

# **Business Studies**

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

## **OCR Report to Centres**

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**January 2012**

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

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Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annesley  
NOTTINGHAM  
NG15 0DL

Telephone: 0870 770 6622  
Facsimile: 01223 552610  
E-mail: [publications@ocr.org.uk](mailto:publications@ocr.org.uk)

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## Advanced Subsidiary GCE Business Studies (H030)

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## Overview

The individual Principal Examiner reports, as always, contain a wealth of helpful comment and advice for centres which should be used in conjunction with the published mark schemes in order to aid the further improvement of the performance of candidates. I would like to highlight three common issues raised within the reports.

First, a common remark from most Examiners throughout the marking process is how many candidates penalise themselves by not answering the question set. This is often, but not only, an issue for the units with pre-issued case material. As I have said in previous reports, answers which are tangential to the actual question asked will struggle to score more than a Level 2 mark.

Second, there continue to be concerns amongst Examiners about the careless use of technical language which can make an answer misleading or incorrect. One example is that raised in the F291 report concerning confusions between 'price' and 'cost' or between 'revenue' and 'profit'. Laymen terms such as 'making money' or 'selling more' also do not put many candidates' responses in a good light.

Third, although there continues to be evidence of more and more analysis in candidates' answers, there is still a limited amount of evaluation. There certainly appears to be a greater attempt by candidates to evaluate, although in many cases this is more a repetition of earlier points, without any attempt to prioritise or consider what any suggestion 'depends upon'. The annotation 'REP', standing for 'repetition', is well used towards the end of many answers in all units. Evaluation is especially important in A2 units, given the significant percentage of marks allocated to this skill.

To finish on a positive note, there were many excellent scripts from well prepared candidates and there was no evidence of time pressures in any unit. It is also pleasing to read in all the reports how the chosen business scenarios were found to be accessible by all candidates.

# F291 An Introduction to Business

## General comments

Three points can be made about improving marks on this unit which have arisen from the January paper.

Firstly, candidates need a sound understanding of the issues and concepts. Although for most this will be the first Business Studies paper taken at AS level and the paper *is* ‘an introduction to business’ far too many candidates still adopt a ‘man in the street’/‘business studies is common sense’ attitude. This is particularly evident when talking about ‘money’. Even though no calculations are required on unit F291 candidates should be aware of the difference between ‘revenue’ and ‘profit’ and also between ‘cost’ and ‘price’. In the former case, candidates can score more highly if they appreciate that a rise in sales does not necessarily equate with a rise in profit. The latter is a confusion which can regrettably render an answer largely unrewardable. There was also a tendency to state that just about any action McDonalds took eg ‘lowering prices’ or ‘advertising more’ would immediately increase profit. This *may* be the case in the longer term but is not automatic; mentioning possible revenue and/or cost changes resulting from the action considerably strengthened such a response.

Secondly, the highest marks on the mark scheme are for analysis and evaluation. Candidates need to realise that a long list of points will only score at Level 2 – which is often less than half of the marks available on the question. A careful analysis of the issues (eg on Questions 2 and 3(b)) would have boosted many candidates’ marks. Similarly, a supported judgment on the most important issues (on Questions 4 and 5) would have made a considerable difference. Far too many (obviously able) candidates just stopped after some good analysis or wrote “In evaluation such a factor is the most important”. Merely writing ‘in evaluation’ or ‘in conclusion’ does not access Level 4; the conclusion must be supported in some way – see below. A significant number of candidates made no attempt to evaluate at all.

Finally, spelling, punctuation, and grammar *do* matter. These took a turn for the worse in this series with some scripts which were very hard to read. Many candidates even failed to spell ‘McDonalds’ and ‘franchise’ correctly despite the fact that these words were actually in the stem of the question – and it is very dispiriting when a candidate cannot even spell ‘business’. Marks for the quality of language do exist – embedded in the last question – and perhaps it is worth pointing out that the descriptor for the highest level states “Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured.” Candidates should be aiming to achieve this even if they may fall a little short. They should not be adopting a ‘one page paragraph, stream of consciousness answer’. Examiners do not negatively mark, but clearly written and structured answers are much more likely to be given the benefit of any doubt than ones which are hard to read and follow because the writing is so poor and the sentence has lasted for over half a page.

On a more positive note there was again no evidence of time pressure and the paper was clearly accessible to candidates of all levels of ability. The total number of questions not attempted was very small. Specification knowledge is, notwithstanding the points above, generally very good.

### Comments on individual questions

1 (a) As a 'state' question, answers could be very brief and still gain the mark. Any valid reason was acceptable (eg to explore trends, to find out reactions to a new product, to find the right price to sell at, etc.). The response of 'to find out customer needs' was not acceptable since this was merely repeating the stem of the question. It is worth remembering that 'state' questions should be answered in a succinct manner in order to enable more time to be spent on the questions with higher mark allocations.

1 (b) It is pleasing to note that the overwhelming majority of the candidates understood the difference between primary and secondary data and, on the whole, this part of the question was answered well. The four mark questions on unit F291 are marked as 2 x (1+1); in this instance, one for identifying the method and one for an accompanying outline.

It was not necessary to provide a lengthy outline in order to gain the additional mark but it **was** necessary for the outline to be specifically linked to the method, rather than describing what information they might find out. A candidate could not simply repeat what had been said in Question 1a and wrote 'One method is a survey (which is valid and would have gained one mark). This method is good because it can find out what price people will pay for the food'. Such a comment is very generic and does not actually answer the question which asks for *an outline of the method*. A brief reference to the use (for instance) of open and closed questions, or qualitative and quantitative data from the survey would have been sufficient.

