

**Business Studies**

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

**Examiners' Report**

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## **Chief Examiner's Report**

I fear that my report bears a striking resemblance to both of my reports in 2010. Although there was much to credit in the performance of many candidates there continues to be under-performance by others, due to issues which have been raised in reports for many years. Of particular note during this session were three issues.

First, candidates' lack of familiarity with key business topics. For example, 'quality assurance' on unit F292, 'depreciation' on unit F294, and 'value analysis' and 'external economies of scale' on unit F296. It is vital that all candidates have a thorough knowledge and understanding of all of the topics clearly mentioned in the specification and schemes of work. It continues to be worrying that, particularly on the optional A2 units, candidates do not appear to have covered and/or understood specialist topics relevant to that particular function of business.

Second, candidates frequently penalise themselves by not reading the question carefully. This leads, for example, to answers being about how to solve a problem than rather the causes of it, or a critique of current business methods instead of new methods which could be introduced. Generally, examiners are able to award Level 2 marks, as there was some evidence of understanding, but were generally unable to justify a Level 3 mark or higher.

Third, the type of market a business is in was frequently ignored. In this session, this was most noticeable in two units. The business in unit F293 was largely concerned with business to business selling and so many answers were unrewardable, as they were more relevant to selling to the public. In unit F295, the fact that the business was a retailer was ignored by some candidates whose answers were grounded in a production setting.

There were, however, many excellent scripts and it remains impressive to see how much some candidates are able to write in the time available. There was no evidence of time pressures in any unit this session and the extra space now available in the answer booklets significantly reduced the amount of extra sheets used.

## F291 An Introduction to Business

### General Comments

There were a greater number of higher scoring scripts in this series and the questions appeared accessible to all of the candidates. There was no evidence of candidates being unable to complete the paper in the time provided and, on the whole, language skills were slightly better than in previous series – although there were a number of barely legible scripts, and many with extremely poor spelling, punctuation, and grammar.

Overall, standards of analysis were better; an indication that centres have explained to their candidates how to analyse an issue in terms of its implications and/or the consequent likely courses of action for the business. This was particularly true on Question 3.

Evaluation, however, continues to be a problem. Level 4 remained relatively rare in the responses. There was some idea of prioritising who might be the most significantly affected on Question 5 and also some assessment within stakeholders of the balance between positive and negative effects of the drop in profit. However, this was not common and a large number of candidates seemed unwilling to even attempt to form a judgment of any kind. The questions requiring evaluation were clear and consistent with those asked in previous sessions and the examining team were expecting more evidence of this higher-level skill.

### Comments on Individual Questions

1 (a) This was a very straightforward question with which to open the examination and the overwhelming majority of the candidates scored both marks. There were relatively few responses along the lines of 'owned by the government' and it seemed as if this particular point about ownership has now been grasped by candidates.

(b) A clear understanding of the nature of such a market was shown by most candidates. However, it was not sufficient to simply state that 'the market is competitive' since that merely repeated the question. A few words, or even a single word, on the likely basis of the competition – such as firms competing on price, quality, or customer service – were fine. Reference could also have been made to (the low) barriers to entry and exit, although these terms did not have to be used.

Some candidates had obviously been taught the economic characteristics of perfect competition such as perfect information, homogenous products, and having to be a 'price taker'. This was also an acceptable way in which to answer this part of the question even if such a market does not exist in reality.

(c) It was straightforward for most candidates to recall their knowledge that the primary sector is concerned with the extractive industries and secondary with manufacturing and construction.

Some thought did need to be given to the exact wording of the response to this part of the question. It was not enough to state that 'the primary sector is the first sector in the chain' or 'the secondary sector is factories'. The first statement does not actually answer the question. In the second, the statement is vague; any valid activity or a recognised firm would have accessed the additional mark. Candidates do need to recognise the necessity of an accurate definition and a clear exemplification on a question such as this.

(d) Reference could have been made to strategic and/or tactical objectives. Generally this question was well answered with candidates appreciating that the change might arise from factors such as a change in the economy, a change in costs or the emergence/disappearance of a competitor. The mere statement of an objective or 'the new objective' could only score at Level 1. For Level 2 there had to be some outline of why the objective might change, eg. a downturn in the economy might change easyJet's objective from profit maximizing to survival. Most candidates realised this and a sizeable number scored full marks on this part of the question.

2 A sound knowledge of market research was shown which was very encouraging. The overwhelming majority of candidates reached Level 2 of the mark scheme. They were usually able to explain a reason for carrying out research, but often failed to develop the answer (into Level 3) by analysing the actions which easyJet might take in response to the research or analysing some consequence of carrying out the research.

For example, an analytical answer might have stated, 'by doing market research, easyJet can then supply what customers want. easyJet can then ensure that passengers will fly with it more than once and make them into a regular customer'. Or, 'by doing market research and so knowing its market, easyJet can make better business decisions on prices and routes, which should help it improve its profits'.

Some candidates went off at a tangent and considered the 'how' of market research and not the 'why'. This could only score at Level 1.

3 This question was well answered and it was very encouraging to see that such a strong understanding of microeconomic concepts was evident. The question was usually tackled confidently with reference being made to factors such as the price of easyJet flights, the price of competitors' flights (i.e. substitutes), the time of year, changes in consumers' income to name but a few.

