

# **Applied Business**

Advanced GCE A2 H426/H626

Advanced Subsidiary GCE AS H026/H226

## **OCR Report to Centres**

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**June 2012**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, OCR Nationals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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

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

OCR will not enter into any discussion or correspondence in connection with this report.

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## Overview

Reports by the Principal Moderator and Principal Examiners for the GCE Applied Business June 2012 series follow this report. It is important that centres consider these reports carefully as they contain specific advice on how to prepare candidates for assessment within each specific unit within the qualification.

The applied nature of this qualification requires the candidates to apply their business knowledge to different business scenarios. The best pieces of work were undoubtedly, therefore, from those candidates who were able to contextualise their responses, be this the case study in the externally assessed units, or a candidate's chosen business in the internally assessed units. Centres need to continually encourage their candidates to provide analytical and evaluative comments which go beyond generic judgements to ones specifically appropriate to the business under consideration.

Teachers are encouraged to provide constructive feedback to their candidates throughout their one/two years of study, feedback which is based on the grading criteria and on levels of achievement, rather than on the knowledge content of candidate responses. Such practice emphasises to candidates, from an early stage, the importance of the skills of application, analysis and evaluation rather than just theoretical knowledge.

In the Chief Examiner's Report in January 2011, centres were alerted to changes in UK anti-discrimination legislation. With immediate effect the Equality Act 2010 supersedes all of the equal opportunities listed in the current specification – The Employment Equality (Age) Regulations, Disability Discrimination Act, Race Relations Act, Sex Discrimination Act and the Equal Pay Act. This change in legislation affects all units on this qualification which contain references to specific equal opportunity legislature or general anti-discrimination policy, be they internally or externally assessed. From January 2013 candidates will no longer be given credit for reference to out of date legislation.

### **Internally assessed units:**

Centres are reminded that entry code 01 requires them to submit work using the OCR repository. The code for postal submission is 02. Submitting work electronically minimises time delays and reduces the risk of work going astray. Whichever method of submission is chosen, internal moderation of coursework should always be carried out before the portfolios are submitted to the examination board. Centres are encouraged to check that the marks on the MS1 forms match those awarded to the candidate on the Unit Recording Sheets. Furthermore, it is important that when a centre has ten or fewer candidates entered for a particular unit the candidates' work (and not just the corresponding MS1) is submitted to the moderating team by the MS1 deadline. In such circumstances centres should not wait for a request for the work to be sent to the moderator as the entry is too small for sampling to be used and all portfolios need to be submitted.

It is good practice to ask candidates to number the pages of their portfolios, if needs be with a pen. The insertion of page numbers, by the assessor on the Unit Recording Sheet, helps to ensure that when submitted for moderation no evidence is overlooked. Detailed completion of the teacher comments section of the Unit Recording Sheet together with references to the appropriate assessment criteria annotated on candidates' work is extremely helpful, and time well spent. Such practice makes it more likely that the moderator can agree the centre awarded marks.

Centres are free to devise their own assignment briefs rather than using the assignments provided by OCR on the website; however, in such circumstances centres are reminded that they need to ensure that the tasks they set must offer their candidates the opportunity to meet the full requirements of the both the unit descriptors and the Teacher's Handbook, both of which form an integral part of the specification. A copy of a centre-devised assignment brief should be sent to the moderator with the portfolio of work.

Finally, centres are reminded that it is the responsibility of assessors to ensure the authenticity and sufficiency of the evidence submitted by candidates. A Centre Authentication Form for Coursework must be signed by the assessor and accompany each unit submission.

### **Externally assessed units:**

It has been pleasing to see that many of the issues raised by Principal Examiners in previous years reports have now been addressed by centres. The vast majority of candidates this session made reference to specific issues given in the various business scenarios and, where appropriate, attempted to analyse and evaluate these issues.

Where candidates did not score as highly as they might, it was almost invariably because they answered a different question to the one which was set. This was particularly apparent on the higher level questions where many candidates began their responses well, apparently clear as to the question's meaning, but then lost their focus midway through the response. This inevitably led to conclusions which did not match the question set on the examination paper. Candidates need to be encouraged to constantly refocus their minds on the question set, especially when writing at length. A good test at the end of writing a lengthy response is to re-read the concluding paragraph in conjunction with the question set. The concluding paragraph should flow logically from the question, giving an answer which clearly comes to a judgement based on the preceding analysis.

There was evidence of good time management skills this series across all of the examined units. Several candidates even had the time to write on additional answer sheets. Centres are reminded to encourage their candidates to clearly label their work with the question number to which it refers, as well as their name and candidate number. Candidates should also make reference on the examination paper itself that the answer is continued on an additional answer sheet. Furthermore, any additional pages should be securely attached to the candidate's answer book before despatch.

One specific aspect of concern which is apparent with increasing frequency is the incorrect use of business terminology. Candidates more than ever referred to 'income' when they meant 'profit', 'profit' when meaning 'net cash flow' and 'cost' when they meant 'price'. This is especially worrying at A2 and on the dual award when the candidates would be expected to have a good understanding of business terminology. Centres need to address this issue because, in some cases, the use of incorrect terminology meant that the candidate's response was incorrect and could not be rewarded.

Specific information for each unit is given in the following reports from the Principal Moderator and the Principal Examiners. Careful reading and taking action, where appropriate, should lead to candidates being well prepared for assessment in the future sessions of this Applied Business qualification.

Centres may also find the following sources of use to them in helping to build on good practice:

- Previous Principal Moderator's reports
- Individual centre reports on moderation
- Past examination papers
- Previous examination series reports

*OCR Report to Centres – June 2012*

- Coursework consultancy service (OCR)
- OCR Social Community for Business Studies - <http://social.ocr.org.uk/>
- Sample schemes of work and lesson plans – OCR website
- Further guidance for teachers – OCR website
- FAQ's – OCR website
- Teacher assignments for each unit – OCR website
- Exemplar portfolio work for some units – OCR website.

## F242 Understanding the Business Environment

### General Comments

As the title of this qualification suggests, Applied Business focuses on developing candidates' ability to apply their business knowledge to different business scenarios. This skill is especially important in answering levels of response questions. In order to make sure that this skill is fully demonstrated in a response, issues raised in the case study, including the appendices, should be quoted as far as possible, where appropriate.

As evident from some candidates' responses to questions 7 and 8(d) there is an urgent need to ensure that questions are fully understood before an attempt is made to answer them. Due to the length of these responses, candidates need to structure their answers using paragraphs in order to improve the quality of their responses. This is especially important where the 'Quality of Written Communication' is assessed.

Candidates' did not perform well on the numerical questions, especially the calculation of profit. Inadequate understanding of percentages was evident in the calculation of the new budget in the variance analysis and the calculation of raw materials used in the cash-flow forecast. However, the majority of candidates showed their workings and made sure that formulas were written clearly. This good practice should be encouraged and continued.

### Comments on Individual Questions:

1(a) Most candidates were able to identify Skype and emails as methods commonly used by businesses to communicate internally. Methods not specifically used for communication were not awarded, e.g., CCTV. Methods used for external communication were also not acceptable. The majority of candidates were able to explain the reason for their choice.

1(b) Many candidates across all abilities gave vague responses to this part of the question which could refer to all sorts of costs within a business. The mark scheme required the candidates to give clear and precise costs of introducing IT. Therefore, vague answers such as staff training and overheads were not awarded. Candidates are reminded to ensure that their answers to such questions are not ambiguous and to avoid giving one-word answers such as 'training staff'.

2(a) Good understanding of how external influences might impact on businesses was demonstrated by the majority of the candidates. It was pleasing to see contextualised answers in the main, even though it was not required in this instance. This practice is to be encouraged.

2(b) Most candidates were able to answer in context and scored high marks. Using the context given in the case study to illustrate consequences of setting unrealistic budgets was the way to achieve good marks. Consequences of both under-budgeting and over-budgeting were acceptable. Whilst the majority of candidates were able to analyse these consequences effectively, few evaluated to suggest the most likely consequence in order to achieve Level 4. Candidates are reminded that it is essential that at least two analytical comments are made in a response such as this before a valid judgement can be reached. Level 4 cannot be accessed without context – an important examination technique to be borne in mind.

3(a) This part of the question tested the candidates' understanding of the reasons for carrying out a variance analysis, which the majority of candidates answered well. However, some candidates identified the reasons for setting budgets instead and some failed to achieve any marks by giving answers which were vague with no evidence of any understanding of variance analysis.

3(b) In order to answer this part of the question correctly, the candidates needed a good understanding of the impact of a weaker Sterling on the business' purchases in India. This question showed good differentiation, as only the stronger candidates managed to score full marks. Candidates typically calculated the new budget at 10% below the original budget and thus concluded that it was a favourable variance.

4(a) This part of the question was well answered by most candidates. However, there were a small proportion of candidates who appeared to have inadequate or no knowledge of SLEPT at all. Common mistakes being E for environmental or ethical.

4(b) This part of the question required the candidates to evaluate the factor in a SLEPT analysis which would have the most significant impact on the business. Candidates were required to have discussed at least two factors for Level 4 to be awarded. The case study provided ample examples for candidates to use as context, which most were able to do. There was evidence of an improvement in candidates' analytical skills even though few realised that in order to achieve Level 4 they needed to suggest the most significant factor to the business with justification.

5(a) This part of the question was very well answered by the majority of candidates who scored full marks.

5(b) Candidates who did not score full marks on this part of the question generally failed to calculate the fixed cost correctly. The calculation for unit contribution proved to be easier and the weaker candidates tended to score one mark for getting this correct.

5(c) As in previous sessions, the calculation of profit was still a challenge for most candidates at this level. The majority of candidates scored one mark for calculating the total revenue figure correctly. Candidates tended to forget to calculate the variable cost for 50 000 nappies.

5(d) Generally good knowledge of how the variables in a break-even analysis could be changed to lower the break-even point was demonstrated. There was good use of context in most responses even though this was not required. However, some common misconceptions were still evident when the candidates suggested advertising more, having sales promotions, opening longer hours, etc, to improve sales.

6(a) This part of the question was phrased to elicit responses regarding the use of cash-flow forecasts in order to make investment decisions and not how they can be used in the day-to-day running of a business. Perhaps these different functions could be addressed in more depth by centres. Some candidates clearly did not understand the rubric fully, thus failing to tailor their responses to the requirement of the question.

6(b) Most candidates knew the mechanics of a cash-flow forecast and could apply the formulae accordingly. The most common mistake was in calculating the raw material figure. The own figure rule ensured that only one mark was lost in this case. Another common mistake was with the calculation of the sales figure. Candidates are advised to read the question carefully and to make sure that they are equipped with a calculator for this paper.

7 Mis-interpretation of the rubric was evident on this question when candidates carried out a SWOT analysis on the business rather than analysing the benefits of carrying out such an analysis. Whilst the majority of responses showed good knowledge of the topic, answers which did not focus on the benefits of a SWOT analysis were not awarded. The case study offered ample examples for candidates to contextualise their responses and it was pleasing to see that most used them well in order to demonstrate their understanding.

8(a) Most candidates scored one mark for stating the different stakeholder interests. This part of the question differentiated well as only the stronger candidates could explain the balancing act adequately in order to gain full marks.

8(b) This part of the question tested the candidates' understanding of what the business could do in order to maintain a high ethical standard as an employer. Mis-interpretation of the rubric was evident when some candidates identified the sourcing of materials. Good understanding of the difference between law and ethics was evident as most candidates suggested paying employees above the minimum wage, rather than the minimum wage. Again, the case study offered ample examples for candidates to use.

8(c) The majority of candidates scored full marks on this part of the question.

8(d) This part of the question differentiated well. Generally, the characteristics of a plc were well understood, especially the issue of 'loss of control'. However, some candidates dwelled on the advantages/disadvantages which flotation brings rather than whether the business would be able to carry on trading as an ethical organisation. It was a delight to see some sound counter arguments from stronger candidates as to the business' ability to carry on trading ethically. This showed a high level of preparation and a thorough understanding of the case study.

## F243 The Impact of Customer Service

### General Comments

The style, format and difficulty of this paper were similar to previous papers. The wide spread of responses was due, in the most part, to the extent to which questions had been read properly and the candidate's ability to respond in context.

Responding to but 'not answering the question' was a particular feature of candidates' responses, across all ability levels. For example, a response to a question relating to 'inconsistent' customer service should focus on inconsistency, not solely on good or bad customer service. The comprehension of each question and a focused response was again critical to success.

As an applied qualification 'contextualisation' is a very important feature, particularly on the higher tariff level questions. This contextualisation must be more than the mere mention of the company name or the name of characters in the case study.

Both of these observations, relating to ensuring comprehension of question and embedding contextualisation in a response, have been made in previous examiner's reports. However, they are worthy of a continued focus, as the impact of these two features plays such a strong part in differentiating the approach to scripts and the consequent mark achieved.

In addition the following areas are of note:-

Attention to detail in responding to questions relating to legislation and regulation secured credit for responses. For example, 'The Health and Safety at Work Act', as opposed to the incomplete 'Health and Safety Act', which was not credited.

Candidates should also pay attention to unnecessary duplication in multi-part questions where a number of examples are required as a response. All too often, candidates repeat a point and do not check back to establish whether the points are significantly different enough to be worthy of individual credit. For example, the importance of a code of practice to an employee, 'to check they are working to the standards expected' and 'so they know what they have to do', would only awarded one mark, due to their similarity.

Candidates' knowledge of research methods and other theory was good. However, often responses were generic in nature and did not reflect the specific piece of theory being used.

The majority of the candidates completed the paper, indicating good time management. Some centres had clearly played a strong role in developing an analytical understanding of the case and its application, along with appropriate examination technique for each style of question. The challenge continues to be the discipline to comprehend each question before candidates embark on an answer and the candidate's attention to clear progression from Level 1, through to Level 2 with context, followed by analysis at Level 3 and, where it is needed, a justified evaluation at Level 4.

To this end, centres are encouraged to continue to tutor their candidates in their understanding and interpretation of the requirements of a multi-level question. Grade A candidates would be expected to reach Level 4 through an explicit link to the content of the case study with sound judgment contextualised.

**Comments on Individual Questions:**

- 1 (a)(i) This part of the question was answered well by those candidates who had identified the two key aspects of the external customer as being someone who purchases and is based outside the business. A response relating to one of these descriptors did not generate the mark available for this part of the question.
- 1 (a)(ii) This part of the question was answered well by candidates who had identified the specific indicative content.
- 1 (b)(i) Similar to part (a)(i) this part of the question was relatively well answered, if attention to the specific nature of an internal customer was noted.
- 1 (b)(ii) This part of the question was answered well by candidates who had identified the specific indicative content.
- 1 (c) This part of the question was generally well answered by candidates. It was, however, common to see evidence of duplication - when full marks could not be awarded.
- 1 (d) This part of the question was answered well by some candidates. Common errors seen were when the question was not answered properly; misunderstanding what was required and a duplication of answers.
- 1 (e) This part of the question differentiated well. To access the higher marks the candidates needed to discuss the implications of inconsistent customer service, not just give a description of good and bad customer service.
- 2 (a) Candidates scoring well on this part of the question understood what the criteria meant and applied this in their answer.
- 2 (b) This part of the question was generally well understood. To gain marks candidates needed to be specific when naming a type of questionnaire as a suggested method, e.g. a telephone questionnaire and they needed to ensure that the description which followed each suggested method was unique to that method. A generic explanation e.g. 'finds out what the customer thinks', was not awarded.
- 2 (c) This part of the question was answered well by some candidates.
- 2 (d) The higher scoring candidates were able to link the response given to the context of the case, referring to the benefits to the business rather than to the customer.
- 3 (a) Candidates needed to have a clear understanding of a code of practice.
- 3 (b) This part of the question was answered generally well, if part (a) was well answered, unless subject to duplication.
- 3 (c) Again the candidates generally answered this part of the question well if part (a) was responded to clearly and was well understood. Equally, there were also instances when marks were lost due to duplication of examples.
- 3 (d) A good response followed a flow, moving from Level 1, to Level 2 and then moving onto Level 3 and finally Level 4.

