

Business Studies

General Certificate of Secondary Education **GCSE J253**

Report on the Units

June 2010

J253/R/10

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This report on the Examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

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

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Chief Examiner's Report

This was the first series in which all three units were examined.

The Controlled Assessment saw a stronger performance overall by candidates with a clear increase in the number of A-C grades awarded. Candidates appeared better prepared, with a focus on the *application* of knowledge, where the weighting of marks is greatest. Centres should note that new Controlled Assessment tasks are now available on OCR Interchange for examination in 2011. Candidates cannot use the same tasks as this year, if wanting to re-submit work in 2011.

Performance on the short written paper (A292 Business and People) was better than in January as might be expected. This is reflected in the increase in grades awarded from A-C. Knowledge and understanding was improved. This is important as the paper is weighted towards this element of the assessment objectives. The question on Total Quality Management raised concerns within a number of centres. The examining team took these concerns fully into consideration when marking the papers and the awarding committee again took into account the views expressed by centres when finally awarding grades in order not to unjustifiably penalise any candidates.

Candidate performance on the case study paper (A293) was encouraging, with some very good understanding shown and a clear ability to structure an argument using the data provided. The weighting of the paper towards analysis and evaluation should direct those delivering the specification in their preparation of candidates.

A291 Marketing and Enterprise

The June entry saw considerably more entries than the January series, with candidates being generally rather better prepared for this new style of assessment.

The balance and requirements of the three Assessment Objectives (AOs) was well understood by the majority of candidates and centres. Where there was evidence of these issues not being clear in the preparation stage, there was often a necessary reduction in centre marks in order to maintain an overall acceptable standard within a GCSE framework.

Knowledge and understanding, AO1, is rewarded within this assessment, unlike previous OCR coursework. Candidates must, therefore, be clear on the knowledge of the subject area and be prepared to display their understanding of the specification area within the assessment.

AO2 is given the highest weighting marks on OCR Business Studies Controlled Assessments within GCSE, and it is vital therefore, that candidates who aspire to higher level marks that the knowledge which they show in AO1 is applied to the context of the scenario.

Analysis and evaluation, AO3, was at times a little thin, with candidates making broad statements without close reference to any supporting data, or when making recommendations not taking into account the circumstances of the business.

The research phase of the controlled assessment is vital in enabling candidates to have the necessary information and framework for their final write up in the six available hours. In this preparation time candidates should be looking to:

- complete their information gathering using primary and secondary research
- plan how the knowledge will be applied to the business in question
- plan what their analysis and evaluation of the data will be
- have ready any Internet, or other secondary) data prepared

Any information gathered/prepared in this time should be stored securely within the centre for access by the candidates within the six hours of supervised writing. The planning of the controlled assessment is assessed within AO2.

As regards administration, it would be helpful for the moderation process if centres could annotate the candidates' work as and when each AO is being addressed, simply by writing AO1 etc. on the work. This will not only enable more constructive feedback to be given by the moderator, but also give those teaching the work a clearer picture of how well a particular AO is being evidenced.

Application of the Assessment Objectives (AOs)

AO1

Most candidates were able to score some marks on this AO. Better candidates had a clear idea as to what elements of marketing they would include and had both width and depth within their work. For example within promotion, both advertising strategies/media, along with sales promotions were explained fully. At this stage of the work this can be a completely generic approach and still achieve the full marks available.

Weaker candidates often listed, say, the pricing strategies available to Matthew with either no explanation, or a brief bullet point, which did not convey clear understanding. Within Investigation 1 this AO was more accessible to many candidates as there was data which could

be used as a knowledge framework. There were, however, some variations on the knowledge base as to what may constitute the attributes of an entrepreneur.

Overall, centre marking on this AO was the most accurate.

AO2

As stated above, this is the most heavily weighted AO, and deals with the *application* of the knowledge shown by the candidate. At times this was generously marked with candidates being given, at times, full marks for a general application of some of the knowledge. Within the controlled assessment scenario, the *precise* context of the business should be considered. These would have included:

For Heather:

- a young inexperienced business person
- a new, small business making *budget* jewellery
- target market - teenagers

For Matthew:

- a young business person, who had worked within photography, but no experience of running a business
- a new, small business looking to supply wedding and portrait photographic services
- target market - those looking to marry and families with young children

Whilst many candidates recognised *some* of the above within their work, for the highest marks *all* of the context should be considered.