There was often very good analysis relating to price; instead of merely stating that 'as price falls demand rises' many candidates then explained that demand would rise because a greater number of people could now afford the flights. Many made a statement such as 'it is as if the consumers' income has increased as a result of the price cut'. Such a comment would not be out of place on an AS level economics paper.

References to macroeconomic factors (which are not explicitly on F291) were still valid here, and mention was made of changes in interest rates, the exchange rate, and the level of GDP.

4 This question was probably the most challenging question on the paper. The concept of 'technology' was well understood in theoretical terms, although the question was actually concerned with technological change. Candidates who referred in generic terms about technological change (eg giving rise to opportunities and threats, 'being costly', and having training implications) were answering in a valid manner, but were not going to access the highest levels of the mark scheme. A significant proportion would have gained higher marks by offering an analysis of how the likely nature of the technological change in the context of easyJet. Contextual references always score more highly.

Any valid explanation of technological change was acceptable. Candidates were, of course, not expected to know nor understand technological issues relating to an airline in any detail - for instance that easyJet's ticket booking is all online. (Those who considered booking via a travel agent were not penalised.) Technological change relating to the booking of flights was certainly one route into the question. Other possibilities included the necessity to 'keep up' with other airlines' technology in terms of, say, faster engines. These efficient faster engines on other airlines may well necessitate easyJet buying planes with

them as well as the industry is very competitive. Also, keeping the company's website up to date and maintaining security for payments were often cited. Technological change in terms of in-flight entertainment was also popular.

Some candidates made reference to new technology 'opening up new ways to travel'. Where this related to, say, an improvement in the technology of (high speed) trains this was acceptable; especially as it was then usually pointed out that this could negatively affect the demand for easyJet's services. However, where mention was made of 'teleportation' this was not going to score well.

There was a marked lack of enthusiasm to even attempt an evaluation on this question which was disappointing.

- 5** This sort of question has been set before and essentially the answer revolved around 'which stakeholders are affected the most and why?' The question was not about how easyJet could try to return to its former levels of profit. Candidates who wrote (sometimes at length) on this were not answering the question.

The overwhelming majority of the candidates understood the nature of stakeholders and their needs, and were able to offer some sound analysis of the likely effects of the fall in profit on them. It was disappointing that, having done this, so few, candidates then even attempted an evaluation. This could have been formed by a judgment on which one(s) were the most significantly affected or by an explicit consideration of whether the drop in profits was likely to be only temporary (in which case it may have little effect) or whether it is likely to be more permanent.

It is often asked at INSET what sort of a comment would be evaluative. At AS level this need not be particularly lengthy. A comment such as 'Employees are likely to lose their jobs as easyJet cuts back on costs' scores at Level 2. Adding 'and they may well find it hard to get another job in today's difficult economic climate' would take the answer to Level 3. If at the end of the answer a candidate then writes 'Suppliers may suffer but they will probably have other firms to supply such as Ryanair; shareholders will get lower dividends but they may well have other shares in other companies, but employees are not likely to easily find work elsewhere with the state of the economy and so will definitely be the worst affected' would take the answer to Level 4.

It is crucial that supported judgements of this sort are made if a candidate expects to access the highest level of the mark scheme.

## F292 Business Functions

### General Comments

Overall, the examining team felt this examination was very accessible to all candidates. Section A was considered to give a good opportunity to differentiate between candidates, although there were still issues with candidates not being familiar enough with the basic knowledge which is outlined in the unit specification. For example, the terms, 'fixed assets' and 'quality assurance' were not properly understood by a large number of candidates. Centres need to remind candidates to have a secure knowledge and understanding of the basic business elements outlined in the specification.

All candidates appeared to engage well with the nature of the case study and all questions in Section B differentiated well. Question 3 proved to be least successful as candidates struggled to engage with the usefulness of the marketing techniques in the question and failed to focus on how the techniques might be used by STL. However, it was very pleasing to see candidates being able to engage with case evidence more readily on Question 2(b) and Question 4.

There are still a significant number of candidates writing generic answers or ones which use the name of the firm but without any specific contextual characteristics. Overall standards of handwriting seem to be falling with some scripts very difficult to read.

### Comments on Individual Questions

- 1 (a) Nearly three quarters of the candidates were able to state two examples, with the common examples cited being gender, age, geography and income.
- (b) Less than half of the of candidates gained full marks for two examples of fixed assets – with buildings, machinery and vehicles being by far the most common responses. Most candidates, however, gave incorrect examples such as stock, labour, wages, rent and capital.
- (c) The quality of responses to this part of the question was variable. Some candidates became too focused on the notion of quality assurance being a 'guarantee' of quality or gave a definition of quality control. Two marks were awarded to only about one third of the candidates – those who showed clear knowledge that quality assurance builds in quality checks during the production process.
- (d) It leaves examiners with a heavy heart that some candidates do not write down the correct formula so they can gain at least one mark. In fact, nearly a half of the candidates were unable to score any marks on this part of the question. Many gave an answer based on simple changes in price and demand, rather than percentage changes. It is very disappointing that only a fifth of the candidates were able to get the answer correct.

It should be noted that candidates must not include a % sign at the end of their elasticity calculation. This invalidates the final answer.