- 4 (a) Most candidates referred accurately to legislation, providing relevant examples and descriptions. There is still much confusion over the exact title of some consumer protection legislation and health and safety legislation.
- 4 (b) To gain full marks the candidates needed to refer to the mystery shop having anonymity.
- 4 (c) This part of the question was answered reasonably well by most candidates.
- 5 (a) (i) This part of the question was answered reasonably well, although marks were lost when there was evidence of repetition in the explanation.
- 5 (a) (ii) This part of the question was answered reasonably well.
- 5 (c) (i) This part of the question was well answered. For full marks the candidates needed to ensure that the benefit was clearly related to the business.
- 5 (c) (ii) This part of the question was generally well answered, with good examples given.
- 6 Higher scoring answers were well presented.

## Moderation Report on A/S Units

The majority of centres which submitted work for this moderation session followed OCR procedures, adhered to set deadlines and accurately completed documentation which enabled the moderation process to progress smoothly. Centres do need to note that when entering candidates for the qualification using the code 01 this means that the centre is going to submit its work via OCR Repository. The code 02 is for postal moderation only.

Most centres did adhere to the 15 May deadline for the receipt of mark to OCR and the allocated Moderator. Centres were generally also aware that for entries of ten candidates or less the portfolios of all of the candidates should be sent straight to the Moderator with copies of the marks. If a centre has ten candidates or more the sample request sent via email from OCR must be responded to within **three** days of receipt of the email. Requests for a sample are emailed to the centre's registered email address.

Centres must ensure that all sections of the Unit Recording Sheet have been completed accurately, including the correct total marks for the unit, candidate number and centre number, teacher comments and the location of evidence, in order to facilitate the moderation process. Centres must also ensure the marks submitted to OCR for example on the MS1 form match the marks on the Unit Recording Sheet for each candidate and each unit.

### Assessment

Many Assessors demonstrated good practice by annotating candidate work with assessment criteria references and by giving clear and constructive written feedback. The teacher comments section of the Unit Recording Sheet enabled Assessors to justify the marks awarded for each assessment objective. It was helpful when page numbers were included within the location section of the Unit Recording Sheet. Some Assessors failed to provide written comments or to annotate candidate work. In these circumstances it was not clear to the Moderator how assessment decisions had been made. Without this information it becomes more difficult for the Moderator to confirm the marks awarded to the candidate.

Where assignments had been used, it was most helpful for copies to be submitted with the actual work. This gave a clear indication of the tasks which were given to candidates.

It is the responsibility of Assessors to ensure that each candidate has produced authentic/original evidence. A Centre Authentication Form for Coursework (CCS160) must be signed by the Assessor(s) and must accompany each unit submitted. Possible plagiarism is becoming an increasing problem and centres must be on the look out for work which has been copied straight from the Internet prior to submission for moderation.

Candidates must ensure that any material used from the Internet is correctly attributed. Where material is taken directly from the source, candidates must supplement it with their own explanation, demonstrating their understanding. It is surprising how many candidates cut and paste diagrams and pictures from the Internet (Boston Matrix, product life cycle, Maslow's hierarchy of needs, etc.) without sourcing the evidence. Where candidate work contains inaccuracies, Assessors should annotate the work to this effect, thus enhancing the candidate's own learning. This also indicates to the Moderator that the work has actually been assessed accurately.

Assessors are reminded that they should make direct reference to the unit specifications when writing assignments and seeking clarification of the type of evidence candidates' are required to include within their portfolios. When assessing candidate's work Assessors should make reference to two documents – One, the performance descriptors which are found on pages 109-

110 of the specification; and, two, the assessment objective amplification grids which are located on pages 112-122 of the specification.

It was also noted that those centres which had followed the assignments written by OCR had, on the whole, been able to better structure their candidates work enabling them to access the higher grades. The teaching and learning support materials can be downloaded from the website.

### **Unit 1: Creating a Marketing Proposal**

The banner of the assessment evidence grid requires candidates to produce a marketing proposal to launch a new product or service. Some candidates are still failing to choose suitable products and are often merely trying to re-launch an established product. This ultimately results in candidates only changing, at best, two parts of an already established marketing mix. In some cases the product was actually currently available and the only modifications being specified were a new colour. Centres should check the suitability of candidates' proposed new products/services prior to them completing their initial research. This should help prevent candidates selecting products which are (a) unsuitable or (b) already available on the market.

Centres should also note that candidates **are not** required to **develop a brand new product**. If they do it makes their research very difficult. For example, candidates are often asking respondents if they would buy a product, eg. a 'new ice cream' when, in fact, they have no idea what it would actually look or taste like. It is much better if candidates select a product which is already available but not sold by their selected business. It could be a form of diversification.

Assessors are also required to use the witness statement supplied within the OCR specifications to justify the marks awarded for AO2. This is now located on pages 140-141 of the specification.

The banner states that candidates are required to investigate a medium to large sized business. However, it was noted that the majority of candidates in previous moderation sessions had focused on small/medium sized businesses which were locally based. This enabled them to conduct relevant research which was used to good advantage throughout their delivery of AO2. These candidates also found it easier to develop their judgements as to the likely success of their marketing proposal.

On reflection, it is now felt that candidates could extend their investigations into smaller local businesses, as long as they are able to gain sufficient information in order to meet all the assessment objectives.

### **Assessment Objective One**

This section, on the whole, was covered well by the majority of candidates sampled. Assessors must remember that this section does not need to be directly related to the selected business and mark band 3 marks can be achieved by the candidate who produces purely theoretical coverage which is considered to be clear and comprehensive. Candidates should be encouraged to use generic examples to help demonstrate breadth and depth of coverage of each section.

The candidates sampled this series were sometimes still struggling to explain in depth how each functional area supports marketing. Centres should note that candidates are not required to explain the specific role of each functional area, the focus must be on how it supports marketing activity. Centres must also avoid candidates discussing how functional areas work together. Candidates often found the use of a 'made up' scenario, for example the selected business is just about to launch a new product, helped them demonstrate a clear and comprehensive understanding of this section.

Candidates do appear to struggle with the concept of marketing objectives. Coverage of this section was often muddled with the general aims and objectives of a business. Candidates often explain the aims and objectives of their selected businesses under the heading of marketing objectives – which frequently they are not.

Candidates need to demonstrate that they understand that marketing objectives are one of the techniques a business will use to achieve its overall aims. For example, the overall aim of a business might be to increase profit by 6% over the next six months. The marketing department would then be set the objective of running an advertising campaign during, say, July and August in order to increase repeat custom of product X by 5%. Alongside this the production department would be set the objective of reducing wastage by 3% throughout the next six months. Both of these objectives would ultimately help the business achieve its initial aim of increasing profit by 6%.

The marketing mix was often covered in detail and fully explained with candidates demonstrating a clear and comprehensive understanding of this section of the assessment objective.

Candidates should be encouraged to use generic examples to demonstrate a clear and comprehensive understanding, allowing them easier access to mark band 3.

### **Assessment Objective Two**

Candidates must include their presentation slides, prompt cards and, where appropriate, the notes used to accompany the presentation. As mentioned above, Assessors are required to complete the witness statement supplied by OCR. The more detailed this evidence is, the easier it is for the Moderator to agree the centres' marks. Some candidates' portfolios still did not contain a witness statement or any other evidence to indicate that the presentation had actually taken place. It then becomes impossible for Moderators to agree the marks awarded for this assessment objective.

In order to achieve mark band 3, candidates' evidence must be clearly targeted to their selected customer and every section of their marketing proposal must be fully substantiated from **both** primary and secondary research.

Within their presentations, candidates must clearly state what their selected product is, how they will promote it, where they will sell it, and what price they will charge for it. These decisions must be supported by **primary and secondary research**. A lot of candidates lost marks because they merely stated what they 'might' do with no reference back to the research undertaken. An example would be –'I will charge 30-50p for my product '. The candidate has failed to state a specific price and makes no clear indication of how or why they have come to such a decision. Candidates are also required to **change** at least **three** parts of the marketing mix if they decide to develop a product which already has an established marketing mix. Centres must remind candidates to fully research their proposed methods of promotion. For example, if the candidate wishes to promote their new product in a magazine the candidate must state which one. Their decision should relate to who the target audience is for the magazine and also the readership numbers and, where possible, a link between potential costs and budget available.

Candidates should not be awarded mark band three unless they have supported at least three part of the marketing mix with both primary and secondary research. Investigate the competition is a good way of gaining further research,

A problem seen this series was that some centres had awarded candidates mark band 3 marks with the decision being supported by an extremely detailed witness statement. The witness statement implied each part of the marketing mix had been supported by primary and secondary research. Upon further investigation into the candidates' work there was no evidence of this research in AO3 and the candidate's evidence to support the presentation also lacked this information. It then becomes very difficult for the Moderator to agree the marks awarded by the centre.

### **Assessment Objective Three**

This assessment objective had a number of inherent problems. Candidates often failed to collect their primary research from the correct target audience. If the new product is aimed at people over the age of 19, the majority of the candidate's primary research should **not** be conducted within the 16-19 age range. Another problem was candidates who had collected vast amounts of secondary research which they then failed to analyse or use.

When analysing their data candidates must make reference to section 'Research in a market' on pages 15-16 of the specification. This clearly sets out the techniques candidates are expected to use in order to complete their statistical analysis. Particular attention is drawn to the fact that candidates are required to use the marketing tools SWOT and PEST. These should be used to draw together the candidate's research and focus on the new product/service not the business. Centres should also note that the Boston Matrix, Ansoff's Matrix and the product life cycle are **not** requirements of this unit and as such do not attract marks.

Too often candidates' analysis simply included the production of pie charts and graphs through the use of computer software and then a simple explanation which consisted of the terms 'the majority', 'most people', etc. This type of evidence can, at best, achieve the lower end of mark band 2. Candidates must be encouraged to analyse their research clearly, stating how it will inform the development of their marketing proposal. Pages and pages of internet printout do not count as analysis.

Candidates need to be aware that in order to achieve mark band 3 their suggested product, price, place and promotion must be supported through primary **and** secondary research.

### **Assessment Objective Four**

Judgements on the potential success of the marketing proposal were often weak. They lacked the depth required to achieve mark band 3. In order to achieve the higher marks, candidates must consider their proposal making two sided judgements, considering both the possibility of success and failure. This was often lacking within the work of candidates seen. Candidates should be encouraged to consider the disadvantages and advantages, short term versus long term and the internal and external impact of their proposal on their selected business.

Within this section, candidates need to focus on all the elements of their marketing proposal. For example, will the price set for the new product meet the needs of the potential consumers; will the suggested promotional campaign reach the target audience? Too often candidates just focus on the potential success of their product and forget the other three elements of the marketing mix. Candidates should make reference to the section 'How to judge potential success' found on page 17 of the specification.

## **Unit 2: Recruitment in the Workplace**

This unit remains quite a logistical challenge for some centres. There was evidence of very good practice, but at the other end of the scale very little evidence of candidates' own work. The best portfolios were based on jobs which were realistic for the candidate to apply for. For example, receptionists, clerical positions or part time jobs based in shops. Where inappropriate jobs had been chosen, potential applicants found it very difficult to complete application forms as they did not have the necessary qualifications for the position being interviewed. It was also rather disappointing to witness some candidates failing to take the role play situation seriously and completing application forms with inappropriate information. Centres attention is also drawn to the final paragraph under the section headed 'The recruitment process', on page 19 of the specification. It states 'Please note: candidates will be assessed both on their ability to produce relevant and appropriate recruitment documentation specific to their chosen job role and recruitment documentation relevant to the post(s) advertised by their group peers'.

Moderators find that often they are unable to distinguish between original recruitment documents, candidates' own documents or those of the group. Centres must ensure that candidates clearly label each of their documents. They need to provide a road map for the Moderator – is this document one the candidate produced or the final one which was used by the group for the interviews? It is also recommended that candidates include copies of the original documentation of the selected business so that the Moderator can assess the degree of original and individual work.

Whilst candidates can work in groups to actually perform the interview, they are required to produce individual evidence that they have met the requirements of the assessment grid. These are the documents which their AO2 mark should be based upon. There was still evidence of Candidate B designing the job advertisement, and Candidate C designing the person specification, etc. This is not acceptable. Under the sub-heading AO2 there is a flow diagram which illustrates the process candidates should follow if they are (a) working individually or (b) working in a group.

