

Applied Business

Advanced GCE A2 H426/H626

Advanced Subsidiary GCE AS H026/H226

Examiners' Reports

June 2011

H026/H226/R/11

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

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

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Chief Examiner's Report

Reports by the Principal Moderator and Principal Examiners for the June 2011 series follow this report. It is important that these detailed reports are studied carefully by centres as they contain specific advice on how to prepare candidates for assessment in each and every unit of the qualification.

This series, the work seen, both portfolio and examination scripts, varied from having very limited relevance to the specification to outstanding and exceptional work. The very best submissions showed an immense amount of effort on behalf of the candidate and centre alike. Sadly, sometimes such examples of good practice seemed to be restricted to one particular unit or assessor at a centre. Where this is the case a greater use of staff development within the centre in order to disseminate good practice on this qualification may be beneficial to staff and candidates alike.

In the Chief Examiner's Report for the January 2011 series centres were alerted to changes in UK anti-discrimination legislation. With immediate effect the Equality Act 2010 super cedes all of the equal opportunities legislation 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 examined or moderated units. From January 2013 candidates need to know, and be able to apply, the principles and provisions contained in the new Equality Act 2010 in relation to equal opportunities in employment.

Coursework issues:

Centres are asked to note that entry code 01 is for submission of coursework through the OCR repository. If Centres do not intend to submit their coursework electronically they should use code 02 for postal submission. Entering through the wrong code causes administrative problems for the moderation team and may delay assessment.

It was pleasing to see many well structured pieces of coursework with many candidates using the sub-headings given in the specification to achieve this. Such an organised approach, coupled with the use of a contents page and page numbers facilitated the tracking of the evidence which each individual unit demands. Where a centre-issued assignment brief has been used by candidates it would be helpful if a copy could be submitted to the Moderator. Also, in units which require a presentation, witness statements should be provided to assist Moderators in agreeing centre-awarded marks. Detailed completion of the teacher comments section on the Unit Recording Sheet, justifying the marks awarded, and accurate annotation of the assessment criteria on candidate work, is time well spent. Such practice makes it more likely that the Moderator can agree the centre-awarded marks.

Once again centres are reminded that it is the responsibility of assessors to ensure the authenticity of the evidence submitted by candidates. This is especially important when work has been undertaken in groups. Work produced by a different group member cannot be submitted as the candidate's own work and it does not constitute evidence of meeting the assessment criteria. Likewise pages downloaded from the Internet do not constitute evidence in and of themselves because the candidate is unlikely to be the author of these pages. Internet printouts need to be referred to or used in some way in order to be acceptable as evidence. Internet sources need to be acknowledged in the same way as any other source.

Externally assessed units:

There was evidence of good time management skills across all of the examined units this series. Several candidates even had the time to write on additional answer sheets. Centres are reminded to encourage candidates to label any additional pages with their name, centre number and question number as well as making reference on the examination paper itself that the answer is continued on additional answer sheets.

The nature of the GCE Applied Business course requires that candidates apply their knowledge and understanding to the business context given to them in the examination paper. Far too many candidates still give general responses on the high tariff questions. If a response will apply to any business then it has not been sufficiently contextualised to the situation given in the case study and cannot move beyond Level 1. Mentioning the name of the company, or characters involved in the scenario is insufficient for the award of context.

Pleasingly, there was some evidence that an increasing number of candidates are attempting to evaluate their responses; however, judgements must be based on previous analysis. For this reason, as judgements given at the beginning of a response are difficult to support, candidates should be encouraged to make their analytical points first before reaching a justified conclusion. Context is equally important when candidates attempt to evaluate. The judgement or decision must be justified using the specific context of the case study. Plenty of detail is included in the case studies in order to allow the candidates to argue their evaluative stance from circumstances peculiar to the business under scrutiny. Candidates need to be encouraged to refer to specific details given in the case study when making their evaluative comments.

One specific area of concern appears to be an alarming rise in 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 double award where 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 awarded.

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

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

- previous Principal Moderator's report
- individual centre reports on moderation
- past examination papers
- previous examination series reports
- INSET offered by OCR
- coursework consultancy service (OCR)
- e-Community – OCR website
- sample schemes of work and lesson plans – OCR website
- further guidance for teachers – OCR website
- FAQ's – OCR website.

F242 Understanding the Business Environment

General Comments

Whilst candidates on the whole seemed well-prepared, the issue faced by Charlie concerning whether she should register her charity or not was, perhaps, not as well-understood as it should have been. In general, candidates' understanding of charities is not as sound as that of other types of ownership. This affected the quality of most candidates' response to question 6(c) as outlined later in this report.

It is crucial for candidates who have chosen this qualification to develop the skill of applying their knowledge to different scenarios and case studies. Questions such as 1(c) test the candidates' ability to discuss the usefulness, or otherwise, of applying analytical tools and models to specific businesses. As such a general response which could be applied to any businesses will not allow candidates to move beyond Level 1. A contextualised answer will give examiners an indication of the specific activities carried out by the business in question. Candidates are advised to ensure that their answers contain specific examples of business activities or problems faced by the business in question throughout their responses in order to access the higher marks. If an answer is so general that it could be applied to a business such as 'Tesco', then it is most probably not going to achieve higher than Level 1.

There is still plenty of scope for candidates at this level to develop their analytical skills. Whilst the majority of the candidates were able to make a judgement, this was often not backed up by previous analysis. Level 4 cannot be awarded without analysis and it is vital that centres address the need to develop this skill amongst their candidates. For Level 3 to be awarded, candidates are required to develop their arguments, analysing how the issue under discussion could impact on a business's success, eg increasing sales revenue, increasing profit, etc. This is a prerequisite to any judgement which they subsequently make.

Some candidates' responses to questions 1(a)(ii) and 3(a)(i) suggest that more care should be taken while reading the question in order to avoid losing easy marks.

The general performance on numerical questions indicates that some candidates need to improve their understanding of how percentages are calculated. A sound knowledge of how percentages are calculated and used is vital to the success of a business and this is an aspect on which most candidates should focus. It is essential for a good business studies candidate to be proficient in the use and calculation of percentages in day-to-day business scenarios.

Comments on Individual Questions

- 1 (a) (i) This was a relatively straightforward first question which was intended to put the candidates at ease. It was well answered by the majority of candidates who were able to link fixed and variable costs to output.
- 1 (a) (ii) This was another relatively straightforward question which was, again, well answered. The majority of candidates were able to identify wages as a fixed cost based on the information provided. Some candidates failed to read the question properly and did not use the list of costs provided on the question paper.
- 1 (b) (i) Most responses to this part of the question suggested that break-even was well understood by the candidates.

