

# **Business Studies**

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

## **Report on the Units**

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**June 2009**

**HX30/MS/R/09**

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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 syllabus 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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**Advanced Subsidiary GCE Business Studies (H030)**

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## **Chief Examiner's Report**

This summer marks the first meaningful entry for both components of the new specification H030. Being the first year of the new AS colleagues will want to read the two attached Principal Examiners' reports as they offer guidance about good practice for preparing future cohorts.

One aspect of H030 is that scripts are marked 'on-line'. Indeed, colleagues will have noticed that the presentation of the examination papers has changed to reflect this. The set-up of the papers might suggest to candidates that they should only write as many lines as are available. However, it would be good if candidates were made aware that they can write at greater length should they wish. If they choose to do so, and many this summer did, they would be well advised to indicate to the examiner, very clearly, to which question their additional pages relate.

A by-product of marking on-line is the examining team's ability to analyse the performance of individual questions. For example, it is now possible to see a frequency distribution of marks for each individual question. Knowing which questions worked, and which did not, will enable question paper setters to frame future questions so they discriminate more effectively. In considering the available data on question performance it is often relatively easy to spot where the boundaries are between different levels of response. This was most noticeable on those questions which required an evaluative answer. All too often the marks tail off dramatically at the analysis/evaluation boundary. The expectation that the best candidates will be able to evaluative remains central to the assessment process within H030 (and, indeed, H340). The definition of evaluation continues to be a justified judgment. Candidates who aspire to the highest grades need to be able to demonstrate this skill.

# F291 An Introduction to Business

## General Comments

There was no evidence of time pressures and, as in January, the higher mark questions discriminated well. It seems that most centres have correctly told their candidates that the space on the paper allotted for each question is a guide as to how much should be written. There were certainly fewer attached additional pages (which were frequently rather rambling and incoherent) than in the last session.

The quality of written communication was worse than in January and, sadly, again there were some virtually indecipherable scripts. Where writing is extremely poor – for whatever reason – centres are advised to speak to their Examinations Officer to seek guidance on whether the use of a word processor might be appropriate and possible for use in an examination such as this. The use of correct grammar and spelling also frequently left much to be desired. Where a candidate makes little effort with these then it is bound to detract from the argument being presented (e.g. a sentence lasting a whole page) and, therefore, the marks gained. This was especially true on question 5 where marks for written communication are embedded in the mark scheme.

It is also of fundamental importance that candidates recognise that they are taking a business studies examination which requires the use of the appropriate academic concepts at AS level. Many answers were written from the perspective of 'the man in the street' with little reference to the concepts on the specification at all. Also, where terminology has not been learned properly and, for example, the words 'cost' and 'price' (on "Question 1) and 'human resources' and 'market research' (on Question 3(a)) are used as if they were synonymous, this error will cost candidates dearly in terms of lost marks.

## Comments on Individual Questions

- 1 The majority of candidates scored all three marks here. Any of the standard determinants of demand, eg price, income, and the time of year were acceptable. Macro-economic factors such as the state of the economy or interest rates (whilst not on F291) were also acceptable as they were clearly valid. References to factors affecting supply rather than demand, eg cost and availability were not rewardable.
- 2a) This question was not well answered by some candidates. This was rather disappointing as social costs are explicitly mentioned under 'stakeholders' in the F291 support materials booklet. It is very important that centres familiarise themselves with the content of the new specification via this document which is available from the OCR website.

In business studies social costs usually refer to the external costs imposed on a third party (eg the community) by a person or a business' consumption/production decision. A number of candidates had clearly been taught the economists' definition; social costs = private costs + external costs (ie that social costs are the 'true'/total costs of a decision). Examples of social and private costs are identified within the mark scheme.

Examples of private costs include the flight tax payable by travellers, vaccinations and travel insurance. Examples of external costs include global warming, pollution and the destruction of foreign culture (caused by tourists).

- b) This question arose from the section of the specification on 'the market'; specifically the section on the factors influencing supply. Despite the fact that the question stated the tax was on "all flights from the UK", some candidates still assumed that the tax had only been put on Thomas Cook's flights. This was a mistake and not a very logical one since indirect taxes are not placed on one firm in a market but not on others.

Most candidates recognised that the imposition of the tax would mean that the price of the flight/holiday was likely to rise and the demand likely to fall - although it was not always explained why this was the case - due to the rise in Thomas Cook's costs. Where this was recognised and an effect given (such as a fall in revenue) the candidate quickly reached Level 3. There were some very good answers here with the most able candidates mentioning (implicitly or explicitly) the likely ability of Thomas Cook to 'pass on' the cost increase to the consumer.