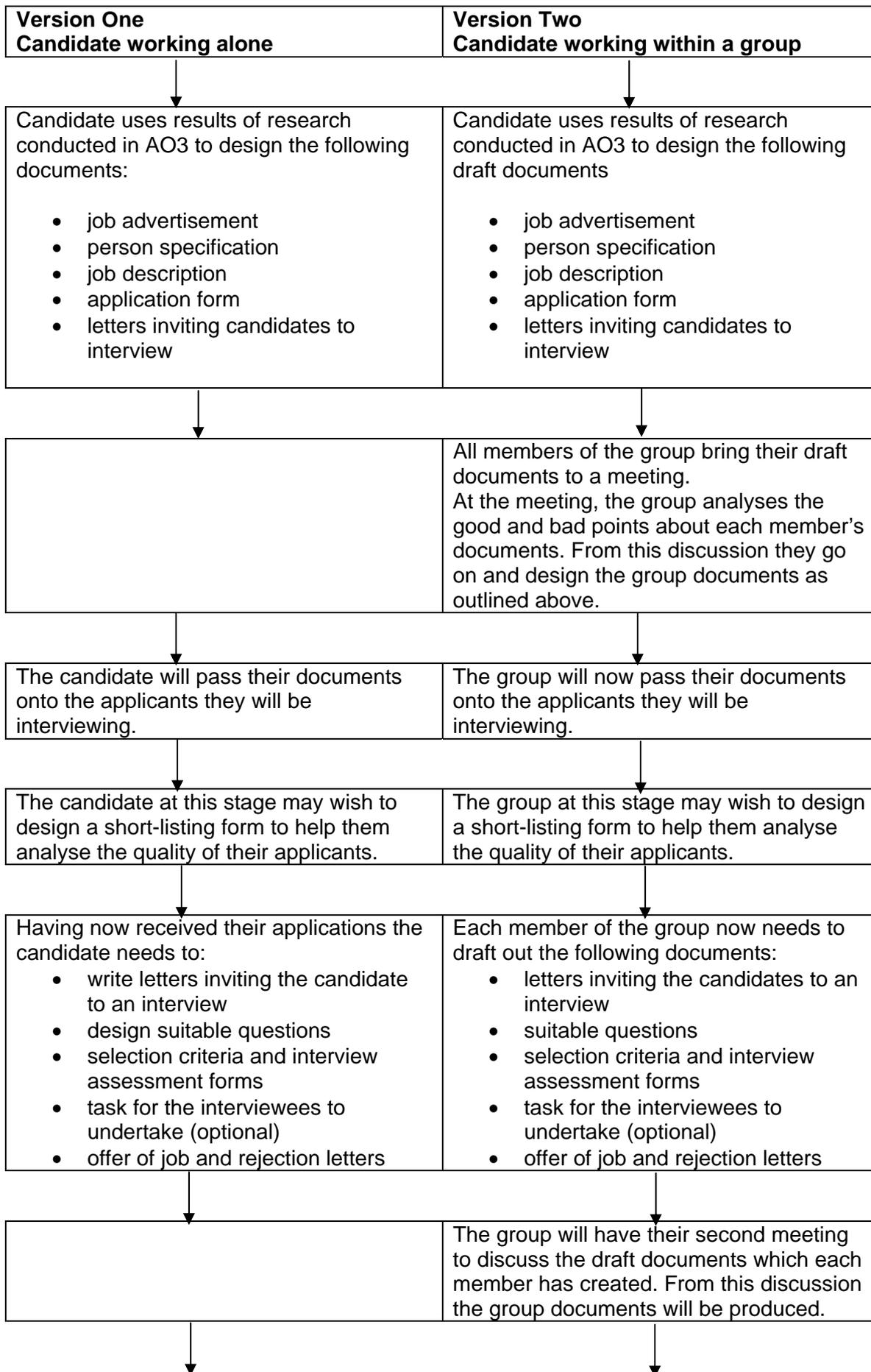
### **Assessment Objective One**

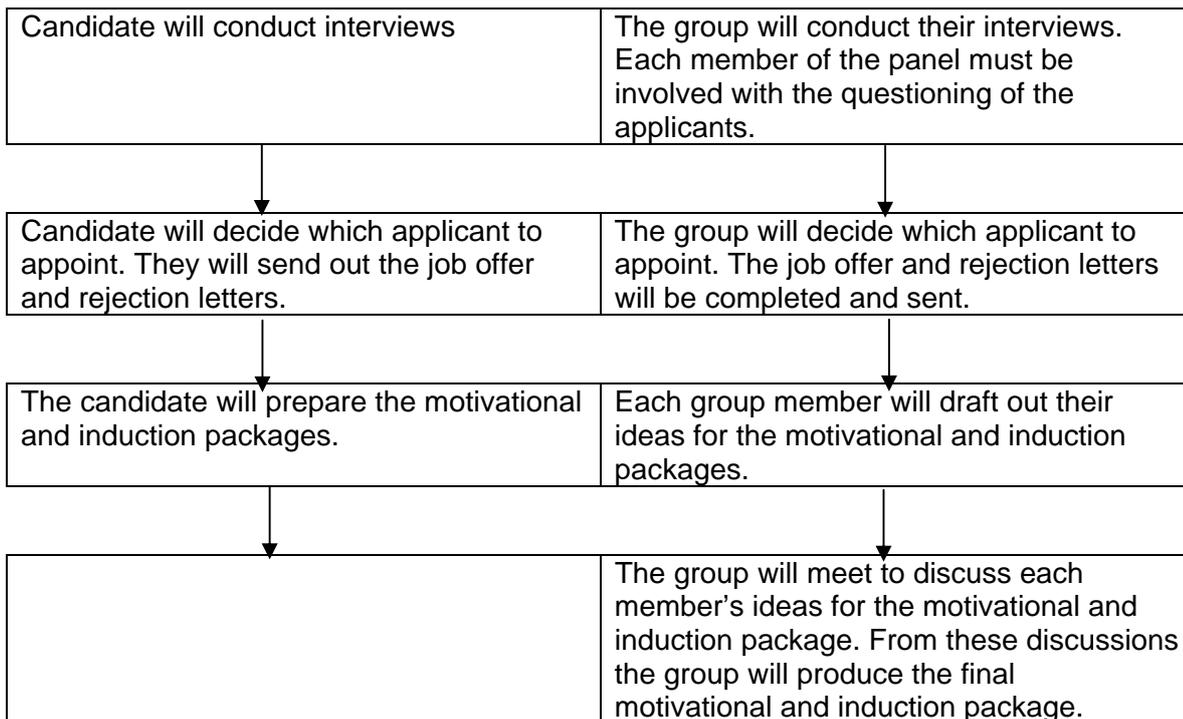
The majority of candidates sampled were able to produce a detailed description of 'The recruitment process' but coverage of 'The selection process' was often be patchy. Candidates do need to ensure that they cover all the required bullet points found within this section. Candidates' coverage of induction was patchy ranging from extremely detailed to simply a pure identification of the topics which would be covered in an induction programme. Candidates' coverage of motivation should focus on the section 'Employee motivation' found on page 20 of the specification. Candidates are only required to cover financial and non-financial motivators. Candidates do not need to cover motivational theorists. Coverage of the legal framework is still the section which gives centres the most problems. Centres should also note that in the new specification candidates are now required to cover The Employment Equality (Age) Regulations 2006. Candidates do not need to describe the acts. They are required to consider how each act would impact on the recruitment and selection process. For example, when designing a job advertisement what factors would a business have to consider – could they state Young Energetic Male required? If not why not – which acts would this statement breach? How will each act affect the way in which a business conducts their interviews? What do they have to consider when designing their questions? This aspect needs to be developed if candidates are to be awarded marks in the mark band 3. Centres should also note that theoretical coverage of the section 'Job roles', is not required. Examples used to support 'The legal dimension' must also relate to recruitment and selection and not to breaches in legislation relevant to general employment law.

### **Assessment Objective Two**

This assessment objective assesses:

- the candidates' materials produced to recruit and select an individual – including job advertisement, person specification, job description, application form, letters inviting candidates to interview, interview selection documentation;
- the actual interview;
- the motivational package;
- the induction package;
- letters informing successful and non-successful candidates.





In order to aid the moderation process, each of the documents produced throughout the different stages must be clearly labelled within the candidate's assignment.

It is good practice to include a witness statement which identifies how the candidate conducted/performed during the interviews. This could be completed by peer observers. This evidence would also enable candidates to develop their AO4 evidence.

As stated above, candidates need to include copies of the recruitment documents they completed as part of their role as an interviewee.

### Assessment Objective Three

A number of centres still submit work where there is no evidence of research having taken place. Placing copies of other businesses' recruitment and selection documents in an appendix does not count as analysis.

In order to achieve this assessment objective, candidates need to collect at least two of the following documents:

- job advertisements;
- person specifications;
- job descriptions;
- application forms;
- different types of letters – illustrating correct business layout and terminology;
- motivational packages (if possible);
- induction packages (if possible).

Having collected this evidence, candidates are then required to analyse each document identifying what they feel are its good and bad points and whether they conform to equal opportunity legislation. Candidates are then required to explain how this analysis has helped to inform the design of their own documents. This last stage is vital if candidates are to achieve mark band 3.

### Assessment Objective Four

The weaker candidates sampled often only made judgements about their own performance during the interview process and weak judgements concerning the documentation produced and its fitness for purpose. A new trend has seen candidates evaluating every document they produced considering its fitness for purpose. They then omit to cover the other bullet points found under section 'How to judge effectiveness' on page 21 of the specification. Candidates are not required to do this – but should be considering the whole process. This will help them consider the overall impact of potential weaknesses and strengths.

Very few candidates were able to consider the impact identified weaknesses had on their recruitment and selection documentation and subsequently how the interviewee performed at the interview. They made simple statements such as 'in our application form we did not leave enough room for the candidates to write their qualifications in'. They then failed to make a judgement about the possible impact this could have had on the interview process. Candidates must be reminded that they need to consider how each of the bullet points would impact on the effectiveness of their recruitment and selection process.

Candidates are also encouraged to make reference to the section 'How to judge effectiveness' on page 21 of the specification which develops the areas candidates could consider when making judgements concerning effectiveness.

### Unit 5: ICT Provision in a Business

In order for candidates to successfully complete this unit it is paramount that the correct business is selected. Where case studies had been selected they often lacked the detail necessary to allow candidates to achieve much more than mark band 1. Candidates were still selecting businesses which currently **use a substantial amount of ICT**. This meant that all candidates could recommend was upgrading or an additional piece of ICT software or hardware. This does not constitute an ICT proposal.

Whichever route is selected for this unit, a real business, or a case study, candidates need to be able to find out the information outlined below in order to compile a detailed assignment that could achieve top mark band 3 grades.

- What ICT provision does the business currently have?
- How is ICT currently used in the business? For example, if the business has a word processing package, who uses it and for what reason is it used. This information should also link into the different departments within the business and how they are currently making use of ICT.
- What does the business want to achieve by installing ICT? What different functions is the new package supposed to be able to perform? How does the business envisage it improving efficiency?
- An estimated budget and timescale for the project.

Candidates also need to introduce the business – what it does, how big it is, etc. This is vital scene setting not just for the candidate to consolidate ideas but for the Moderator who finally looks at the assignment.

### Assessment Objective One

This was most successfully achieved when it was tackled as a theory only section. Candidates are required to demonstrate their theoretical understanding of sections 'How ICT is used by businesses', 'The forms ICT can take', 'Benefits/drawbacks of introducing ICT provision, and 'Contingency planning. These can be found on pages 30-31 of the specification. This will provide candidates with sufficient knowledge and understanding to develop their own ICT package.

Candidates should be encouraged to develop the section on how the different functional areas could use ICT. This would aid candidates when recommending software for their own ICT proposal. Generally, the coverage of software was weak in that it did not state how businesses might employ the various forms and what ultimate benefits it would/could bring to the businesses.

### **Assessment Objective Two**

This assessment objective is achieved through a presentation. Candidates must include their presentation slides, prompt cards, and, where appropriate, the notes used to accompany the presentation. Assessors must complete the witness statement supplied by OCR. This is found on page 142-143 of the specification. The more detailed the evidence produced by the candidates and assessor, the easier it is for the Moderator to agree the centres' marks.

In order to achieve mark band 3, candidates' evidence must be clearly targeted to their selected business. The proposal must be fully substantiated from both their primary and secondary research. Candidates should have been able to clearly identify what their selected business hopes to achieve through the development of its ICT provision. This will then directly link to the hardware and software the candidate goes on to recommend during the presentation.

The ICT proposal must clearly outline the hardware and the software which is recommended, the reasons why the equipment and software have been recommended and the ultimate benefits and drawbacks the proposal will bring to the business. A lot of candidates sampled merely stated that they would recommend various different computers, printers and servers with no explanation of why. Candidates also recommended different software packages, again without any explanation of how and why they would/could be used by the business.

### **Assessment Objective Three**

In order to achieve this assessment objective candidates are required to conduct a variety of primary research and secondary research. The first should focus on the business being investigated reflecting the points raised above. The second, where possible, should involve investigating a similar business to find out how it currently uses ICT and the benefits and drawbacks it brings to the business. Candidates may also find it useful to interview someone who has ICT expertise who could offer suggestions concerning suitable packages. Secondary research should focus on the different types of hardware and software which the candidate could recommend when they finally present their ICT proposal. This should include potential suppliers and the possible cost of the hardware and software being recommended.

### **Assessment Objective Four**

Candidates should make reference to the section 'How to judge viability' on page 32 of the specification which provides a framework on which to develop the evaluation. In order to develop an evaluation beyond mark band 1, candidates must back up their statements making reference to their research conducted for AO3. This will only be possible if candidates have been able to conduct detailed primary research into the workings of the selected business. The last bullet point cannot be evidenced if the candidate fails to calculate the cost of their ICT proposal.

### **Unit 6: Running an Enterprise Activity**

Generally candidates appeared to have chosen suitable enterprise activities in order to complete the unit, with quite a few centres amalgamating the unit successfully with Young Enterprise.

A considerable number of assignments moderated had combined the coverage of AO1 and AO2. However, centres are encouraged to ensure that candidates do demonstrate a clear and comprehensive theoretical understanding of the concepts being assessed within this section

before awarding mark band 3 for AO1. One example of good practice seen was where a written explanation of each bullet point section had been supplied and then the candidate had gone on to explain how their group had dealt with each individual aspect. For example, candidates had explained why it was important to have meetings and keep records of agendas and minutes and then showed evidence of their own agendas and minutes.

### **Assessment Objective One**

As already stated the highest marks were gained by those candidates who had covered sections 'Setting aims and objectives', 'Building and developing an effective team', 'Time management', 'Required resources', 'The need for regular meetings', and 'Possible constraints' in theory prior to applying the concepts to their own enterprise activity.

### **Assessment Objective Two**

Candidates need to show clear evidence of how they have dealt with each of the sections listed in AO1. Candidates lost marks as they often failed to give sufficient detail of how they had dealt with these considerations when planning and running the profit-making enterprise activity. It was often obvious that the group had run a successful event, but the write up usually lacked sufficient detail to inform the Moderator of what had been happening. A particular weakness was the section 'Developing an effective team'. Many candidates had applied Belbin but failed to back up their statements. For example, they simply stated .... 'Jane is well organised.....'. This statement needs to be backed up with examples which clearly illustrate that Jane is a well organised person. Another weak area concerned required resources. Candidates failed to clearly identify and describe the exact resources which they would require to run their event.

### **Assessment Objective Three**

Within the AS specification this is the only occasion in which AO3 is completed after AO2. Whilst candidates may need to undertake some research and subsequent analysis in order to find out what would be the most suitable enterprise to run, this does not count towards their AO3 evidence.

In order to achieve AO3 candidates must follow the guidelines as specified in the section 'Research and analysis' on page 36 of the specification. Candidates are required to research and analyse different stakeholders' opinions of their enterprise. This should include:

- surveys with the participants who took part in the enterprise activity;
- questionnaires to other group members on how they felt the group interacted throughout the activity;
- analysis of their own strengths and weaknesses of their own contribution to the group activity;
- face to face discussion with a group member, getting them to analyse the strengths and weaknesses of the candidate's contribution to the group activity;
- discussions with other stakeholders, eg suppliers.

The majority of centres had carried out the correct research as outlined above. However, having conducted the required research, the written work was often descriptive rather than an analysis of the information. Candidates need to begin considering the impact of the results from their primary research on the future running of a similar event. This should help candidates develop their evidence for AO4.

### **Assessment Objective Four**

It was common to see candidates having undertaken detailed research into different stakeholders' opinions to then fail to use any of this evidence when considering potential future changes to the enterprise activity.

Candidates are strongly recommended to make reference to the section 'Potential effects of future changes to the enterprise activity' on page 36 of the specification. Using the bullet points within this section, they must then make judgements backing up their suggestions using their analysis conducted in AO3.

### **Unit 7: Financial Providers and Products**

Centres are now able to choose between a number of different case studies in order to complete this unit. Using the information contained within any of the case studies, candidates are required to produce two financial packages. Centres must be aware that if a loan is required for the selected business, candidates must at least try and research the cost of a business loan rather than a personal loan. If the information for a business loan is not accessible, candidates must explain why they have had to use figures quoted for personal loans. Due to the very fast pace of change in the current financial markets, centres are advised to date candidates work so that the Moderator is aware when the research was conducted.

AO4 is still proving problematic for centres. It is the responsibility of the **centre** to supply candidates with a suitable and realistic change of circumstance for the business and the individuals involved within the case study being used. Candidates should not be expected to come up with their own ideas for this assessment objective.

### **Assessment Objective One**

The candidates who achieved mark band 3 for this assessment objective usually covered this as a purely theoretical exercise. Tackling the assignment in this fashion allows candidates to demonstrate their understanding of the financial services market and all the products and providers which are currently available in the market. Candidates are required to demonstrate an understanding of all the bullet points outlined in sections 'Customers of financial services', 'Financial service providers and products and 'Constraints affecting the provision of financial services' found on pages 37-40 of the specification.

### **Assessment Objective Two**

In order to achieve this assessment objective, candidates must produce two separate financial packages – one which meets the personal financial needs as outlined in the case study and one which meets the needs of the business. Within each financial package, candidates must recommend one product and provider rather than making general statements. For example, 'Lilly could get her mortgage from the Halifax or HSBC'. Candidates must clearly state which financial provider they recommend and why.

In order to access the higher mark band 3 marks, candidates should be quoting figures for the financial products being recommend. This should then lead into a costing statement which illustrates if the recommended packages are actually affordable.