- 1 (b) (ii) This part of the question tested the candidates' ability to interpret information presented on a break-even chart. In most cases, the break-even point was identified accurately.
- 1 (b) (iii) The margin of safety is still a concept which most candidates at this level find somewhat difficult. However, there is evidence to suggest that the level of understanding on this topic is improving.
- 1 (b) (iv) This was a good question for testing the candidates' numeracy skills. It was pleasing to see that most candidates were able to calculate the selling price accurately using the break-even chart.
- 1 (c) This part of the question required the candidates to recommend the most appropriate method of lowering Charlie's break-even point. As such, answers had to be given context in order to access the higher levels, which weaker candidates failed to do. A contextualised answer should contain information about the activity of the business, namely it is a charity which produces gloves to fulfil the aim of providing bikes to children in deprived areas. The candidates' ability to analyse also needs developing. In order to achieve Level 3, they were only required to demonstrate how the method suggested could reduce break-even point, eg by increasing the selling price of the gloves, the sales revenue will increase which means that fewer gloves need to be sold in order to break-even. To gain top marks, the candidates were required to show and apply their knowledge of how Charlie's break-even point could be lowered covering the three elements of a break-even analysis, eg fixed cost, variable cost and selling price. To access Level 4 marks the candidates had to have suggested at least two methods and one of them should have been analysed.

Weaker candidates seemed to share the common misconception that the break-even point can be lowered by advertising more or lowering selling price. Some candidates did not identify clearly enough the difference between lowering fixed costs and lowering variable costs, missing out on extra marks, especially within Level 2 responses. Other common errors included putting examples into the wrong type of cost, eg materials as a fixed cost.

- 2 (a) This part of the question required candidates to have some basic knowledge of the two types of budgeting. However, it was sufficient for candidates to explain why zero-based budgeting is more suitable for Charlie in order to gain full marks. The number of omitted responses on this part of the question showed that this topic is still poorly understood amongst candidates.
- 2 (b) Two marks were allocated for how each factor identified, which could be internal or external, could affect the accuracy of Charlie's sales budget. The first mark was awarded for the identification of a relevant factor, the second mark was awarded for an explanation of how that factor could affect the accuracy. Whilst most candidates were able to identify relevant factors, the ability to develop their answers, especially amongst weaker candidates, still needs developing. There was also some confusion amongst these candidates over costs and selling price.
- 2 (c) The calculation of percentages was still weak amongst some candidates; some also struggled to round their answers up appropriately. However, most candidates were able to correctly identify the variances as favourable or adverse correctly.
- 3 (a) (i) In order to answer this part of the question correctly, candidates were required to add £2000 to the total cash outflow which a good number of candidates failed to do. This suggested that more care should have been taken when reading the question.

- 3 (a) (ii) This part of the question, on the whole, was well answered; A high number of candidates achieved full marks. The most common error being the calculation of the net cash flow for August.
- 3 (b) The most common answer offered to this part of the question was a bank loan and candidates mostly gained two marks for stating one disadvantage correctly – interest charges. Only more able candidates gained full marks. Candidates are advised to avoid giving 'quick and easy' answers because acquiring capital is one of the most difficult activities businesses have to carry out. There was also the misconception that grants from the government are easy to come by.
- 4 (a) This was a good question for differentiation. Some weaker candidates clearly did not fully understand SLEPT analysis. Most gave vague responses referring, quite often, to strengths and weaknesses or opportunities and threats. The identification of factors, however, proved to be a lot easier than an explanation of how they might affect the success of Bike Angels – because this required the candidates to answer in context. Social factors were the least understood aspect. Where it was difficult to categorise whether a factor was legal or political, candidates were given the benefit of the doubt. A common error was to mistake the 'E' for environmental factors.
- 4 (b) This part of the question required candidates to explain the specific benefits of carrying out a SLEPT analysis on Bike Angels as opposed to any other types of analysis. Most responses were generic and which, therefore, could only be awarded marks in Level 1. Full marks were only awarded to an explanation of how Charlie could benefit from such an exercise. This emphasised, once again, the importance of the candidates being able to apply their knowledge.
- 5 The focus of this part of the question was on ethics verses profits in the context of Bike Angels. As such, responses which discussed the benefits/drawbacks of the two types of gloves to customers or the environment did not answer the question. However, in contrast to the other level of response questions on this paper, almost all candidates responded in context due to the nature of the question. Most candidates achieved Level 2 but then failed to access the higher levels. Level 3 required the candidates to discuss the knock-on effects of producing the different types of gloves, having first outlined the advantages and disadvantages. To achieve Level 4, the candidates were expected to present their recommendation and then justify it in context. Common errors included writing about producing disposable batteries rather than gloves. Those candidates who understood the context of the question correctly were able to structure their responses well and obtained high level marks.
- 6 (a) A good proportion of the candidates demonstrated a sound understanding of objective setting by ensuring that they were SMART. However, to gain full marks, candidates were required to make it explicit that these objectives related to a not-for-profit organisation.
- 6 (b) Most candidates understood the difference between aims and objectives well, with only a small proportion got it the wrong way round – aims are short-term, while objectives are long-term.
- 6 (c) This part of the question required the candidates to decide whether Charlie should establish Bike Angels as a registered charity or not, as opposed to whether or not she should become a charity. This decision had already been made and candidates were asked to analyse the advantages and disadvantages of having registered charity status. Direct quotes from the case study regarding the advantages/disadvantages of being a registered charity were awarded Level 1 only. Level 2 required the candidates to show their understanding of how specifically Bike

Angels could benefit or otherwise, from registering as a charity, ie lower taxes would enable Bike Angels to have more money to buy bicycles for deprived children. Level 3 required the candidates to discuss the knock-on effects of these advantages and disadvantages. To achieve Level 4, the candidates were expected to present their recommendation and then justify it in context.

Around half the cohort did not respond in context and very few candidates linked the advantages/disadvantages to Charlie's objectives. Some candidates completely misunderstood the question, for example, writing about why Bike Angels should be a limited company.

- 7 (a) Most candidates demonstrated sound knowledge of how businesses could use a spreadsheet and a word processor; databases tended to be less well-understood. Some candidates mis-interpreted the question and identified the advantages of using the software listed instead. The focus was on how these software packages could be used.
- 7 (b) This part of the question clearly stated that the candidates were required to discuss the advantages and disadvantages of Charlie introducing IT into the running of Bike Angels. However, most responses were generic; name-dropping Charlie or Bike Angels does not constitute context. Only a small proportion of the candidates managed to answer this part of the question in context, describing clearly how the activities carried out by Bike Angels could benefit/not benefit the organisation. The automation of production was not awarded any marks.

