

Business Studies

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

Report on the Units

June 2010

HX30/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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CONTENTS

Advanced GCE Business Studies (H430)

Advanced Subsidiary GCE Business Studies (H030)

REPORTS ON THE UNITS

Unit/Content	Page
Chief Examiner's Report	1
F291 An Introduction to Business	2
F292 Business Functions	6
F293 Marketing	11
F294 Accounting	13
F295 People in Organisations	15
F296 Business Production	18
F297 Strategic Management	20

Chief Examiner's Report

This set of Principal Examiners' reports mark the completion of the first full two-year cycle of the 'new' specification. As mentioned in the January report, the transition has been generally very successful, with most centres and candidates appearing to have come to terms with the minor changes implemented to allow the transition to a four-unit qualification. As always, it is strongly recommend that the following reports are read and any suggestions for improved candidate performance are taken on board. However, as an overview, there is a need to highlight three issues.

First, the importance of ensuring that candidates are familiar with the whole specification content. For example, on unit F291 a number of candidates appeared not to know about 'span of control'; many marketing candidates were unaware of AIDA on unit F293; and knowledge of 'fixed asset utilisation' was weak on unit F294. Knowledge of the whole specification is also a relevant issue on unit F292, where candidate performance on Section A is already becoming a significant discriminator. As has been highlighted in previous reports, and especially at INSET, it is vital that all support documentation produced by OCR is studied and, in particular, the support material and schemes of work found on the OCR website.

Second, a significant factor limiting candidate performance continues to be the use of contextual information. Clearly, more contextual detail is to be expected in units F292 or F297, where the case material is issued to centres many weeks before the actual examination, compared to unit F291 where there is a maximum of 300 words of context. However, a lack of any context will always restrict a candidate's ability to gain higher marks, as they are unable to move out of Level 2 in the mark scheme.

Third, a refusal by many candidates to make use of any quantitative data which they have previously been asked to calculate. In six of the seven units (not F291) there is at least one numerical question. However, this is never a stand alone task, as it then has a follow-on question which will enable the candidate to use the numerical answer to aid analysis. For example, on unit F297 it was disappointing to see very few candidates using their profitability ratios to then help them to answer a question about increasing profitability.

These last two issues will be the focus of the A2 INSET planned for the Autumn term, details of which have already been sent to Centres and are available on the OCR website at https://www.ocreventbooker.org.uk/ocr/DesktopDefault.aspx?e=fjefcbdbhgnidcph&PROD_ID=12957

F291 An Introduction to Business

General Comments

Although there were some areas of the specification which had not been tested before on unit F291, the overwhelming majority of candidates found it very accessible. Once again, there was no evidence of time pressures adversely affecting candidates.

The examination was set in the context of Whipsnade Zoo which is a charity. It must be stressed, however, that candidates did not need to understand how a charity is owned or managed and so references to 'the owners' were quite acceptable on any of the questions and were rewarded accordingly.

The one issue which was apparent is that there were a number of candidates who were unclear on how to approach the manager's span of control question, and it seemed to have not always received the required coverage by centres. Explicit reference to 'span of control' can be found on the OCR website on page 8 of the 'support materials' for F291 (Section 1) The Nature of Business, "What businesses need". This section makes reference to analysing and discussing 'different factors involved in organising businesses and the different functions, eg, span of control, delegation, chain of command, centralisation, decentralisation and management styles'. Reference has been made in the F291 Principal Examiner's report in the past of the necessity to review *all* the documentation relating to support and guidance for centres' relating to this paper.

Spelling, grammar, and punctuation have, again, taken a turn for the worse with a larger number of scripts with 'stream of consciousness' answers especially on Questions 3, 4(a), and 5 where often no attempt was made to paragraph at all. Such an approach rarely benefits a candidate and it is worth remembering that on the 18 mark question the quality of written communication is an integral part of the mark scheme at every level.

Comments on Individual Questions

- 1 (a) This part of the question has not been asked before but any reasonable answers relating to the characteristics of an entrepreneur (eg. creates jobs, generates wealth, takes a risk, sets up a business) gained credit. The majority of candidates were able to gain both marks here.
- 1 (b) The overwhelming majority of the candidates clearly knew and understood the term 'complementary products' - and so gained both marks. Possibilities included food, drinks, guide books, souvenirs and gifts.
- 1 (c) Answers to this part of the question did not have to be in the context of Whipsnade Zoo. Generally, the relationship between risk and reward was understood. Weaker candidates ignored the words 'likely relationship' and simply stated what business risks and rewards are likely to be without linking the two. For Level 2 a candidate needed to give the likely relationship through statements such as "When Whipsnade Zoo/a business takes a big risk it expects a big reward". This gained three marks. Nevertheless, this sort of statement could not access the top mark because it is implying that taking a risk automatically gains, or guarantees, a reward for the firm or entrepreneur.

The fourth mark was awarded for recognition that taking a risk does not necessarily/automatically gain a reward. Statements such as "If Whipsnade Zoo makes a large investment, it hopes to make a big profit but it is not certain" or "If the

£1m risked on Cheetah Rock is successful, the reward will be a profit, which is larger than this amount” were, therefore, worth four marks.

- 2 (a) It was not necessary to draw a diagram by way of an answer to this part of the question but those candidates who did usually produced a valid one. It is heartening that many centres are encouraging their candidates not to shy away from graphical supply and demand analysis. On a demand and supply diagram an increase in income will change the conditions of demand (technical economic terms were not necessary). This is shown by a shift of the demand curve to the right which increases the number of visitors. It is worth noting that a correctly drawn diagram with no accompanying written analysis was still a Level 2 answer which gained four marks.

Whether a diagram was drawn or not, the majority of candidates realised that a rise in income was likely to increase demand and/or enable Whipsnade Zoo to put up prices. Thus, comments such as “Whipsnade Zoo’s ticket price will go up” and/or “the quantity of visitors to Whipsnade Zoo will rise” attracted credit at Level 2.