### **Assessment Objective Three**

This assessment objective is the research the candidate needs to undertake in order to recommend suitable financial packages. Candidates are required to research a number of different financial providers and packages and analyse their findings. Candidates should consider affordability and also constraints as outlined in the section headed 'Constraints

affecting the provision of financial services' on page 39 of the specification. Candidate's recommendations in AO2 should be clearly linked to their analysis conducted within AO3. Most candidates only base their analysis of the different products on the potential cost of each product. They appear to spend very little time reading the 'small print' and making informed decisions which product would actually best suit the needs of their client. Cost is often not the only criteria that is or should be used when making financial decisions.

#### **Assessment Objective Four**

In order to achieve this assessment objective, centres need to supply the candidates with a future change in circumstance(s) for both the individual and business described within the case study. The recommended change should reflect what could possibly happen within a five to ten year period. Candidates are then required to consider if the financial package they have recommended in AO2 will be able to meet these new financial needs. Candidates are not required to undertake any further research or come up with alternative financial packages.

#### **General points on Barking Mad**

**Business Needs** – This case study focuses on William a dog behaviourist who wishes to start up his own business alongside Susie who is a dog trainer. The business needs to raise £55,000 to purchase a two acre field with outbuildings and £10,000 for planning permission for change of use and renovations

- Loan £45,000
- Business bank account including overdraft facilities
- Relevant insurance policies

#### **Personal Needs William –**

The business has taken all of William's saving so he has had to put his house hunting plans on hold. He does however, require information on mortgages as he hopes to start house hunting in the near future. William also saves £250 monthly and wants to know the best interest rates currently available. William requires information on pensions and relevant insurances especially life insurance. William is also looking at the possibility of leasing, buying on hire purchase, or taking out a personal loan to purchase the motorbike of his dreams.

#### **General points on The Picture Gallery**

**Business Needs** - This case study focuses on Paula who has retired and decided to open up her own picture gallery. The building will be purchased outright from the sale of a holiday home. This sale leaves them with £55,000 to invest.

- Loan for the renovations required to turn the building into an art studio – estimated cost £7,500.
- Information concerning business bank accounts
- Information concerning relevant insurance policies – public liability

**Personal Needs** – Not many personal needs for this one. Mainly the best option on how to invest the £55,000 left over from the sale of the holiday home. Candidates need to carefully consider the risk associated with today's current economic climate and also the low interest rates. Candidates could extend this to look at personal bank accounts that would offer the best deals, etc.

### General points on Wilson Builders

**Business** – This is quite a complex case study especially in terms of the business. It is a partnership of two brothers one aged 55 and the other 58. Their renovations and repair business has been hit by the recession and they are looking into diversification. This is going to take the form of buying in houses which need renovation for approximately £70-£90,000 and then selling some for to commercial landlords for £130,000 and keeping others for rent.

The business starts with £200,000. It would buy 12 properties in the year, the amount to be recouped from selling seven of them. So the financing would need to cover the time between purchase and sale. The time would depend on the market, but these are not high priced properties so should 'move' reasonably quickly even in a difficult market.

So let us say that they buy four houses at £90,000 each before they sell one - £360,000. And, estimating a month to refurbish and three months for the sale to go through.

There is also the deficit on the business to finance. So they are probably looking to borrow £200,000 - £250,000 for the first year. Possibly £300,000 but it depends on timing. It would probably be more acceptable to the bank to match the amount the brothers have in savings in the current climate than to take a larger share.

In the second year they might not even need to borrow at all, but if events do not match their plans they might like to build in a contingency of, say, £100,000.

To summarise:

- bank loan – candidates are expected to calculate how much
- commercial mortgages – would be required if going to retain for rent
- candidate's need to acknowledge the fact that there is a deficit in the original business – could impact on borrowing
- bank overdraft
- if renting – will need to consider possible insurances – buildings especially
- case study raises possibility of grants
- incorrect rental calculations – this could throw candidates as the information lacks specifics.

**Personal** - This is clearly outlined in the case study and includes:

- mortgage for £40,000
- hire purchase for fixtures and fittings non-specified £10,000
- honeymoon – Hawaii needs £6,000 loan
- return on savings
- personal insurances
- pension provision – no age given for Brenda or details of her own pension provision.

### General Points on McCoy's Precision Engineering Ltd

**Business** – the case study clearly identifies that MPEL is suffering from serious cash-flow problems. The business is obviously profitable but without liquid funds it will soon become insolvent. The candidate's main investigations should focus on the possibility of debt factoring. Candidates should be able to explain how debt factoring would work and the advantages and disadvantages this would have for the business. A loan could be considered, but generally this would just increase outgoings rather than address the immediate problems of MPEL. If a loan is recommended candidates must also consider how the business could improve its overall credit control in order to collect its outstanding debts.

Candidates wishing to achieve mark band 3 for AO2 and AO3 should be able to give detailed estimates of the actual cost of debt factoring.

**Jim's Individual Needs** – the case study clearly identifies the products which need investigating in order to help Jim resolve his own financial problems. Candidates should consider consolidating his credit card debts with a personal loan which should attract a lower rate of interest. The loan could also include the £3,000 needed to take his parents to Australia. Travel insurance is another product which will be required. This might be quite expensive given the age of his parents. Due to the recent economic down turn and decrease in mortgage rates it may be difficult for candidates to improve on his mortgage payments. However, candidates should be encouraged to investigate mortgage providers if only to prove that his current repayments cannot be beaten in today's economic climate.

### **General Points on 'Dustless'**

**Business** – the case study clearly outlines that Colin will need to consider every aspect of starting up a new business venture independently. He might need to investigate a small bank loan in order to cover his start up costs. Candidates must investigate business loans and not personal loans. He will need to consider the best banking arrangements for the business. Colin will also need to investigate the type and cost of insurance which he will need for the business.

**Colin's individual needs** – the first part of this element is to consider how much money Colin would need to live and if the potential earnings from 'Dustless' will be sufficient. Colin will then have to investigate different banking opportunities. The first decision needs to be which financial institution would be the best one in which to invest his student loan. He will also need to consider if he wants an overdraft, and/or a credit card as well as a debit card. A further angle might be savings schemes and personal insurance.

There is no right solution to any of the stimulus material – rather one is interested in tracking the thought process of the candidate as they progress through the unit – looking into the needs of both business and individual, investigating the financial services market and suggesting a suitable outcome for each context. Candidates may, through their investigations, suggest that certain financial products are inappropriate, given the financial circumstances of the individual and the selected business. This approach is perfectly acceptable as long as the rationale is provided by the candidate as to why certain assumptions have been made in relation to the stimulus material.

### **Unit 8: Understanding Production in Business**

In order to achieve this unit, candidates' need to produce a report which illustrates how a business produces a particular item. Candidates do need to have undertaken a visit to a production company in order to successfully complete this unit.

Generally, the candidates sampled had undertaken a wide range of research and visited a varied number of production businesses.

If a centre is able to establish a good link with a production business, this unit is relatively easy to complete. However, Assessors must consider the demands of the specification prior to arranging a visit. If the potential company is unwilling to provide the information required candidates are 'set up' to fail from the beginning. OCR realises that it is difficult to obtain the required figures in order to evidence the section 'Operational efficiency', and, therefore, some realistic 'made up' figures could be substituted. Candidates should be able to obtain the remainder of the information required to complete the unit. Special attention should be given to the information available on stock control, quality control and health and safety. Prior to the visit, the Assessor must ask themselves are the candidates going to be able to collect sufficient information in order for them to complete the unit.

The majority of the candidates sampled tackled the unit in the same way combining AO1, AO2 and AO3.

### **Assessment Objective One**

In order to achieve this assessment objective, candidates need to clearly explain their theoretical understanding of the role of the production functional area, its interaction with other departments and different aspects relating to production, including operational efficiency, organising production, ensuring quality, stock control and health and safety. The theory section was generally covered well and in detail by the majority of candidates.

### **Assessment Objective Two**

The usual practice was for candidates to apply their understanding of each section directly below their theoretical coverage. On the whole the higher achieving candidates did this extremely well. The lower ability candidates' work tended to be more theoretical with a lack of application to the selected business. The major area of weakness was the section on operational efficiency. Candidates who had participated in an 'unsuccessful' visit were often unable to apply each section to their selected business due to the lack of information available. This had the effect of dramatically reducing their mark for this section of the unit. Candidates' coverage of stock control and health and safety is also often found to lack depth of application.

### **Assessment Objective Three**

Candidates achieve this assessment objective through their development of AO2. Those candidates who take detailed notes throughout their visit/tour should be able to develop AO2 to mark band 3 and also score highly for this assessment objective. It is also useful if candidates include their notes from the visit and records of questions asked in order to support the mark awarded for this section.

### **Assessment Objective Four**

This assessment objective pulls the whole unit together by assessing the candidate's ideas on how the different sections investigated could be improved. It is once again recommended that candidates should be guided by the bullet points as outlined in the section 'Potential production improvements' found on pages 43-44 of the specification. The higher scoring candidates do need to make clear reference to their initial research into the production process when making judgements.

### **Recommendations to Centres**

- Please continue to adhere to deadlines for submitting marks and candidate work to the appointed Moderator
- Please ensure that marks sent to OCR for example by completing the MS1 forms match the marks awarded on the Unit Recording Sheet
- Please ensure that the total marks for all strands of a unit are correctly totalled on the Unit Recording Sheet
- Please ensure that all sections of the Unit Recording Sheet have been completed accurately including candidate number, centre number, teacher comments and location of evidence
- Where there are 10 or fewer candidates for any unit, send **all** the candidate portfolios with the MS1 form to the Moderator
- If assignments are used, please include copies of assignment briefs with the work of the candidates

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- Assessors should provide clear written feedback to candidates, including what has and what has not been achieved
- Candidates should be encouraged to adapt a structured approach to their work and present evidence clearly, eg. the use of headings, page numbers and a contents sheet
- Please include page numbers within the location section of the Unit Recording Sheet
- Please encourage the use of Assessor annotation of candidate work
- Please ensure that Assessors check the authenticity of evidence. Pages downloaded and copied from the Internet do not constitute evidence- this could be plagiarism.
- Ensure that internal moderation is carried out prior to external moderation.

## F248 Strategic Decision-making

### General Comments:

Most candidates appeared to have been well prepared for the examination, being familiarised with the pre-issued case study within the centre. Candidates certainly displayed a very good grasp of the case study on question 6(b) and many wrote at considerable length, attaching several additional answer pages. Where additional answer pages are used, candidates need to clearly label the question which is being attempted, several instances were seen where candidates had simply labelled their response '(b)'. Whilst it was pleasing to see such detailed knowledge of the case study, it is important that candidates do not write for too long on such a question thereby encroaching on the time to complete the rest of the paper.

Whereas strong contextual references were found in question 6(b), these were often missing in candidates' answers to question 1(c). Candidates need to be encouraged to write in context on all higher tariff questions and not just when making strategic decisions. In question 3(b) the candidates concentrated on the effect of fluctuating exchange rates on trading, rather than on the firm's ability to make strategic decisions, as demanded by the question.

Once again this session the numerical questions were, on the whole, well answered. Many candidates scored full marks on the decision tree and a pleasing number were able to correctly draw the breakeven chart and calculate labour productivity. The aspects which were not answered so well on this paper were Ansoff's Matrix and integrated marketing strategy.

### Comments on Individual Questions:

1(a) This part of the question related to the rate of absenteeism and not the level of absenteeism. Many candidates correctly suggested that this was calculated as a percentage but failed to state as a percentage of what. Most candidates achieved two of the available three marks on this part of the question.

1(b) Most candidates used the correct formula. Some lost marks by rounding up their answer in the same way as they would do for breakeven. Whilst the answer did not need rounding, any rounding which was done should be rounded down when it comes to productivity because a partially completed unit cannot be sold.

1(c) There were some good answers to this part of the question. The most common related to a sense of direction, motivation and monitoring.

2(a)(i) Responses to this part of the question varied from perfect breakeven charts to no response at all. Candidates lost marks when correctly drawn lines had no labels, therefore, achieving only half marks.

2(a)(ii) Many candidates were able to accurately indicate the breakeven point. A far fewer number were able to accurately label the profit and loss areas.

2(b) A number of candidates used the margin of safety method to calculate profit. Most candidates showed good examination technique by showing their workings, thus securing some marks - even if the answer was incorrect.

2(c) To obtain marks for this part of the question, candidates had to have a secure knowledge of the benefits and limitations of breakeven. Many attempted to analyse the strengths and weakness but few attempted an overall conclusion. Marks were limited when candidates gave purely theoretical answers, making no reference to the case study.

Candidates can simply make reference to the product being made, in this case chocolate fountains, rather than use the bland term 'units' in order to ensure that their answer is in context.

3(a) Candidates showed a good knowledge of the benefits of contingency planning, scoring at least half marks. To gain the top marks an explanation of the benefits to Fontane Ltd in particular was required, eg it would get the chocolate fountain production line back up and operating as quickly as possible.

3(b) To achieve marks for this part of the question the candidates needed to discuss the implications of fluctuating exchange rates on Fontane Ltd's ability to make strategic decisions. A common incorrect answer focussed on the implications of fluctuating exchange rates on Fontane Ltd's trading decisions, rather than on its strategic decisions. Answers relating to cheaper/dearer imports were not awardable. Please see the mark scheme for acceptable answers.

4(a) This part of the question was answered well with many candidates gaining full marks. The most common mistake seen was the mishandling of the positive and negative failure figures.

4(b) Some good answers to this part of the question were seen. The most common correct answers were a decision tree's proneness to bias and its reliance on probabilities which by their very nature are inaccurate. Vague responses which related to 'numbers are estimates' were not awarded as all decision-making tools rely on numbers which are estimates since the future is unknown.

5(a) Many candidates were able to state a disadvantage; few, however, went on to give an explanation. For example 'does not consider profitability after payback' (statement) 'therefore, the most profitable option may be overlooked because it does not have the shortest payback period' (explanation).

5(b) Fewer candidates were able to state a disadvantage of ARR than payback period.

5(c) This part of the question was generally well answered.

5(d) The best answers to this question related to risk.

5(e) To achieve marks on this part of the question the candidates needed to have an understanding of the drawbacks of using Ansoff's Matrix. Most answers tended to concentrate on the lack of costing figures or profit data.

6(a) The majority of candidates knew that quantitative information was based on numerical data. Fewer were able to observe that qualitative information was more subjective and based on opinion.

6(b) Most candidates were able to compare the three options, achieving Level 2. Analysing these options proved more difficult. Analysis is required before candidates attempt to make an overall decision.

7(a) This part of the question was generally well answered.

7(b) To achieve marks on this part of the question the response needed to have an emphasis on the integration of the marketing strategy.

## Moderation Report on A2 Units

The majority of centres which submitted work for this moderation session followed OCR procedures, adhered to set deadlines and accurately completed documentation which enabled the moderation process to progress smoothly. Centres do need to note that when entering candidates for the qualification using the code 01 that this means that the centre is going to submit its work via OCR Repository. The code 02 is for postal moderation only.

Most centres did adhere to the 15 May deadline for the receipt of mark to OCR and the allocated Moderator. Centres were generally also aware that for entries of ten candidates or less the portfolios of all of the candidates should be sent straight to the Moderator with copies of the marks. If a centre has ten candidates or more the sample request sent via email from OCR must be responded to within **three** days of receipt of the email. Requests for a sample are emailed to the centre's registered email address.

Centres must ensure that all sections of the Unit Recording Sheet have been completed accurately, including the correct total marks for the unit, candidate number and centre number, teacher comments and the location of evidence, in order to facilitate the moderation process. Centres must also ensure the marks submitted to OCR for example on the MS1 form match the marks on the Unit Recording Sheet for each candidate and each unit.