For Heather, a new, small business making and selling budget jewellery cannot really be compared to an established high street company in relation to distribution methods. Many candidates recognised that a shop could be expensive, but also rationalised that it may be worthwhile as it may afford the business more prestige. Few candidates developed the point further by looking at where the shop may be placed within a town, given Heather's circumstances. Promotion too was, at times, not fully developed as a new, small, *budget* jewellery business. For this type of business a simple and cheap option would be the most desirable, with the options available being considered with this in mind.

For Matthew, candidates had to apply their knowledge of research methods and pricing strategies to a new, small photography business. The product/service involved could be rather wide, as there are different wedding packages available to couples, and the range of family portraits, from a simple framed shot to a large print on canvass with various effects/locations to be added. The pricing strategies in particular needed to be carefully applied to this range of products, and the wider industry as clearly one particular strategy would not be suitable in every circumstance. Matthew's situation also had to be applied to the various methods of market research. Again, the simple, cheap, effective option would have suited the circumstances.

As stated in the January report, a visit/talk by someone connected to the business within the scenario had a clearly beneficial effect on candidates' understanding of the marketing of that particular business. Care should be taken, however, with any single opinion – it may be the case that there are other choices available apart from the one taken by a visiting business owner/manager.

The application of knowledge within Investigation I was rather better, with candidates, once again, being able to use the data provided as a framework for their answers, though, as above, the exact context was not always considered.

Report on the Units taken in June 2010

Planning within AO2 needs to be evidenced by candidates showing that they have given thought to the different research they have undertaken, how that research is presented and whether there is a clear, logical sequencing to the work, taking the reader through the ideas and arguments being put forward. Once again this emphasises the need for care within the research phase of the assessment.

AO3

This assessment objective requires candidates to analyse and interpret data, before evaluating the findings in order to make justified recommendations within the context of the business.

This was, at times, marked rather generously, with some candidates being given too much reward for basic analysis with little attempt to explain the significance of particular results. Weaker candidates would then go on to make generalised recommendations, which took little account of the context or were not based on any earlier data analysis.

Those deserving of higher marks in this AO would look again at the data analysis, and would have carefully planned a line of argument which made precise reference to the available data, using figures as appropriate.

The lack of data left some candidates without any framework to show their analytical and interpretive skills. Those who collected primary data (for example where teenagers prefer to buy jewellery, or what pricing strategy would appeal to young families for particular photographic services) were able to not only show how they could analyse data, but the data also provided (once correctly interpreted) the justification for particular action to be taken. It is vital that any recommendation is fully justified, using all the available data and taking into account the context of the business.

Within Investigation 3 for both Controlled Assessments there was an instruction to look at how the recommended promotion or pricing strategy would change over time. It was disappointing to see this ignored by many candidates and others only giving this aspect minor consideration. Again the full context of the business should be taken into account and the possible options available.

Within Investigation 1, the treatment of AO3 was rather better than in January where some candidates wrote at great length to justify a particular target area for the business, or who would make the most successful entrepreneur. Given the fact that only two marks are available candidates should look to tailor their length of their answers accordingly.

A292 Business and people

General comments

The standard of the scripts reflected a marked improvement when comparing to the January module when Year 10 candidates had studied Business Studies for only three months.

Overall, there was a good understanding of the various business principles and of business terminology. Many candidates displayed an excellent knowledge of the specification content. Some candidates, however, did not seem to be aware of certain topics, eg job sharing, worker co-operatives.

Question 1 appeared to be more accessible than Question 2. As expected, only the more able candidates could fully analyse and evaluate. These candidates provided good responses to Questions 1(e)(ii), 2(c) and 2(f). These questions were targeted at the higher end and differentiated as such.