1 (c) The wording of this part of the question clearly suggested that the candidates should offer a reason why sampling would be used and stating the types of sampling. Technical marketing terms and concepts were not necessary on this part of the question. A simple answer along the lines of 'it's cheap', 'it saves time', 'it's not necessary to research the whole market' were quite acceptable. Weaker candidates apparently assumed that this was a duplicate of part (a) and simply repeated the advantages of carrying out market research.

2 'The economics question' (when it has appeared) has usually been answered well in the recent past and this series was no exception. This part of the question worked well in terms of the candidates' ability to tackle it and through discrimination in terms of ability. Candidates' responses on the paper and comments at INSET suggest that it might not be going too far to state that many candidates actually enjoy this type of question. Once again a diagram was not necessary but many candidates chose to draw one and, in the main, it was drawn correctly. There were two possible diagrams corresponding to the two routes into the question; consideration of the effect on supply or on demand.

With supply, on a diagram this reduced competition will be shown by a shift of the supply curve to the left. In theory this means that less food is sold but at a higher price. A correct diagram showing this automatically accessed Level 2 of the mark scheme and scored four marks. Without a diagram comments such as 'the fall in supply means market price will go up and so the quantity of food/meals being sold will fall' also gained Level 2.

Alternatively the effect on demand could be shown. This would be shown as a rightward shift of the demand curve since it is reasonable to assume that McDonalds would be gaining some business from the competitor which has failed. If there was no diagram comments such as 'the demand for McDonalds' food will go up' would have gained three marks. If a comment such as 'because they will get some of the competitor's business' was added this would have scored four marks.

For Level 3, a sequential implication of reduced competition gained the higher marks; a simple statement, accompanying a diagram or not, concerning the effect on, implication of, or reaction by McDonalds was necessary. This could, for example, have been a reference to increased revenue. Many candidates made an immediate 'jump' to the assumption that profits would increase considerably but this depends on the behaviour of costs. It is not expected that candidates know about these issues in detail but economies of scale *are* on this unit and a fair number of them mentioned these and so were able to make a very sound analysis on what might happen to profit levels.

A six mark question does not require evaluation but the most able candidates made the observation that the effect(s) depended on the extent and/or likely duration of the price/demand change, eg 'if the price rise is small and another firm enters the market soon after the other one went bust it would not affect McDonalds much'.

- 3 A question about franchising has not been asked before on this paper and it was very encouraging to see both parts (a) and (b) answered so confidently. Typical responses were that McDonalds does not have to spend large amounts of money in order to expand, could expand more rapidly like this, or that because the expansion is financed by the franchisee McDonalds takes little risk.
- 3 (a) Those candidates who failed to read the question with care disadvantaged themselves. It asked for the reasons why McDonalds offer franchises and *not* for the potential benefits for franchisees.
- 3 (b) It was by no means uncommon for candidates to score full marks on this part of the question with virtually all recognising that through franchising a franchisee should have a distinct advantage over another independent small business competitor in the same market. The key to analysis (and therefore the higher marks) was to contrast the point being made with the likely situation if a non franchised business was being started. Thus writing about the benefits of 'an established brand name' would score at Level 2. However, a comment that potential customers will be familiar with it, whereas they would not with a new business, and that this meant that it should take less time to establish the business/break-even/start making a profit, took the answer towards the top of the mark scheme.
- 4 Answers showed that the vast majority of the candidates were aware of the nature of ethics and corporate social responsibility. Answers typically revolved around advantages relating to marketing, building a responsible image, motivation, and recruitment. However, there were some weak answers which could have been about almost any aspect of business behaviour in the community and in these instances it was not always obvious that the candidate understood the question. A simple statement about looking after the environment by not littering does not really show an understanding of ethical issues.

This was a question which discriminated well, as really good candidates had the opportunity to create a judgment as to the extent to which McDonalds would actually benefit from such principles and which activities would give it the most long term benefits in the eyes of the public. This was encouraging but once again it has to be reported that after several paragraphs of good analysis, a large proportion of the candidates simply stopped with no attempt to evaluate.

A number of candidates wrote that being more ethical meant that 'the government would charge less tax on the company'. If this was a reference to corporation tax then it was wrong. The examining team speculated that a possible explanation might be that if less corporate waste goes to landfill, *local* government may charge the business less for its disposal. This is true but it was, however, reading a lot into what had been written.

Examiners do try to give the benefit of the doubt but cannot second guess what a candidate actually meant to say.

- 5 Candidates could answer with McDonalds as a corporate entity (ie McDonalds UK) or in the context of its individual outlets – franchised or not.

This question was usually well answered in terms of knowledge although, as on Question 4, there was often limited evidence of any evaluation. Many candidates wrote a lengthy list of factors which could impinge upon the operation of McDonalds without relating them to how these could affect its success. This consequently limited their access to the higher marks. Alluding to what might constitute success in McDonalds' case was a good discriminator.

Those candidates who built on a list of factors were those who analysed the issues (such as finance, human resources, business planning, the economy, etc) in terms of how much they were likely to affect the success of McDonalds. Where this occurred there was some idea of the implication(s) for the business such as increased revenue or repeat business. Too many candidates still seem to think that just about any action will instantly either increase (or decrease) a firm's profits. This needs to be addressed as it is becoming a common mistake across the paper. To say 'when the economy picks up this will mean that McDonalds' profits rise so it gets more successful' is probably true but the answer cannot access marks for analysis as there is no linking comment about a rise in disposable income and the concomitant affordability of 'eating out'.