### Assessment

Many Assessors demonstrated good practice by annotating candidate work with assessment criteria references and by giving clear and constructive written feedback. The teacher comments section of the Unit Recording Sheet enabled Assessors to justify the marks awarded for each assessment objective. It was helpful when page numbers were included within the location section of the Unit Recording Sheet. Some Assessors failed to provide written comments or to annotate candidate work. In these circumstances it was not clear to the Moderator how assessment decisions had been made. Without this information it becomes more difficult for the Moderator to confirm the marks awarded to the candidate.

Where assignments had been used, it was most helpful for copies to be submitted with the actual work. This gave a clear indication of the tasks which were given to candidates.

It is the responsibility of Assessors to ensure that each candidate has produced authentic/original evidence. A Centre Authentication Form for Coursework (CCS160) must be signed by the Assessor(s) and must accompany each unit submitted. Possible plagiarism is becoming an increasing problem and centres must be on the look out for work which has been copied straight from the Internet prior to submission for moderation.

Candidates must ensure that any material used from the Internet is correctly attributed. Where material is taken directly from the source, candidates must supplement it with their own explanation, demonstrating their understanding. It is surprising how many candidates cut and paste diagrams and pictures from the Internet (Boston Matrix, product life cycle, Maslow's hierarchy of needs, etc.) without sourcing the evidence. Where candidate work contains inaccuracies, Assessors should annotate the work to this effect, thus enhancing the candidate's own learning. This also indicates to the Moderator that the work has actually been assessed accurately.

Assessors are reminded that they should make direct reference to the unit specifications when writing assignments and seeking clarification of the type of evidence candidates' are required to include within their portfolios. When assessing candidate's work Assessors should make reference to two documents – One, the performance descriptors which are found on pages 109-

110 of the specification; and, two, the assessment objective amplification grids which are located on pages 112-122 of the specification.

OCR has released a detailed assignment for each of the portfolio units found within the A2 specification. Centres may find it useful to make reference to these in order to help structure their own assignments. These can be downloaded from OCR's website.

### **Unit 10: A Business Plan for the Entrepreneur**

The banner of the assessment evidence grid requires candidates to produce a business plan for a new business enterprise of their choice. Candidates are still selecting business ideas which are way above their capabilities; for example, a golf driving range, care home and paint balling centre and an animal park. Ideas that involve the sale of multiple items can also cause problems due to the complexity of calculating potential sales and cost of sales. These difficulties greatly limit the candidate's ability to create a **realistic** plan in order to achieve AO2. The best plans were created by candidates who had selected small enterprises based on their own knowledge, interests and experience. This point is further clarified within the Teachers Handbook on page 38 – third paragraph.

#### **Assessment Objective One**

In order to achieve this assessment objective candidates are required to provide theoretical coverage of sections 'Reasons for construction of a business plan; 'Information within a business plan (all sections) : and, finally, 'Constraints which impact on implementation'.

To help candidates achieve mark band 3 this is best tackled as an independent section with candidates using generic examples to help them demonstrate their knowledge and understanding of each of the sections. In order to complete the section 'Constraints which impact on implementation' candidates could be encouraged to relate this section to their own business idea. Clearly identifying the constraints relevant to their own business plan at this early stage will help them evaluate their impact in AO4.

#### **Assessment Objective Two**

This section is the actual business plan and, as such, should be presented as a 'stand alone' document which could be shown to a potential stakeholder. If candidates have decided to use a business plan format provided by a third party they must ensure that it allows them to fully meet the requirements of the section 'Information within a business plan'. This could involve adapting the layout or adding extra information. The information used within the business plan must be fully supported/justified through the primary and secondary research and subsequent analysis carried out in AO3.

There were a significant number of business plans which were based on unsubstantiated ideas and comments. Some of the common problems are outlined below:

- failure to fully research media selected for advertising – for example, if a newspaper had been selected, what is its target market, what are its readership figures? How much would the advertisement cost, how long will be run?
- lack of justification for the price to be charged – what are competitors charging? Decisions should not just have been based on what 10 people stated in the candidate's primary research
- lack of research into the machinery and equipment required. Only one set of prices researched. What would be the best buy? Why select that particular product?

- lack of justification and often unrealistic figures used for the number of the products the business would sell/number of people who would use the service. No reference to competitor numbers. Usually just based on the primary research or the candidate's own assumptions and gestations
- no research into suppliers – who are the suppliers, what is the cost to buy in products? What quantities will be required? How often will stock need to be purchased?
- no correlation between purchases and sales, especially when candidates are running sandwich and juice bars
- very few candidates considered the different stages of production in sufficient detail.
- little consideration of timing of production to meet customer needs
- break even forecasts were often difficult to understand as there was no explanation of where the figures had come from. Figures were often 'plucked out of thin air' and not based on analysis of research
- cash-flow forecasts, although completed correctly, were often based on figures which appeared to be the candidate's own assumptions and 'gestations.' Candidates **must fully justify** their sales and expenses.

These points are further clarified within the Teachers Handbook on pages 38-39.

### **Assessment Objective Three**

Centres should pay attention to the section 'Appropriate research for a business plan' on page 50 of the specification. This clearly states that candidates 'need to ensure that research is wide-ranging'. This must include both primary and secondary research as laid out within this section.

Candidates are required to analyse the information, drawing out key information which should be included in their business plan. Candidates should be advised that in order to access the higher marks, every decision should be supported by at least two different types of research. Candidates too often relied solely on their limited primary research to inform decisions within their business plan. Some business plans were based on extremely limited research and lacked any sense of viability or realism. Clarification of the depth of analysis required is further explained within the Teachers Handbook pages 38-39.

Candidates are required to use a variety of statistical techniques when analysing their data. The frequent use of '10 out of 20 stated', and 'the majority of respondents said' will only achieve mark band 1 for analysis. Frequently, candidates produced pages of computer generated graphs and charts which lacked analysis and gained no marks. Candidates should be drawing conclusions throughout their analysis of the primary and secondary data which will then be used within their own business plans.

### **Assessment Objective Four**

In order to achieve this assessment objective, candidates are required to prioritise the constraint which they feel will have the greatest impact on their business plan. This was lacking in the work of the weaker candidates. If there is no evidence of prioritisation candidates cannot achieve mark band 3. Prioritisation is not just putting the headings in order and stating I think this will have the greatest impact. This is only ranking – to move into prioritisation the candidate needs to state why the selected heading will have the greatest or least impact on the business plan.

Having prioritised the constraints, candidates must then consider the impact each one would have on the implementation of their plan. Reference to initial research must be made. Candidates were unable to access the higher grades as they often failed to consider the 'knock on' effect which a constraint might have on other aspects of their business plan. For example, if we consider finance as the main constraint - without adequate funds the business may not be able to undertake the marketing it initially identified. This might then limit the number of customers who would become aware of the business and, hence, decrease the number of sales.

Candidates often only considered 'short term' impacts, failing to consider the 'long term' implications of some constraints. For example, economic and environmental concerns are currently headline news and possible legislation could have an impact on the business in the long term. Under the heading social some candidates were considering social responsibility rather than social trends.

### **Unit 11: Managerial and Supervisory Roles**

This unit is a complex unit to complete and candidates need clear guidance as to how to differentiate their evidence for AO3 and AO2. Candidates need to be very clear about the information they are trying to obtain from their selected manager/supervisor.

The unit has the same behaviour patterns as unit 8, Understanding Production in Business, in the AS specification. Candidates need to undertake their research following the section 'Researching the business context and analysing the information that is collected' on page 53 of the specification. They should then produce a basic analysis of their questionnaire – pulling out examples which will support their report. Having completed their research, candidates should then complete their report which forms AO2. Some of their analysis will be evident within this report and, therefore, credit for AO3 can be awarded here as well.

The main problem with the unit, at this stage, is candidates muddling their AO2 and AO3 evidence. There is often no stand alone report produced. Some candidates only focused their analysis and subsequent conclusions on management styles and motivational theorists. They omitted to describe how their manager performs their role (section 'The business context within which the report will take shape) – planning, organising, etc.

The higher scoring candidates were those who had been able to gain good access to their selected manager/supervisor through work experience or work shadowing. Candidates who had only interviewed a manager/supervisor were less able to gain sufficient information to fully cover the section 'The business context within which the report will take shape' due to a lack of an observation of their selected manager/supervisor 'in action'. The 'knock on' effect of this was that candidates were often unable to substantiate the statements they were making through the use of examples.

### **Assessment Objective One**

In order to achieve this assessment objective, candidates need to produce theoretical coverage of sections 'The business context within which the report will take shape' (both sets of bullet points) , 'Researching the business context and analysing the information that is collected', the section under secondary research titled; 'Different types of managerial/supervisory styles, motivational theorists'; and, finally, the section headed 'Evaluation of the factors which can influence the environment in which a manager/supervisor performs her/his role'.

The theoretical section under 'Researching the business context and analysing the information that is collected' also forms part of the candidates' AO3 evidence. It was often apparent that candidates had only used one source when researching different manager/supervisor styles and motivational theorists. This had the impact of potentially lowering their AO3 mark.

Generally candidates completed this section successfully. The higher performing candidates used examples to illustrate the section 'Evaluation of the factors which can influence the environment in which a manager/supervisor performs her/his role' which worked particularly well and demonstrated their depth and breadth of understanding.

### **Assessment Objective Two**

Candidates should produce a stand alone report which clearly outlines how their selected manager/supervisor approaches his/her current managerial/supervisory role within the selected business. This report should be fully supported through the analysis undertaken by the candidate in AO3.

In order to gain the higher marks, candidates need to ensure that their report includes the following points.

How their selected manager/supervisor:

- plans
- organises
- motivates
- monitors and directs
- problem solves
- trains and mentors
- conducts appraisals.

All of these bullet points need to be supported with examples. For example, the candidates should use a scenario which clearly outlines how the manager/supervisor plans their day, week, month, etc.

The next stage is for the candidate to consider how each of the following affects the managerial/supervisory set-up within the selected business:

- culture of the organisation
- objectives of the organisation
- structure of the organisation
- availability of resources within the organisation.

This section could form part of the candidate's introduction to their report.

The final stage involves the candidate describing which type of management style(s) their manager/supervisor uses and how this links to motivational theorists.

The candidates sampled during this session generally had made good links with businesses and arranged interviews with relevant managers/supervisors. Their questionnaires were often correctly targeted but failed to provide sufficient information for the candidate to cover the first set of bullet points in sufficient depth. The higher scoring candidates were those who either worked with the selected manager/supervisor or who were able to work shadow their selected manager/supervisor. In order to achieve mark band 3, candidates are required to provide examples of how their manager/supervisor deals with each of the sections outlined above.

### **Assessment Objective Three**

In order to achieve this assessment objective, candidates need to focus on the sections 'Planning how to gather information for the report and 'Researching the business context and analysing the information that is collected' found on page 53 of the specification. Primary research focuses on interviews with the selected manager/supervisor and fellow workers. Part of AO3 is written up within AO1 when candidates research the different types of managerial/supervisory styles and motivational theorists.

Candidates sampled this session had obtained a face to face discussion with their selected manager/supervisor and often also fellow workers. There was also evidence of candidates

following the guidelines on the type of questions which should be asked during the interviews. However, candidates were not always able to analyse this information in order to compile their report. Their analysis should enable them to cover the section ‘The business context within which the report will take shape’.

#### **Assessment Objective Four**

Candidates must make reference to the section ‘Evaluating the factors which can influence the environment in which a manager/supervisor performs her/his role’ (page 54) of the specification before tackling this assessment objective.

This section does not lend itself particularly well to prioritisation. Candidates often have to use possible scenarios in order to evaluate the factors which they think would have the greatest influence on the environment in which the manager/supervisor performs his/her role. It was, therefore, considered that mark band 3 could be awarded for this unit without the clear demonstration of prioritisation. However, candidates will still need to consider the short term and long term impacts of their statements in order to achieve mark band 3.

The key word in this section is ‘influence the environment’. Therefore, candidates need to link the analysis of their research into the current culture, objective, structure and availability of resources (section – ‘The business context within which the report will take shape’) when undertaking this section.

#### **Unit 12: Launching a Business On-line**

The interpretation of the evidence candidates need to produce has caused a number of centres a few problems. The banner clearly states that – ‘You will produce an e-commerce strategy for a business which has yet to develop e-commerce provision’. Some centres had selected businesses which already have a website and provide the facilities for customers to purchase their products on line. The subsequent consequence of this was that candidates were merely reiterating what the business was already doing.

Candidate’s success in this unit is going to be linked to the selection of the correct business. It is a unit which could lend itself to a case study, as long as it is sufficiently detailed to enable candidates to access the higher marks available.

#### **Assessment Objective One**

This assessment objective states – ‘Your understanding of how e-commerce would be used by your chosen business, the benefits and drawbacks of e-commerce provision to your business and the issues in setting up and running a website’. Ultimately, OCR will be accepting evidence which is either linked to the selected business or presented in purely theoretical terms. Candidates need to ensure that they cover the three distinct sections ‘The environment within which the strategy will take shape’, ‘Production of the front-end of the website’, and ‘Evaluation of the manageability of the back-end of the website’.

In order to help candidates achieve the higher marks, OCR would suggest that this section is tackled from a theoretical viewpoint, with candidates using a variety of examples taken from a range of different businesses to demonstrate clear and comprehensive coverage.

### **Assessment Objective Two**

Candidates are required to produce the front end of the website, which is directly applied to the requirements of the selected business. The front end of the e-commerce strategy can be presented in one of three ways:

- PowerPoint slides;
- The Internet itself;
- Concept board with accompanying text.

It was good to see some excellent practice with candidates clearly illustrating how their website would work – this included the front page right through to the point of sale. Some candidates had only produced the home page of their website giving limited explanations of the recommended hyperlinks. As stated above, candidates need to produce a variety of slides, concepts or web pages which clearly show how at least one hyperlink would work right through to the final purchase of the product/service.

There should be clear evidence that the proposal is based on the analysis of the candidate's research undertaken in AO3.

In order to secure top marks for this assessment objective, candidates should consider explaining how their website would meet all the bullet points listed under the section 'Production of the front-end of the website'. This will also enable the candidates to clearly link their research to their final product.

### **Assessment Objective Three**

Candidates must show evidence of planning their research in order to fulfil the demands of the section 'Research of the strategy and analysis of the information that is collected'. A well laid out plan should enable candidates to correctly target their research.

Candidates' primary research should focus on questionnaires and surveys with potential customers, discussions with website designers and, finally, a discussion with the selected business concerning what it hopes to achieve through the development of an e-commerce provision.

Candidates' secondary research should analyse similar websites which are marketing a similar portfolio of products to the selected business. Candidates are required to use the following headings when analysing competitor's websites:

- availability
- image
- product information
- accessibility
- security
- user-friendliness
- aesthetics
- ease of payment.

In order to achieve the higher marks, candidates should then draw a conclusion from their analysis clearly stating how this research will influence the development of their own website.

Top scoring candidates had used the above bullet points to structure their analysis, clearly stating how their findings would influence the development of their website. Unfortunately, a lot of candidates had completed a simplistic analysis of competitor websites, often failing to follow

the bullet points above. Having completed their analysis, candidates then often failed to draw conclusions concerning how this would influence the development of their own website.

### **Assessment Objective Four**

Candidate's evaluations should focus on what measures they would take to deal with the manageability of the back-end of the website. Candidates should be guided by the bullet points under the section 'Evaluation of the manageability of the back-end of the website' found on page 58 of the specification. Candidates need to prioritise the issue they feel would have the greatest influence on the manageability of the website for their selected business.

Candidates can only achieve mark band 3 if their statements, conclusions and evaluations make direct linkage to the research undertaken in AO3. They also need to consider short term, long term, success and potential failure whilst drawing their conclusions.