- (e) A wide span of control and the issues associated with that, such as poor communication and the lack of promotional opportunities, were the common routes to three or four marks.

Many candidates seem to think that a flatter organisational structure means that there are no members of staff in authority or there is no hierarchy. Others equated a flat structure with a laissez-faire leadership style. It was disappointing to note that about a third of the candidates were unable to score any marks on this question.

- (f) About half of the candidates gained the maximum marks on this part of the question with a good spread of differing responses such as cashflow, costs of storage (security and rent) and opportunity cost being commonly seen.

However, a few candidates needed to avoid repeating themselves when stating their disadvantages.

- 2 (a) Candidates either knew the process of calculating the contribution and then went on to make a good attempt at applying the formula, or they attempted to make flawed calculations which bore no resemblance to contribution. It is worth reminding candidates to show their workings, including the formula. Some candidates ignored the price in the question stem and used the prices in the case study.

The difficulty which seemed to come through from responses was the calculation of the additional costs, recognising that one of the fudges makes a unit loss of £0.06. Other answers were littered with arithmetic mistakes surrounding the conversion between pence and pounds.

- (b) This was by far the best answered of the extended response questions. Candidates engaged well with the context of the case, with the route through to Level 3 coming from three main areas:

- the fact that the contribution was small in comparison to the effort needed to produce such a significant order;
- the impact on quality and STL's reputation if moving into the mass market – what would be the impact on the USP?;
- the impact on further orders from the fifth largest supermarket if it discovered the low prices being charged to the largest supermarket in the special order.

It was also encouraging to see candidates evaluate their responses. This was mainly seen through weighing up the main impact, which was ultimately whether STL (Belinda) would make a commitment to such growth in light of her not wanting to be a mass market business. There was a clear balance between qualitative and quantitative responses.

However, a significant number of candidates wasted their time describing 'quantitative' and 'qualitative' and others simply listed points with little development of their impact on the decision. Some candidates also had an unrealistic value of the modest contribution which this order created.

Many answers went for 'accept' when the balance of their argument was 'reject'. In these circumstances it is very difficult to justify awarding a Level 4 mark.

3 To gain high marks on this question candidates needed to use the case study to relate the Boston Matrix and/or product life cycle to the products actually in STL's portfolio. Good Level 3 responses mainly looked at:

- how STL would react to the outcomes of applying the techniques, with a clear impact on marketing decisions, such as occasion cakes are a 'dog' – thus perhaps they should be dropped, but would Belinda want to do this or could any funds from this 'dog' be transferred to dealing with the problem child 'chocolate club';
- how STL would benefit from managing its portfolio as the case shows it has developed 'randomly' – this is not good when managing a portfolio as problems arise too late, such as identifying problems and issues which need to be fixed, ie, could occasion cakes have been dealt with earlier with more careful monitoring?;
- the disadvantages of these techniques in context; for example, the lack of experience in STL to generate accurate data and apply it.

Candidates who followed this approach used the appendix and gave practical uses of either/both of the techniques.

There were lots of Level 1 and 2 answers (over half of the responses), often entirely generic, where candidates described what generally happens to dogs/problem children or those in growth/decline stages and could apply to any product or any business. Another regularly undeveloped idea was that "it could be used to see whether STL should implement extension strategies".

Level 4 skills were not commonly found, but for a few candidates it was from determining whether the techniques were useful or not, considering that STL is such a small business.

4 This question elicited some very good analytical responses with candidates being clearly capable of bringing in the context and using it to engage with a factors-based approach.

Some candidates gave quite generic responses which included some lengthy paragraphs on the advantages and disadvantages of flow or batch production without enough or, in some cases, no reference to the case.

Good responses included the impact on the USP of the hand-iced biscuits, the image of STL or the impact on the loyal staff; whereas other candidates looked at capacity issues and the need to lower the costs in order to enable the product to be a 'cash cow'. Others related the decision to the firm's growth objectives, the possible new contract and Belinda's own view of what the company should be. The tension between Eve and Belinda was also a useful vehicle for discussion.

Level 4 responses were evident from two approaches – a decision on whether STL should install flow production for the hand-iced biscuits or which was the most important factor. Centres should remind candidates that when asking a 'factors-based' question, examiners are looking for clear application on what are the factors being addressed by the candidates are. A candidate who writes "the first factor ...." and then develops their answer is much more likely to answer the question.

5 There were a rather mixed set of responses to this question. With so many marks available for higher level skills on this question, it was disappointing to see so many candidates wasting time by repeating or rewriting the case study description of the research carried out on Belinda's leadership style, without addressing the question. Some candidates confused their leadership theory or made incorrect statements of fact. Common problems which were evidenced from candidate responses included:

- too much focus on arguing that Belinda could be democratic or autocratic, without any development of why this might be the case;
- questioning of Belinda's management skills with only implicit references to leadership;
- attempting to change the organisational structure of STL without any real mention of leadership styles;
- misunderstanding of McGregor's Theory as a view of workers rather than of how managers view workers.

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 so that Belinda could cope with the growth of the business – autocratic when needed so decisions actually were made, how to delegate to Eve and John and the benefits this might bring;
- the need for Belinda to have a flexible style and why. (There were some very good responses on how Belinda should deal with decisions differently, i.e. when to consult and when not to, with clear reference to case issues.)