On the best answers there was clear evaluation from those candidates who recognised what the question was asking for and who made their case for the most important factor(s) in both the short and long term.

## F292 Business Functions

### General comments

This series unit examination was characterised by a considerable difference in performance between Sections A and B. The responses to Section A were generally the weakest since the introduction of this part of the examination in 2009. Anything to do with numbers or number concepts was particularly poorly done; with very few correct definitions of net current assets and about half the candidates were unable to understand simple cost information.

On the other hand, answers to Section B showed a generally good knowledge and understanding of the context with many attempts to show analysis by using key phrases such as 'this leads to' or 'in this case'. The best candidates made full use of statements, tables, diagrams and appendices from the case study rather than writing generic responses. They also recognised that a problem in one area of the firm can impact on other areas or with the firm's objectives. So, for example, issues with poor budgeting led to a lack of finance from the bank which could prevent SYL being able to invest in a larger warehouse in order to solve stock control issues and that a new warehouse was necessary due to predicted growth.

A thoroughly prepared knowledge of the case study should help candidates find information **quickly** in the examination and avoid confusion. In this series there was some evidence of a few candidates running out of time and/or being confused over which products were affected by stock issues and changes in distribution. In addition, there were some consistent misinterpretations of Questions 3 and 5.

### Comments on individual questions

- 1 (a) This part of the question about total quality management (TQM) produced a wide range of answers. The better answers mentioned the involvement of every employee, as well as the need for TQM to be part of the firm's culture. Many candidates treated TQM as if it was the same as quality assurance.
- 1 (b) The majority of the candidates were able to identify two factors which affect market growth. There was a wide variety of possible responses with demand, price and competition being the most popular.
- 1 (c) Nearly three-quarters of the candidates failed to achieve any marks on this part of the question. Some gave no answer but most had little idea of the basic calculation. An answer of 'Current assets minus current liabilities' gained full marks.
- 1 (d) Most candidates were able to identify the fixed costs from the table and then go on to work out total costs, with OFR being used, where necessary, to award the second mark. However, very few candidates got parts (iii) and (iv) correct. In particular, many candidates appeared confused by the term 'marginal' as some answers gave £1 for the drop in **average** price from £6 to £5.
- 1 (e) The better answers described how firms will be able to cope with unexpected orders but would be paying for resources which were not fully utilised. Candidates need to learn the difference between increasing capacity utilisation and increasing capacity and not to confuse capacity with stock issues. Many of the attempts at giving a disadvantage talked about the impact on stock levels without making much sense.

A significant number of candidates reversed the question, ie they wrote about the advantages/disadvantages of operating **at** 100% capacity utilisation.

- 1 (f) This part of the question was well answered with the candidates' most popular answers being bonus payments for hitting targets and commission for sales made. It was not necessary for candidates to explain **how** the method motivates. A surprising number of answers given were for non-financial methods of motivation.
- 2 (a) Surprisingly few candidates managed to gain full marks for drawing a simple stock diagram accurately, though many candidates did achieve two marks for correctly labelling the maximum and buffer stock levels correctly. Part (ii) was very poorly answered with most candidates getting the answer wrong, often with an answer given in weeks.
- 2 (b) As with previous sittings, candidates generally performed best on the first longer question. The better answers were ones on which the candidates clearly described **how** to organise stock more efficiently (make popular items the most accessible and reduce the stock of the less popular items). Analysis came easily from stating how these suggestions could help to reduce damage and to keep SYL's dispatch guarantee. The better candidates used the stock control charts from Question 2(a) to analyse reducing lead times in order to reduce stock levels and how this may be problematic for SYL, given where its supplies originate. Good answers also organised suggestions into the immediate changes (more efficient organisation) against longer term solutions with expected growth (new premises).

Weaker answers consisted of a list of things which SYL could do, but without any analysis of the impact on the firm. There was also a lot in these answers about JIT, without recognising that this was not a realistic option for SYL, given the reasons for its high stock levels.

Some candidates mistakenly ignored the off-the-peg items and wrote about the bespoke suits which were not held in stock by SYL.

- 3 Recognising that the marketing mix must change was crucial to this question. A good response might be; if it was cheaply promoting only online before, now it would be using the media such as newspapers, but could SYL afford to do this given that it has been turned down for a loan? A good answer could then go on to justify why one 'P' was more important than the rest.

A reasonable number of good analytical answers got straight into Level 3 by commenting that prices might have to increase, but this was not a problem given that SYL was currently only charging a price which is 10% of the typical competitor's price.

Few of the better answers went on to achieve Level 4, mainly because evaluative comments were either 'out of the blue', with no preceding analysis, or were not in a strong enough context.

However, there were very many weaker answers where candidates failed to make reference to any part of the marketing mix. Candidates also showed their poor knowledge of the context by talking about how SYL was setting up its own shops and employing its own staff in retail or was going to sell the off-the-peg items in shops, rather than the bespoke suits. Many answers also gained very few marks by attempting a different question about whether SYL should go ahead with the proposal to sell on the 'high street'.

- 4 In many cases, this question brought about a long narrative, including what the problems are now, rather than focusing on the question which was about the change of organisational structure. Many answers got rather side-tracked on the issue of a wider span of control, when, in fact, this has changed little, rather than focussing on the benefits of a more decentralised structure, in which there is closer management by an increased number of managers.

The better answers did analyse the effect of this and make evaluative comments in terms of the interference which may well occur as a result of Jonny and Warren ‘sticking their noses in’, while other candidates discussed the problems which would occur in a business where managers are allocated new positions without very much consultation.