### **Unit 13: Promotion in Action**

This is a particularly popular unit. However, there does appear to be some misunderstanding about the evidence candidates are expected to produce. Candidates are required to produce a promotional strategy (at least two promotional media) to promote a new product or service of their choice. On page 50 of the Teachers' Handbook it clearly states that candidates should 'choose a business with an already varied product portfolio, allowing them to suggest a new product to add'. It also states 'it would also help if the product chosen allowed candidates to demonstrate creative skills by coming up with an original idea, as otherwise candidates will be tempted to stick too closely to current promotional activity used by their chosen business.'

Candidates must remember that this is a unit based on promotion and not just **another re-run of their original marketing assignment**. There was a lot of evidence of candidates appearing to be confused about what they were actually trying to achieve whilst conducting their research. There was also evidence of candidates trying to 're-vamp' their marketing assignments in order to achieve this unit. Unfortunately, this does not work as the research will have the wrong emphasis with candidates merely demonstrating a need for the new product or service, rather than their ideas concerning how it could be effectively promoted.

### **Assessment Objective One**

Candidates are required to provide theoretical coverage of the section 'Producing a plan of action' – the various forms promotional activity can take and how and when each form of promotional activity is used. From the final section (page 62) candidates need to cover internal and external factors which can influence promotional activity. OCR would encourage all candidates to use a wide range of examples throughout this section in order to demonstrate their breadth and depth of understanding.

On the whole this section was completed well by the majority of candidates. Some had chosen to link this section to their selected business which is quite acceptable, as long as each aspect is covered in sufficient depth.

### **Assessment Objective Two**

Candidates are required to produce a promotional strategy which includes two final concepts of their promotional material and the rationale behind their development. Unfortunately, candidates often only produce the two final concepts with no explanation or reason behind their development. The promotional strategy must clearly explain when and where their promotional material would appear, for how long and what the potential cost of the campaign would be. These decisions need to be fully justified by the primary and secondary research undertaken in AO3. Without this information candidates cannot achieve the marks available within mark band three.

During moderation it was often extremely difficult for moderators to see the links between the candidate's research and their final promotional media. All too often candidates failed to produce any form of rationale for their choice of media. The main reason for this was their lack of targeted and accurate research carried out in AO3. There was often no strategy to support the material produced. Candidates failed to state timescales, costs and the reasons behind choices of selected media.

### **Assessment Objective Three**

The starting point for this assessment objective is the section 'Planning of the strategy'. The second set of bullet points should help the candidates to focus on the type of questions they should be asking within their questionnaires.

If the candidates have not described how promotional activity takes place within their chosen business for its current range of products/services in AO1, then they need to do so as an introduction to this section. This evidence could support their AO1 mark.

Candidates need to make reference to the section 'Research of the strategy and analysis of the information which is collected' to establish the kind of research they should be conducting. Candidates need to ensure that they focus on the types of promotional features which attract customers to purchase products or services. They should also try and establish what types of promotional campaign will meet the second set of bullet points in the section 'Planning the strategy'. Too often candidates slanted their questionnaires too heavily to finding out what type of product/service customers wanted. To some extent candidates need to assume that there is already a demand for their selected new product or service and concentrate on how they are going to encourage people to 'buy in' through the use of promotional media.

Candidates' secondary research should focus on how other businesses, especially competitors, promote a similar range of products or services. When analysing this data candidates should use the following headings:

- aesthetics
- message
- fitness of purpose
- originality
- communication.

A current trend is for candidates to create a table and grade each of the headings. If the candidate fails to provide a detailed explanation of the grading system and the criteria on which this is based. Thus the analysis loses depth, focus and relevance. A table is a good starting point but in order to gain mark band three this must be developed through a final summary.

Evidence of the use of these headings was often lacking in the work of the lower scoring candidates

### **Assessment Objective Four**

Candidates need to prioritise the internal and external influences which they feel would have the greatest impact on their promotional activity. Their evaluations must clearly link back to their initial research. Often candidates were unable to fully evidence the internal constraints as they had not clearly stated what these were at the beginning of the assignment. Few candidates were able to show any understanding of costing, due to weak research.

Candidates' coverage of external influences was generally better as they could relate these areas to their own strategies.

Once again very few candidates considered possible failure and often did not consider a chain of events, or short and long term implications.

## **Unit 14: Creating a Financial Strategy**

The work submitted by centres demonstrated a varied range of marks representing candidates' ability to grasp the concepts being assessed. However, it remains a concern to see that in a few centres all the candidates' work contained the same fundamental errors. This is an ongoing concern which needs to be addressed by centres before further submissions. Where work is found to be identical in future submissions, the centre may be reported for malpractice. Some centres show evidence of good practice where candidates work under test conditions, in such cases work achieved the full range of marks.

Although OCR does not specify how the unit should be tackled, identical work for AO2 is not anticipated – except where it is 100% correct.

It appeared that many centres had addressed previous concerns and taken note that as the unit currently stands, it does require a specialist accounts teacher to teach the unit or at least be available for help and guidance.

### **Assessment Objective One**

Candidates achieve this objective through the coverage of Task A. Candidates are required to provide detailed coverage of each of the sub-sections (i)–(iv). Most candidates provided detailed theoretical coverage of all the sections, though the depth of the work often tailed off through section (ii) 'consequences of not keeping accurate financial records' and the second section of (iii) – in which the candidate needs to demonstrate their understanding of the information and purpose of various source documents, including invoices, credit notes, bank records, e.g. direct debits and till receipts. It was pleasing to see many centres are now encouraging their students to make use of the stimulus material for this task. There were some excellent submissions seen for section (iv) in this series.

### **Assessment Objective Two**

Candidates achieve this assessment objective through the completion of Tasks B, C and D.

Task B – There was a mixed response to this task. It was encouraging to see that many previous concerns had been dispelled; enabling candidates to more clearly demonstrate their own knowledge and understanding. Some centres had undertaken the section under examination conditions with candidates producing highly individual work. Few centres made use of the three column cash book, preferring to use separate bank, cash, discount received and discount allowed accounts – an acceptable alternative. It was good to see a couple of centres using a two column cash book.

Task C – This task requires the identification of the suspense balance by producing a trial balance, a journal to correct the errors present, a suspense account showing the opening balance and the adjustments needed as well as the trial balance after the adjustments have been made. Centres had all used the suspense account which allowed candidates to move on and produce a corrected trial balance. For a minority of centres the journal was also a little unorthodox in its styling.

Task D – This task generally performed well, though it was clear some centres struggled with the concept of dividend payments. A few centres are encouraging their candidates to make taxation computation, this is outside of the scope of the unit and whilst it demonstrates the candidates knowledge and understanding does not add any value to the work under assessment.

### Assessment Objective Three

This assessment objective was based on responses to Tasks E and F.

There was a broad variety of evidence offered for Task E, most of which was acceptable to meet the requirements. Many candidates had collected a variety of different final account templates and most had offered some form of analysis. It should be noted that it is more appropriate for candidates to choose companies who are registered in the UK, so that examples are in sterling. Some centres need to place more emphasis on this task as it counts towards the grade which can be awarded for this assessment objective. The task should make comparisons in layouts and should consider the legal aspects.

For Task F, as stated previously the 'own figure rule' is applied, as this is the case candidates should be encouraged to show their workings. Generally, candidates were able to correctly calculate most ratios. Their interpretation of the ratios, however, was mixed.

Some candidates simply stated the theory behind the ratio, many offered little beyond the obvious in that the ratio had gone up or down, failing to even state whether this improved or worsened the financial situation. Many candidates are still failing to make any links to the case study. The higher scoring candidates did try and relate their evidence back to the stimulus material, with a few candidates attempting to link the ratios together – for example – gross profit margin will have an impact on net profit margin. In some cases there was more analysis found in Task G and this has been taken into account. However for many, the inability to demonstrate integrated and strategic thinking left them unable to access mark band 3

### Assessment Objective Four

Completion of Task G is required in order to achieve this assessment objective. Although the case study did not indicate that candidates should prioritise their ideas, this is part of all AO4 criteria, and it was encouraging to see that some centres had acted on this point from previous reports. Candidates were not penalised for omitting to do so during this moderation session. The task instructs candidates to write a report and it was evident that centres have taken this on board.

Many of candidates improved their initial AO3 mark here as they began to fully develop the analysis and the impact of the ratios calculated in AO3.

A lot of candidates lost marks as they failed to produce a financial strategy. Most candidates were able to identify the problems which the business were experiencing, and many gave consideration to a range of possible solutions, but the majority failed to actually make clear and justified recommendations.

The second part of this task is the requirement for the candidates to consider the different ways in which the business could expand and recommend what the business should do in the future. Candidates need to be encouraged to use the information contained in the case study, profit and loss calculations and ratio analysis when making their financial recommendations. The key to this task is to recognise the financial problems the business faces, offer financial strategies to improve the situation and the final stage is to consider how these would impact on the businesses ideas for expansion.

Please see **Appendix A** for a suggested response to the stimulus material for academic year 2011-12 – series 6.

## **Unit 15: Launching a New Product or Service in Europe**

To access this unit, candidates need to have an excellent link with their selected business. . Research from the Internet will not provide candidates with sufficient detail to meet the demands of this unit.

OCR would recommend that centres get their candidates to start off their assignment by giving a brief overview of their selected business, product and to where they intend to export their product or service. This will enable teachers to ascertain if the candidate is able to gain sufficient information to meet the rigours of the unit.

### **Assessment Objective One**

This section is based on the theoretical coverage of 'The business context within which the strategy will take place' and should focus on general trends within the European Union as a whole. Some candidates only focused in detail on the selected country to which they intended to export their product or service.

### **Assessment Objective Two**

This is the candidates' written summary which will show how their selected business will deal with the many issues it needs to consider when launching a product or service in European markets. Candidates should follow the bullet points outlined in the section 'Researching the strategy and analysing the information that is collected' – second set of bullet points (page 69). The candidates' written summary must be based on the analysis of their research carried out in AO3.

Unfortunately, a lot of candidates simply stated that their selected business would have to deal with each of these points, but failed to provide their own strategy as to how this might happen. Candidates really struggled to cope with this section due to their lack of research or the inaccessibility to the information which is required to meet the rigours of this section.

### **Assessment Objective Three**

Candidates must start off this section by showing evidence of planning their research – section 'planning the strategy' within the specification. Within their plan, candidates then consider their objective(s), the types of research, and the sources of information they will use. Candidates should then be guided by the section 'Researching the strategy and analysing the information that is collected' when selecting the type of research methods they will use. Special attention should be given to the bullet points found on page 69 of the specification. These are the main aspects which candidates need to research in order to be able to compile their written summary for AO2.

The main failing within this section has been the fact that all too often candidates tried to gain this information from a business' website. They had no inside contact and, therefore, the quality and depth of their information was insufficient for them to be able to complete a detailed analysis which would feed into their AO2.

### **Assessment Objective Four**

Candidates are required to prioritise the bullet points found under the section 'Evaluating the strategy' clearly stating which one they feel would have the most influence on the effectiveness of their strategy. As always, evaluations should be fully supported through the research conducted in AO3.

Unfortunately, the quality of the research undertaken for this unit has often been weak and, therefore, the ability to develop a detailed evaluation has been almost impossible.

## **Unit 16: Training and Development**

The key to this unit is the link candidates are able to build within their selected business. In order to complete the unit successfully, candidates need to be able to gain the following information:

- what competencies does the job the person they are going to interview require? – this is usually taken from job descriptions, person specifications
- what skills does the selected member of staff feel they have in relation to those stated on their job description/person specification?
- what skills does the selected member of staff feel they are lacking?
- what type of training would the potential employee feel would be beneficial to them?
- why does the selected business wish to upgrade the skills base of its staff?
- what will be the ultimate benefits to the business?

### **Assessment Objective One**

Candidates should provide theoretical coverage of the sections 'The business context within which the strategy will take shape'; 'Production of an action plan' – candidates need to focus on the different training methods and initiatives that businesses could use; and, finally, 'Evaluating effectiveness. In order to help demonstrate depth and breadth, candidates could include generic examples to develop the overall content of their theory.

The majority of candidates sampled completed this section satisfactorily.

### **Assessment Objective Two**

Candidates are required to produce training and development programmes for their two chosen functional areas. These must be directly related to their skills gap analysis conducted in AO3.

Candidates need to provide a detailed outline of exactly what their training programmes will entail. If they are intending to run 'internal courses' this should include information on the length of the course, aims and objectives, what workshops will take place, what these will entail and the learning outcomes for each. This is outlined in the section 'Production of an action plan' bottom set of bullet points. If candidates are recommending external training courses then these should also be fully explained.

The internal training programmes put forward often lacked detail and did not directly link back to the research undertaken. Training programmes were often too general with very little description of what the training was hoping to achieve for the individuals or the business. Other candidates simply stated they would be sending employees on external courses. They failed to provide detailed descriptions of the aims and objectives of these courses, costs or the impact on the business.

### **Assessment Objective Three**

Whilst planning their research, candidates must be aware of the different types of training programmes which are available. They should consider that different employees will have preferred styles of learning and, in order for training to be successful; an attempt must be made to meet these individual needs.

Candidates' primary research should focus on their skills gap analysis, analysing the short, medium and long term business objectives and management views on possible training. Candidates' secondary research should focus on the different types of training which are available. They should analyse a variety of courses in order to either select a suitable external course or to help them create in-house courses of their own.

Unfortunately, the majority of candidates sampled had been unable to obtain sufficient information in order to produce a detailed and useful skills gap analysis. Often the information gained from their questionnaires was vague and did little to inform their final training and development programmes. Candidates were also unable to link their analysis of how meeting employees' training needs would ultimately benefit the business.

#### **Assessment Objective Four**

This section evaluates how the effectiveness of the candidate's training and development strategy could be affected by internal and external constraints. Candidates should be encouraged to use the bullet points in the section 'Evaluating effectiveness'. In order to gain mark band three, there must be evidence of prioritisation – which of the constraints does the candidate feel would have the greatest impact on the effectiveness of their training and development programme? Candidates often considered how the internal influences would affect overall training within the selected business, rather than their own training strategy.

Often within portfolios there was often very little linkage back to the research undertaken in AO3. Candidates were also unable to consider a possible chain of events, short and long term impacts of their proposed training and development programme.

#### **Recommendations to Centres**

- Please continue to adhere to deadlines for submitting marks and candidate work to the appointed Moderator
- Please ensure that marks sent to OCR for example by completing the MS1 forms match the marks awarded on the Unit Recording Sheet
- Please ensure that the total marks for all strands of a unit are correctly totalled on the Unit Recording Sheet
- Please ensure that all sections of the Unit Recording Sheet have been completed accurately including candidate number, centre number, teacher comments and location of evidence
- Where there are 10 or fewer candidates for any unit, send **all** the candidate portfolios with the MS1 form to the Moderator
- If assignments are used, please include copies of assignment briefs with the work of the candidates
- Assessors should provide clear written feedback to candidates, including what has and what has not been achieved
- Candidates should be encouraged to adapt a structured approach to their work and present evidence clearly, eg. the use of headings, page numbers and a contents sheet
- Please include page numbers within the location section of the Unit Recording Sheet
- Please encourage the use of Assessor annotation of candidate work
- Please ensure that Assessors check the authenticity of evidence. Pages downloaded and copied from the Internet do not constitute evidence- this could be plagiarism.
- Ensure that internal moderation is carried out prior to external moderation.

## F256 Business Law

### General Comments:

There was a noticeable improvement this series in candidates' understanding of common law, intellectual property rights and contributory negligence. There remains, however, significant confusion surrounding the Partnership Act, business dissolution and the legal status of various types of businesses.

Pleasingly there was evidence that the majority of candidates, when answering the higher tariff questions, had at least attempted to analyse the factors which they had discussed and reach an evaluative conclusion. Sadly, despite the skills of analysis and evaluation, many candidates were still writing generically, giving comments which would relate to any business rather than being specific to The Candee Cabin. Such an approach limits their marks to Level 1. Candidates should be encouraged to apply their answers to the specific circumstances in which the business finds itself and the attitudes of the owners. This is an element which needs reinforcing to the candidates during their examination preparation - practical application to the business given in the text is needed in order to score highly on high tariff questions.