The candidates who gained Level 4 came to a clear decision on the changes (or not) needed and why – this tended to be on the need for a balance, such as utilising the skills of Eve and John by taking their advice but then making a final decision. This was rooted in the consequences should this not happen – the growth of the business and its reputation could be permanently damaged.

## **Summary**

- No evidence of any timing problems.
- Some answers in Section A showed a lack of knowledge and understanding of basic terms in the specification.
- Candidates need to show formula and working out in calculation questions.
- Answers to Questions 1(e), 3 and 5 showed evidence of many candidates not reading the question carefully enough. More time needs to be spent carefully reading the questions.
- There was lots of good evaluation in answers to Question 2(b).
- Questions 1(d) and 3 were least well answered and Questions 1(a), 1(b), 1(f) and 2 were answered best.

## F293 Marketing

### General Comments

In general the paper included questions which are central to the study of marketing. There appeared to be no major issues with time and most candidates made an attempt at every question on the paper.

The context of the paper did prove to be a major issue with many of the candidates, with a higher proportion than normal, struggling to apply the specific aspects of marketing to the context of a solicitor's office. The use of a solicitors was, in my opinion, fair, but many candidates appeared to find it difficult to apply. There is something of a lesson to be learnt. Many teachers tend to teach marketing in the context of 'big business'. A quick glance over previous papers would show that, in virtually every case, the context tends to be centred around small to medium sized business.

The service based nature of the case added further difficulties for some candidates.

The questions on this paper were generally mainstream marketing topics. The standard was varied on each question with no one question causing any real concern. There was a lack of consistency across the paper though, which led to fewer, very good candidates.

The standard on the strategic, final question continues to show small signs of improvement from the previous two sessions.

### Comments on Individual Questions

- 1 The main issue on this question was the failure of many of the candidates to state a specific assumption as required by the question. Candidates should be reminded to read the question before answering. A good number of the candidates were able to show the correct numerical response. This was encouraging, though mistakes tended to be a function of not reading the word 'additional' in the question.
- 2 Most candidates were able to state and outline two above-the-line methods of promotion but they generally failed to consider them in the required context. This question, as with all of the others on this paper, was about BDT. The answers also needed to be in order for candidates to score highly.
- 3 Responses to this question were quite mixed with many candidates able to score well by showing how Fiona and Jayne could gain the required information. Others scored less well by giving an 'all I know about market research' type of answer with little or no mention of BDT, Fiona or anyone. There was too much focus on primary, secondary, desk and field research without any development or specific ideas related to BDT. The 13 mark question need to be developed with a strong focus on how the specific firm, in the specific situation, at that specific time might gather the information required
- 4 This question only required one advantage of a SWOT analysis for BDT. Many candidates tended to consider more than one advantage. Others tried to produce a SWOT analysis with others writing very generally about any SWOT analysis. Better answers tended to do what had been asked with a strong focus on BDT and how the production of a SWOT might enhance the marketing of BDT.

- 5** This proved to be the most disappointing response on the paper. Quite a few candidates struggled to write meaningful responses to this question with a high proportion writing quite short answers. This question, almost word for word, has been set many times before, so the weaker responses this series were pretty unexpected. A strategy question of this type requires candidates to consider the stated objectives (to increase sales) and to develop a plan of action to achieve them. Discussion of aspects of the marketing mix is often a good vehicle to use as long as the individual aspects of the mix are contrasted and developed with each other. Suggesting improvements to the promotion work much better if they are combined with some other change in the mix such as a change in pricing approaches. There were some good answers which were able to develop a strong approach offering good advice to Fiona/BDT. The lack of contextual analysis was a major concern in the poorer responses.
- 6** The performance on this question improved a little from the two series last year. Most candidates were aware of the need to consider the other functional areas of the business. A specific question related to a strategic issue allows candidates to get to grips with the context a little easier. The question this time related to whether BDT should set up an office in central Birmingham. Teaching staff should prepare candidates for this question by looking at any strategic based issue that a small local business might face. All major decisions are influenced by all functional areas, along with the external factors. Centres should be reminded that candidates need to make an actual decision. The stimulus word is 'should' and this needs to be considered in the final response. Answers should also look at both sides of the issue with a one-sided response unable to reach the top level of the mark scheme.

## F294 Accounting

### General Comments

There were no obvious signs of any time issues despite the fact that any accounting examination requires a candidate to analyse several accounting statements and other data. As with previous examination series, the quality of responses was varied. Many candidates demonstrated excellent accounting knowledge and were able to use this to develop analytical and evaluative responses. Clearly, there were good potential accountants taking this unit.

Each question offered candidates the opportunity to utilise their accounting knowledge and understanding. Unfortunately, too many candidates still appeared to have little or no sound knowledge of the accounting principles required for this unit. Centres must ensure that the whole of the specification is covered; otherwise this comment will continue to be regularly made.

Where good knowledge and understanding were demonstrated, candidates regularly failed to go onto analyse or evaluate the question through use of the available business context. Centres must ensure that candidates have regular opportunities to practice these skills through the use of past examination papers.

Finally, there are a myriad of valid quantitative answers/facts which can be produced from this examination. In all cases, candidates are strongly advised to record their calculations in order to allow examiners to follow the candidate's logic.