F243 The Impact of Customer Service

General Comments

The format and difficulty of this paper was commensurate with recent, previous papers. The broad spread of responses was due, in the main, to the extent to which questions had been read properly and the candidate's ability to respond.

Responding to but 'not answering the question' was a particular feature of candidates' responses, across all ability levels. If the question has not been interpreted properly, then the candidate may write 'well' but marks cannot be awarded. For example, a response to 'the benefit of sending a newsletter by 'post', should focus on the benefits of using the 'post' not on the benefits of adopting a newsletter.

This is an applied qualification and as such '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. Typically on a 12 mark question this context is required to gain more than Level 1 (maximum three marks).

Both of these observations have been made in previous examiner's reports. However, they are worthy of a priority mention again this series, as the impact of these two features played such a strong role in mark allocation this year.

Also worthy of mention would be the following issues:

- 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 apposed 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, 'grow Sales' and 'increase Income', are two responses to the business benefits of good customer service, but they can only be awarded one mark due to their similarity.

On a very positive and pleasing note, candidate knowledge of customer service research and associated legislation, and factual content was, in general very good. Equally, the majority of the candidates completed the paper, indicating good time management. Centres had clearly played a strong role in developing this understanding and examination technique. The challenge now would appear to be the ability of the candidates to check question comprehension, to pay attention to detail, to avoid duplication and most importantly of all to link their responses to good context and work towards the higher levels of analysis and evaluation.

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. Whilst some candidates did progress from Level 1 to Level 2, to Level 3 and onwards, many still do not. 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) This part of the question was answered well. However, weaker candidates tended to repeat 'reasons' or gave very similar responses in their explanation, resulting in duplication and, therefore, a lack of credit.
- 1 (b) Similarly to part (a) this part of the question was relatively well answered, with the same vulnerability to duplication. Some responses indicated that candidates thought that displaying the policy would naturally lead to the enforcement of it and the motivation of staff, indicating a lack of understanding which was not awarded a mark.
- 1 (c) This part of the question was generally well answered unless the candidate had decided to suggest examples of good customer service not in the case study, indicating a lack of attention to the detail in the question.
- 1 (d) Whilst some candidates did progress from Level 2 to Level 3, the majority did not. Better candidates identified that the question was not about 'bad customer service, or how to improve' customer service and actually responded with respect to 'inconsistent' customer service, the core of the question. Context reintroduced at Level 4 secured a mark at this level for those candidates confident enough to contextualise their answers.
- 2 Candidates scoring well on this part of the question were able to recall knowledge accurately; for example, the full title of The Health and Safety at Work Act, therefore, gaining credit for knowledge, as required by the question.
- 3 (a) A common error was to refer to 'mystery shopper', but this method was not appropriate for gathering 'customer feedback', nor was a 'survey'. Many candidates appeared reluctant to be specific, eg naming a type of questionnaire as a suggested method, eg a telephone questionnaire, and, therefore, potentially losing marks if this was not then developed in their answer. It is also worth noting that the description which follows each suggested method should be unique to that method; a generic explanation eg 'finds out what the customer thinks', cannot be awarded.
- 3 (b) The better candidates were able to link the response given to the context without drifting into ideas for a solution to the problem, which was not required by this part of the question. The ability to contextualise and answer the question clearly secured a high award at Level 3 mark quite quickly. Therefore, evidencing the fact that answers do not need to be long to gain a higher mark on such three level questions.
- 3 (c) (i) Candidates needed to include a reference to the meaning of customer retention. The weaker candidates attempted to just explain the first aspect of the expression and as such failed to be awarded.
- 3 (c) (ii) Candidates generally answered this part of the question well.
- 4 (a) (i) & (ii) Candidates were able to score well if they had identified from these two parts of the question that they related to the method 'post' as opposed to a 'newsletter'. If the question had been misread then marks were generally not able to be awarded, especially for the first part of the question.
- 4 (b) Only a few candidates were able to reach a judgment and explain its application in real context in response to this part of the question. Linking back to the business was not done well, although there was plenty of material in the case to build a solid response.

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- 4 (c) Answers to this part of the question were vulnerable to repetition by weaker candidates.
- 5 (a) Candidates were not able to gain credit on this part of the question unless the reason given linked back to the gaining of information; for example, referring to 'maintaining', 'responding quickly', etc. For many candidates this aspect of the question was overlooked and it resulted in a failure to gain marks.
- 5 (b) Responses to this part of the question often referred to methods of research, rather than to the types of data, limiting marks significantly for most candidates.
- 5 (c) Generally, both of these parts of the question were well answered with the candidates understanding the benefits and disadvantages of online booking. The main problem, however, was not linking it to the 'Customer', but relating to the business, which could not be credited. The need to read the question to and to check which stakeholder the question relates cannot be overstressed.
- & (d)
- 6 The majority of candidates attempted this question. Good candidates differentiated themselves by ensuring that the response was written in context throughout. A large proportion of the candidates displayed extensive knowledge and understanding on this subject but failed to apply context, therefore, limiting themselves to a maximum of three marks.

A/S Principal Moderator's Report

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 means that the centre is going to submit its work through the OCR Repository. Some centres are still using this code but submitting work via post. The code for postal moderation entries is 02. This error does cause some problems with administration.

Some centres still did not adhere to the 15 May deadline for the receipt of the completed MS1 form and failed to inform OCR and/or the Moderator of the delay. This did cause difficulty for Moderators in the scheduling of their work. Centres should also note that for entries of 10 candidates or less the portfolios of all of the candidates should be sent straight to the Moderator with the MS1 form, or uploaded to the OCR Repository. Centres should also note that it is their responsibility to forward MS1 forms and candidate work to the allocated Moderator by the set deadlines and, if a sample is required, it must be returned within **three** days of receiving the sample request. Requests for a sample are now emailed to the centre's registered email address.

Centres should note that failure to meet such deadlines could delay the receipt of results for their candidates. Centres must also check that they are sending their work to their allocated Moderator and not using labels from a previous series. A number of centres sent their work to the incorrect Moderator. This does slow the process down quite considerably as the allocated Moderator then has to contact the centre to see where the work is and then get the work delivered from the old Moderator. Another problem which is beginning to arise is that parcels are being sent with the incorrect postage being paid and in some case no postage. This means the Moderator has to pay to receive the parcel.

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 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.

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 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 who achieved the highest marks for this unit 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.

It was evident through this series that candidates had a much better understanding of the role functional areas play in supporting marketing activity. There was less evidence of candidates simply explaining the role of each department with no or little linkage to marketing.

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 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 is this evidence, the easier it is for the Moderator to agree the centres' marks. It was a surprise to find that 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 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.