Centres should also note that changes to anti-discrimination legislation in the form of The Equality Act will impact on candidates from the next series onwards. Candidates will no longer be given credit for using out of date legislation.

### Comments on Individual Questions:

1(a) Many candidates are still confusing the Partnership Act with a Deed of Partnership. Answers which related to a Deed of Partnership could be rewarded.

1(b) Most candidates were able to give at least one benefit to Kelvin and Paul of having a Deed of Partnership. The best answers related to overruling the Partnership Act in order to provide salaries and different profit shares.

1(c) To achieve the mark on this part of the question the candidates needed to know that business partners pay Income Tax on profits.

1(d) Good knowledge was shown on this part of the question with many candidates scoring full marks. Those who did not, tended to offer 'safety' which is covered by the Consumer Protection Act rather than the Sale and Supply of Goods Act.

1(e) Some good answers were given to this part of the question. The vast majority of the correct responses related to metrication and labelling.

1(f) Whilst many candidates had shown good knowledge of some aspects of consumer protection legislation in their responses to parts (d) and (e) they appeared unable to contextualise their responses to The Candee Cabin. Responses which contained no context whatsoever were limited to Level 1.

2(a)(i) This part of the question was well answered. Some candidates still suggest that 'consideration' relates to thinking about the terms and conditions, rather than being about mutual exchange.

2(a)(ii) This part of the question was well answered. Most candidate responses referred to goods needing to be 'as described'.

2(b) This part of the question was answered well by most of the candidates. A common incorrect answer seen was 'EU Parliament'.

2(c) 'Patents' and 'copyright' were the two most common correct answers. The best responses continued to explain the advantages of these.

3(a) There were some very good answers to this part of the question. Incorrect answers seen tended to confuse 'strict liability' with 'limited liability'.

3(b) Safety was the key issue on this part of the question. The majority of candidates were able to score some marks. The best answers clearly showed that negligence on behalf of the manufacturer did not need to be proved.

3(c) This part of the question required an explanation of benefits to the business. Responses which gave benefits to Paul, rather than to the business, could not be rewarded.

3(d) Some candidates confused the dissolution of a partnership with company liquidation. Others clearly understood that the question referred to the dissolution of partnership but failed to supply any specific actions.

3(e) To obtain marks on this part of the question, candidates needed to understand the change of legal status from a partnership to a sole trader. Common incorrect answers seen focussed on liability, which was not an issue – both types of business have unlimited liability. Those candidates who did well on this part of the question personalised the response to the character of Kelvin and Paul and the running of a small sweet shop.

4(a) This part of the question was well answered.

4(b) Candidates showed good knowledge of the Minimum Wage Act.

4(c) There were some good responses to this part of the question about working time regulations. By far the most common answers related to breaks and limits on working hours.

4(d) This part of the question was answered well, with many candidates having a good understanding of the legal concept of vicarious liability. Almost all candidates gave contextual answers.

4(e) This part of the question was well answered correctly by almost all candidates. Most secured full marks by pointing out specific mistakes which Philippa had made.

4(f) Answers could have been given from a vast range of responses – issuing of contracts, discrimination, dismissal, minimum wage, working hours, common law, etc. Most responses concentrated on only one issue, limiting the candidates' ability to truly evaluate the extent to which employment protection legislation would impact on The Candee Cabin.

## F257 Managing Risk in the Workplace

### General Comments:

It has been encouraging this series to see that the majority of candidates had a strong understanding of the consequences of not managing risk in the workplace. To a certain extent they were able to contextualise their responses. Candidates used their knowledge and skills appropriately to respond to questions 1(b), 2(b), 4(a) and 4(b). On these questions the candidates had a clear understanding of the injuries and physical conditions which could happen to staff in a factory environment, as well as the aspects of different forms of industrial action and their implications to a business. This is something which centres have clearly concentrated on and should continue to do so for future series.

In terms of the longer questions, candidates performed particularly well on Question 4(c), which was a question relating to strategic risk. Not only were the majority of candidates able to contextualise their responses, but they were able to achieve Level 3, given their ability to analyse. Again, this is something which centres have clearly prepared their candidates for and should continue to do so for future series.

Unfortunately, the most fundamental aspect of concern was the inability of the candidates to contextualise their explanations for the lower tariff application questions. It appears a continuing trend for candidates to achieve a maximum of two marks for questions such as 1(d), 2(c), 3(a) and 3(c), as they had not grasped the concept of explaining their responses. All too often a consequence follows identification, which is not the requirement of these questions.

Another area of concern for this series was the lack of knowledge and understanding by candidates of contingency planning. Questions 3(c) and 3(d) highlighted a need for centres to prepare their candidates more on contingency planning procedures, an aspect of the specification which many still do not feel comfortable with.

### Comments on Individual Questions:

- 1(a) Most candidates were able to achieve the full two marks on this part of the question. There was clear understanding of what is a hazard, either by giving an exact definition or by gaining the second mark from an appropriate example.
- 1(b) Many candidates were able to score the maximum six marks on this part of the question. There was clear understanding of the types of injuries or physical conditions which a worker could sustain in a factory environment. Those who did not tended to give the consequences of the injuries or physical conditions identified, rather than explaining them in context.
- 1(c) This part of the question was a good revision discriminator. It clearly split the candidates - those who understood the various health and safety laws and those who did not.
- 1(d) This part of the question required the candidates to know the responsibilities of the Health and Safety Executive and to give an explanation in the context of the business.
- 2(a) Many candidates gained a maximum of one mark out of the two for this part of the question. To gain full marks the candidates' needed to give a full definition of what is a risk, and give a correct example for the second mark.

- 2(b) For the higher marks the candidates were able to explain their identifications of the consequences of not managing risk in context.
- 2(c) This is an aspect of the specification which the candidates clearly know a lot about. Many candidates were able to use their knowledge and skills to identify and explain, in context, the type of benefits of effective risk management to Patta Cake.
- 2(d) For the higher marks the candidates showed an understanding of the benefits and drawbacks of training and were able to write in context. Candidates were limited to Level 1 when they could not explain, in context, the benefits of training to Patta Cake.
- 3(a) This part of the question was a good discriminator. Those candidates who gained the full six marks were able to identify the causes of the accident and then explain them in the context of the case study. Those who only achieved Level 1 were able to identify two causes but were not able to develop their answers further.
- 3(b) This part of the question required a full understanding of the term 'contingency planning'. Many candidates gained one mark for 'back up plan', rather than giving the full definition.
- 3(c) This part of the question was also a good discriminator. It required candidates to show their understanding of contingency planning procedures.
- 3(d) As with its precursor, this part of the question required the candidates to show their understanding of contingency planning. A common incorrect answer seen was when candidates wrote about how a contingency plan may have prevented the accident from happening, rather than how it could help with the aftermath.
- 4(a) This part of the question was a good discriminator. Candidates who achieved the full six marks were able to apply their knowledge and understanding to the case in terms of the impacts of a work-to-rule on the business. Those who achieved Level 1 only made identifications.
- 4(b) This part of the question was answered well. Many candidates achieved the full six marks by showing knowledge about the types of industrial action which are available to workers.
- 4(c) This part of the question was, in the main, well answered. Many candidates were able to achieve Level 3, with some achieving Level 4, having written in a strong analytical and evaluative manner. Candidates were able to show that they understood the implications, both positive and negative, to Patta Cake of a relocation of the factory to Poland, as well as being able to consider them over a period of time.

# Appendix A

## Unit 14: Constructing a Financial Strategy

### STIMULUS MATERIAL FOR ACADEMIC YEAR 2011–2012

#### SERIES 6

#### Suggested Outline Answers

#### TASK A

(i) In report form:

Accurate financial records are needed in the following areas:

- calculate accurately profit and loss – to allow for planning and control, particularly with the proposed financing and expansion in mind and in order to ensure that the information is correct for tax calculations, and to provide to bankers/other financiers when seeking additional finance. Accuracy is very important irrespective of the sizes of transactions so that decisions are based on reliable figures
- meet legal requirements – to ensure correct information is provided to shareholders, Companies House, tax authorities, etc and to avoid potential damaging legal action
- show the assets and liabilities of the business – to assist in planning, eg in the replacement of motor vehicles, to ensure sufficient stock is available for operations, collect from debtors and pay creditors
- compare the business's financial position with previous years – to enable the owners to have a clear view of the company's success and to plan
- prepare accurate budgets/forecasts for future years – to quantify what the business is able to achieve. Limiting factor(s) will provide an indication of the extent to which the business is able to achieve its objectives over specific periods of time. The business is gaining and needs to continue to have sufficient customers to expand and justify expansion. It also needs a stronger cash flow to pay for operations and to open a new shop
- obtain additional finance – by providing information about past and forecast profitability, liquidity, assets held, etc
- plan the future expansion – by quantifying the resources available and indicating the impact on future results of expansion

Some aspects of accounts are subjective such as the percentages and methods used for depreciation. The owners may wish to consider the validity of those approaches, particularly in the case of fixtures and fittings which have been judged to have a five year life, but this may be shorter if the business owners decide to refurbish earlier.

**(ii)** Discussing the following consequences for the company if problems arise:

- criminal action – potential fines or removal of key personnel from the business, delays and focus on the criminal proceedings rather than business, bad publicity with potential business decline/failure. This could range from prosecution for accidents on the organisation's premises to problems caused by the equipment the company is selling
- cash-flow problems from a high tax bill or criminal action – could lead to business failure and reduce the ability to expand, if desired, in future. Poor cash flow will also limit the ability of the company to borrow, worsening the already difficult liquidity position. Control of credit may be of increasing importance to the company with the concentration on highly profitable sports equipment. Unless staff are paid regularly and on time this could give rise to difficulties
- obtaining additional funds may mean the need to attract potential new shareholders. New shareholders might have more interest in financial returns. They might also be concerned if, in future, such a high proportion of profits have been taken as dividends as in the past year
- bad public image – which could lead to loss of customers, perhaps employees and highlight weaknesses to competitors. Contacts in sport and quality both appear to be important to the company, so it is important to maintain the product quality for which the company is known. There is the risk in using new staff, particularly in running shops geographically wide spread, that *Personal Best Sports Supplies Ltd* could have its reputation tarnished by the actions of new staff
- changes to management structure – in a small organisation where personal contacts are important, a change in management can significantly alter the success of the business. There appears to be no change imminent but, for example, a serious illness or a sporting accident, if they are still active in sports, to Peter or John could have a significant effect

**(iii)** The following should be explained to Peter and John in a form suitable for non-accountants:

- capital and bank loans;
- assets such as premises and motor vehicles, including items bought on credit;
- expenses for running a business, eg wages, electricity;
- items/services purchased for resale, including those bought on credit;
- items/services sold, including those sold on credit.
  
- invoices;
- credit notes;
- bank records, eg direct debits and till receipts.

A matrix style answer may be effective in producing this part of the report.

- (iv)** Continued in the report. Answers could be in written format or as a diagram or flow chart.

Explanation showing understanding of each of the following processes:

- the division of ledgers;
- double-entry transaction recording;
- balancing of accounts accurately;
- the creation of a trial balance;
- the creation of a profit and loss account and balance sheet.

- (v)** Include an understanding of the types of error which can occur when preparing accounts with examples including:

- omissions;
- compensating errors;
- errors of principle.

Examples available in Task C.

**TASK B**

Ledger Accounts

<b>Dr Asif Sports Ltd Cr</b>					
2011	Details	£	2011	Details	£
1 May	Balance b/d	550	1 May	Bank	539
1 May	Sales	190	1 May	Discount allowed	11
			1 May	Balance c/d	190
		<b>740</b>			<b>740</b>
2 May	Balance b/d	190			

<b>Dr A1 Athletics Cr</b>					
2011	Details	£	2011	Details	£
1 May	Balance b/d	480	1 May	Balance c/d	640
1 May	Sales	160			
		<b>640</b>			<b>640</b>
2 May	Balance b/d	640			

<b>Dr Health &amp; Spa Ltd Cr</b>					
2011	Details	£	2011	Details	£
1 May	Balance b/d	960	1 May	Sales returns	60
			1 May	Bank	882
			1 May	Discount allowed	18
		<b>960</b>			<b>960</b>

<b>Dr Cross Sports Clothing Cr</b>					
2011	Details	£	2011	Details	£
1 May	Purchases returns	25	1 May	Balance b/d	1 625
1 May	Bank	1 568	1 May	Purchases	610
1 May	Discount received	32			
1 May	Balance c/d	610			
		<b>2 235</b>			<b>2 235</b>
			2 May	Balance b/d	610

<b>Dr Tracks &amp; Trainers Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Purchases returns	50	1 May	Balance b/d	360
1 May	Bank	350	1 May	Purchases	440
1 May	Discount received	10			
1 May	Balance c/d	390			
		<b>800</b>			<b>800</b>
			2 May	Balance b/d	390

<b>Dr Will's Weights Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Bank	1 080	1 May	Balance b/d	1 080
		<b>1 080</b>			<b>1 080</b>

<b>Dr Sales Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance c/d	235 570	1 May	Balance b/d	235 220
			1 May	Asif Sports Ltd	190
			1 May	A1 Athletics	160
		<b>235 570</b>			<b>235 570</b>
			2 May	Balance b/d	235 570

<b>Dr Purchases Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	122 300	1 May	Balance c/d	123 350
1 May	Cross Sports Clothing	610			
1 May	Tracks & Trainers	440			
		<b>123 350</b>			<b>123 350</b>
2 May	Balance b/d	123 350			

<b>Dr Rent and rates Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	13 785	1 May	Balance c/d	16 470
1 May	Bank	2 400			
1 May	Bank	285			
		<b>16 470</b>			<b>16 470</b>
2 May	Balance b/d	16 470			

<b>Dr Motor vehicle expenses Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	1 430	1 May	Balance c/d	2 110
1 May	Cash	100			
1 May	Bank	580			
		<b>2 110</b>			<b>2 110</b>
2 May	Balance b/d	2 110			

<b>Dr Bank charges Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	140	1 May	Balance c/d	150
1 May	Bank	10			
		<b>150</b>			<b>150</b>
2 May	Balance b/d	150			

<b>Dr Discounts allowed Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	550	1 May	Balance c/d	579
1 May	Cash book	29			
		<b>579</b>			<b>579</b>
2 May	Balance b/d	579			

<b>Dr Discounts received Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance c/d	2 152	1 May	Balance b/d	2 110
		2 152	1 May	Cash book	42
					2 152
			2 May	Balance b/d	2 152

<b>Dr Sales returns Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	1 110	1 May	Balance c/d	1 170
1 May	Health & Spa Ltd	60			
		1 170			1 170
2 May	Balance b/d	1 170			

<b>Dr Purchases returns Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance c/d	1 255	1 May	Balance b/d	1 180
			1 May	Cross Sports Clothing	25
			1 May	Tracks & Trainers	50
		1 255			1 255
			2 May	Balance b/d	1 255

**EITHER**

<b>Cash Book</b>									
		<b>Disc</b>	<b>Cas h</b>	<b>Bank</b>			<b>Disc</b>	<b>Cas h</b>	<b>Bank</b>
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>	<b>£</b>	<b>£</b>
1 May	Balances b/d		160	6 450	1 May	Rent			2 400
1 May	Health & Spa Ltd	18		882	1 May	Rates			285
1 May	Asif Sports Ltd	11		539	1 May	Motor vehicle expenses			580
					1 May	Motor vehicles expenses		100	
					1 May	Tracks & Trainers	10		350
					1 May	Wills			1 080
					1 May	Cross Sports Clothing	32		1 568
					1 May	Bank charges			10
					1 May	Balance c/d		60	1 598
		<b>29</b>	<b>160</b>	<b>7 871</b>			<b>42</b>	<b>160</b>	<b>7 871</b>
2 May	Balances b/d		60	1 598					