Once again, some answers ended up answering a different question about whether it was a good idea to change the organisational structure. Candidates are advised that this will rarely gain any credit and is merely wasting time which could be better spent on other answers and is often the reason for some candidates running out of time.

- 5 This question on improvements to SYL’s budgeting process showed a very wide variety of responses. There were some very good answers which demonstrated a solid understanding of **HOW** budgeting can be improved, often using Table 1 and the variances. Analysis was achieved by linking a solution to a contextual impact. For example, an experienced accountant would have the background knowledge to create more realistic budgets and SYL can afford to pay for their services as it achieved substantial pre-tax profits in both accounting periods. Then, evaluation could be gained by linking the need for an experienced accountant to the proposed changes in SYL’S organisational structure and expected growth. Another good contextual point surrounded the sense of SYL having identical budgets for two consecutive periods when the company was growing so quickly.

Weaker answers described methods which SYL could use to meet the targets such as reducing employment costs, the usefulness of budgets and the effects of poor budgeting. Some candidates discussed cost cutting and revenue raising, without looking at the methodology involved in budgeting. Once again, a case of not reading the question thereby answering a different question.

## Summary

- Thorough revision of the whole specification is necessary to enable candidates to gain better marks on Section A.
- Too much time is wasted by candidates in writing about what the problems are or what the firm is currently doing, rather than getting more quickly into answering what the question is actually about.
- 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 evidence of good analysis and evaluation in the answers to Questions 2(b) and 4.
- Questions 1(a), 1(c), 3 and 5 were least well answered and Questions 1(b), 1(f) and 2 were answered best.

## F293 Marketing

### General comments

The January 2012 F293 Marketing paper has appeared to be as accessible to candidates as have papers in the most recent, previous series. Candidates appear to be fully aware of the format of the resource booklet and the construction of the question paper in terms of the mark allocations and the examination skills which they needed to display when answering the questions. The context of this paper was set in Ireland with the focus of the resource booklet being a coach company with the introduction of a possible diversification into the hotel industry towards the end of the text. In terms of context and the mark scheme, these were vitally important points.

As has been the case in previous series, the mark allocation and question types on this paper followed a set pattern with two analysis questions, a single calculation question and three questions which required the higher order skills of evaluation to be displayed for access to the top marks. Many centres have demonstrated an ability to develop candidates in the skills of analysis being 'cause, effect and knock-on-effects (or implications) although fewer candidates displayed the ability to evaluate consistently in their answers. The best candidates were able to make judgements on the relative importance of the points which they made within the text of their answer and were also able to further evaluate in summative conclusions. This was, however, often uncommon in evidence across the entire entry.

Further development in the preparation of candidates at many centres may also focus on the contextualisation of candidate answers. Teachers may note that on questions which require analytical or evaluative judgement, candidates who cannot put their answers in context (in this case the coach industry) would find themselves limited to a maximum of Level 2 marks within the mark scheme. The most disappointing examples of this were evident when candidates experienced substantial 'opportunity cost' in terms of time, having written significant amounts of theory about sales promotion, pricing strategies or desk research.

Candidates, on the whole, answered all of the questions within this paper and, did not appear to have experienced any great time problems. Candidates were able to bring in various aspects of knowledge into their answers and frequently did, however, all too often the highly segmented market information was not utilised in the candidate responses to tailor their justifications of possible pricing strategies and promotional strategies for the company in the resource booklet. Finally, as in each previous paper, the calculation question was well received and accessible with the 'own figure rule' applied to good effect.

### Comments on individual questions

- 1 This question required the candidates to display the skill of analysis in relation to suggested marketing objectives for the coach company, KCL. The key to accessing the highest level in the mark scheme (five-six marks) was to be able to suggest appropriate marketing objectives and to consider the implications of them for this type of company operating in this type of market and under the trading conditions as detailed in the resource booklet. Too often, no context was applied or standard theoretical marketing objective text was delivered by candidates who could, then only achieve a maximum of four marks.
- 2 As aforementioned, the calculation question on this paper appears to have been readily accessible to the majority of the candidates. The request that the candidate calculate two mark ups and add them together for the top mark was within the skills of many. The most common errors were calculation ones, more of a mathematical nature than any lack of understanding of mark up in a pricing or marketing sense. Some candidates, however, failed to attempt this question.