### Comments on Individual Questions

**1 (a) and (b)** The calculation of depreciation is a central accounting concept and so it was disappointing to find that a significant minority of candidates could not achieve full marks on these two parts of the question. A good number of candidates also misread the questions and offered the net book value as their answers.

**2** The question was a follow-on to Questions 1(a) and (b). Therefore, the use of the answers to these questions was a good way to 'analyse one advantage'.

Purely stating that the straight-line depreciation method is simple to understand and calculate meant that candidates could not go above Level 1.

Using the answers to questions 1 (a) and (b), even with the application of the own figure rule, to illustrate the impact on the balance sheet and profit and loss account (income statement) was a sensible approach to take and showed a real working knowledge of depreciation.

Too many candidates wasted valuable time by discussing the disadvantages of the method; the question clearly stated one advantage and so there was no reward for these answers beyond their discussion of this aspect.

**3** It was encouraging to find that the vast majority of the candidates had a sound knowledge of the accounting conventions. However, once again, candidates were less adept at using the case study in applying these conventions. There were three specific contextual areas for application:

- bad debt provision
- stock valuation
- depreciation method

**4** Table 3 was provided to enable candidates to carry out a thorough variance analysis. Any candidate who took this approach achieved a Level 3 mark providing that the calculations were correct. An analysis by percentage variance was rewarded by an even higher mark.

These results could have then be used to pinpoint the sources of the problem, that is the actual cost of carrots and herbs which, together, represented an adverse variance of 7p (out of a total variance of 8p).

Any good analysis would have discounted the quantity variance as negligible.

Therefore, these results led one to a clear evaluation that the cost of carrots and herbs needed to be addressed. There were several contextual factors to discuss at this point including the fact that many ingredients were:

- imported (fluctuating exchange rates),
- perishable (difficult to store)
- organic (higher perishability and price premiums).

**5** The vast majority of the candidates could write for ever about financial budgets but far less could apply the concept to the case study. As a result, many responses failed to progress beyond a Level 2 mark.

There were several pieces of contextual evidence to explore:

- the continued failure to achieve Harry's target for net profit margin
- the standard costing result exemplifying an underlying problem
- Harry's autocratic leadership and his general lack of understanding of 'financial' matters.
- Harry admitting that his strength lies in marketing

Would the greater involvement of departments assist Harry in achieving his targets and beyond?

**6** It was pleasing to discover that the vast majority of the candidates produced a good range of accounting data to support their view about the proposed contract. On this question it was essential to show how these figures were arrived at.

However, too many candidates failed to put forward a two-sided view and so failed to secure a Level 4 mark because their response did not demonstrate any balance.

In addition, there was a general resistance to analysing other issues beyond a simple descriptive statement or two extracted from the case study. Analysis from a marketing, production and people in organisations perspective is essential. Combining this with an analysis of external influences such as the competitive nature of the market, the rise of supermarket dominance of the market and the perceived/real movement to healthier eating would certainly access Level 4 marks.

### **Summary**

In order to improve grades, centres should:

- ensure full coverage of the specification
- encourage the candidates to use the context to support responses
- practice the skills of analysis and evaluation through regular use of past examination papers
- ensure that the candidates take greater care when following question instructions; for example; 'analyse one advantage...'
- ensure that the candidates show their workings when presenting any financial evidence.
- ensure that Question 6 is approached from a balanced view and that other issues are thoroughly explored.

## F295 People in Organisations

### General Comments

There were no obvious signs of any time issues, with candidates being able to write at length. However for many more time could and should have been spent reading the case in order to answer in context.

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

Too many candidates did not take on board the fact that MDS is a retail outlet (service sector) and, consequently, made references to changes in the productivity of the business! Such comments clearly suggested a lack of understanding as to the type of business involved.

The majority of the questions allowed the candidates to apply the business theory and terminology imparted in order to justify their views. There are still too many candidates who do not do this to their detriment. Those who did were well rewarded.

Three of the questions required the candidates to offer evaluative comments; a failure to do so significantly restricted the candidates from accessing the higher marks and, consequently, the higher grades.

When additional sheets are used by candidates, it is very helpful to the examiners, if a clear indication is made as to which question is being attempted.

The quality of written communication remains varied. Paragraphs can be used as an aid to break an answer down into distinct parts and, thereby, enhancing its readability. Such a technique may also help candidates to organise their thoughts.

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

### Comments on Individual Questions

- 1 (a)** This was once again, a straightforward calculation. The majority of candidates were able to access this question, with over three quarters of them gaining full marks. Calculating percentages still caused angst to some of the weaker candidates. The layout of the answers offered was much better, making the examiners' task that much easier!
- 1 (b)** The majority of candidates were able to gain the right answer. However, there were too many who failed to read the question with sufficient care and consequently lost marks. The question asked for the average number of days lost per employee aged **under** forty. A few candidates did not give their answer correct to two decimal places choosing instead to write '1' and not '1.04'.

- 2 This question was answered well by a large majority of candidates. Most were aware that two consequences were required; however, there were some candidates who did not read the question with sufficient care and consequently did not concentrate on highlighting the consequences of high absenteeism for MDS. There were a small minority who did not offer sufficient context within their answers; a prerequisite for Level 3 marks to be awarded.