Comments on individual questions

Question 1

- (a) (i) This part of the question was satisfactorily answered. The correct selection namely 'Income tax must be paid on profit' was not chosen to the extent which was expected. Many candidates incorrectly selected 'The owners have limited liability'.
- (ii) This part of the question was well answered. The majority of candidates understood the term 'stakeholders' and were able to obtain the two marks on offer. A correct response included '*employees as they work for a business to be paid*', and '*customers as they would want their teeth cleaned to a good standard*'.
- (b) (i) This part of the question was generally well answered. Most candidates understood why businesses require accurate records and, as a result, they obtained the mark on offer. Correct responses included '*know whether the business is making a profit*', and '*know who owes the business money*'.
- (ii) This part of the question was generally well answered with many candidates obtaining both of the marks available. Correct responses included '*because the business has survived the first year of trading, and is now established, it is likely to have a target of maximising profit as that is why most businesses exist*'. Those candidates who did not obtain both marks often did not link to the context of the question, that is the business has met its first objective – namely survival.
- (c) (i) This part of the question was generally well answered with a variety of good responses provided. This was a 'standard' location of industry question and most candidates were able to obtain at least two of the four marks on available. The reason why some marks were not obtained was due to some general location factors not being relevant to the location of a dental practice, eg being close to raw materials.

Correct answers included those outlined on the mark scheme such as '*size of the population because if there is a high number of people there is more chance of having customers wanting their teeth checked*', and '*competition as if there are many dentists nearby it may have less profits*'

- (ii) This part of the question was well answered. Many of the candidates obtained either one of or both of the marks available. The reason for some candidates not obtaining both marks was due to a lack of explanation. Common responses included *'as soon as Healthy Teeth Partnership opens its business, more people may go to that particular area to visit the dentist and this may lead to more sales, eg local coffee shops'*.
- (d) This part of the question was generally well answered with a variety of good responses provided. Most candidates obtained two of the four marks available by selecting two appropriate methods of communication. These included *'using local newspaper'*, *'using e-mail'*, and *'talking face to face with customers'*. A correct two mark answer included *'telephone, as it is quick way of contacting customers to confirm an appointment'*.
- (e) (i) This part of the question was well answered by the majority of candidates. Most candidates were able to select the appropriate judgements based on the actions provided. Therefore, these candidates obtained at least two of the three marks on offer. Some candidates believed that *'increase money spent on updating ICT facilities'* would not lead to an improvement in business competitiveness. This tended to be the reason why some candidates did not receive full marks.
- (ii) This part of the question was generally well answered. The vast majority of candidates obtained at least two of the six marks on offer by correctly stating an advantage or disadvantage of taking over another local dentist. Many candidates obtained Level 2 marks by providing both advantages and disadvantages. Those candidates who obtained four of the six marks available displayed clear analysis, whilst those achieving a higher mark allocation provided an appropriate judgment.
- A fully developed Level 2 response included, *'There would be many benefits of taking over a similar business such as Perfect Smile, not least its customers. The increase in customers is likely to help you increase your buying power with suppliers, thus unit costs will decrease which assists with helping to increase profits, and also taking over a competitor may allow you to increase prices. However, as you are taking over a new business the existing workers at Perfect Smile may not like your management style and they may leave. This will then add to your recruitment costs let alone time. Overall, though given the sharp increase in customers there should be much opportunity for the business to increase profits, which should outweigh the increase in costs'*.
- (f) This part of the question was generally well answered. Many candidates displayed an understanding of the importance of *'staff appraisal'*. Many obtained two of the three marks available by referencing *'motivation'* and that *'employees will work harder'*.

The more able candidates provided good responses, an example of which included *'Staff appraisal offers both the employee and managers a chance to discuss aspirations and problems the employee may have. By discussing these issues this may lead to the employee being more motivated and to them working harder as they feel they have been listened to. This then will lead to the business being more efficient'*.

Question 2

(a) (i) This part of the question was well answered. The vast majority of candidates were able to make the correct selection regarding a worker co-operative, namely *'Business owned and controlled by its workers rather than outside shareholders'*.

(ii) This part of the question was satisfactorily answered by the candidates. It seemed apparent that some candidates were aware this topic, whilst others were not. Whilst a number of maximum mark allocations were awarded there were also a number of candidates who received no marks.

Correct responses obtaining four marks included *'it is an advantage for the business being a worker cooperative as the employees own the business and everyone, therefore, should be motivated as they are trying to get as much money as possible. A disadvantage is that they lack of experience in running a business may mean they miss opportunities and, therefore, it is less likely to succeed'*.

