 2. The case is there to offer the candidates an opportunity to answer in context and it must be used in order to gain the higher level marks. Applying leadership theory is always worthwhile assuming it is relevant to the context of the case and the question. It is important to ensure that points made, are clearly explained without huge intellectual leaps.

Typically, candidates wrote at length as to the likely impact of Holly's leadership style; but failed to offer a coherent, stepped explanation or analysis. Suggesting that 'the workers would be 'de-motivated' is not sufficient for an A2 answer. Offering some explanation as to why they may be 'de-motivated' and then developing the point to carefully analyse step by step, what the impact on the business would be is what is expected. Although over half of the candidates were able to offer an analysis of Holly's style of leadership on the operation of the hotel, too few went on to make any evaluative comments.

- 6 This question was also a good discriminator. There is a need to demonstrate an understanding as to what performance related pay actually is! Too many candidates suggested it was a form of overtime.

This synoptic question requires the candidates to consider human resources AND other issues. Too many candidates restricted their answers to just human resources, and, subsequently restricted the number of marks they could be awarded.

Nevertheless, there were some excellent answers which carefully considered whether Holly should introduce performance related pay. Other good answers commented on the difficulty of measuring performance within the service sector and were, consequently, well rewarded.

Summary

- There was no evidence of time constraints.
- Some candidates did not identify which question was being answered on their additional sheets, making the task of identification harder for examiners.
- Candidates should be encouraged to know theorists and apply these theories appropriately in the context of the case material.
- Candidates need to read the actual question more carefully to ensure it is answered appropriately. For example, Questions four and six on this paper.
- Given the weighting of the mark scheme at A2 for analysis and evaluation, it is essential that candidates, when asked to do so, check their answers to ensure that the higher marks can be accessed.

F296 Business Production

General Comments

Candidates generally had good subject knowledge of Production and clearly found the case study (Café Black (CB) – a manufacturer of coffee machines) and the questions reasonably accessible. One or two areas caused concern (see comments on individual questions), however, comfortably the biggest problem was the context issue. Candidates seemed to understand the material but then did not write about it directly. This had a disproportionately huge effect when it came to the marking of level of response questions, as to write ‘out of context’ is punished severely. The new style question (Question six) was well answered (see below).

Comments on Individual Questions

- 1 Generic answers relating to the impact on finance, human resources and marketing were common on this question. Candidates could clearly make links between departments and some did relate it to the case, but they generally struggled with the nature of coffee machines and the market within which they operate. It would have been good to latch onto the CN17 order and discuss the direct impacts, as this approach would put the responses in context and in the top mark band.
- 2 This was the least well answered question. A number of candidates did not actually understand what TQM is and chose to write generic quality control answers along the lines of ‘do some checking and this will reduce the 12% reject rate’. This is not TQM. Those candidates who did understand the true nature of TQM then often struggled with the context issue. TQM would involve linking with the supply chain of component manufacturers, the difficulties of checking what is a complex series of operations and so forth. Some candidates latched onto the context of CB operating in a ‘high tech’ market where quality is essential – more than it would be in other situations – and this was all perfectly valid, if a rare good response.
- 3 Candidates invariably analysed two impacts of locally sourced components very well – but the analysis could have applied to ANY firm ANYWHERE. This issue of context is crucial. Those candidates who chose to pick up on the fact that CB try to keep minimal stock, for example – ie local sourcing with quick supply allows this – got high marks as they answered in context. It is essential that candidates pick out why it is THIS firm, not any other. Looking at the size of components or the fact that they could be damaged easily were reasonable points in this context.
- 4 Most candidates knew what specialisation is. Most did not know what was meant by ‘the division of labour’ (or chose to ignore it). Clearly there were specialisation issues in CB and candidates picked them up and wrote about them. Again, however, there were issues of context, but it was generally better answered than the other evaluative question (Question two).
- 5 The vast majority of candidates scored full marks on this question. Contribution seemed a very straight forward concept in this context. Some candidates stopped at £832,800 (the total rather than the individual contribution).
- 6 Nearly every candidate scored in Levels 3 or 4. The case study and question were written in such a way that there was a huge amount to write about and speculate over and it could only ever be IN context. What candidates found difficult was writing

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evaluatively. Analysis came easily, but prioritising arguments (some were deliberately more important than others in this context) was less obvious. Candidates need to practice this style of question a lot more in terms of evaluation. Most coped with the 'multi-departmental' approach and there were some very good answers indeed. Evaluative writing, rather than analytical lists of points, is something which must be worked on.

F297 Strategic Management

General Comments

After what seems to have been an interminably lengthy gestation period, Strategic Management, Unit F297 has finally been born. The evidence from candidates' scripts is that the majority of candidates coped with the paper without undue difficulty. Indeed, save for now having an additional part question demanded for F297, the answers offered by most candidates bore remarkable similarity to those seen when assessing its predecessor (2880). That in itself is encouraging because one of the aims in making the transition from 2880 to F297 was to grow through evolution rather than revolution.