- 3a) There was some confusion that 'human resources' meant 'market research' and the examining team were, frankly, at a loss to understand why. These answers could score no marks and would have been much better suited to Question 3(b).

The specification makes reference to 'the significance of the workforce' and workforce planning, recruitment, selection, training and severance. Therefore, there were many routes into the question such as new posts having to be filled; and existing managers would have to devote time to examining/determining the type(s) of employees necessary to staff them (for example new destinations abroad would mean hiring people with specialist knowledge and language skills), the training implications associated with recruitment, the motivation of the new employees, etc.

Reference could also have been made to the negative aspects of the expansion such as the possibility that if some jobs disappear in any reorganisation caused by the expansion then there will be redundancy issues and costs. Another issue was the possibility of diseconomies of scale (the term did not have to be used) arising from the management of a larger organisation.

The use of context was not always strong on this part of the question. It is accepted that with a very short piece of data to respond to the amount of context in the answer may be lower than on the previous specification. Nevertheless, responses here were frequently generic and, although technically correct, made little or no reference to Thomas Cook and the impending expansion.

- b) There were a wide range of possibilities here and this question was better answered than Question 3(a) - although some candidates ignored the 'other than' in the question. Another error among weaker candidates was to produce a list of factors affecting the operation of any business with no reference to Thomas Cook's objective. These could only score at Level 2.

Issues of finance, the state of the economy, the existence and response of competitors were all mentioned to name but a few and some good answers were certainly developed. When evaluation occurred it shone like a beacon among some very mediocre answers.

However, the same problem which has been observed on Unit 2871 for many years was also evident here; after some sound analysis a very large number of candidates simply stopped rather than attempting an evaluation. This could have been along the lines of which influence(s) were the most significant and why, and/or a consideration of the impact of the influences in the short and long term.

*Report on the Units taken in June 2009*

- 4a) Candidates had been taught this topic well and the majority scored at least two marks. Any of the standard measures were acceptable: turnover, profit, number of employees, etc.
- b) When answering this sort of question it is imperative that candidates do actually make clear the difference by making reference to *both*. It was disappointing to see so many responses make the age old error that "public companies are run by the government and provide a service whereas private one are owned by people and run for profit" or "public companies have limited liability, whereas ltds have unlimited liability".

This approach meant that a straightforward knowledge question actually discriminated well between those who rushed in and those who spent a moment thinking their terminology through.

- 5 Although candidates were knowledgeable about stakeholders, many failed to use this knowledge in the context of the actual question. The question was **not** asking for the candidate's own views on the situation but was concerned with how the stakeholders in Thomas Cook might view it. This was a common mistake, as was the tendency to go off into what can only be described as 'an outraged rant' on the ethics of charging different prices - with little attempt to address the actual question. Making a clear reference as to whether a specific stakeholder was likely to consider the actions of Thomas Cook as unethical or not increased the marks awarded significantly.

Perhaps predictably, the most commonly mentioned stakeholder was the customer and it was relatively easy to point out that these stakeholders were highly likely to regard the behaviour as unethical because of the price discrimination (the phrase did not have to be used) they faced - especially as there was the suggestion of a fine if they tried to take their children out of school.

The views of shareholders, managers and suppliers could also have been mentioned and most candidates were able to at least make some observations as to how unethical they might regard Thomas Cook by making reference to each stakeholder's objectives.

Exactly the same comment which was made above on Question 3(b) has to be made here; after some sound analysis a very large number of candidates simply stopped, rather than even attempting an evaluation.

There were relatively few instances of evaluation even being attempted here as to the extent to which the stakeholder(s) might regard the behaviour as unethical and why; all too often it was a case of "they would" or "they wouldn't" which could not access the highest marks available.

It must be stated again that it is crucial that supported judgements are made if a candidate expects to reach the highest level of the mark scheme.

## F292 Business Functions

### General Comments

This was the first full session for this new unit which has effectively replaced the 'old' 2873 paper. The significant difference between this new unit and its predecessor is the introduction of six short generic questions in Section A of the paper. These questions require good levels of knowledge and understanding of basic business terms, without any need to answer in context.

The examining team agreed that the paper as a whole was a good test for candidates. There was no suggestion of time pressure and many candidates used additional sheets.

Section A: There was a good range in the marks for Section A and it proved to be a good discriminator, with most candidates scoring between eight and 16 marks out of 18. Most candidates appreciated that these questions were separate from the case study material, although a minority wasted time trying to link them, unnecessarily, to HCL. Centres need to remind candidates of successful examination technique strategies on Section A questions; for example, how to outline or explain effectively by stating a point and then expanding it.