(b) (i) A number of centres commented on the appropriateness of this part of the question in relation to the specification for this unit. Consideration was given to these comments and concerns at the standardisation meeting during which the mark scheme was significantly expanded. At the awarding meeting candidate performance on this particular part of the question was taken into account when determining the raw mark grade boundaries for the unit as a whole.

(ii) This part of the question was satisfactorily answered. Answers were varied and the more able could obtain the marks on offer. A response which was not allowed was *'more workers means they can make more'*. This was not allowed as there is no guarantee of increased sales. However, *'total wage costs will go up'* as a disadvantage was allowed.

Correct responses obtaining four marks included *'having 40% more employees is an advantage to Cosy Beds Ltd because there will be a greater number of ideas. This could easily improve the quality of the beds or the service to the customer. It may be a disadvantage as now there are many more employees, there may be communication problems which may mean workers do not totally understand orders from above which may, therefore, decrease efficiency'*.

(c) This part of the question was generally well answered. Many candidates understood how both a business and employees may benefit by adhering to the Health and Safety Act. Many candidates obtained the full mark allocation.

Correct responses obtaining four marks included *'complying with the Health and Safety at Work Act is an advantage for the business because there will be less accidents and, as a consequence, Cosy Beds Ltd will not be fined. An advantage to the employee will be that it is a safe place to work, therefore, they will be more motivated and they can work without fear of being injured'*. Other responses allowed for the benefit to the employee included *'they feel they are part of the business/more valued'*.

(d) (i) This part of the question was well answered. The majority of candidates could use the data provided and calculate net pay. The correct answer of £412.91 was frequently seen. The main error centred on candidates adding *'overtime'* to *'gross pay'*, then taking away *'total deductions'*.

(ii) This part of the question was generally well answered. Most candidates could obtain two of the four marks on offer. Often the reason for the loss of marks was either the naming of the *'Minimum Wage Act'*, or due to *'equality of pay'* being used as an

explanation for both the 'Sex Discrimination Act' and the 'Equal Pay Act'. As can be seen from the mark scheme the examining team did give some flexibility on naming the 'Sex Discrimination Act'.

Correct responses obtaining four marks included *'Equal Pay Act - both men and women should be treated equally regarding pay, assuming they have the same responsibilities. Sex Discrimination Act - both men and women should be treated equally regarding recruitment. Businesses should not discriminate in favour of one gender or the other'*.

- (e) (i) This part of the question was generally well answered. Most candidates could obtain at least one mark by showing a general understanding of the meaning of the term 'delegation'. Some candidates did 'lose' a mark by not using the organisation chart in their answer.

A common correct response included *'Delegation is where authority is passed down the hierarchy, eg finance director asks one of the financial assistants to do a specific task'*.

- (ii) This part of the question was poorly answered. It was clear some candidates were not aware of this aspect of the specification. Many incorrect responses centred solely on 'how the employee will benefit' as opposed to Cosy Beds Ltd. Other incorrect answers referred to 'can pay them less than full-time workers'. A rare correct answer included: *'With a full time worker they go to work everyday and may get bored but with a job share they will be working on different days which means they may be possibly more motivated and, therefore, are more productive for the business'*.

- (iii) This part of the question was satisfactorily answered. Most candidates were able to obtain some marks. However, some candidates clearly did not know the meaning of the term 'self-esteem'. Correct answers included those in the mark scheme namely: *'giving status by using a worker of the month award makes you feel better about your self as you know people value you'*. The mark scheme also credited a range of responses such as *'giving more responsibilities'*, *'praise/encouragement'* and *'the meeting of the three 'needs' below self esteem, eg by making sure the workplace is safe'*.

- (f) This part of the question was satisfactorily answered. Most candidates obtained a mark by correctly identifying the trend in training expenditure. However, many believed that the data reflected the expenditure by Cosy Beds Ltd. In addition, some candidates explained the 'link of the data' to Cosy Beds Ltd and not the employee.