- 3** This question required the candidates to select and justify appropriate pricing strategies for KCL – given the objective of looking to increase sales in the conditions in which it was trading, as described within the resource booklet. Within the text it was clear that KCL currently employed a cost plus pricing strategy and there was also much inference of the use of competitor based pricing. Candidates were not penalised for suggesting that continuing with these strategies would be the best option for KCL. Other pricing strategies looked at were many, with psychological pricing being often suggested but with very limited contextualisation success given the nature of the product in this particular resource booklet. Too often candidates described, theoretically, different pricing strategies with little or no context, fewer looked at the implications (analysis) of KCL employing such tactics, and even fewer were able to make judgements (evaluation) on the possible suitability of the strategies which they were suggesting.
- 4** The answering of this question required the candidates to demonstrate a similar skill set and structure to their response as Question 3, although utilising a different knowledge base. The candidates were asked to look at a range of sales promotion techniques (other than advertising) and to make judgements on their suitability for the company in the case. In short, the broad view of candidate responses is the same as on Question 3 in terms of the higher order skills and disappointingly, many candidates spent too much time discussing the merits of advertising as an appropriate form of sales promotion for this company.
- 5** This question appears on the face of it to be somewhat straightforward in the requirement of knowledge of the advantages of undertaking desk research. This level of response was clearly not beyond the vast majority of candidates; however, the ability to contextualise this either to the regular markets of KCL, or the decision to diversify into the hotel purchase, was disappointingly uncommon. Candidates were expected, for top marks, to suggest the types of information which KCL might seek through the use of desk research and the advantages of doing this. The most obvious desk research for this case was suggested as being current sales figures, customer databases or capacity utilisation rates – either in the coach business or for the proposed hotel purchase. Candidates who managed to provide responses on this level, scored very highly on this question.
- 6** Centres in general, had prepared very well and their candidates delivered very well in the answering of Question 6. This question remains, of course, a synoptic question and requires consideration of all aspects of the business, not just marketing, for an appropriate response. In reality in this series, with the possible decision of diversification through the proposed purchase of the hotel being the focus, the best candidates recognised that, in terms of marketing, other than some market research, very little would be relevant at this stage in the decision making process. Many candidates rightly focussed on the possible implications of the financial and human resources elements of the decision and in terms of operations, quality and possible loss of control were often considered. Once again, evaluation was less evident in the majority of responses than we would like to see as candidates failed to comment on the significance of the points which they were making and the magnitude of the risk that this strategic decision may bring. Candidates also failed, in many cases, to question any of the information which they had been given in the resource booklet, which may have included consideration of the low cost of the hotel purchase price (£1.5m) or the potential short payback of the investment on such a considerable project. Some candidates did consider the relatively low skills and knowledge base of the current management in entering the hotel market but, again, this was done on a superficial level.

In summary, it has been the consideration of the examination team that the F293 Marketing paper in January 2012 was indeed accessible to the majority of candidates; however, the inability of the best candidates to find ways of displaying their higher order skills (which they do on other papers) remains a frustration. Centres may wish to consider appropriate strategies to develop the evaluative judgement of each point which is being made in relation to the size or type of business, the product or market alongside and external information in terms of customer base, competition and the economic environment in order to ensure candidates are able to make judgements on, for example (amongst others), how likely, how important, how useful or in what time frame the points they are making may influence, affect or be affected by the company and in the context of the resource booklet.

## F294 Accounting

### General comments

The examination 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. It was encouraging to see that the general standard of responses is improving and this is largely due to the candidates' ability to answer Question 6 in the synoptic way originally intended.

There was no evidence to suggest that the candidates struggled to complete the examination because of a shortage of time.

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, where relevant.

Finally, candidates must be more aware of reading each question and reacting to clear signposts about the use of tables and other quantitative data.

The mark scheme relating to this paper has a detailed breakdown of the key financial calculations and other materials which a candidate could have used in responses to the questions.

### Comments on individual comments

- 1(a) (b)** In order to achieve full marks, the candidates needed to provide the formula and correctly use the relevant data. Candidates needed to state their answers as a percentage.
- 2** This question produced a wide range of responses. Good answers demonstrated knowledge and understanding of accounting principles and how they relate to bad debts provision. The best responses went on to consider a reason for a bad debts provision in the context of the resource booklet and how a provision would impact on the already marginal net profit position but would reflect a true and fair picture of the company's financial situation. There was evidence of confusion over what a bad debts provision is. The most common misconception was that it is a method to improve the control of debtors and credit collection methods.
- 3** This question required the candidates to have a good knowledge and understanding of budgets and objectives. Good responses illustrated the benefits of sound budgeting and objective setting by applying knowledge and understanding in the context of the resource materials, eg to improve the owner's poor organisational skills, reduce the impact of excessive overtime costs. The best responses went on to query whether the owner would ever be able to stick to budgets because of his relaxed management style.
- 4** Good responses used the resource booklet to establish the disproportionate increase in current liabilities compared to current assets. The better responses went on to analyse the increases in individual items by calculating the most significant percentage changes. The current ratio was provided to candidates in the question and so it was unnecessary to carry out this calculation. Similarly, there was no need to calculate the acid test ratio as the question referred specifically to the current ratio.

- 5** This question required the candidates to have a good knowledge and understanding of break-even analysis. Good responses used the resource materials to calculate the break-even and margin of safety. This approach enabled these candidates to explore the usefulness of their results in terms of the other resource materials. The best responses not only questioned the usefulness of the technique in terms of the reliability of the figures but also pointed out that there was some relevance in the context because it was a single product business and the simplicity of the technique would not challenge the owner's limited financial skills.
- 6** Good responses explored the accounting issues through an extensive review of the accounting ratios, eg the poor return on capital employed and net profit margin. As the synoptic question, it was expected that the candidates would also explore other issues relating to marketing, human resources and operations management. In addition, the best responses also evaluated the impact of external influences, attitude to business risk and objectives. Ultimately, a high mark was achievable whether a candidate's decision was to continue in business or to close down. Either point of view could have been supported by the resource booklet. The important factor was that a candidate made a final recommendation based upon a balanced analysis of the resource materials.

## 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 resource booklet in order to answer in context. The resource booklet offered candidates many opportunities to utilise the information to help frame their answers. Many candidates did not take advantage of the information available and consequently did not gain access to the higher order marks.

The questions allowed the candidates to apply the business theory and terminology imparted in order to justify their views. There are still a significant minority of candidates who do not do this, to their detriment. Quoting appropriate and accurate communicational and motivational theory is an obvious way to access the higher marks. Those who did use the theories in the context of the question were well rewarded.

There were too many instances where candidates answered the question which they were hoping for, rather than the actual question set. This was particularly problematic for some, especially on Questions 4 and 5.

The ability to offer evaluative comments through justified and supported judgements remains an issue for the majority of candidates. Weighing the evidence, suggesting which point was of most significance to DCL are both obvious routes into the higher order marks which are available.