A surprising number of candidates failed to investigate the competition as a method of justifying their marketing proposal.

A problem which occurred 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 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.

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 these people? 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 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'.

This unit, at times, remained a logistical challenge for the Moderators – often being 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. This was not the case in some of the candidates' work sampled. 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.

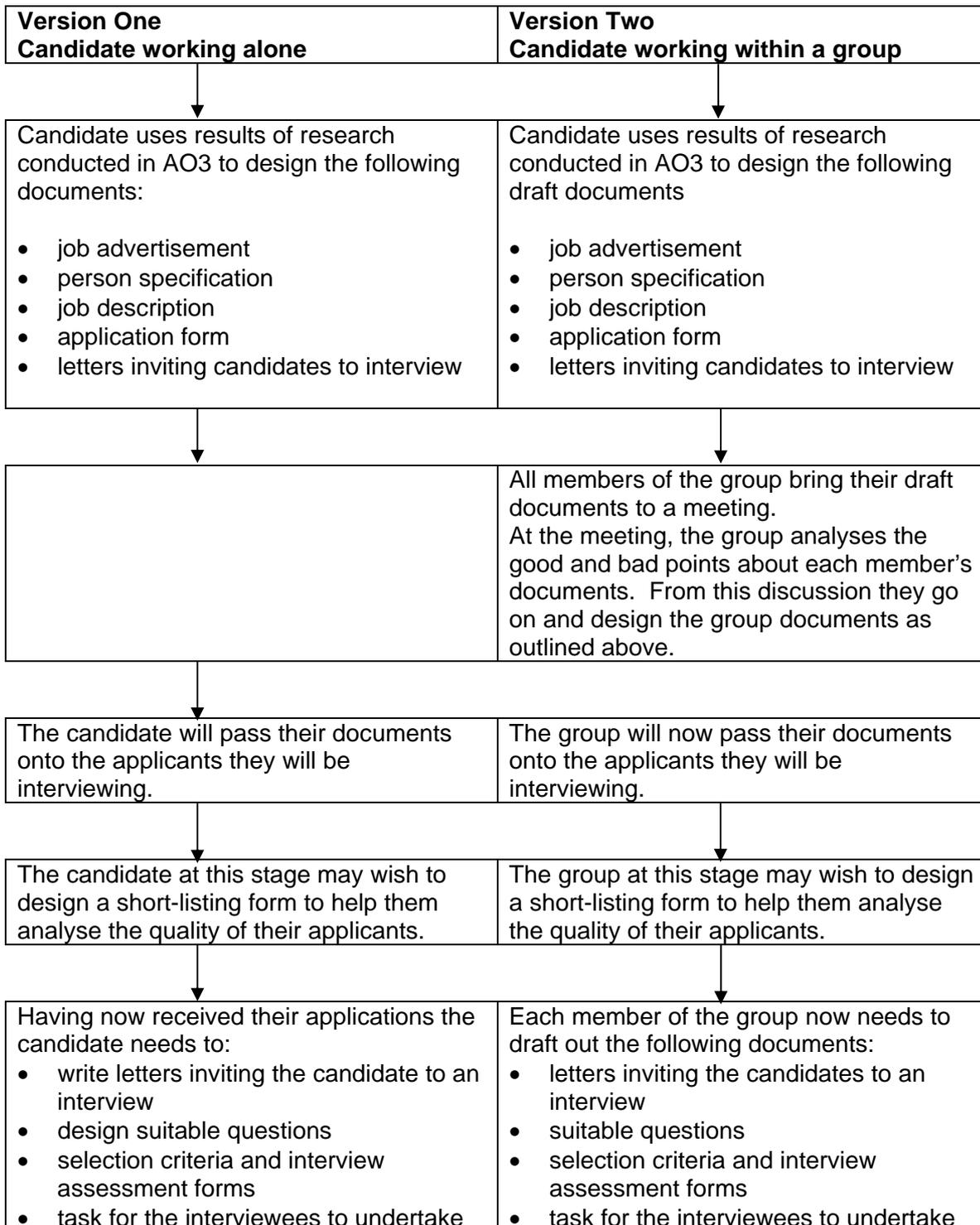
Assessment Objective One

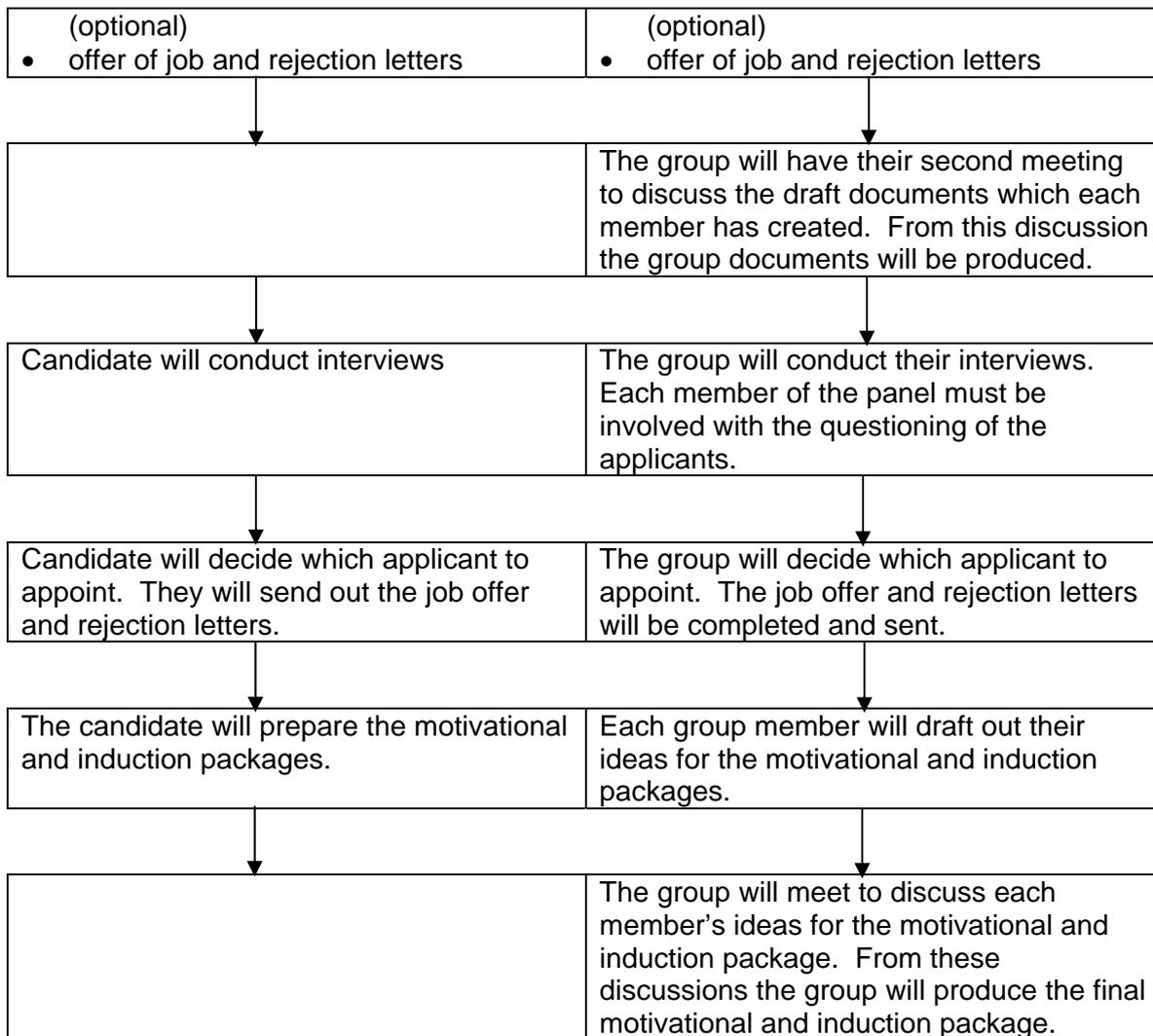
The majority of candidates sampled were able to produce a detailed description of 'The recruitment process' but coverage of 'The selection process' was often patchy. Candidates do need to ensure that they cover all of the required bullet points found within this section. Candidates' coverage of induction 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 their recruitment and selection process. For example, when designing the job advertisement what factors would they 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 they run their interview – 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 range. Centres should also note that theoretical coverage of the section 'Job roles', is not required.