In order to analyse the likely effect (ie. to reach Level 3) all that was necessary was a simple statement, accompanying a diagram or not, *of the effect on Whipsnade Zoo* such as “Whipsnade Zoo’s revenue will rise because of the increased demand for tickets”.

It was pleasing to see many candidates make this point and then go on to also make comments such as “Whipsnade Zoo will now also sell more complementary products because of the increased number of people visiting”. References were also made by some candidates as to the possibility of visits to Whipsnade Zoo being less frequent if income rose, as consumers may now seek ‘better’ attractions elsewhere (ie asserting that Whipsnade Zoo is an inferior good – although, again, the term did not have to be used). Full marks were quite common on this question.

- 3 There were a variety of routes into this question. Demographic changes are clearly relevant; a larger population means more spending. However, better candidates pointed out that Whipsnade Zoo is not interested in (because it is not influenced by) the demographics of the whole of the UK, merely its surrounding ‘target’ area. Apart from considering the figure for the ‘local’ population, Whipsnade Zoo has to remain aware of other demographic changes as well as any shift in the age structure of the population, because young people tend to get taken/like to go to zoos.

Other social trends could also have been discussed. For example, is a visit to the zoo still ‘a family day out’? What are the implications for Whipsnade Zoo if the trend is now for families to visit ‘white knuckle’ theme parks instead? The more able candidates posed the question ‘Do people view zoos as ethical?’ They then pointed out that if this was the case, and that people do not like to see “caged animals” then more ‘natural’ areas such as Cheetah Rock must be developed - with the concomitant financial and opportunity cost, and also marketing implications for Whipsnade Zoo.

Other possibilities included Whipsnade Zoo playing ‘a vital role in education’ (line 4). This is significant as a social trend. Provision has to be made for school visits, eg developing tours, talks, building ‘lecture/interactive areas, training staff to deal with the increasing number of children.

A reference to the trends in income was a route flagged up by the question itself. Whilst an explicit consideration of macroeconomic factors is no longer on the specification, 'how people spend their money' clearly *is* a social trend. More able candidates pointed out that, even if income rises as the UK emerges from recession, visits to Whipsnade Zoo may not rise very much because of the other social trends mentioned above.

Some candidates mistakenly discussed 'spending' in the context of Whipsnade Zoo monitoring its own spending and so went off in the wrong direction. Much of what was written showed a sound grasp of management accounting, but was clearly not related to a social trend as required by the question. Other candidates interpreted the question as 'what factors influence the demand for tickets to Whipsnade Zoo?' and so there were a variety of responses especially about marketing and the weather which were not related to social trends and so could not gain any credit.

Sadly, there was a distinct lack of Level 4 answers on this question. As has been noted before in the Principal Examiner's Report, there is a frequent tendency, after some excellent analysis, for many candidates to simply stop and make no attempt at a judgment – in this instance as to which of these trends was likely to be the most significant.

- 4 (a) Answers here were quite sharply polarised into those candidates who knew and understood the concept of opportunity cost and who could readily apply it to Whipsnade Zoo (eg "if they build a new area such as Cheetah Rock then they cannot use the £1m spent on this for another attraction like a penguin pool") and those who had little or no idea what it meant.

The better answers to this part of the question highlighted how use of the concept could make decision making more effective for Whipsnade Zoo. To reach the highest level of the mark scheme answers needed to recognise that (following a comment about the nature of opportunity cost to Whipsnade Zoo) "this means the management must make the decision to develop the area of the zoo which brings the most benefit to Whipsnade Zoo". This benefit could be in terms of increased visitors/revenue, etc. or in terms of animal welfare, Whipsnade Zoo's (international) 'standing'.

The concept of opportunity cost is an important one for any business and it is important that candidates recognise this fact.

- 4 (b) Answers to this part of the question did not have to be in the context of Whipsnade Zoo. Any of the standard determinants of the width of the span were acceptable eg the skill of the manager (more able managers can 'cope with' a wider span), the nature of the work being supervised (routine work is unlikely to generate problems and implies a wider span), the skills of the employees (able employees mean that fewer problems may be generated and so the span is likely to be wider), etc.

The 'trigger' word 'outline' was clearly understood and it was rare to see a candidate simply state a factor and not go on to offer a few words of development.

Some candidates misread the question and defined what a span of control is and/or considered the implications rather than the determinants of a wide (or narrow) span, eg, "Wide spans can mean communication problems which can lower the employees' productivity". Such comments, whilst correct, did not answer the actual question which had been set. It is important for a candidate to take a few moments, even on a short answer question, to consider what is actually required. There is a need to answer the actual question set.

- 5** This was a fairly standard stakeholder question on which candidates could consider either current and/or the future success of Whipsnade Zoo.

As usual the overwhelming majority of candidates were able to explain the nature of stakeholders and their needs, this time in the context of Whipsnade Zoo. It was also pleasing to see that most certainly did not stop at that point and went on to analyse how the various stakeholders might benefit - eg employees gaining job security, pay rises, customers gaining better areas to visit and, therefore, a better 'day out'.

One route into marks for analysis was to consider 'the other side' of the benefit as well, ie, employees may benefit from job security or a pay rise but they may have to work harder to maintain the Zoo's success, or the local community may benefit from the creation of new jobs but may also suffer from increased congestion on the roads as a result of the increasing number of visitors.

However, whilst analysis was frequently strong, once again the examining team all reported that evaluation was all too rare and, in most cases, not even attempted with (just like Question 3), candidates simply stopping after a well analysed list of points. It should not have been too difficult to offer a justified judgment as to which stakeholder(s) may gain the most benefit.

The only common mistake on this question was to consider the zoo as a stakeholder. This was puzzling since a business clearly cannot be a stakeholder in itself!

As a final point, as Whipsnade Zoo is a charity it, therefore, does not have shareholders and so references to this stakeholder group could not gain any credit. However, as stated above, candidates did not need to understand how a charity is owned and managed so references to 'the owners' and/or 'those people making decisions on running the zoo' were quite acceptable here and received appropriate credit.