The quality of written English remains varied. Paragraphs can be used as an aid to break an answer down into distinct parts thereby enhancing its readability. Such a technique may also help candidates to organise their thoughts. However, the overall standard of spelling appears to have improved and enhanced the readability of the answers. The standard of presentation also varied, with some scripts testing the ability of the examiners in their deciphering skills. There was a small minority of the candidates who used additional sheets and who subsequently failed to state the number of the question being answered. This omission ought to be eliminated.

### Comments on individual questions

- 1 (a) A pleasing majority of the candidates gained full marks on this part of the question. It is also pleasing to report that a large majority of the answers were well presented with clear signs of the calculations undertaken. It remains a worthwhile approach to always state the formula used, as a correct formulae can be rewarded if the actual figures.
- 1 (b) Calculating percentages remains a problem for too many candidates. Stating the formula – (Rejects divided by total production multiplied by 100) allowed candidates to gain a mark. The percentage sign is of importance. Nevertheless, the majority of the candidates were able to gain full marks.
- 2 The question clearly asked the candidates to analyse two possible human resources reasons for the fall in productivity. Some candidates offered references to the poor equipment without highlighting the human resources implications and consequently failed to gain marks. There were some pleasing answers which offered a clear linked, sequential answer which allowed the reader to see that the candidate understood how human resources issues affected productivity. There were answers which made a large leap indicating that productivity fell because staff were not motivated, without suggesting why and how this would affect productivity. There were many factors stated within the resource booklet which could and in many instances, were used: namely, the expertise of the

employees, the level of or lack of training, the level of supervision, Bing's attitude and the selection process for employees. Many candidates were able to offer the required analysis on this question and subsequently were well rewarded.

- 3 This question required the candidates to offer an analysis for only **one** likely benefit of an induction programme. Many of them wasted valuable time by offering several benefits. Candidates who clearly expressed how DCL would benefit from an effective induction programme were well rewarded. There were, however, candidates who listed the disadvantages of induction which was not required, nor rewarded. Some candidates concentrated upon the benefits for the crew or passengers without, sadly, going on to suggest how DCL would benefit. This is a typical example of why candidates need to take sufficient time to ensure that they are fully conversant with the requirements of the question. This question provided an ideal opportunity for candidates to utilise their bank of knowledge with regards to theorists. Suggesting that an induction programme provided employees with a sense of involvement (Mayo) and a sense of belonging (Maslow) are obvious examples which were rewarded. Being able to suggest in a clear, sequential manner how DCL would benefit was well rewarded.
- 4 This question proved to be a good discriminator. Answering the actual question set is essential. On too many occasions, some candidates wrote at length as to how to improve communication within DCL and, consequently, failed to gain access to the higher marks. It is vital that the candidates take their time in order to ensure that they answer within the remit of the question. In this instance they were asked to suggest to what extent such barriers might affect DCL. Applying theorists such as Shannon and Weaver to highlight the type of barrier, followed by a view as to how DCL may be affected and to what extent, allowed candidates to gain high marks, although such approaches were, sadly, not universal. Indicating how DCL would be affected with references to a breakdown in effective communication and, subsequently, how it may lead to an increase in customer dissatisfaction and, therefore, a fall in consumer loyalty leading to a fall in revenue, would have been a good approach. If the candidate went on to suggest that this would be particularly damaging to DCL given its proposed improvements to its other ships was beneficial. Alternatively, candidates could have highlighted which barrier may cause DCL the most problems, with an accompanying justification in the context of the resource booklet.
- 5 This question also proved to be a good discriminator. Candidates were aware of appraisal and how it may be implemented; however the number of answers which lacked any real context was significant. The question did not ask candidates to suggest how it ought to be implemented, but how DCL would be affected following the introduction of an appraisal system. Good candidates indicated the costs and time involved in having a meaningful system which would be accepted by the staff. Noting the very large numbers of employees (crew) involved was significant and would have serious repercussions for DCL; sadly, few candidates were able to make such points and go on to offer appropriate evaluative comments. Weighing the effects on DCL would, and did, allow candidates to gain the higher marks but only for a minority. Again, this question offered candidates the opportunity to use their knowledge of theorists. Herzberg, Mayo, Druker, et al were all worthy of usage, assuming they were used in an accurate and appropriate manner. Linked with the context of the resource booklet the application of theorists allowed for a useful route into analysis which was duly rewarded. Highlighting the advantages and disadvantages and, subsequently, reaching a justified judgment as to the most significant effect upon DCL provided access to evaluative marks. There is still plenty of scope for far more candidates to access such marks.

- 6 This question also discriminated well with the candidates achieving a wide range of marks. The question clearly stated the need to consider ‘other issues’ as well as human resources. Although candidates are improving (when compared to previous examination sessions), there are still too many who concentrated on human resources issues, almost to the total detriment of the ‘other issues’ and consequently lost the opportunity to access higher marks. There was sufficient scope for the candidate to consider the likely marketing implications; namely, the required pricing strategies for the ships, if upgraded; any new advertising which would be required and any promotional requirements, given the ‘launch’ of the upgraded ships. Alternatively, candidates could have suggested that if no upgrade took place, the cost savings could be utilised to help solve some of the issues on the ship which has already been upgraded. Many of the good answers concentrated on what would happen to DCL whilst the two ships were being upgraded, especially in terms of revenue streams, staff and customer relations. This is a synoptic question and it allows the candidates to draw on their knowledge from any part of the specification. It was pleasing to see that many candidates did just that. The good answers answered the question in a strategic manner and considered the implications for DCL if the upgrade went ahead or did not do so. There was no right answer and there were some very good answers which were consequently well rewarded. The majority of the candidates were able to access the marks for analysis; however, yet again effective evaluative comments were too scarce. Just stating ‘in the short term...’ does not automatically mean an evaluative statement has been made. On the contrary, there needs to be a justified judgement made in the context of both the question and the resource booklet. Good candidates did offer effective evaluation by weighing the evidence and offering a clear reason, in context, as to why DCL should (or should not) undertake the upgrade for its other two ships. Offering a balanced view is vital if the higher marks are to be achieved. Such an approach will also make it easier for the candidate to then offer a judgement as to which is the most preferable for DCL.