The examining team felt that the standard of the paper was at the appropriate level. Further, the questions set each acted as good discriminators. The case material proved to be accessible to the candidates. Indeed, the best candidates were able to use the information and the context described very effectively in making justified judgments in their answers. As ever, the business described in the case study material is loosely based on a real business; a taxi firm operating on a local scale. However, and in order to allow the typical candidate to show their ability to critically assess the subject they have learnt, often features of it will be exaggerated and deliberately distorted. In essence what candidates were presented with was a business seeking to grow revenues by 8% and its asset base by 25% in the teeth of a severe recession, and seeking to expand in new markets. Whilst Candy Cabs may not be in the realms of Google *et al*, the issues are exactly the same (objectives, access to resources, competitive pressures, responding to stakeholders, a turbulent external environment and the need to be adaptable in the face of never ending change). The only differentiator is that of scale.

This is the first time that the subject of the pre-seen A2 case study has been a partnership. For the vast majority of the entry this feature of the business proved not to be a problem. Unfortunately, it did throw up an issue of accurate use of terminology for many and in particular those candidates who insisted on describing the business as a "company". The ability of candidates to use the theories, concepts and vocabulary within the subject is important. Further, if terminology is used inappropriately it has the ability to turn a good answer into nonsense – the transposition of cost and price is a prime example – "...to increase revenues the firm should increase its costs." In assessing other subjects such sloppy use theories, concepts and vocabulary would not be ignored it and there is no reason why in Business Studies it should.

The sub-division of Question 1 into two parts did not seem to cause any undue time pressures for the candidates. However, the examining team did feel that rather too many candidates spent too long answering Question 1(b) and so offered answers to subsequent questions which were, at times, inappropriately brief. Those preparing future cohorts would be well advised to warn their candidates against this self-inflicted difficulty.

As has always been the case the need to answer the question set remains a key component of success. One feature of pre-seen case studies is the opportunity to discuss the issues facing the firm and to assimilate all of the data prior to the examination. Such behaviour is entirely right and it is to be commended. However, candidates do have to be very strict in reading and answering the questions set. Regrettably, there was rather too much evidence of candidates not answering Question 4 as required. Similarly, candidates need to be ready for a wide variety of questions, and not necessarily only the obvious ones. On this paper it was clear that Question 2 took on this role of being "unexpected". The question setting team, and the examining team, all feel this question is legitimate, answerable in the context and of an appropriate level of difficulty.

Comments on Individual Questions

- 1a) This was the most obvious departure from Unit 2880. It is really pleasing to be able to report that the vast majority of the candidature scored very well on this numerate question. This positive outcome offers optimism for subsequent sittings. The expected answers were;

	Taxi Tokens	Expansion to Upham	Executive travel
Pay Back Period (years)	0.36	2.2	1.5
Accounting Rate of Return (%)	255%	56.2%	41.7%

Colleagues should be aware that the examining team allowed the pay back period to be expressed in a variety of forms, most often days or months.

When candidates did not gain these answers, but were able to show some method, marks were still achieved for being able to show application of the techniques. Those very few candidates who stopped at the formula gained marks for demonstrating their knowledge of the technique. The minority of candidates who simply offered the outcome indulged in a very high risk “all or nothing” strategy, which for some worked (whilst for others it did not). Those preparing future cohorts should advise their candidates to always show working.

- 1b) It was pleasing that so many of the candidates used their answers to Question 1(a) as additional evidence in answering this part of the question. This ‘decision making’ style of question has long been a feature of OCR Business Studies and it is really heartening to read so many very good answers. Indeed, for lots of candidates this was the most well answered question on the script, with the ability to balance different evidence before arriving at their reasoned recommendation being clearly shown.

The use of Ansoff was seen widely, with the very best contrasting the different levels of risk in each option with the financial data. That the lowest risk option (market penetration) also yielded the highest accounting rate of return and shortest pay back period did not seduce many into simply saying choose taxi tokens. Indeed, the ethics, the impact on future cash flows and practicalities of the scheme were for many candidates overriding reasons to reject this choice. Similarly, the diversification route tended to be rejected due to a lack of expertise and market position (it was possibly inevitable, although unforeseen, that some candidates would overly focus on risk in rejecting this choice).

Geographical expansion to Upham proved to be the most popular choice, with better answers justifying this by reference to Candy Cabs’ core competences. Similarly, others considered the sunk costs of the venture as being commensurate with the perceived risk. That this option was the only one of the three which also delivered Candy Cabs’ 2010 objectives further served to promote it. Whatever the business, it always seems sensible to choose the strategic option which is both deliverable and addresses the objective.

- 2 In marked contrast to the previous question, the marks on Question 2 were frustratingly low. That past questions have been set on objectives is not at all unusual, nor does this question represent any significant departure from previous custom. However, this is the first time that objectives have been linked to the legal identity of the business in the case study. This requirement, to consider how the features of partnership might impact on the ability to achieve objectives, proved to be a significant challenge for far too many candidates.