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 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. Sadly, it was often lacking in some of the assignments sampled throughout this moderation session.

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.

Very few candidates were able to consider the impact weaknesses within their recruitment and selection documentation would have on how the candidate 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 both 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 on 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 all too 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 then must 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.

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 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 all of the 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.

A2 Principal Moderator's Report

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 means that the centre is going to submit its work through OCR Repository. Some centres are still using this code but submitting work via post. The code for postal moderation entries is 02. This error does cause some problems with administration.

Some centres still did not adhere to the 15 May deadline for the receipt of the completed MS1 form and failed to inform OCR and/or the Moderator of the delay. This did cause difficulty for Moderators in the scheduling of their work. Centres should also note that for entries of 10 candidates or less the portfolios of all of the candidates should be sent straight to the Moderator with the MS1 form, or uploaded to the OCR Repository. Centres should also note that it is their responsibility to forward MS1 forms and candidate work to the allocated Moderator by the set deadlines and, if a sample is required, it must be returned within **three** days of receiving the sample request. Requests for a sample are now emailed to the centre's registered email address.

Centres should note that failure to meet such deadlines could delay the receipt of results for their candidates. Centres must also check that they are sending their work to their allocated Moderator and not using labels from a previous series. A number of centres sent their work to the incorrect Moderator. This does slow the process down quite considerably as the allocated moderator then has to contact the centre to see where the work is and then get the work delivered from the old Moderator. Another problem which is beginning to arise is that parcels are being sent with the incorrect postage being paid and in some case no postage. This means the Moderator has to pay to receive the parcel.

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 location of evidence, in order to facilitate the moderation process. This information helps moderators understand the rationale behind the marks awarded for each assessment objective. Centres must also ensure the marks on the MS1 form match the marks on the Unit Recording Sheet for each candidate and in relation to each unit. It is surprising how often they do not!

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.

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 was generally noted that where centres had followed the assignments produced by OCR, candidates' work was generally more structured enabling them to provide the correct evidence for each assessment objective.

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.

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. Where candidate work contains inaccuracies, Assessors should annotate the work to this effect, thus enhancing the candidate's own learning.

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 122-135 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. Ideas which involve the sale of multiple items can also cause problems due to the complexity of calculating potential sales and the cost of sales. Such difficulties greatly limit the ability of the candidates 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 should 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 then 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 – 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, each of their decisions 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 the candidate is looking at 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 3.

During moderation it was often extremely difficult for moderators to see the links between the candidate's research and their final products. 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.

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

Candidates had all correctly used the new stimulus material supplied by OCR.

Generally centres were better equipped to cope with this unit. The work submitted by centres demonstrated a diverse range of marks representing candidates' ability to grasp the concepts being assessed. However, it is still a concern to see that in some centres all the candidates' work contained the same 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 the second section of (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, eg direct debits and till receipts. It was pleasing to see how many centres are now encouraging their candidates to make use of the stimulus material for this task. There were some excellent submissions seen this session for section (iv).

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 this section of the unit under examination conditions with candidates producing high quality individual work. Few centres made use of the three column cash book, preferring to use separate band, cash, discount received and discount allowed accounts – an acceptable alternative

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.. It is disappointing to see that some centres are still not encouraging their candidates to show the suspense account, though most did how the 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 that some centres struggled with the concept of dividend payments. A few centres are now encouraging their candidates to make a taxation computation. This is outside the scope of the unit and whilst it demonstrates the candidates' knowledge and understanding it does not add any value to the work which is to be assessed.

Assessment Objective Three

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

There was a broad variety of evidence produced 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. This task should make comparisons in layout 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 each ratio and many offered little beyond the obvious that a particular 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 case there was more analysis found in Task G and this was taken into account by the Moderator. However, for many candidates, 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 candidates had acted on this point which has been made in 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 many candidates have now taken this instruction 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 was experiencing, but 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 business' ideas for expansion.

TASK A

(i) In report form:

Accurate financial records are needed for the following reasons:

- to calculate accurately profit and loss – to allow for planning and control, particularly with the proposed financing and asset replacement in mind, 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
- to meet legal requirements – to ensure correct information is provided to shareholders, Companies House, tax authorities, etc in order to avoid potential damaging legal action
- to 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, to collect from debtors and to pay creditors
- to 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
- to 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 limited somewhat in its operations at the moment through choice. It needs to have sufficient customers to expand and justify new premises, equipment and vehicles. Budgets can be used to co-ordinate future plans and monitor and control the business
- to obtain additional finance – by providing information about past and forecast profitability, liquidity, assets held, etc
- to plan the future expansion – by quantifying the resources available and indicating the impact on future 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 these approaches, particularly in the case of equipment which has been judged to have a 10 year life; but if the business needs to move in two years, the equipment may have to be scrapped or replaced earlier than initially expected.