### Summary

- No evidence of time issues
- Using the ‘clues’ within the resource booklet is advisable – answer in context
- Candidates are to be encouraged to know theorists and apply them appropriately
- Reading the resource booklet and the questions with great care is essential
- More attempts to offer evaluative comments through justified judgements are required.

## F296 Business Production

### General comments

There appeared to be few issues with the accessibility of the resource booklet material – indeed the setting of a Thai restaurant seemed to be a context which candidates could relate to and put themselves in the unique position of the owner and the business' particular logistical situation. Those candidates who did this, and there were many, always wrote with more relevance and consequently achieved higher marks. Very few candidates ran out of time, indeed most provided very full answers to all of the questions. The perennial problem of what constitutes evaluation was again an issue – many candidates still find this skill difficult and it is the two 13 mark evaluative questions which separate the best candidates from those who understand the subject matter, but who cannot access this higher level skill. Candidates are making a more systematic approach to Question 6 and the standard of these responses is improving.

### Comments on individual questions

- 1 Many candidates wrote of more than one production related problem and consequently were only marked on the 'best'. It seemed that most candidates could think of many problems and wanted to analyse them all. They also related problems to **both** targets, again unnecessary. There were many good answers and candidates clearly found the question straight forward but the highest marks, as ever, went to those who actually answered the question – **one** problem arising from **one** target.
- 2(a)(b) The majority of candidates got both parts of this question correct, but a significant minority did not. There were few errors of addition – generally candidates knew stock control or they did not. Given that this topic is absolutely fundamental to production (both numerically and evaluatively), candidates should be urged to improve their understanding.
- 3 For any candidate having revised the 'standard' factors which determine stock levels (perishability, lead times, etc) this question proved very straight forward. Indeed, there were some outstanding responses. Most of the 'text book' factors were applicable to the restaurant and the resource booklet clearly alluded to many stock control issues. Other than those candidates who completely mis-read the question (or had no real knowledge of stock control), most candidates achieved a Level 3 response with contextual analysis. As stated above, the highest level (evaluation) proved to be the differentiator. Candidates, when faced with a 'discuss' question must spend more time thinking about what constitutes evaluation. In this case a prioritisation/weighing up of the factors was the easiest route into Level 4, hopefully looking at the likely stock control decisions the owner would then make.
- 4 The vast majority of candidates found this question the most straight forward on the paper. Economies of scale is a fundamental topic which candidates know and understand. The only issue, if there was one, was the problem of context. Most referred to this restaurant's large size and the obvious economies it would achieve over competitors.
- 5 The issue of staff specialisation proved to be the most difficult on the examination paper for most candidates. Many simply repeated what was already in the text and added little of their own original thought. A question asking the candidate to 'evaluate TMR's policy' requires an analysis of the advantages and disadvantages, hopefully then weighed up against each other, so that the candidate gives a (qualified) 'the policy is a good one' or not. Too many candidates gave very general answers and did not look in detail at the unique issues at the restaurant, eg highly skilled chefs and the specialised purchasing of

stock. Any attempts at evaluation often ended up being a repetition of the analytical points. It is essential that candidates demonstrate clear weighing up, preferably not left until a 'conclusion' at the end.

- 6** This question is very difficult to answer out of context (some candidates did, with a list of factors affecting location) and most gave detailed responses which analysed many of the relevant issues. Few, if any, ignored the 'other issues' (in this case principally human resources) – indeed there were some excellent responses. Increasingly, candidates are demonstrating evaluative skills on questions of this type and responses often run to some five or six pages. To improve further, candidates must weigh up factors against each other during the course of the answer – again, not leaving it to a conclusion, often 'tacked on' at the end. This type of question is gaining candidates many marks and is contributing significantly to their aggregate score across the examination paper.

## F297 Strategic Management

### General comments

This was the first time that this unit has been assessed online. One benefit of this assessment approach is the availability of candidate response data for each question and any sub-questions. It is very encouraging to be able to report that for almost every question the entire mark range was accessed by the candidates. The exception was Question 4, where the lowest mark awarded to those candidates who attempted the question was within Level 2, whilst the modal mark was within the highest level, Level 4.

Given that answers are now written in booklets, it is vital that any additional work on loose sheets is both secure and clearly labelled. If the candidate gets to the foot of the space available and then chooses to carry on by using a supplementary answer sheet they must indicate very clearly what question they are answering. Further, it would be helpful if each continuation could start on a fresh side of paper.

Centres need to encourage or ensure legible writing as ultimately, this is to the benefit of the individual candidates.

There was no evidence of time pressures. Further, there was little to suggest rubric errors. On those very rare occasions whereby a candidate did not offer a response, there was nothing to suggest that the issue lay with not knowing the paper requirements. A possible unintended consequence of writing answers in a booklet is that the length of most answers was much the same and thus, it is hoped, the time of the overly long early answer resulting in the inappropriate final answer is now behind us.