Weak answers failed to address the issue of legal identity. Instead they wrote, often at great length, about the regulations and laws with which a taxi business has to comply. Other candidates wrote about the relationship between the three partners. However, much

of this would have been equally true regardless of the legal identity of the business. As such it was difficult to reward these answers within the scope of the question set and the mark scheme agreed.

Careful reading of the case (line 15) shows “ the legal identity of the business as a partnership, with Andrew as a sleeping partner”. What the question required was a consideration of some of the features of partnerships. Better answers recognised their constrained ability to access capital for expansion, the personal unlimited liability of the partners being such that they may choose to only embark on low risk strategic decisions and the lack of proper accounts resulting in the partners not having an accurate idea of the firm’s current financial position. (It is difficult to choose a strategic direction for a firm in the absence of knowing where one is starting from and what financial resources one has). That said a small but significant minority of the entry offered answers which had many of these characteristics both pleased and legitimised the question.

- 3 Answers to this question linking external environmental pressures and the successful strategy of the business fell into three main types. First, those answers which simply described how unemployment might impact upon a business. These tended to be far too generic and failed to consider its success or strategy. Better answers recognised the external pressure and then gave a reasoned discussion about how the business might strategically respond and so be successful.

The best answers used the case evidence to support their reasoning. So, that the substitutes to taxi journeys are limited (lines 110 -102) mitigates against the negative impact of falling incomes. Further, the question was deliberately couched in terms of UK unemployment, so allowing better candidates to argue that it is unemployment at the local level (remembering that this is a business which offers a service at a local level) rather than national level, which matters. Other perceptive answers suggested that for many sections of the local population, eg the retired, sustained UK unemployment would have very little impact on their purchasing of local taxi journeys. Similarly, the six month local authority contact offers the business a degree of immediate insulation from the external pressure.

Other characteristics of better answers were to explore both the demand for journeys as well as the firm’s costs. With the qualifications for becoming a taxi driver very low (a driving license and a CRB check), it was possible to argue that the pool of available labour would grow, thus enabling Candy Cabs to reduce any upward pressure on wages, a significant portion of their cost base. This line of argument could be extended by considering the local taxi market which, from the case, it can be inferred is very contestable. This could suggest that some unemployed people might seek to start their own taxi business, so increasing Candy Cabs competition and, as such, requiring a thought out strategic response from it.

- 4 Just as Question 1(a) was a new style of question, in some ways so was Question 4. This is because all of the reward for written communication is imbedded within the marks available in this question. So, by way of a simple example, a lack of paragraphing in this question had an impact on the mark awarded, whereas for question Question 1(b) through to Question 3 it did not. Consequently, the maximum mark for any level of skill is greater in this question when compared to the other three evaluative questions (Question 1(b), Question 2 and Question 3).

As to the actual question, answers again tended to fall into three types. First, and at the weaker end, was a failure to answer the question set. The question asked for how the change might be implemented, not whether it should or what the advantage and disadvantages if the change may have been. As ever, the need to carefully read and then respond to the question remains a key for success.

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Better answers considered what the firm could do to successfully put the change into place. In contrast the best answers did this, but then supported the reasoning. This was typically, by either using subject theory (the final specification section; "Change") to support the response and/or to suggest a strategic sequence of stages to be used. Without either, the unsupported answers demonstrated scant awareness of the specification content and were, sadly, often little better than a common sense approach one might reasonably expect from any GCE candidate regardless of the subjects being studied within a curriculum. Although an awareness of employment law is expected within the specification (external influences), it was disappointing how rarely candidates considered the legality of the scheme.

Grade Thresholds

Advanced GCE Business Studies (H030 H430)
January 2010 Examination Series

Unit Threshold Marks

Unit Maximum		Mark	A B C D				E	U
F291	Raw	60	43	38	34	30	26	0
	UMS	80	64	56	48	40	32	0
F292	Raw	90	52	46	41	36	31	0
	UMS	120	96	84	72	60	48	0
F293	Raw	60	40	36	33	30	27	0
	UMS	80	64	56	48	40	32	0
F294	Raw	60	41	37	33	30	27	0
	UMS	80	64	56	48	40	32	0
F295	Raw	60	46	42	38	34	30	0
	UMS	80	64	56	48	40	32	0
F296	Raw	60	45	42	39	36	33	0
	UMS	80	64	56	48	40	32	0
F297	Raw	90	58	51	45	39	33	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

	Maximum Mark	A B		C	D	E	U
H030	200	160	140	120	100	80	0

The cumulative percentage of candidates awarded each grade was as follows:

	A B		C D		E	U	Total Number of Candidates
H030	10.17	29.06	59.08	82.81	96.37	100.00	413

For a description of how UMS marks are calculated see:
<http://www.ocr.org.uk/learners/ums/index.html>

Statistics are correct at the time of publication.

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