(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 on the business, bad publicity with potential business decline/failure. This could range from prosecution for accidents to illness arising from incorrectly prepared food to theft from customer's premises by staff
- 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 liquidity position. Control of

credit may be of increasing importance to the company with the expansion of sales into higher value parties

- shareholders losing confidence and investing elsewhere – and as the present shareholders are family and, apparently, committed to the organisation they are likely to be more supportive than any new shareholders were Sammi and Macie to look outside immediate family to friends for new capital. 'New' shareholders might have more interest in financial returns
- bad public image – which could lead to a loss of customers, perhaps employees, and highlight weaknesses to competitors. Reputation is key to the company so it is important to maintain the quality of service for which the company is known. There is the risk in using new waiting staff. *Weston Party Caterers 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 for Sammi or Macie could have a significant effect.

(iii) The following should be explained to Sammi and Macie in a form suitable for non-accountants:

- capital and bank loans
- assets such as premises and 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.

As well as:

- 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.

An explanation showing an understanding of each of the following processes:

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

Including an understanding of the types of error which can occur when preparing accounts with examples including:

- omissions
- compensating errors
- errors of principle.

Examples are available in Task C.

TASK B

Ledger Accounts

Dr		J & P Allison		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	400	1 May	Bank	392
1 May	Sales	150	1 May	Discount allowed	8
			1 May	Balance c/d	150
		550			550
2 May	Balance b/d	150			

Dr		Cindi Palmer		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	380	1 May	Balance c/d	510
1 May	Sales	130			
		510			510
2 May	Balance b/d	510			

Dr		Panjay Hotel		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	850	1 May	Sales returns	50
			1 May	Bank	784
			1 May	Discount allowed	16
		850			850

Dr		Comfort Foods Ltd				Cr
2010	Details	£	2010	Details	£	
1 May	Purchases returns	20	1 May	Balance b/d	1 320	
1 May	Bank	1 274	1 May	Purchases	490	
1 May	Discount received	26				
1 May	Balance c/d	490				
		1 810			1 810	
			2 May	Balance b/d	490	

Dr		Klassic Kakes				Cr
2010	Details	£	2010	Details	£	
1 May	Purchases returns	40	1 May	Balance b/d	290	
1 May	Bank	280	1 May	Purchases	350	
1 May	Discount received	10				
1 May	Balance c/d	310				
		640			640	
			2 May	Balance b/d	310	

Dr		Sanji Service Centre				Cr
2010	Details	£	2010	Details	£	
1 May	Bank	860	1 May	Balance b/d	860	
		860			860	

Dr		Sales				Cr
2010	Details	£	2010	Details	£	
1 May	Balance c/d	108 450	1 May	Balance b/d	108 170	
			1 May	J & P Allison	150	
			1 May	Cindi Palmer	130	
		108 450			108 450	
			2 May	Balance b/d	108 450	

Purchases					
Dr			Cr		
2010	Details	£	2010	Details	£
1 May	Balance b/d	66 290	1 May	Balance c/d	67 130
1 May	Comfort Foods Ltd	490			
1 May	Klassic Kakes	350			
		67 130			67 130
2 May	Balance b/d	67 130			

Dr		Rent and rates		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	1 200	1 May	Balance c/d	2 100
1 May	Bank	800			
1 May	Bank	100			
		2 100			2 100
2 May	Balance b/d	2 100			

Dr		Motor vehicle expenses		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	2 330	1 May	Balance c/d	2 870
1 May	Cash	80			
1 May	Cooper Garage	460			
		2 870			2 870
2 May	Balance b/d	2 870			

Dr		Bank charges		Cr	
2010	Details	£	2010	Details	£
1 May	Balance b/d	50	1 May	Balance c/d	60
1 May	Bank	10			
		60			60
2 May	Balance b/d	60			

Discounts allowed					
Dr					
Cr					
2010	Details	£	2010	Details	£
1 May	Balance b/d	280	1 May	Balance c/d	304
1 May	Cash book	24			
		304			304
2 May	Balance b/d	304			

Discounts received					
Dr					
Cr					
2010	Details	£	2010	Details	£
1 May	Balance c/d	1 726	1 May	Balance b/d	1 690
			1 May	Cash book	36
		1 726			1 726
			2 May	Balance b/d	1 726

Sales returns					
Dr					
Cr					
2010	Details	£	2010	Details	£
1 May	Balance b/d	80	1 May	Balance c/d	130
1 May	Panjay Hotel	50			
		130			130
2 May	Balance b/d	130			

Purchases returns					
Dr					
Cr					
2010	Details	£	2010	Details	£
1 May	Balance c/d	990	1 May	Balance b/d	930
			1 May	Comfort Foods Ltd	20
			1 May	Klassic Kakes	40
		990			990
			2 May	Balance b/d	990

EITHER

Cash Book									
		Disc	Cas h	Bank			Disc	Cas h	Bank
2010	Details	£	£	£	2010	Details	£	£	£
1 May	Balances b/d		130	5 160	1 May	Rent			800
1 May	Panjay Hotel	16		784	1 May	Rates			100
1 May	J & P Allison	8		392	1 May	Motor vehicle expenses			460
					1 May	Motor vehicle expenses		80	
					1 May	Klassic Kakes	10		280
					1 May	Sanji Service Centre			860
					1 May	Comfort Foods Ltd	26		1 274
					1 May	Bank charges			10
					1 May	Balance c/d		50	2 552
		24	130	6 336			36	130	6 336
2 May	Balances b/d		50	2 552					

OR

Dr		Cash in hand				Cr	
2010	Details	£	2010	Details	£		
1 May	Balance b/d	130	1 May	Motor vehicle expenses	80		
			1 May	Balance c/d	50		
		<u>130</u>			<u>130</u>		
2 May	Balance b/d	50					

Dr		Bank				Cr	
2010	Details	£	2010	Details	£		
1 May	Balance b/d	5 160	1 May	Rent	800		
1 May	Panjay Hotel	784	1 May	Rates	100		
1 May	J & P Allison	392	1 May	Motor vehicle expenses	460		
			1 May	Klassic Kakes	280		
			1 May	Sanji Service Centre	860		
			1 May	Comfort Foods Ltd	1 274		
			1 May	Bank charges	10		
			1 May	Balance c/d	2 552		
		<u>6 336</u>			<u>6 336</u>		
2 May	Balance b/d	2 552					

TASK C

Weston Party Caterers Ltd

Trial Balance as at 15 May 2010 (before adjustments)