**OR**

<b>Dr Cash (in hand) Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	160	1 May	Motor vehicle expenses	100
			1 May	Balance c/d	60
		<b>160</b>			<b>160</b>
2 May	Balance b/d	60			

<b>Dr Bank Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
1 May	Balance b/d	6 450	1 May	Rent	2 400
1 May	Health & Spa Ltd	882	1 May	Rates	285
1 May	Asif Sports Ltd	539	1 May	Motor vehicle expenses	580
			1 May	Tracks & Trainers	350
			1 May	Wills Weights	1 080
			1 May	Cross Sports Clothing	1 568
			1 May	Bank charges	10
			1 May	Balance c/d	1 598
		<b>7 871</b>			<b>7 871</b>
2 May	Balance b/d	1 598			

<b>Sanjays Garage (creditor) A/C</b>					
1 May	Bank	580	1 May	Motor Vehicle Expenses	580
		580			580

**TASK C**

Personal Best Sports Supplies Ltd  
Trial Balance as at 15 May 2011 (before adjustments)

	£	£
Sales		251 160
Purchases	131 900	
Ordinary shares @ £1 each		40 000
Retained profit		11 170
Land and buildings	40 000	
Motor vehicles (cost)	14 000	
Provision for depreciation of motor vehicles		8 960
Fixtures and fittings (cost)	24 000	
Provision for depreciation of fixtures and fittings		9 600
Discount allowed	625	
Discount received		2 255
4% loan		10 000
Rent and rates	16 470	
Sales returns	1 190	
Purchases returns		1 300
Stock as at 1 June 2010	22 100	
Dividends paid	16 000	
Wages and salaries	42 600	
Debtors	20 000	
Light and heat	5 120	
Balance at bank (Dr)	2 550	
Sundry expenses	13 150	
Creditors		21 400
Insurance	1 240	
Motor vehicle expenses	2 220	
Telephone	440	
Loan interest	200	
Cash	10	
Bank charges paid	160	
Accounting fees	1 300	
Suspense account	570	
	355 845	355 845

Journal  
Errors

		£	£
1.	Insurance	Dr 210	
	Sundry expenses	Cr	210
2.	Purchases	Dr 20	
	Purchases returns	Cr	20
3.	Sundry expenses	Dr 540	
	Suspense	Cr	540
4.	Cash	Dr 250	
	Bank	Cr	250
5.	Debtors	Dr 30	
	Suspense	Cr	30

<b>Dr Suspense Cr</b>					
<b>2011</b>	<b>Details</b>	<b>£</b>	<b>2011</b>	<b>Details</b>	<b>£</b>
<b>15 May</b>	<b>Balance b/d</b>	<b>570</b>	<b>15 May</b>	<b>Error 3 – sundry expenses</b>	<b>540</b>
				<b>Error 5 – debtors</b>	<b>30</b>
		<b>570</b>			<b>570</b>

Personal Best Sports Supplies Ltd  
 Trial Balance as at 15 May 2011 (after adjustments)

	<b>£</b>	<b>£</b>
Sales		251 160
Purchases	131 920	
Ordinary shares @ £1 each		40 000
Retained profit		11 170
Land and buildings	40 000	
Motor vehicles (cost)	14 000	
Provision for depreciation of motor vehicles		8 960
Fixtures and fittings (cost)	24 000	
Provision for depreciation of fixtures and fittings		9 600
Discount allowed	625	
Discount received		2 255
4% loan		10 000
Rent and rates	16 470	
Sales returns	1 190	
Purchases returns		1 320
Stock as at 1 June 2010	22 100	
Dividends paid	16 000	
Wages and salaries	42 600	
Debtors	20 030	
Light and heat	5 120	
Balance at bank (Dr)	2 300	
Sundry expenses	13 480	
Creditors		21 400
Insurance	1 450	
Motor vehicle expenses	2 220	
Telephone	440	
Loan interest	200	
Cash	260	
Bank charges paid	160	
Accounting fees	1 300	
	<b>355 865</b>	<b>355 865</b>

**TASK D****(i) Personal Best Sports Supplies Ltd**

Trading, Profit and Loss and Appropriation Account for the year ended 31 May 2011

	£	£	£
Sales			261 200
Less: Sales returns			<u>1 200</u>
			260 000
Stock as at 1 June 2010		22 100	
Purchases	137 200		
Purchases returns	<u>1 350</u>	<u>135 850</u>	
		157 950	
Stock as at 31 May 2011		<u>21 450</u>	
Cost of sales			<u>136 500</u>
Gross profit			123 500
Discount received			<u>2 350</u>
			125 850
Discount allowed		650	
Rent and rates	16 755		
Less: prepaid	<u>1 200</u>	15 555	
Wages and salaries	45 200		
Add: accrual	<u>6 800</u>	52 000	
Light and heat		5 180	
Sundry expenses	14 080		
Add: accrual	<u>250</u>	14 330	
Insurance		1 490	
Motor vehicle expenses		2 293	
Telephone		460	
Loan interest	200		
Add: interest due	<u>200</u>	400	
Bank charges paid		165	
Accounting fees		1 300	
Depreciation – motor vehicles [40% x (14 000–8 960)]		2 016	
Depreciation – fixtures and fittings (20% x 24 000)		4 800	
Provision for doubtful debts (2% x 21 800)		<u>436</u>	
Net profit			<u>101 075</u>
Retained profit b/f			24 775
			<u>11 170</u>
			35 945
Ordinary share dividends			
Paid		16 000	
Proposed (20% x 40 000)		<u>8 000</u>	
Retained profit c/f			<u>24 000</u>
			<u>11 945</u>

(ii) Balance Sheet as at 31 May 2011

	Cost £	Depr'n £	NBV £
<b>FIXED ASSETS</b>			
Land and building	40 000	-	40 000
Motor vehicles (cost)	14 000	10 976	3 024
Fixtures and fittings (cost)	<u>24 000</u>	<u>14 400</u>	<u>9 600</u>
	<u>78 000</u>	<u>25 376</u>	52 624
<b>CURRENT ASSETS</b>			
Stock		21 450	
Debtors 21 800			
Less: Provision for doubtful debts <u>436</u>		21 364	
Balance at bank		3 060	
Cash		247	
Prepaid rent and rates		<u>1 200</u>	
		47 321	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors	22 750		
Accrued wages and salaries	6 800		
Accrued sundry expenses	250		
Loan interest accrued	200		
Proposed dividends	<u>8 000</u>	<u>38 000</u>	
<b>NET CURRENT ASSETS</b>			<u>9 321</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>61 945</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
4% loan			<u>10 000</u>
			<u>51 945</u>
<b>CAPITAL AND RESERVES</b>			
40 000 Ordinary shares @ £1 each			40 000
Retained profit			<u>11 945</u>
			<u>51 945</u>

Different terminology would be acceptable, for example 'Non-current assets' for 'Fixed assets', reflecting changes to international terminology in UK accounts.

## **TASK E**

In answering part (a) different formats for company accounts as called for by company law and amended by accounting standards are appropriate for comment. Different sizes of companies have different demands on them and a small private company such as *Personal Best Sports Supplies Ltd* may produce final accounts in a less detailed and prescriptive form to that required of large listed public companies and groups.

Nevertheless, any company is subject to the Companies Acts which call for specific formats and elements of disclosure both on the face of the financial statements and within notes to the accounts. In addition, a directors' report is commonly produced and the accounts are audited within current legislative requirements.

Comparison with summary financial statements should highlight the way summary statements are driven more by perceived user needs, financial literacy and clarity, as opposed to legislative requirements. For example, in summary statements rounded figures highlighting profits, asset values and earnings and dividend related information are provided. The rounding to simple figures is a concern with materiality in mind, but provides understandable, relevant and, hopefully, reliable information.

## TASK F

## Accounting Ratios

	Year ended 31 May 2010	Year ended 31 May 2011	
Gross profit percentage	50%	$\frac{123\,500}{260\,000} \times 100 =$	47.50%
Net profit percentage	7.65%	$\frac{24\,775}{260\,000} \times 100 =$	9.53%
Return on capital employed (* different measures of capital employed are acceptable)	35.80%	$\frac{24\,775}{\frac{41\,170 + 41\,945}{2}} \times 100 =$	59.62%
If capital employed includes the loan, the figure is		$\frac{24\,775}{\frac{51\,170 + 51\,945}{2}} \times 100 =$	48.05%
Expenses as a percentage of net sales	N/A	$\frac{101\,075}{260\,000} \times 100 =$	38.88%
Current ratio	3.1:1	$\frac{47\,321}{38\,000} =$	1.25 :1
Acid test ratio	1.1:1	$\frac{47\,321 - 21\,450}{38\,000} =$	0.68 :1
Stock turnover	32 days	$\frac{[22\,100 + 21\,450]}{[2]} \times 365 =$ 136 500	58.23 days
Fixed asset turnover	N/A	$\frac{260\,000}{52\,624} =$	4.94 times
Debtor collection period	15 days	$\frac{21\,800}{130\,000} \times 365 =$	61.21 days
Creditor payment period	40 days	$\frac{22\,750}{135\,850} \times 365 =$	61.12 days
Earnings per share	40p	$\frac{24\,775}{40\,000} =$	61.94p
Dividend cover	4 times	$\frac{61.94}{60} =$	1.03 times

## Interpretation of ratios

*Personal Best Sports Supplies Ltd* has been in operation for a few years and the directors, Peter and John, have managed the company towards specific goals. Although growth has not been according to plan, the company is now in a position where it is close to fulfilling these plans. However, there are one or two difficulties in the way.

Limited detail can be seen from the ratios and information.

Growth has been rapid in the last year increasing by 50%. Gross profit percentage has decreased a little, perhaps because of increased prices which have not been passed on to customers. Or, the change may be because of a different mix of products being bought and sold. Comparison with similar organisations would be useful.

The net profit percentage is good and has increased. This may be because the company has been successful in cutting costs or simply because not all the costs increased in proportion to the increased income. Some expenses are high in comparison with others. Wages and salaries comprise half of the company's expenses, so need to be a focus for control. However, control should not reduce the quality of service which appears to be important to the company's success.

Because the return on capital employed can be calculated in different ways it is difficult to compare with the figure from 2010. As other profit based ratios differ little from one year to the next, it is likely that RoCE has been calculated with the inclusion of the loan. However, the difference from past years of both measures is significant and the basis of the calculation should be checked. If that assumption is correct, the return has improved significantly and even more than the net profit figures. RoCE appears to be exceptional if compared with non-risk investments such as savings accounts. Comparison with an industry figure would give a better view of the comparative success of the business venture.

Although profitability is good, liquidity is a concern. Both current and acid-test ratios are low compared with 'textbook figures'. Comparison with similar organisations would help indicate if the figures are typical or not. The actual stock figures look high, particularly as the company's stock turnover has virtually doubled in a year. This may be because of a change in its constituents.

Fixed asset turnover cannot be assessed without the figures from previous years. It appears that the business is making a reasonable use of its assets.

The debtor collection period has quadrupled and is concerning. This may be because of a change in product and market, because of poor credit control or because the company has increased its credit period in an effort to gain a greater market share. Peter and John need to watch the effect on cash flow. Increased credit facilities may lead to more bad debts. The credit control policy of the business and its costs and benefits should be reviewed.

Credit given by suppliers has increased by 50% which may indicate that the company is using different suppliers which provide more credit or, the company may have to rely more on its suppliers because it has been unable to generate sufficient cash to pay its bills.

Shareholder ratios are probably not too important to the current shareholders. However, the information would be useful to any new shareholders. The earnings per share are better this year by over 50%. The company pays out virtually all of its earnings in dividends. The total amount may not be large in relation to sales but if there had been a greater retention of funds within the company it would have been in a better position to pay its debts and prepare for growth. The withdrawal of the high proportion of dividends seen is rather strange bearing in mind the brothers' commitment to the company and their goals. Perhaps they are personally short of cash. If so, Peter and John may need to seek funds outside the family when looking for additional funds. Alternatively, Peter and John may only be receiving dividends and little or no other income from the company, so the dividends may simply be a reasonable remuneration.

## TASK G

In report form this should consider a strategy with the benefit of information from the scenario, the accounts and ratios.

The following points can be brought out:

- *Personal Best Sports Supplies Ltd* needs working capital to finance increased debtors, to add to stock, to pay its bills and particularly staff wages. Clearly, it could reduce debtors and stock in order to improve the working capital position but then the company would not be in a position to meet its goals. An overdraft may be a useful short-term option. This could be secured against the property. However, much depends on the future requirements of the company which need to be clearly identified. Additional capital could be raised to add to working capital, as well as to improve the liquidity and strength of the organisation
- historically the company appears to have been less profitable. Perhaps the growth in the last year was significantly better than was expected. The company directors should consider if this is a prudent time to continue to grow at the same rate or to consolidate to some extent. They have experienced difficulties in the past and the recent success may have left them feeling over-confident. It would be useful to produce a forecast to identify likely income and needs
- although appearing to be overlooked by the company, the fixed assets have only another two or three years until they are fully depreciated. This may indicate a need to replace them. Indeed, it is likely that if the wider geographical spread of shops takes place, there may be a need for more vehicles, fixtures and, perhaps, other fixed assets. It is possible that the company will be able to generate a rapid and significant cash flow in the run up to 2012. Although there is a clear need for short term finance, this may be sufficient to generate profits which can be ploughed back into the business. In the longer term new shops are likely to require more significant long-term finance such as more share capital or extended loans. The current loan will also need to be repaid or extended in a few years
- to obtain a loan might be difficult, depending on the economic climate. However, if the company is willing to use its property as collateral, banks may be willing to lend. Additional loan capital means more interest must be paid. However, if the business continues to generate profits at the current rate it is clearly making good use of its capital and the company, if it continues in this manner, should generate sufficient to meet interest charges
- however, there is such a focus on the Olympics in 2012 that it is difficult to see whether the business will continue to be as successful after 2012. Although the brothers intend to use the strategy which appears to be working well for them into the future, they will not have the same degree of local contacts in Glasgow and success may not come as easily. If the business runs into financial difficulty and it is unable to repay a loan, the lender may, depending on the terms of the loan, be able to put the business into insolvency
- if share capital is issued, the first question is whether the brothers and their families have sufficient funds to provide more capital. John's father-in-law may be interested in providing more funds either by a loan or to invest in share capital in the company. Alternatively, the company may need to consider new shareholders. New shareholders may bring expertise as well as funds into the company which may be useful. Alternatively, they may wish to interfere in the strategy and running of the company which may not suit the approach of Peter and John. They could lose some control

If Peter and John could provide more capital in exchange for shares this would give the company the greatest freedom to continue their drive for growth. The financial position of the brothers and their family and the company need to be investigated carefully.

Overall the company appears to be close to meeting its initial aims. However, is the plan for the future realistic or simply being implemented because the approach seems to be working at the moment?

- plans, budgets and careful monitoring will be needed to guide the organisation through the next year when adequate cash flow will determine the success or not of the company to survive and continue to generate profits. Peter and John must examine the finances carefully and meet any shortfalls in cash with either short-term borrowing (eg an overdraft) or something more substantial. If they can manage the working capital more effectively, this might alleviate their difficulties to some extent. For instance, it may be possible to leave ownership of sports equipment with manufacturers but have the equipment in the showroom and sell it in the same way in which garages often sell cars
- if they achieve good growth in the next couple of years and convince financiers of the soundness of opening more shops, Peter and John should be in a good position to negotiate good terms for loans or shares. Alternatively, if the company is very successful it may generate sufficient profits to grow organically

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