F292 Business Functions

General Comments

Now in its second full year, this unit again proved a sound test for candidates, with a good level of differentiation achieved. The overall examination was felt to be fair with Section A considered to give a good opportunity for candidates to show their basic knowledge and understanding and Section B providing lots of opportunity for longer, contextual answers.

Section A: There was a good range of marks for Section A and it proved to be a very good discriminator, with more very high marks, out of 18, but also more very low marks, compared to last year. It is disappointing to see some candidates still unable to develop a secure enough understanding of the business terms which are expected from a candidate at the end of one year studying the subject. Centres need to remind candidates to have a secure knowledge and understanding of the basic business terms outlined in the specification and the support material.

Section B: The 'case study' questions did differentiate well, although Question 5 was generally less well answered, as most candidates did not engage with the context of the case, ultimately failing to recognise that this was a new market for SRCL. Candidates did not focus on the specifics of the house building market, gave very descriptive responses on how to promote and failed to contextualise how to appeal to the target market. Once again, there was a definite lack of contextual analysis, use of figures, facts and information from the case study which candidates had been studying for four weeks or more. The examining teams are still seeing far too many generic answers or ones where the case study is quoted word-for-word with no development; candidates should be bringing the answer to life with contextual analysis and evaluation. It was pleasing to see more candidates being able to engage with the case evidence more readily on Question 2(b) and Question 4.

Comments on Individual Questions

- 1 (a) Over three-quarters of candidates were able to state one or two specific needs in relation to Maslow's classification of needs; however, some candidates only gave examples of how needs might be satisfied, rather than stating the specific category of needs. For example, give employees praise or food, shelter and warmth. Thus, candidates need to read the question very carefully and answer the specific question which is set.

There were also answers which confused Maslow with Herzberg, as well as some interesting spellings of 'physiological', with some candidates listing 'psychological' needs!

- (b) This part of the question was generally well answered. Many candidates were able to access marks for this question by identifying the 'unique' nature of job production and giving a supporting example. However, it was worrying to see over a third of candidates not having any awareness of what job production is, or making very poor attempts such as, "this is how work is allocated to the workers".
- (c) The overall quality of responses to this part of the question was variable. It was very worrying that nearly a fifth of candidates were unable to attempt this question at all and others guessed, giving responses such as "share prices" or "profit and loss". Others referred to staff appraisal techniques or rewards, eg bonuses and promotion. This should have been an opportunity for candidates to gain two relatively straight

forward marks for stating the methods listed in the specification, when, in fact, over half of all candidates failed to score any marks at all.

- (d) (i) Centres need to remind candidates that basic calculations using business data will always be tested in this examination. It leaves examiners with a heavy heart that about a fifth of the candidates were unable to attempt the process of calculating a percentage change. Another fifth of the candidates gained one mark for identifying the difference (£4,156), but then used the wrong year as the denominator.
- (d) (ii) The majority of candidates gained full marks on this part of the question, with a good amount of working out shown. However, a number of candidates reversed the figures when calculating their answer but did not then multiply by 100 which would have yielded an 'own figure rule' answer of 2857%, worth one mark. It should also be noted that candidates need to show the % sign at the end of their calculation and should not have left their responses as 3.5.
- (e) Surprisingly, this part of the question was poorly answered. Many candidates gained the knowledge marks for referring to improved communication, faster decision-making and less confusion on objectives or decisions, but then failed to explain how this came about due to centralisation.

Some candidates did not appear to understand the term 'centralisation', confusing it with span of control or leadership styles. There were also many candidates who wrongly tried to link centralisation with a tall or flat hierarchical structure.

- (f) This part of the question was well answered. Two-thirds of candidates gained at least three marks, with the most common responses being purchasing (bulk-buying) and financial economies of scale. A few candidates were also able to describe an economy of scale even if they did not have the correct label.

However, some candidates still fail to grasp that economies of scale are linked to an increase in size and lead to a decrease in unit/average cost, rather than total costs. Some candidates failed to make it clear specifically how a business would benefit from the economy of scale and few candidates correctly explained technical economies of scale.

- 2 (a) This part of the question was answered well with over 60% of candidates gaining the full four marks. It is worth reminding candidates to show their workings, including the formula. A few candidates were awarded a zero mark for writing a wrong answer, with no indication of how they arrived at it. Some candidates used the wrong year as the denominator, or missed out the percentage sign.
- (b) This was the best answered of the extended questions, although some candidates could not resist writing in depth about the causes before beginning to answer the question. Candidates engaged well with the context of the case, with the route through to Level 3 coming from three main areas:
- the huge training costs for apprentices of £100,000 and the 'waste' this involved;
 - the impact on quality and SRCL's reputation of ever changing staff and the impact this might have on SRCL which has just started to return to profitability;
 - the impact on the ability of SRCL to expand without the skilled and reliable workforce it needs.

It was also encouraging to see many candidates evaluate their responses. This was mainly evidenced through weighing up the main impact, which was ultimately the risk of SRCL not being able to achieve its objectives of boosting revenue due to the labour turnover problem. However, it was disappointing that even good answers tended to be very one-sided, focussing on the negative elements of a rising labour turnover, without recognising that there might be positive spin-offs for SRCL.

A few candidates did not answer the question which was set but instead gave reasons for the labour turnover or gave solutions to the problems, with little or no reference to the impact of the problem on SRCL. Another common mistake made by too many candidates was to assume that SRCL would have fewer employees because of the high labour turnover.

- 3 To gain high marks on this question about SRCL's accounts, candidates needed to use the case study to discuss how specific stakeholders would be interested in SRCL's accounts. Good Level 3 responses mainly looked at the issues of:

- prospective banks/lenders being worried about the increase in long-term liabilities and whether they would finance any further growth;
- managers (being the shareholders) measuring the likelihood of meeting their objectives and being pleased with the return to profitability;
- employees looking at profitability and the prospect of future pay awards or possible growth and job security.