Good answers concentrated on how MDS may lose customers as a result of a shortage of staff, which, in turn, may reduce revenue, making it harder for Georgina to implement her plans for new departments.

- 3 This question proved to be a good discriminator. The opportunity to apply theory to a given situation, namely the need to reduce absenteeism, was missed by too many candidates. Good candidates were able to apply theories of motivation appropriately in the context of the case. References to Herzberg, Mayo, Peters, Druker and Maslow were limited and yet were an obvious route into answering the question.

Some candidates were able to offer justified judgments as to which method of motivation would be the most appropriate for MDS and were subsequently well rewarded.

Suggesting that offering promotion and, therefore, an involvement in the decision-making process, justified by references to Herzberg (recognition and responsibility), Mayo (sense of involvement) and Druker (recognition) were highly rewarded.

Too many candidates just offered a list of general 'things' MDS could do, such as 'offer more pay', without any reference to Taylor or the consequences for MDS in terms of costs. Nor did such candidates attempt to suggest that in many instances additional money would not necessarily motivate the employees at MDS.

- 4 This question asked candidates to analyse **one benefit to MDS**. Unfortunately, there were too many instances where candidates highlighted benefits to the stakeholders of MDS. Not only is it essential to read the case with care, but also to read the questions with more care. However, a large majority of candidates did access the higher marks and demonstrated a clear understanding of training needs analysis, which was most encouraging.

Again, there were opportunities for candidates to apply theory within their answer. Mayo talks of a sense of involvement and training needs analysis requires employees to be involved by ascertaining their individual training needs.

- 5 This question discriminated well, with candidates scoring a wide range of marks. Too few candidates tackled this question by looking at the actual organisational structure of MDS, which was provided (Figs. 1 and 2).

The existing structure is very flat with a wide span of control, therefore, making control difficult. Although communication within an organisation with few layers ought to be easier it may not be effective given the number of employees involved.

Consequently, references to adding layers, changing the structure from a wheel to a chain and then offering an insight as to how the changes would improve communication and control was what was expected in order to access the higher marks.

Few candidates went on to suggest how effective any changes would be and, therefore, gain evaluative marks. Given the allocation of the evaluative marks (9-13), this is essential if a good grade is to be gained.

Making the organisation less centralised was an alternative approach with a few candidates suggesting this would only work if the three directors changed their style of leadership. Such answers were also well rewarded.

- 6 This question also discriminated well, with candidates scoring a wide range of marks. The question clearly states the need to consider 'other issues' as well as human resources. Although candidates are improving (when compared to the last examination series), there are still too many who concentrated on human resource almost to the total detriment of the other issues and consequently lost the opportunity to access higher marks.

This was a strategic question and allowed the candidates to draw on their knowledge from any part of the specification. The good responses answered the question in a strategic manner and considered the implications for MDS and its stakeholders. As was the case with too many answers, the information within the case was not used.

There were some excellent answers which considered in a balanced manner, whether it was appropriate for MDS to adopt a policy of appointing older staff.

Noting the legality of such a policy, the financial implications and the implications for the ability of MDS to achieve its objectives would have been a well-rewarded approach. Some candidates considered the long term as well as the short-term implications of such a policy and, as a consequence, enhanced their chances of attaining the higher marks.

Writing 'to evaluate' is not a guarantee of Level 4 marks. There has to be a justified judgement in the context of the case as to whether it is a worthwhile policy to adopt.

## **Summary**

- No evidence of time issues
- The noting of the type of business is essential
- Candidates are to be encouraged to know theorists and to apply them appropriately.
- The reading of the case and the questions with great care is essential
- More attempts to offer evaluative comments are required
- Candidates are encouraged to clearly mark which question they are attempting when using additional sheets.

## F296 Business Production

### General Comments

The biggest concern with the responses to this paper was that there was one – and in many cases two – aspects which candidates simply could not answer as they appeared to not recognise the topic at all (see below). This effectively ruled out 13 marks straight away (plus another six marks for others). With whole swathes of candidates not knowing the topic of value analysis (clearly on the F296 specification), the concern was whether candidates had actually covered this element of the specification. Aside from this, candidates generally performed well and particularly there were improvements from previous sessions on the strategic question. Calculations (in this case break even and margin of safety) still prove difficult for many – even if they are very much 'routine' production based numeracy. Candidates are clearly demonstrating the skills of analysis, although the perennial difficulties of contextual evaluation still remain. One question (discussed below) was seemingly mis-read in that candidates approached it from the point of view of 'future' rather than an assessment of 'now'. Reading the question and answering it to the letter of what it says – as opposed to the candidate's interpretation of it as something else they would rather answer – is sound advice in any examination.

Generally, candidates are improving on the basic writing skills, but specification coverage remains the greatest concern.