	£	£
Sales		124 880
Purchases	87 900	
Ordinary shares @ £1 each		30 000
Retained profit		4 950
Motor vehicles (cost)	16 000	
Provision for depreciation of motor vehicles		10 240
Equipment (cost)	36 000	
Provision for depreciation of equipment		7 200
Discount allowed	330	
Discount received		1 760
4% loan		5 000
Rent and rates	2 100	
Sales returns	140	
Purchases returns		1 030
Stock as at 1 June 2009	7 330	
Dividends paid	3 000	
Wages and salaries	17 990	
Debtors	3 420	
Light and heat	620	
Balance at bank (Dr)	4 130	
Sundry expenses	2 270	
Creditors		4 260
Insurance	690	
Motor vehicle expenses	3 130	
Telephone	470	
Loan interest	100	
Cash	170	
Bank charges paid	70	
Accounting fees	650	
Suspense account	2 810	
	189 320	189 320

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Errors

			£	£
1	Light and heat	Dr	130	
	Sundry expenses	Cr		130
2	Sales returns	Dr	30	
	Sales	Cr		30
3	Sundry expenses	Dr	2 430	
	Suspense	Cr		2 430
4	Cash	Dr	80	
	Bank	Cr		80
5	Bank savings	Dr	380	
	Suspense	Cr		380

Dr		Suspense				Cr
2010	Details	£	2010	Details	£	
15 May	Balance b/d	2 810	15 May	Error 3 – sundry expenses	2 430	
				Error 5 – bank savings	380	
		2 810			2 810	

Weston Party Caterers Ltd

Trial Balance as at 15 May 2010 (after adjustments)

	£	£
Sales		124 910
Purchases	87 900	
Ordinary shares @ £1 each		30 000
Retained profit		4 950
Motor vehicles (cost)	16 000	
Provision for depreciation of motor vehicles		10 240
Equipment (cost)	36 000	
Provision for depreciation of equipment		7 200
Discount allowed	330	
Discount received		1 760
4% loan		5 000
Rent and rates	2 100	
Sales returns	170	
Purchases returns		1 030
Stock as at 1 June 2009	7 330	
Dividends paid	3 000	
Wages and salaries	17 990	
Debtors	3 420	
Light and heat	750	
Balance at bank (Dr)	4 050	
Sundry expenses	4 570	
Creditors		4 260
Insurance	690	
Motor vehicle expenses	3 130	

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Telephone	470	
Loan interest	100	
Cash	250	
Bank charges paid	70	
Accounting fees	650	
Bank savings	380	
	189 350	189 350

TASK D

(i) Weston Party Caterers Ltd
 Trading, Profit and Loss and Appropriation Account for the year ended 31 May 2010

	£	£	£
Sales			136 300
Less: Sales returns			<u>300</u>
			136 000
Stock as at 1 June 2009		7 330	
Purchases	96 300		
Purchases returns	<u>1 120</u>	<u>95 180</u>	
		102 510	
Stock as at 31 May 2010		<u>7 710</u>	
Cost of sales			<u>94 800</u>
Gross profit			41 200
Discount received			2 050
Bank savings interest			<u>2</u>
			43 252
Discount allowed		374	
Rent and rates	2 100		
Less: prepaid	<u>400</u>	1 700	
Wages and salaries	18 970		
Add: accrual	<u>250</u>	19 220	
Light and heat		820	
Sundry expenses	4 720		
Add: accrual	<u>90</u>	4 810	
Insurance		720	
Motor vehicle expenses		3 380	
Telephone		530	
Loan interest	100		
Add: interest due	<u>100</u>	200	
Bank charges paid		90	
Accounting fees		700	
Depreciation – motor vehicles [40% x (16 000–10 240)]		2 304	
Depreciation – equipment (10% x 36 000)		3 600	

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Provision for doubtful debts (2% x 3 700)		<u>74</u>	<u>38 522 4</u>
Net profit			730
Retained profit b/f			<u>4 950</u>
			9 680
Ordinary share dividends			
Paid		3 000	
Proposed (5% x 30 000)		<u>1 500</u>	<u>4 500</u>
Retained profit c/f			<u>5 180</u>

(ii)

Balance Sheet as at 31 May 2010

	Cost £	Depr'n £	NBV £
FIXED ASSETS			
Motor vehicles (cost)	16 000	12 544	3 456
Equipment (cost)	<u>36 000</u>	<u>10 800</u>	<u>25 200</u>
	<u>52 000</u>	<u>23 344</u>	28 656
CURRENT ASSETS			
Stock		7 710	
Debtors	3 700		
Less: Provision for doubtful debts	74		
Bank savings		500	
Balance at bank		2 660	
Cash		102	
Accrued savings interest		2	
Prepaid rent and rates		<u>400</u>	
		15 000	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	1 536		
Accrued wages and salaries	250		
Accrued sundry expenses	90		
Loan interest accrued	100		
Proposed dividends	<u>1 500</u>	<u>3 476</u>	
NET CURRENT ASSETS			<u>11 524</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			40 180
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
4% loan			<u>5 000</u>
			<u>35 180</u>
CAPITAL AND RESERVES			
30 000 Ordinary shares @ £1 each			30 000

Retained profit			<u>5 180</u>
			<u>35 180</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 *Weston Party Caterers 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.

A comparison with summary financial statements should highlight the way in which 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 2009	Year ended 31 May 2010	
Gross profit percentage	35.41%	$\frac{41\,200}{136\,000} \times 100 =$	30.29%
Net profit percentage	2.86%	$\frac{4\,730}{136\,000} \times 100 =$	3.48%
Return on capital employed (* different measures of capital employed are acceptable)	12.65%	$\frac{4\,730}{\frac{34\,950 + 35\,180}{2}} \times 100 =$	13.49%
If capital employed includes the loan the figure is		$\frac{4\,730}{\frac{39\,950 + 40\,180}{2}} \times 100 =$	11.81%
Expenses as a percentage of net sales	N/A	$\frac{38\,522}{136\,000} \times 100 =$	28.33%
Current ratio	4.1:1	$\frac{15\,000}{3\,476} =$	4.32 :1
Acid test ratio	2.0:1	$\frac{15\,000 - 7\,710}{3\,476} =$	2.10 :1
Stock turnover	25 days	$\frac{[7\,330 + 7\,710]}{[2]} \times 365 =$ 94 800	28.95 days
Fixed asset turnover	N/A	$\frac{136\,000}{28\,656} =$	4.75 times

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Debtor collection period	7 days	$\frac{3\,700}{136\,000} \times 365 =$	9.93 days
Creditor payment period	10 days	$\frac{1\,536}{95\,180} \times 365 =$	5.89 days
Earnings per share	15p	$\frac{4\,730}{30\,000} \times 100 =$	15.77p
Dividend cover	1.1 times	$\frac{15.77}{15} =$	1.05 times

Interpretation of ratios.