Section B: The case study itself was easily accessible to all candidates and there was no confusion over the nature of the business. It was pleasing to see many candidates being able to engage with case evidence more readily, especially with Question 2(b) and Question 3. However, there are still a small number of candidates who quote the case study substantially as an attempt to answer a question. Better candidates failed to score even higher marks on the paper by a general inability to carefully read the question in Question 4 and Question 5.

### Comments on Individual Questions

- 1a) It was hugely disappointing to see about 70% of candidates scoring zero on this part of the question. Candidates simply did not know what a current asset was and suggested machinery, vehicles, buildings, shares, employees, price, loans and even a tractor! Others did not read the question properly and included stock or raw materials as an answer. Centres should be aware that a good starting point for candidates in being able to meet the demands of Section A on this paper would involve an ability to at least define and outline the key terms in the specification.
- b) Conversely, this was the best answered question on the whole paper, with most candidates scoring two out of two marks. The recruitment and training costs were the two most common answers. Some candidates, whilst obviously understanding labour turnover, failed to gain any marks as they identified causes rather than disadvantages.
- c) The part of the question was very well answered, with over half the candidates getting both marks and most candidates having some knowledge of customer orientation. Candidates who were too imprecise in their definition or did not use enough business terminology or failed to link adequately to the notion that it is about identifying what customers wants/needs are gained only one mark. Weaker candidates confused the term with socio-economic groups.

## *Report on the Units taken in June 2009*

- d) This was a very straightforward calculation which has been examined numerous times on Unit 2873 (the predecessor paper). About 25% of candidates gained full marks but a similar number scored three marks by getting an answer of £800, but then adding the £350 rather than deducting it, or ignoring it completely. Some candidates failed to cope with the 'pounds and pennies' of the question and forgot it was £0.20 rather than using '20'. Other candidates approached the question from calculating additional revenue (£8000) and deducting additional direct costs (£7200) which was equally valid. Candidates do need to practice calculation type questions in order to test their understanding and their ability to manipulate straightforward business data.
- e) This question on JIT was generally well answered, with around half of all candidates gaining full marks. The focus of the question was on production processes and this is where a minority of candidates (about 15%) failed to score highly. Furthermore, some candidates gave a vague hint about cutting costs but did not outline the nature of those costs, ie, rental, stock control, security, insurance and so on. Weaker candidates ignored 'production' and described benefits to customers of custom-made items or the benefits of prompt delivery.
- f) Another well answered question with over 50% of candidates gaining full marks, with most referring to salary, wage or commission. A few candidates would have benefitted from differentiating more clearly between a salary and a wage, as they failed to recognise the fixed nature of a salary compared to a wage. Unfortunately, around 20% of candidates confused payment methods with the physical method of receiving payment, such as 'cash in hand', 'cheques', 'BACS' or 'direct debit', despite these not being on the specification. Even more worryingly, a small number of candidates talked about investment appraisal methods!
- 2a) Elasticity of demand is a common topic for a numerical question and as this was the only real data which could be used from the pre-issue material, it was disappointing that about 30% of candidates scored zero on this part of the question. Common mistakes included inverting the formula, using data from the wrong product or period, as well as basic mathematical errors. These mistakes led to candidates only gaining one, two or three marks on the question. However, it was pleasing that over 40% of candidates scored full marks on this part of the question.
- (b) This question on factors affecting price was just about the best answered of the four evaluative questions.

It was disappointing, however, that few candidates used their answer from Question 2(a) as a platform straight to Level 3 by recognising the inelastic demand for the parsnips and the impact on the pricing decision, leading to higher prices and therein a rise in revenue. Other common approaches to Level 3 were the unique selling point of the crisps, the lack of competition and the image of the product to the consumer. Other factors such as costs of production and economic trends showed that candidates are aware of current issues affecting customers' preference for inferior goods in those circumstances.

Some very good candidates recognised the differing elasticities of demand and evaluated how each product would need its own pricing strategy and that 'one size did not fit all', thus securing Level 4 marks. However, other good analytical answers failed to reach Level 4 because they did not recognise the most important factor or emphasise the importance of the factor they analysed on the price.

Weaker candidates just talked about pricing strategies, such as cost-plus, destroyer pricing, penetration and skimming, which was due to not reading the question carefully or relying on prepared answers.

This question on the organisation chart showed that many Centres had anticipated such a question and candidates, on the whole, were well prepared. They made reference to the chart and in particular looked at Martin Estevez's position. Unfortunately, not all candidates were then able to recognise the impact which their suggested changes would make on the business, which was the focus of the question and, hence, necessary to achieve Level 3.