### Comments on Individual Questions

- 1 Many candidates simply did not know what external economies of scale were. Some predictably answered with internal economies of scale (scoring zero unless they referred to the purchasing economies achieved because of the olive oil producers all buying olives together). Some candidates answered with an 'external factors' approach (SLEPT) – zero marks. Those who did understand external economies tended to do very well and scored maximum marks by talking about, for example, government investment in infrastructure or shared training – provided that it was clearly linked to the fact that there were a number of similar firms in the region. This question polarised candidates' marks.
- 2 Value analysis was a topic which many candidates simply had no idea about. There were a huge range of interpretations along the lines of 'value added' (very common) or some other stab at consumers' desire for good value. Invariably no marks were awarded in such cases. A number of candidates did know what value analysis was and scored marks as soon as they mentioned the 'cost, aesthetics, function' trinity. Some gave a 'cut costs' based answer (which is integral to value analysis) and scored some marks, although not highly. The best answers weighed up which of the three was of most use to Mihail and, therefore, how useful, if at all, a value analysis study would actually be. There were indeed some excellent answers.

- 3 (a)** A small majority of candidates got full marks and clearly had no issues with calculating break even. The rest seemed to generally have an idea but did not get the bottom half of the formula (contribution per unit) correct and thus the answer broke down. Usually some credit was given for some aspect of the answer being correct. Break even and contribution are absolutely fundamental to unit F296 and it was a surprise that so many candidates struggled with these two concepts.
- 3 (b)** Candidates who scored maximum marks on part (a) also achieved maximum on this part of the question. Those who did not still tended to get a mark through the 'own figure rule' – the implication being that nearly all candidates understood margin of safety, even if they could not successfully calculate break even.
- 4** Generally candidates answered this question well. There were, in the context of an olive oil producer, many reasons why break even may not be accurate – changes in raw material prices, labour issues, variations in selling price etc – and candidates latched onto these scoring highly in Level 3. Context was the key – if candidates dropped marks it tended to be because the answer was correct but lacked direct reference to the production of olive oil.
- 5** There were a great many varied answers to this question. Some, correctly, discussed the situation NOW with regards to quality control. Those who stuck to this – analysing and evaluating what Mihail does (or does not) do – scored highly. However, many candidates spent much of the answer discussing what Mihail could do and commenced an answer full of suggestions of quality circles, TQM, etc – all of which did not actually answer the question. The key here was, indeed, that candidates must answer the question – not re-interpret it to fit in a lot of (in this case) 'production quality' concepts which had nothing to do with the question. In some cases candidates used some concepts as a way of judging/comparing Mihail's quality control and scored some marks, but generally the way to score was to weigh it up the current situation, and not to write about what Mihail could do. From those candidates who really got to grips with the nature of this firm, there were some superb answers.
- 6** There was a lot of evidence to suggest that candidates are getting better at this type of question. There were a great many issues to discuss with the German supermarket order, and most of these were picked up. The issue, as ever, was whether candidates could evaluate and thus access the higher marks. Most still leave evaluation to the last paragraph after three or four pages of analysis of many issues, when a more profitable way would be to weigh up throughout. There were no concerns with candidates picking up on strategic issues – many discussed the human resource and financial problems of the venture very successfully. The most common marks were still at the top of Level 3/bottom of Level 4 – the advice being that more time needs to be spent on the skill of evaluation. At the top end there were some very impressive answers indeed.

## F297 Strategic Management

As an assessment tool this case study, and its questions, worked well. In producing a wide range of marks it discriminated between the very and the less able. As in previous series the very best candidates could blend case evidence with subject theory in order to produce coherent and logical, and focused answers. Such answers need not be lengthy; rather they are clearly imbedded in the specific context and draw out the evidence selectively. That they also frequently contain supporting numerate analysis is no coincidence. At the opposite end of the ability spectrum, candidates either simply describe case evidence with little to suggest that they have studied the subject, or offer answers which do not reflect the question set.

It is pleasing that no one question proved to be inaccessible and consequently poorly answered. Similarly, although it was probably widely anticipated that ADaPT's relationship with MMF would be examined, the actual question (Question 3) nonetheless produced a wide range of answers. It was the exception when candidates omitted a question. There was very little evidence of time pressures. Most candidates wrote answers of fairly equal length. Candidates are at liberty to answer the questions in whatever sequence they wish, but a plea from the examining team would be that candidates are instructed to make it clear, in the left hand margin, which question they are answering.

One feature of this paper not seen before is the use of an Insert. For most candidates this did not seem to cause any issues. However, some candidates did not secure their Insert to the rest of their script and instead seemed to simply hope the two would stay together. The examiner can only mark what is present and if Inserts go astray, then marks cannot be achieved.

The relationship between Question 1(a) and Question 1(b) has been subject to a lot of comment in previous Principal Examiner's Reports. Despite this, the evidence this series is that candidates do not link the two together, rather they answer each as wholly separate and independent questions. It would be beneficial if the relationship between the two questions were to be made clear to candidates in future sessions.

### Comments on Individual Questions

**1(a)** In many ways the examining team was pleased with the average response to this question. Time Series Analysis sits clearly within the specification and its assessment was due. As a numerate technique which requires a good deal of time to complete, the presentation to candidates of a partially complete TSA enabled the entire technique to be examined within the time limits of an examination. A significant majority of the candidates were able to calculate the missing trend figure for September and October (8.33 and 8.00 respectively). Similarly, few candidates had difficulty in determining the missing CV figures (1.67 and 0.00 respectively). It was from here that the cohort tended to deviate. A disappointingly large number stopped at this point. Others simply offered a value for overdue orders in February with no supporting evidence of method or thinking. Better answers recognised the need to plot the additional two trend points and so to extrapolate the trend line. Having done this they then presented the trend value as the forecast, seemingly forgetting the need to adjust the forecast trend by the appropriate CV value in order to establish a forecast for overdue orders. However, such answers nonetheless were able to gain the majority of the marks, but it was a rarity for the maximum mark to be awarded as so few entirely correct answers were seen.