Candidates who followed this approach, used the data, or performed some calculations to show trends in the data and thus supported their arguments regarding the interest of the stakeholder, were awarded a Level 3 mark.

However, there was a frustrating number (about a third of all candidates) of good Level 2 answers which failed to score more because of a lack of contextual application. These answers simply described the data or used statements such as "stakeholders will be pleased with the profit this year", but did not specify which stakeholder they were referring to. It is a concern that an A-level candidate cannot grasp that 'stakeholders' is an umbrella title. A small number of candidates also became embroiled in arguments about the implications of the accounts being unaudited without using this to answer the question.

Level 4 skills were not commonly found but for a few candidates it was from determining which stakeholders would be the main users of the accounts and for what purposes.

This sort of question on the basic financial accounts of a business is a fairly regular feature on this unit. This area of the specification is traditionally not well answered by candidates, but the style of this year's question did achieve a slightly better range of responses. Linking a question (not just on finance) to different stakeholders is a style with which candidates should be familiar from unit F291 and is something which will be asked again in the future.

- 4 This question was about solutions to the waste problem and not the causes of the waste problem. Many candidates tended to be too descriptive in their responses to this question without showing sufficient impact on SRCL to score a Level 3 mark.

Nearly a half of the candidates gave very generic (and lengthy) textbook responses which included lean production, total quality management, quality circles and kaizen. Most of these concepts were dealt with superficially and were difficult, or impossible, to relate to SRCL. Also, many candidates chose to refer to the problems of poor quality at length,

even though SRCL is renowned for its quality and has numerous awards for it. Others wrote about using more machines, although the evidence in the case study suggests this increases waste.

Good responses included the need to look at Claire's job role and her span of control, the allocation of tasks in relation to which employees actually use the machinery and the need to cut back on inefficiencies in the production process and how this could be achieved. Other candidates looked at waste in the wider sense, such as reducing labour turnover, which was rewarded if linked to aspects of wasted time or resources in the recruitment and training process. A few very good evaluative answers appreciated this waste of human capital in addition to the physical waste and that the former may have been more of an issue than the latter, which may have been an inevitable consequence of producing a high quality crafted product.

When offering solutions to problems, centres should remind their candidates to prioritise: that is if they have offered two or three solutions, which should be attempted first and why? Most candidates, when attempting to offer an evaluation, simply repeated their previous points rather than showing a justified judgement in relation to what needs to be done.

5 Once again, the marketing question produced a very disappointing set of responses. Candidates needed to read the question more carefully, although the issue was very clearly 'flagged up' in the last line of the case study. The question was about SRCL venturing into the new house building market and ultimately the implications for the marketing mix. Common problems which were evidenced from candidate responses included:

- a failure to grasp the nature of the new market, ie it is not simply continuing with stonemasonry and so the product aspect of the mix might be relevant. How would SRCL be able to manage the sub-contract aspect and secure a quality product for the niche market?
- little understanding of the price implications as now SRCL will be up against different competition. What implications might this have?
- too many candidates only referred to promotion, with no discussion of any other part of the marketing mix, with their answers drifting more into devising a promotional strategy;
- the fact that some candidates went on at length about whether SRCL should or should not enter into the new market, which was not the question;
- a few candidates thought this was about 'promoting employees'!

The candidates who understood the key to the question went on to score very good Level 3 marks by looking at:

- the changes which would be needed in the promotion mix and its implications (accessing the niche market and raising awareness in spite of tough and already established competition);
- the ability to be price competitive and how SRCL might achieve this, especially given SRCL's lack of experience in competing on price;
- the need to ensure the quality of the house building process and the total lack of experience SRCL has in achieving this.

It would seem that Level 4 was elusive to most candidates, ie is promotion the most important element of the mix? If not, what component is and why? A few candidates did write some excellent answers, weighing up the marketing mix and either agreeing or disagreeing with the notion of promotion being the most important element. Some answers

Report on the Units taken in June 2010

reinforced the strategic need of promotional strategies for SRCL in a niche market when it is new in that market.

Ultimately, those answers which stuck to the question, rather than trying to show how much they knew in theory about pricing, advertising, etc. were justly rewarded.

Summary

- No evidence of timing problems, with only a minority of candidates appearing to run out of time on Question 5, usually because they had spent too long on earlier answers.
- Some answers in Section A showed a lack of knowledge and understanding of basic terms in the specification.
- Answers to questions 2(b), 4 and 5 showed evidence of many candidates not reading the question carefully enough. More time needs to be spent carefully reading the questions.
- Evaluation does not mean just repeating or summarising points made earlier in the answer.
- Questions 1(c) and 5 were the least well answered and Questions 1(a), 1(d), 1(f) and 2 were answered best.

F293 Marketing

General Comments

Candidates generally seemed to have a grasp of the basic specification topics covered in the examination with two possible exceptions – a noticeable number did not attempt the question on AIDA and quite a few missed out the question on market segmentation. There were few very weak scripts; however, most candidates showed genuine evidence that specification topics were understood and gained marks for showing understanding. Responses which demonstrated higher level skills were scarcer and this was often because candidates either did not apply the material to the case, made no links between separate ideas or failed to draw out the implications of the actions suggested. There were disappointingly few responses which demonstrated evaluation in relation to any of the questions and there was a tendency to produce 'textbook' answers, with little reference to the case study. Better answers did use the material; however, it is not enough for evaluation to simply conclude with a recommendation or to state 'in the short run....in the long run'. These judgements must be supported by reasoning and/or evidence.

The quality of written communication (QWC) was generally good, with few major spelling and grammar errors.