Inevitably on a synoptic business paper there is some potential overlap between questions. To avoid candidates writing overly long answers which are tangential to the actual question, it is recommended that the candidates read all of the questions before starting to answer any. For example, a response to Question 1(b) which suggested taking the PP order was potentially a response to Question 4.

### Comments on individual questions

- 1 (a) Many candidates, indeed the modal group, scored maximum marks on this part of the question. Those who did not were, nevertheless, able to achieve high marks when they had clearly shown their methodology. A common error seen was to use the data in the stem of the question and so just use that one quarter's revenue and profit data. Where this was done marks were still awarded under the 'own figure rule'; hence, centres should continue to encourage their candidates to show their method, and not to simply write an answer.

Very few candidates did not attempt all four ratios. A small minority offered liquidity ratios. These were unrewardable. A similarly small number of candidates did not offer their answers in the accepted form, ie as a percentage.

- 1 (b) Creating a strategy continues to be a problem for many candidates. Some labour under the impression that a series of unconnected ideas is a strategy. Hence, several ways of improving profitability were often seen, but there was nothing to suggest any notion of priority or reasoned sequence. Given that this is a strategic paper this weakness is very disappointing.

There was much in the case study to indicate that profitability was a key concern. Consequently, it is surprising that confusion between profit and profitability exists. Simply selling more goods without any change in price or cost will not change the gross profit margin at all. Hence, those candidates who thought expansion was the route to riches were mistaken. However, an increase in the absolute profit with no change in inputs, whether capital or equity, would yield a greater profitability when measured by the primary efficiency ratio or return on equity. It is vital that candidates fully develop their answers, and share reasoning, and not leave it to the assessor to fill in the holes in an argument in order to ensure accuracy.

There was a lot of very good analysis of LCTL's competitive position and hence its inability to raise price. Often this came from a combination of the calculation of market share or the fact that most of the products are homogeneous. Similarly, there was analysis of Table 1 to show that some costs are rising disproportionately faster than revenues. Rather surprisingly few candidates calculated the average margin on feed and non-feed items to support the text which stated that the later had a higher margin. So, simply writing sell more non feed is less impressive than supporting this with an analysis of the case in order to show why. A small number of candidates picked up on a reduction in the very generous salary taken by Lucy as a way of increasing profitability.

As ever the mark awarded is a result of the quality of the forgoing reasoning. Hence, two different approaches to increasing profitability could be rewarded at the maximum if they were arrived at via a justified judgment.

- 2 This was a rather broad question which invited the candidates to come at it from a variety of directions. Many, quite sensibly, adopted a stakeholder approach and used this as a framework for their answer. Others sought to assess the business' current position against its objectives. Either approach was fine. The better answers engaged in case analysis rather than just simply a 'pick' and then describing evidence of success from the case; for example, Lucy's award. Similarly, recognising that some ratios are worse than the industry average is a starting point for a discussion about success, not a conclusion. The level of stock held by LCTL was frequently used as evidence of being unsuccessful. Few candidates sought to calculate 'days stock' as a ratio or to consider the balance sheet date being in the run up to winter and, therefore, an expectation that sales might soon begin to rise as winter sets in.

Many candidates held the very firm belief that LCTL has cash flow problems and, as such, it cannot be successful. The pity here is that this view was rarely supported by any case analysis. Consequently, the judgment reached could not be seen as justified. Some consideration of liquidity ratios, or looking at how much cash LCTL has compared to its expenditure, would have served to offer the all-important foundation for the view.

Not many candidates opted to consider ethics, such that often Fig 2 did not feature at any point in the script.

- 3 It is clear that candidates knew what a SWOT analysis is and understood its various components. What is less clear is the ability to employ this analytical technique and to link the diagnosis of the current position to the setting of objectives. For example, selecting 'y' strength and then using this to argue that a sensible objective might, therefore, be 'x' would have been appropriate.

Many candidates allowed themselves to become distracted by a critique of LCTL's existing objectives. This is not what the question asked. Nor was a generic discussion of the usefulness, or otherwise, of a SWOT analysis. Too often time and energy was expended on writing about things which were thought to be missing from LCTL's SWOT. Unless

there was the essential linkage between the two vitally important specification elements then the resulting answer was partial.

- 4 This decision question was well answered. For many candidates it proved to be both their highest mark and their salvation. From the case it was clear that any one of three possible decisions could have been tested. There was some very good analysis of the case material which in turn led to an evaluative outcome. It was good to read candidate's answers which sought to balance risk against reward. Further, many candidates covered several different aspects of the decision ranging from finance to marketing before reaching an overall synoptic view. What that view was far less important than the route to it. The concept of contribution was often and accurately used. Similarly, the concept of opportunity cost was used to good effect in seeking to assess the 'lost' benefit of selling to existing customers if the PP order were to displace them.

That a growing business may actually turn down a profitable order offered no inherent contradiction in the view of many candidates. This ability to critically look at evidence, to weigh it in the context and objectives, is extremely encouraging. Very few candidates myopically said take the order because it is profitable and businesses all want to make as much profit as possible.

It was evident that many candidates would have preferred a question about relocation and expansion. Those sufficiently determined to have their say used this question as their vehicle to air their view. Where these answers touched on the PP order they were rewardable. When they did not, they were not. The need to read and reflect on the question set, and then to be absolutely scrupulous in answering it, is a fundamental ingredient for examination success.

**OCR (Oxford Cambridge and RSA Examinations)**  
1 Hills Road  
Cambridge  
CB1 2EU

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Telephone: 01223 553998

Facsimile: 01223 552627

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