Less well prepared candidates made weak suggestions that Martin's role could be shared with other members of the Executive Committee or that the part time workers should go full time. Some candidates wrote at length about leadership styles or matrix structures without relating it to changes in the organisational chart.

The most disappointing aspect of this question was the tendency for many candidates to spend most of their response describing the existing structure and commenting about what was wrong with it and how Richard's leadership style was the source of all the business's imagined woes. Some candidates become too embroiled with the cleaners and 'missed' the real issues in the case study. Others drew organisation charts without much sense, for example, splitting the production workers between Martin, Sam and Nancy, as these colleagues did not have as much to do as Martin!

Level 4 marks were rare but were generally achieved by those candidates whose recommendations were well argued as being 'pivotal' or 'central' to the future success of HCL and often made reference to how any changes would be accepted by Richard, due to his autocratic approach.

- 4) This was clearly the least well answered question in Section B, especially by weaker candidates. Given the clear reference to investment appraisal in the case study, it was particularly surprising that over 10% of candidates scored two marks or less, as they appeared to know nothing about the topic.

A majority of candidates did not answer the set question and decided to answer a question about which of the two projects to invest in, or whether to invest in the IT system or not. Some candidates did manage to secure a Level 2 mark by implicitly demonstrating their understanding of the methods but were unable to access Level 3 as they never related their answers to the case.

Better answers recognised that the two methods gave conflicting messages and thus their usefulness to HCL was limited – it depended on qualitative factors such as the loyal workforce, the unique selling point of the product and the importance of quality.

Very few candidates achieved Level 4 but those which did usually recognised the volatile nature of the industry and future trends may mean a four year payback maybe too long. It also ignores the importance of substitutes, obsolescence of machinery, changes in people's tastes in the future, product life cycle and any unforeseen circumstances.

This question was a classic example of candidates rehearsing answers and then not adapting their knowledge and understanding to the actual question.

- 5) This final question was also disappointingly answered, with about 40% of candidates scoring no more than six marks out of 20. The question was about whether to dedicate the production line to producing just two products, not whether to have a new production line, as this decision had already clearly been made in the case study. There were many very detailed and analytical answers to the question 'should they install a new production line' but sadly these remained at six marks as a result of them failing to answer the actual question set.

## *Report on the Units taken in June 2009*

Those candidates who did understand that the line would only be producing two types of potato crisps were able to link that to the impact on staff (possible boredom from not changing batches), quality (crisps being more standardised rather than unique), unit costs (less changeovers) and that the old factory would be able to respond better to the growing health food market.

Better answers which did attempt to answer the question were limited in some instances as candidates gave one-sided answers. A reminder to Centres to advise candidates that when a question explicitly refers to advantages and disadvantages then candidates are expected to address both sides of the argument in order to score more highly in Level 3 and Level 4.

Level 4 answers were rare but were mainly achieved when candidates recognised that a central issue for HCL is its reputation and handmade feel to the products, alongside the issue of whether demand is stable enough to make a decision about dedication.

### **Summary**

- No evidence of timing problems, in fact it was surprising to see how much some candidates were able to write in the time available.
- Some candidates did not identify that they had used additional sheets and where on those sheets their answers lay. A small proportion also decided it was not necessary to give the question numbers on their extra sheets.
- Some of the scanned scripts were 'smudged' possibly from the candidate using fountain pens rather than biros. Given the introduction of on-line marking it is vital that candidates follow the instructions to ONLY use a black pen and to write clearly.
- Some answers in Section A showed a lack of knowledge and understanding of basic terms in the specification.
- The examiners were disappointed by the number of candidates who were clearly unable to perform a calculation involving a percentage difference.
- In Section B, the use of context to make answers non-generic is vital.
- Answers to Questions 3, 4 and 5 showed evidence of many candidates not reading the question carefully enough.
- There were too many pre-prepared answers for Questions 2(b) and 4.
- Questions 1(a), 4 and 5 were the least well answered.

# Grade Thresholds

Advanced GCE Business Studies (H030 H430)  
June 2009 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F291	Raw	60	44	40	36	33	30	0
	UMS	80	64	56	48	40	32	0
F292	Raw	90	56	50	44	39	34	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
<b>H030</b>	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
<b>H030</b>	10.7	28.7	50.3	68.8	84.0	100.0	4896

## 4896 candidates aggregated this series

For a description of how UMS marks are calculated see:

[http://www.ocr.org.uk/learners/ums\\_results.html](http://www.ocr.org.uk/learners/ums_results.html)

Statistics are correct at the time of publication.

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