Comments on Individual Questions

- 1 A good majority of the candidates scored the full four marks, although a few failed to attempt the question and a minority produced incorrect answers, though many of these gained part marks.
- 2 Most candidates knew what price discrimination was, though many did not give an explicit definition or explanation; examiners had to read between the lines to award marks. Most candidates described the concept and gave examples, though relatively few gave two advantages which were analysed. A number of candidates simply referred to higher or lower prices alone and a few confused the concept with either market segmentation or price elasticity. A small number of candidates omitted the question.
- 3 The question proved difficult for candidates to access so the mark scheme was adapted to reward responses which clearly demonstrated understanding and application of the concept. Most candidates understood the term, though some confused it with product differentiation. Most began with a definition and many went on to cite relevant examples for AHC, achieving some understanding and application. Fewer then analysed the concept in relation to AHC, showing how the firm might use segmentation to direct promotions or to identify new possible strategies/tactics. Some candidates used the preceding question to prompt a response based on price discrimination which could be rewarded highly. Many candidates evaded the question by writing about market research into segments. The few candidates who attempted to discuss the actual question set scored highly.
- 4 Quite a few candidates did not attempt this question. Most who did were able to identify the four stages and a majority explained what these were. Disappointingly few then applied this to AHC. For analysis, candidates had to show that the stages were sequential and give some indication that different promotional methods would be applicable to each stage. Many referred to, for example, "the advert" and were thus restricted to Level 2. This

question highlighted the need to teach the basic understanding of all aspects of the specification.

- 5** This question gave a wide scope for responses and has been tested on many occasions within the legacy qualification. Some candidates wrote only about the three options, some very generally, some about particular services offered – all were acceptable. Many candidates attempted a definition of strategy but some of these did not refer to marketing at all. There were few responses which only addressed the "4 P's" and many genuinely attempted a strategic view. The 4P's type answers generally gained Level 2 for suggesting actions or Level 3 (analysis) because there were some links between the actions – at the simplest level, eg. "the advert should contain details of the services and offers". Few responses were strategic in the sense of linking actions to aims. The answers which took the examiner through objective, SWOT, market research, 4Ps were less convincing in terms of Level 3 as they tended to make little use of the case material and were general in tone.
- 6** A variety of response types were accepted, including candidates who argued for not proceeding with any of the Option C ideas. On the weaker side many candidates digressed into often lengthy discussions about finance or market research, making little use of the case material, however sound the arguments were in general. Such responses were difficult to award at a high level. Most candidates were at least aware of the possible implications for staffing, planning regulations, health and safety, safeguarding, disruption to other services, general economic conditions etc. but often this was at a descriptive level rather than applied to AHC. Some candidates adopted the approach of going through the advantages and disadvantages of each option, often showing good analysis, others saw that one of option C might be possible with A or B, others that A/B should precede a choice of option C. Where these approaches were argued clearly with reference to the case, analysis was generally gained. However good the analysis was, disappointingly few candidates convinced with a recommendation and many did not even attempt one. A large number of the responses tended to focus on the actual decision to expand and, as such, tended to move away from the actual issues specific to each option in the case evidence. Such responses tended to fail to demonstrate analytical skills..

F294 Accounting

General Comments

The paper proved to be accessible to candidates and many of the responses showed a good level of knowledge in terms of the indicative content of the specification. In most cases, it was encouraging to see that candidates understood and used the case study issues. However, there is room for improvement and, in particular, candidates are still reluctant to use quantitative data to justify their evaluations. This issue will be explored in more detail when each question is reviewed.

Comments on Individual Questions

- 1 (a) & (b) The majority of candidates calculated the correct number; however, the direction of the variance (favourable/adverse or positive/negative) was often omitted and one of the two marks was lost.
- 2 The basis for a good response was to thoroughly analyse Table 5. This is after all how a real business would identify reasons for under-performance. Candidates who took this approach were appropriately rewarded.

Candidates who only explored the quality of the forecasting, marketing and production issues were rewarded at a lower level.

Frustratingly, many candidates discussed the seasonality of demand as a factor; this was an inaccurate analysis - the budget would have reflected the time of year.

- 3 Too many candidates clearly had no, or limited, understanding of fixed asset utilisation. Centres must ensure that candidates are thoroughly prepared for questions which might explore the less 'main stream' aspects of the specification.
- 4 The vast majority of candidates were able to analyse two implications of high dividend payments and there was good use of Table 1. Once more, candidates were highly awarded for the use of the dividend data to calculate earnings per share and dividend yield.
- 5 The majority of candidates were able to explore the whole range of theoretical external and internal sources of finance.

Better candidates used the case study data to explore the current level of gearing and identified the fact that 50,000 shares were available for issue. Having identified the potential share issue, it was disappointing to find that the vast majority of candidates wrongly assumed that the shares were only worth £1 each.

A key issue for centres is to ensure that candidates understand that existing retained profit is not a potential source of finance as these funds have already been committed to the acquisition of company assets.

- 6** It was pleasing to find that the vast majority of candidates correctly calculated, and used, the payback and net present values. Many candidates also calculated ARR for good measure! The correct use and interpretation of investment appraisal techniques immediately accessed a good Level 3 mark.

Centres must note that Question 6 will always be synoptic in nature. Therefore, it is essential for candidates to not only explore the accounting issues but also marketing, human resources and operations management. In addition, reference to external influences, attitude to business risk and objectives should be included in a strong answer. In other words, centres should ensure candidates understand that Question 6 is a 'strategic management' question.

On this question the following could have been included:

marketing/sales: the opportunity to develop the brand name through the national retailer. The potential reaction of existing customers (independent retailers).

human resources: would the expansion require significant recruitment and training?

operations management: the challenge of changing the scale of production and the risk of losing quality standards.

external influences/risk: how will competitors react to the new contract? Is the risk of just a trial period too great a risk? How will the long-term relationship with the supermarket develop - will there be a 'squeeze' on price levels/credit terms?

objectives: do other stakeholders share Luigi's ambition, especially Gianni, the major shareholder?

Finally, good candidates suggested that perhaps the company could manage the initial three months contract by extending existing capacity and, if the supermarket then awarded the five-year contract, make the investment at that stage.