- 1(b)** At the lower end of the ability range much of the case evidence, and in particular Table 3, need not have been offered given the generic nature of answers. Typically suggestions such as the introduction of TQM, staff training or an increase capacity were given as the solution. With no semblance of context such answer were far too generic and scored in Level 2. Better answers analysed Table 3 in order to suggest a pattern in the data, and then went on to argue a causal link between the data and the quarterly bonus, thus coming to the view that the bonus needs to be changed or scrapped. These answers were, by their very nature, contextual, and so scored more highly. The very best answers then considered the strategic implementation of the change and discussed change management, and the likelihood of success within the context.
- 2** There were three main types of answer to this question, and this behaviour has been seen many times before on earlier unit F297 (and 2880) examination papers. Weaker answer tended to describe the data in Tables 1 and 2 in order to argue that ADaPT has become more reliant on government spending. Being descriptive, and not considering the company's strategic direction, such answers scored poorly. The second type of answer went further to analyse the likely impact of changes of government spending on ADaPT, focusing on how much the business would be affected. Although better, again these candidates were guilty of not considering the need to address 'strategic direction'. The better candidates had read the question with greater care and so their answers focused upon what ADaPT might need to do in the face of this external change. Here, sensible use of the case data could be used to identify which of the company's various markets were growing and so offered scope for increased sales. The answers which recognised that government spending covers a multitude of purchases and that health spending may well be protected showed a pleasing awareness of current affairs. As ever, there was no single correct answer, no single correct response for the firm. Rather, the mark awarded reflected the depth and quality of the candidate's reasoning within the context. That many candidates were able to give a justified course of action showed that this type of question is a fair test, and is accessible at the expected level. Consequently, it is not unreasonable to expect similar questions to appear from time to time on future papers.
- 3** A 'decision' question has long been a feature of this paper and, as such, the candidates seemed prepared for this question. Weak answers came to their view having offered a rewrite, or a précis, of the case in a descriptive manner. Good answers engaged with the case data, both verbal and numerate, in order to suggest the degree of exposure ADaPT has to MMF. Typically, candidates had calculated days debtors, days creditors, the proportion of MMF sales to total sales and so on. This analysis served to show how significant MMF is to ADaPT, and to what extent a failure of MMF to pay would impact on ADaPT's own performance. The decision then to supply is built on a foundation of contextual analysis, and, as such, the judgment arrived at is justified in the context of both the case and the subject.

That this one situation is symptomatic of other problems within ADaPT was picked up by many candidates. So, was the relationship between David and Aysha commented on, as was the the poor communication between Abigail and Sam, together with the fact that Sales team took all and any orders without recourse to other functional areas within the business. So, the really good answers addressed the immediate issue of MMF but then went on to discuss the need to put in place measures so that this quandary is not repeated.

It was disappointing that at this level there exists so much confusion between revenue, profit and cash flow. Far too many candidates used these three very different aspects of subject vocabulary interchangeably. It is difficult for the examiner to award high marks when the candidate is unable to use the subject terminology accurately, simply because this basic error often fundamentally changes the argument being made.

- 4 The major weakness seen in too many answers to this question was a lack of discipline in answering the question set. Far too often there was no recognition of the explicit need to create a strategy. Further, the need to make the recommendation to the shareholders was similarly overlooked. Possibly this distinction between a strategy for shareholders and effecting improvement is too subtle for candidates. Consequently, too many answers simply stated this is how the candidate would seek to improve ADaPT. In many cases the arguments put forward were very good, well supported with case evidence and logically correct from a business perspective. Hence, the failure to be making a recommendation to the shareholders was a real pity.

That there is much which is poor with ADaPT's performance is evident from the case study. Good answers used appropriate ratios (typically net profit margin and gross profit margin, labour cost to sales, etc) although, given the need to address shareholders', it was mildly surprising that shareholders' measures (return on equity and return on capital employed) did not feature more often.

Often the lack of clear and sensible objectives was identified, and many candidates suggested what currently exists is of little use. Thus, Hamish setting some SMART objectives was the solution and seemingly by simply stating this all would be well. The better candidates recognised that for Hamish to set new objectives would be a significant challenge for him, both due to his personal values and his managerial competence. Likewise, those candidates who argued that Hamish needs to change his management/ leadership style too often overlooked just how difficult this would be for him. Exceptionally, candidates identified who would tell Hamish, as Managing Director and major shareholder, of the need to change.

Given the nature of the shareholders' register a few candidates argued that for family, and particularly Hamish's' parents, their objectives for ADaPT are not performance related. As such they probably would not be interested in intervening to improve the performance of ADaPT, being content to have their son nearby. If that is indeed the main objective of many shareholders, the strategy suggested becomes very different to one which might exist in a purely financially driven business. In fact, one might well argue that before one can set a strategy one has to know the objectives of those setting it. It is only knowing where one wants to go that a plan to get there can be created, with clear 'way points' and a sequence of what needs to be achieved along the way, only then can the strategic journey be sensibly created.

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