However, many good responses were seen. These included *'Cosy Beds' employees might not be affected by the falling amount spent on employees as Cosy Beds Ltd may have maintained the amount of money it spends on training. If this is the case, when comparing to other workers, they will now be more skilled, hence, more employable hence they can bid up wages'*. An additional correct answer included *'Employees might be affected by the data because the money spent on training is going to decrease by £1400 in the two year gap. This would, therefore, mean that Cosy beds Ltd's employees may be unsure of some of the work and feel slightly uncertain, which could imply that their motivation would reduce. This assumes that the business has also cut its spending on training'*.

A293 Production, Finance and the External Business Environment

This was the first occasion on which unit A293 has been examined – this module examination is only available in the June of each year. There was a small entry of just over 200 candidates. It is not known if candidates were completing at the end of their first year of a two year course or whether they were candidates doing the whole course in one year.

The examination takes the form of questions based on a pre-release case study made available to centres in the January of the year of the examination. This case study was based around a business, CAS plc, which manufactures scale of models of steam-driven engines. A range of data was provided within the case study, including sales and market share information for existing product lines. Data was also provided relating to a new model which the firm was considering producing either in the UK or in China. This data included possible production costs, forecasts about relevant exchange rates, the views of managers in the company and a newspaper article about production in China. It was a scenario which has been faced by many UK manufacturing businesses including Raleigh Cycles and Hornby Toys in recent years. The question paper was designed so that candidates could use the data provided in the pre-release case study, but could also include in their answers ideas and information which they had learned during their Business Studies courses.

The questions were designed to test performance across the whole grade range. Some questions were specifically targeted at certain grades, whilst others were open-ended questions which candidates could answer with differing degrees of sophistication. Questions, particularly at the end of the paper, were designed to give the very able candidates an opportunity to explore challenging issues.

The question paper worked well. There was a full range of answers in terms of grades. One candidate scored full marks comfortably. It was evident that this candidate had been very well prepared for the examination and that they had been taught how to structure longer answers to demonstrate the skills of analysis and evaluation. It was pleasing to see that many candidates had a detailed knowledge of the subject content and were also able to apply this knowledge to present cogently argued analyses and evaluations.

Question 1

- (a) (i) and (ii) Both parts of this question tested the ability of candidates to interpret data. The first, which required the candidates to read the data, was well answered by just about all of them. The second required the candidates to manipulate the data mathematically in order to calculate the change in the value. Candidates who failed to do this either wrote about the percentage change in sales as opposed to the change in value or wrote about changes in the total market sales, rather than the share of the market of CAS plc.
- (b) This part of the question was designed to test the candidates' understanding of the term 'globalisation'. Most candidates gained some credit, though it appeared that some ticked the possible answers randomly rather than with any conviction.
- (c) This part of the question was answered very well by the majority of candidates. They were able to explain that sales were likely to fall because of the fall in incomes and because consumers would have less money for luxuries items. In discussions about the effects on prices, the most common approach was to suggest that prices would need to be reduced in order to make them affordable. However, some candidates argued that prices would

have to rise in order to maintain profitability and credit was given for this approach. The best answers also discussed how the effect of a rise in price on revenue and profits would be dependent on the effect on sales.

- (d) (i)** Most candidates understood that average costs would fall if economies of scale were achieved.
- (d) (ii)** Most candidates were able to complete this missing words question accurately. Nearly all candidates were able to correctly identify technical economies, while the most common error was to put the terms 'specialist' and 'financial' in the wrong places.
- (d) (iii)** Many candidates did not score well on this part of the question. Bulk-buying economies were correctly stated and described by many of the candidates who did score well, with a very small number discussing either risk-bearing or marketing economies. Quite a large number of candidates could not suggest any economy of scale, whilst others discussed technical economies for which no credit was given as these had been mentioned in the previous part of the question.
- (d) (iv)** There were a few really good answers to this part of the question. Candidates who did well wrote about the benefits which might arise if the lower costs resulting from economies were passed on in the form of lower prices, and the problems which might arise from the concentration of market power. Some very good answers delved further into the possible of benefits which might arise if the business was to use its increased profitability to develop new products and so provide increased choice. Many answers suggested that output would rise because the firm was now bigger, failing to recognise that the total output of toys from all producers might not rise.
- (e)** There were some excellent answers to this part of the question. Most candidates explained that costs would be reduced. Others also explained that savings would fall and that those with loans would now be paying less in interest and that both of these would lead to rise in the sales of toys. There were some very confused answers about interest in the product as opposed to a fall in the interest rate.