F295 People in Organisations

General Comments

There were no obvious signs of time issues; on the contrary, a large proportion of candidates used supplementary sheets, many, to good effect. The evidence suggested that candidates were able to write more in the time allowed than was the case on the equivalent legacy qualification unit.

However, when using additional sheets, it is essential that the question being answered is clearly marked. It would further help the examiners, if candidates stated clearly that an answer is continued on an additional sheet.

As stated in the January 2010 report, there were several attempts to offer the candidates information within the case to help them answer the various questions; many such attempts, unfortunately, were missed. It is essential that sufficient time be taken to carefully read and absorb the case material before attempting to answer the questions posed. Answering in the context of the case is vital if the higher order marks are to be gained.

The ability to answer the actual question set, for some candidates proved difficult. Taking the time to ensure the nature of the question is fully understood prior to answering will enhance the marks significantly.

The quality of written communication 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) The vast majority of candidates, nearly four fifths, gained full marks for this part of the question. However, there were a few, who failed to offer the correct notation, namely a percentage sign, which prevented full marks from being achieved. This is the sort of error which can easily be avoided by checking one's answers if there are a few minutes left prior to the end of the examination.

1 (b) Similarly, this part of the question was answered correctly by most candidates. Again, it is important to read the question carefully, as it stated it wanted the value of holidays sold; some candidates apparently, did not notice this, albeit the word value was written in bold in the answer booklet.

2 This question was answered well by most candidates.

Candidates illustrated that they were capable of offering appropriate analysis as to the reasons why Stephanie sold more holidays than Liz. It was also pleasing to note that the majority of candidates were able to gain full marks (nearly three fifths), whilst writing an answer within the allotted space in the answer booklet.

A small minority of candidates ignored the 'human resource issues' and subsequently failed to answer the actual question set.

3 Knowledge of data protection issues was less sound; however, the majority of the candidates gained a Level 3 mark. There was no requirement for a detailed knowledge of such legislation; however, an understanding as to the implications for SG was expected.

Those candidates who did consider the likely ways in which SG would be affected gained the higher marks. There were some really good answers gaining full marks which analysed the implications for SG of court action, the need to store information carefully, staff training and the costs involved.

- 4 This question required candidates to evaluate. This required some sort of justified judgement as to a method of appraisal which would best suit SG. Using the evidence within the case would have offered a framework in which to answer this question. The present process was very brief and, therefore, may not meet the needs of both SG and its employees. The mark scheme allowed for a wide variety of approaches to be accepted. However, generic advantages and disadvantages of appraisal were not rewarded. It was expected that candidates would consider what SG and its employees would want from an appraisal system. This was something which successful candidates attempted. However, it was clear that many candidates did not have a firm grasp of the concept of appraisal and consequently found higher order marks beyond their reach. There were also candidates who did show some understanding of the concept, but sadly did not consider how SG and/or its employees would be affected. This was an obvious route into Level 3 marks for analysis in the context of the case. Only a small minority of the candidates offered any real evaluative comments as to which method of appraisal would be the most appropriate.

Weaker candidates concentrated on methods of payments, which was not what was required.

- 5 This question proved to be an excellent discriminator. However, it also highlighted that approximately one third of the cohort did not really understand what workforce performance measurement criteria are! The question also asked candidates to recommend an appropriate strategy for the business to improve its measurement criteria. This is a topic which is clearly shown in the specification under the heading of workforce performance measurement criteria.

Candidates who attempted to consider the various options such as productivity, sales by value, attendance records and customer feedback, were generally well rewarded; particularly, if they considered the implications for SG or its employees. Candidates who went on to suggest a strategy for improving such criteria gained the higher order marks.

Too many candidates failed to read the question carefully and concentrated on suggesting ways to improve workforce performance, often by suggesting that SG should pay its employees more!

- 6 This question also proved to be a good discriminator. The standard of answers for this particular question was most encouraging. It was pleasing to note that candidates did consider human resource and other issues and consequently gained more marks. The very good answers focused clearly on whether SG should end its training programme; offering a justified judgement as to whether it should or should not. Weighing the evidence and indicating what the key issues were, ensured such answers gained marks for evaluative comments. Other good answers considered both the short and long term perspectives for both SG and its employees. Such an approach was also well rewarded.

Weaker answers focused on training in a generic manner, ignoring the case information. There was only a small minority of candidates who focused on human resource issues and no other issues and subsequently did access the higher marks in any particular level.

Report on the Units taken in June 2010

This ability to read the actual question remains one obvious way to enhance the marks awarded. For an A2 paper, it is essential that candidates answer what is actually asked, rather than what candidates may have wanted the question to focus on.

The utilisation of theories to justify one's views is to be encouraged. However, there are an abundance of theories within the specification – other than those on motivation. There were a few candidates who considered motivation to be the panacea for all ills. Sadly this is not the case.

Quality of written communication

The standard of presentation, both in terms of writing and in sentence construction, did not show any obvious signs of improvement. The ability to build a view and present it in an ordered fashion enhances the flow of the answer and subsequently makes it easier for an examiner to follow what is being stated. Spelling has sadly not improved and can, on occasions, detract from what is presented. The usage of paragraphs for each issue raised is another way to enhance the presentation of answers.

F296 Business Production

General Comments

Candidates have now generally got to grips with the format of this paper and there were clearly few issues of time - two hours seems plenty. There were few issues evident with regard to context and while many candidates have not necessarily been to a ski resort, the nature of the mountain restaurant and its logistical constraints seemed to present few issues. There were, again, issues with levels of response, particularly when it came to evaluation which candidates struggled to do in the context of the question. Evaluation of factors or a discussion of advantages and disadvantages should require some 'weighing up' and comparison. The evidence is that candidates need a lot more preparation on this skill. Some simply need to read the question properly and maybe spend more time in the classroom interpreting, under timed pressure, exactly what questions mean.

Comments on Individual Questions

- 1 Surprisingly, many candidates did not achieve the full four marks. This question proved to be more difficult than anticipated and it was surprising to see that some candidates could not read data from a stock control diagram whilst others could.
- 2 This question was essentially looking at the candidate's ability to evaluate the 'too much stock' versus 'too little' arguments. What determines stock holding? There were a lot of possible factors in the mountain restaurant scenario to consider relating to access, storage, demand and so on. Some candidates picked up on these superbly, others simply repeated what was in the text and little more. The very best candidates compared factors and prioritised them – an excellent approach, but very seldom seem. Under pressure it was clear that some candidates totally mis-read this question and proposed future stock control changes – totally missing the point. The most common answers scored seven or eight marks picking up on a couple of issues but not evaluating them, or with some very weak (and unrewardable) 'evaluation' involving general comments like 'losing profit'.
- 3 All candidates achieved Level 1 with ease, but many went no further. It was clear that most candidates knew what a Gantt chart was (and if they did not they simply applied common sense from the one in front of them), but simply did not apply it to the case. Any mention of scheduling gains in the restaurant would have been rewarded. The message here is again CONTEXT. One or two candidates wrote about the disadvantages and, therefore, did not obtain any credit. .
- 4 This was probably the hardest question on the paper, and many candidates simply did not grasp the issues relating to capacity utilisation (or indeed understand what it meant). The key to answering this question, and it was emphasised in the question/case study, was that it is an AVERAGE of 70%. The hope was that candidates would pick up on the fact (and again it does say it) that the nature of a restaurant is that sometimes it is 100% and sometimes virtually zero. **Context is everything.** This huge variance in capacity utilization from one day to the next and one hour to the next represents huge problems, but also opportunities. The very best answers did indeed pick up on these and compared and contrasted them against each other, thus producing a balanced evaluative conclusion. Answering this question successfully is impossible without attempting to visualise exactly

Report on the Units taken in June 2010

what is being described and logically piecing together the issues which must unfold. Candidates need practice at this skill.

- 5** Nearly all candidates could consider two economies of scale, although the ability with which they put them into context (the fact that the business is considering expansion) varied considerably. Most common (and logical) were technical and purchasing economies.
- 6** This question seemed to be a presentation of every possible issue which a candidate could think about related to the proposed investment. Most candidates linked it to the other three functional areas and some really focused on them more than production (which is fine). Almost without exception every candidate reached Level e (analysis) and many went beyond – usually with some weighing up at the end. The very best answers evaluated issues separately all the way through the answer and clearly prioritised their points. There were some highly articulate, well structured responses but at the other end some responses which read as little more than lists of factors. Again, the skill of evaluation was key.

F297 Strategic Management

General Comments

Those involved in the examining process were heartened by the candidates' ability to respond well to at least one of the questions set. Across the entry, there was no one single question which proved to be the most accessible, and similarly neither was there a consistently poorly answered question. Taking both together, it is clear that the case study and questions proved to be a good discriminator, whilst also being accessible to the cohort. However, it was clear that Question 4 had been widely anticipated. In contrast, Question 2 seemed to be something of a surprise. Whatever questions had been anticipated, whether through class discussion or access to commercially available commentaries, it continues to be an essential ingredient for success that candidates answer the question which is set. Regrettably, far too many candidates used Question 3 as an opportunity to discuss George's leadership and the absence of succession planning. Where these answers accidentally touched on the possible views of LCL's stakeholders reward could be given.

There was almost no evidence of candidates running out of time or committing rubric errors by missing out a question.

Candidates are at liberty to offer their answers in any order they wish. However, the relationship between Question 1(a) and Question 1(b) is such that it makes sense to attempt these two in sequence; the answer to Question 1(a) will provide additional information which might be of value in attempting Question 1(b). Happily, at the upper end of the ability range, candidates recognised this. The arrival of an explicitly numerate question - Question 1(a) – should not be seen as the only place in which numbers are used. Accurate and meaningful numerate analysis remains a valued skill and is rewarded appropriately. Further, a quick calculation can offer a degree of context. For example, being told the firm has a "massive" problem with its cash flow is far less impressive than the calculation of an indicator such as debtors' days (2009, 68.7 days). Candidates should be encouraged to seek to use the numerate elements of the case study, and when doing so show the formula, data and outcome.

The best candidates shared their reasoning, and analysed the evidence in the case study to provide data to support their argument. It was pleasing to see that the best candidates could interpret the case sensitively and, as such, offer well structured and reasoned responses.

The entire rationale of a case study is to provide the context; both verbal and numerate. Weaker candidates offer opinions, simply repeat what is in the case and tend to write generically.

Comments on Individual Questions

- 1 (a) Ratio analysis sits clearly within the F297 specification (guidance beyond that offered in the specification is on the OCR website. The support material details, for example, what ratios are expected).

It was good that a majority of the cohort scored very well on this part of the question. On those occasions when full marks were not gained it was usually because only two ratios were calculated. The examining team accepted either version of ROCE (RONA) and NPM. Where candidates offered ratios other than those required (eg. profitability) no marks were either gained or lost. Typically, non relevant ratios included gearing, acid test and the current ratio. Very few candidates omitted the question.

The expected answers were:

Ratio	Formula	Data	Outcome
Return on Capital Employed	$\frac{\text{PBIT}}{\text{CE}} \times 100\%$	$\frac{23,360}{120,340} \times 100\%$	19.41%
	$\frac{\text{NP}}{\text{CE}} \times 100\%$	$\frac{16,815}{120,340} \times 100\%$	13.97%
Return on Equity	$\frac{\text{NP}}{\text{Equity}} \times 100\%$	$\frac{16,815}{100,340} \times 100\%$	16.76%
Gross profit margin	$\frac{\text{Gross profit}}{\text{Sales}} \times 100\%$	$\frac{223,615}{638,900} \times 100\%$	35.00%
Net profit margin	$\frac{\text{PBIT}}{\text{Sales}} \times 100\%$	$\frac{23,360}{638,900} \times 100\%$	3.66%
	$\frac{\text{NP}}{\text{Sales}} \times 100\%$	$\frac{16,815}{638,900} \times 100\%$	2.63%

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 ratios (Level 2). The few candidates who stopped at the name of the ratio, or its formula, gained marks for demonstrating their knowledge of ratios (Level 1). A minority of candidates who simply offered an outcome indulged in a very high risk 'all or nothing' strategy, which for some worked (whist for others it did not). Those preparing future cohorts should advise their candidates to always show their working.