Question 2

- (a)** Many candidates failed to score the maximum marks on this part of the question. The weakest answers appeared to guess at what were fixed costs and what were variable costs. There being little consistency over their choices. Candidates who scored well on the paper as a whole tended to score full marks on this part of the question.
- (b)** The more able candidates usually scored full marks on this part of the question. Middle ability candidates tended to calculate total fixed and total variable costs accurately but then failed to calculate either total cost nor average cost.
- (c) (i)** The majority of candidates read the graph accurately to state that the total revenue resulting from selling the Russell Steam-roller.
 - (ii)** Nearly all candidates were able to identify the break-even output from the graph.
 - (iii)** The graph was carefully constructed so that the answer to this part of the question would be a round number. Unfortunately, many candidates appeared to look for something more complex.

- (d) This part of the question discriminated well at the high end. These candidates were able to apply the concept of contribution, calculating it and then using it to calculate the break-even output.
- (e) This part of the question was answered well by many candidates. They made general comments about forecasts only being predictions. Better candidates were able to highlight events which might cause the analysis to be incorrect, citing changes in costs and revenues and giving reasons why these changes might occur including changes in material costs, prices which the firm could charge if the degree of competition in the market changed and factors such as the recession.
- (f) Candidates appeared very comfortable when writing about the advantages and disadvantages of technology in the production process. The main benefits stated and explained included cost savings resulting from lower employment levels, improved quality because there would be less human error and increased output because machines can work longer and faster than workers. The main problems which were discussed included start up costs, reliability and maintenance issues and the financial and publicity costs associated with making workers redundant.
- (g) There was a lot of confusion about the term 'sustainability'. Many candidates wrote about producing for longer periods of time. However, there were a good number of clearly articulated answers which discussed issues such as recycling, the use of renewable energy and ways of saving electricity or water.

Question 3

- (a) (i) and (ii) Weaker candidates often confused the term 'ethical' with the idea of ethnicity and consequently wrote about employing or supplying services for people of different races. Those who understood the term wrote about the use of child labour or the failure to pay a fair wage rate or about forcing workers to work in unsafe or unhealthy conditions. Many candidates presented the argument that being ethical would enhance the reputation and, sales, of the company.
- (iii) The majority of candidates clearly understood the term 'stakeholders'. There were good answers suggesting that workers in China would benefit from jobs and pay, the Chinese government from increased tax revenue, the shareholders of CAS plc from increased profits and consumers from lower prices.
- (iv) Whilst this part of the question was not as generally well-answered as part (iii) there were still many good answers. Most commonly they suggested that UK workers would suffer from the loss of jobs and that Chinese people local to the factory might be affected by pollution.
- (b) Generally candidates showed a good knowledge of the advantages and disadvantages of leasing and of buying. It was very pleasing to see some very sophisticated answers which came to a conclusion using the information that had been provided in the case study. For example, some candidates suggested that leasing was more appropriate because CAS plc only intended to produce the model for three years and it would be cheaper than buying. Others suggested leasing on the grounds that long term production in China was not certain and leasing would allow CAS plc to test this out before committing one way or the other. Those in favour of buying and who scored at the highest level suggested that property values might well rise in China given the growth of the economy and so a capital gain might be made from buying and then selling the property at the end of the three year period – if production was not to be continued there.

- (c) The best candidates displayed a detailed knowledge of the benefits and problems of producing in the EU. They considered the importance of free trade and explained how the absence of tariffs would help CAS plc and that this was important – given the concerns expressed in the case study about the development of China by EU leaders. Other candidates argued that poor health and safety, the use of child labour and other ethical issues might have a negative impact on the reputation of CAS plc. Some, though fewer, candidates argued that production should take place in China because of the need to be competitive in terms of costs in an increasingly competitive global economy.

Many candidates struggled with this part of the question. However, there were some excellent answers. These highlighted the possibility that technology or increased motivation would raise productivity in China and so costs per unit would not necessarily rise.

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