- 1 (b) The intention in designing this 'paired' question was that candidates would use the outcome of their calculation to assist in informing their answers to Question 1(b). Judging by the script evidence, this is a message which needs to be repeated.

Few candidates recognised that the answers calculated in Question 1(a) showed yet further deterioration of LCL's profitability, and its performance continuing to worsen when compared to the industry average.

There were two main weaknesses in answers. The first, was not to offer a strategy, rather a series of possible courses of action which were neither balanced against each other, nor prioritised or summarised. The second, was to focus on profits (an absolute) and not profitability (a relative concept). As ever, a failure to properly read the question will result in a disappointing mark.

Suggestions frequently included raising prices or cutting costs. With regard to the first possibility better answers recognised that LCL has two distinct markets (bespoke and standard) and as such their price sensitivities (PED) may differ. Hence, there might be scope for price increases for one part of the market. Comparison of LCL's GPM also suggested there might be room for price rises. With regard to costs there was more evidence which could be used. So, whilst many candidates suggested finding new, cheaper, suppliers, better candidates recognised that such a course of action might negatively impact upon LCL's quality, and, hence, sales of standard cases. Even more pleasing were those candidates who argued that switching suppliers would be problematic given LCL's creditor days (95.8 days) when compared to the industry (44.8 days). Customer visits, capacity utilisation and the company shut down for holidays were also variously considered.

- 2 Candidates who read the question carefully were able to score well on this relatively straight forward question. Those who only addressed either the external change, interest rates, or LCL's objectives penalised themselves quite severely by only offering a partial answer.

It was disappointing that so many candidates hold the belief that UK interest rates are set by the government rather than by the MPC.

Good answers clearly demonstrated an accurate understanding of interest rates and were able to show how an increase might bear upon LCL's progress. One quick route to at least half marks would have been to calculate, and comment upon, LCL's gearing ratio in order to show its exposure to external capital. Similarly, a sensible assumption about an increase in interest expense in the profit and loss account could have been used to illustrate the impact upon LCL's profits and interest cover ratio. However, few candidates opted to follow this approach, preferring instead to analyse the impact on LCL's various customers. The extension of interest rates into exchange rates was often seen, although one has to comment about how often candidates confuse appreciations of currencies and export/import competitiveness.

At the lower end of the mark range were those candidates who used this question as an opportunity to criticise LCL's objectives. They wrote, often at considerable length, generic answers about objectives and, inevitably, SMART targets. Whilst these answer may have demonstrated a good understanding of objectives they did not address the question set.

There were a variety of routes into evaluation. Clearly, one could argue about the short run and the long run impacts; similarly one could pick up on a small increase compared to a large increase. However, a simple sentence stating just that is not, in itself, evaluative. Contrasting time periods, or scale, offers a framework, but it is then for the candidate to reason as to how short run (small) changes impact on objectives when compared to long run (large) changes. Another route, seen less often, was to argue that the impact would depend upon the percentage of direct costs which are material rather than labour, the rationale being that as interest rates rise so sterling can be expected to appreciate, and so imported raw material become cheaper. However, if materials are a small percentage of direct costs any such saving will be slight, so the impact on LCL's profitability target will be similarly small.

- 3 This question was not well answered. Far too many candidates focused on George and not on LCL's stakeholders. Often, he came in for considerable criticism due to his perceived selfish behaviour in having no clear succession plan. Better answers identified stakeholders but then simply described how George's retirement might impact upon them. The best answers actually discussed how the stakeholders might feel about the impending change at LCL. So, again the need to carefully read the question, to think about what is being required, and then write and answer which reflects the question is fundamental.
- 4 In contrast to the previous question, this was typically the best answer on the script for many. It was pleasing that candidates were able to offer a clearly reasoned and holistic (synoptic) response. The mark awarded will reflect the quality of the reasoning, not the outcome of it. Hence, a candidate who simply makes a decision scores far less well than one who states why, using case evidence and subject theory, they have reached their decision. Evaluation is a justified judgment, not a choice.

The examining team was rather surprised by how often candidates maintained that this order was a real make or break event for LCL. It was variously described as 'massive', 'crucial', or 'essential' and so on. Similarly, LCL was seen to be on the very brink of failure

and this order was the lifeline it so desperately needed. Actually, neither is the case, the order is relatively small (three weeks work for one of four teams can be shown to represent 1.5% of annual capacity), whilst the GPM of 38.7% is below the industry average. Further, if the build ratio of standard and bespoke cases shown in Appendix 1 is characteristic of the annual build, then LCL spends 42% of its production time building bespoke cases. With an average GPM of 35%, the 38.7% for this job is probably quite typical of other bespoke case orders and, as such, it is not that out of the ordinary.

Many answers came down to trying to balance the non quantifiable impact of risk to LCL's reputation against more measurable concerns, such as capacity, impact on employee morale, possible marketing advantages and finance. Often candidates would sensibly question the ethical dimension in exploring a business' responsibility for the use of its product once sold to a customer. Likewise, many candidates pointed out that with world wide Internet sales it is impossible for LCL to know what its customers actually use its products for. The 'hawks' felt that the order should be taken because it provides work, the comment about missiles was a casual remark made by a member of LCL's staff and it improves the average GPM; the 'doves' wrestled with whether or not an aluminium case is a weapon. As said above, it is the reasoning which matters, not the decision.

Finally, candidates need to be aware that the quality of written communication is still an important assessment aspect, although it is now entirely within Question 4, rather than being across the script as was the case within the equivalent legacy unit, 2880. There was some evidence that this compartmentalisation has been interpreted by candidates as it being no longer important.

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