Weston Party Caterers Ltd has been in operation for a few years and the directors, Sammi and Macie, have controlled and restricted the potential growth of the organisation so that it did not become unmanageable within their overall aims and objectives. So, although it is possible to identify historical trends, it is difficult to project these forward into the aspects of business into which the sisters now wish to expand.

Limited detail can be seen from the ratios.

Gross profit percentage has decreased a little. Prices of materials (eg foodstuffs) may have increased and the organisation has not been able to, or decided not to, pass these increased costs on to customers. Or the prices charged for parties may have decreased, perhaps because of competition or the unwillingness of customers to pay as much as previously. The gross profit percentage is quite low but that may be because of the nature of the business. Comparison with similar organisations would be useful.

The net profit percentage is very low but has increased slightly. There is no specific information about cost control within the organisation but it appears to have improved slightly from a comparison of gross and net profit percentages. Some expenses are high in comparison with others. Wages and salaries comprise half of the company's expenses so they need to be a focus for control. Sundry expenses are also significant and perhaps a more detailed breakdown of their constituents also would help the directors control these expenses.

Because the return on capital employed can be calculated in different ways it is difficult to compare with the figure from 2009. As other profit based ratios differ little from one year to the next it is likely that RoCE has been calculated without inclusion of the loan. If that assumption is correct, the return has improved slightly in line with the net profit figures. RoCE appears to be good if compared with non-risk investments such as savings accounts. The comparison with an industry figure would give a better view of the comparative success of the business venture.

Both current and acid test ratios are high compared with 'textbook figures' but comparison with similar organisations would be needed in order to assess whether or not these are out of line with expectations. The actual stock figures look high and stock turnover seems long for a company where, intuitively, stock might be expected to comprise food and perishables. However, it could also comprise paper plates, plastic cutlery, etc where a longer stock turnover period would not be unreasonable. The constituent elements of stock need further investigation before the significance of this ratio can be fully appreciated. If the ratio could be reduced significantly, the business would have greater liquidity and would be in a better position to cope with increasing levels of credit requested by the potential new customers.

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

The debtor collection period remains at about a week, although this is a couple of days longer in the current year. This is likely to increase on expansion, so the owners need to watch the effect on cash flow. Increased credit facilities and a less intimate relationship with customers may lead to more bad debts. Most of the current client base would probably be embarrassed to default because they are generally related to local (school) communities. The credit control policy of the business and its costs and benefits should be considered in future.

Credit given by suppliers is short, so perhaps the company is paying early to obtain discounts. If the period could be extended, without loss of discount, this could offset the additional credit required by new customers.

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 similar in the last two years, with a slight increase this year. It is interesting to see, however, that the company pays out virtually all of its earnings in dividends. The amount may not be large in relation to sales but a greater retention of funds within the company could be useful in assisting with the replacement of assets. The dividend cover simply confirms what can be seen from a visual comparison of the annual profit compared with dividends paid and proposed. Dividend is just covered, with little additional margin.

TASK G

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

The following points can be brought out:

- *Weston Party Caterers Ltd* is moving towards the stage at which it needs to replace fixed assets. The future is somewhat uncertain but it appears that most of the assets may need to be replaced around the same time – in a couple of years. The current policy of only retaining a small proportion of profits is concerning. If the company continues in this vein it will be unlikely to be in a position to replace assets from its retained profits. However, the new savings account may be an indication that the sisters are putting money aside for asset replacement in the future. And they are planning a steady expansion over the next two years. From the present position, it may be possible to retain significant funds within a couple of years. Otherwise, the company will need to consider obtaining loan finance or issuing more shares. In 2012, of course, it will need also to repay Ahmed's loan
- the business needs working capital to finance increased debtors. It appears that the answer may already be indicated by the balance sheet. A reduction of stock and an increase in creditors may be sufficient to finance additional debtors, without requiring an overdraft. If an overdraft is required, then the bank would look very closely at the financial accounts and at bank account records in order to determine whether or not it will lend
- historically the business is in a position which is liquid but not very profitable, so the financial information is probably weaker than any provider of finance would wish to see. But steady progress over the next two years could mean that the company is in a much better financial position and would be able to obtain finance more easily. The fact that expansion has been curtailed earlier indicates that there is potential. However, much of the present custom seems to be coming from contacts at the childrens' schools. It remains to be seen how successful Sammi and Macie are at obtaining customers outside of their normal range of contacts
- to obtain a loan might be difficult and additional loan capital means more interest must be paid. The business will also need to repay the loan. If Sammi and Macie are able to obtain another loan on such generous terms as on the loan provided by Ahmed, it would mean that they would not lose control of the running of the business. However, if the business runs into financial difficulty, the lender may, depending on the terms of the loan, be able to put the business into insolvency. It would probably be advantageous to the company to attempt to extend the loan period from Ahmed and/or obtain additional finance from him
- if share capital is issued, the new shareholder(s) is/are, through providing funds in this way, taking a risk. There is no need to pay dividends, although shareholders are likely to expect some return. The shares also do not need to be repaid, unlike a loan. However, it is usual that shareholders have voting rights and a say in the company's operations. Unless many shares are issued Sammi and Macie are still likely to be in control but a minority shareholder could perhaps cause some difficulties if he/she was unhappy with the way in which the business was being run. However, if relatives are happy to provide finance and trust Sammi and Macie to build the company into a profitable entity, share capital is probably the option which would give Sammi and Macie greatest freedom
- strong competition could also cause difficulty for *Weston Party Caterers Ltd*. Careful research into the competition would give Sammi and Macie a better idea of how they should approach the expansion. They could consider possibly focussing on a niche market or providing a more general service. Pricing should be reviewed as the present margin seems small

- it would also be useful to clarify the situation in respect of Sammi and Macie's remuneration. No directors' fees appear in the accounts and dividends are small. Are they receiving any 'pay' from the business or not? If not, do they expect an income in future? If so, this will need to be taken into account in future planning.

Overall the company appears to have met its initial aims but the plan is to move it from what is almost an amateur footing to a more professional one.

Plans, budgets and careful monitoring will be needed to guide the organisation through the next year where, unless Sammi and Macie have access to funds from relatives, it looks unlikely that funds will be forthcoming from banks and traditional sources of finance.

However, if they achieve good growth in the next couple of years they should be able to have more choice of funding sources and, perhaps, achieve much of their growth organically from the use of retained profits.

Unit 15: Launching a New Product or Service in Europe

This is a very difficult unit for candidates to access if they do not have an excellent link with their selected business. One of the main problems is if candidates try to tackle the unit without an established link with a 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 were 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 which 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?

Unfortunately, this information was not available to a wide variety of candidates who attempted the unit.

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 for this series 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 3, 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.

Within the portfolios sampled there was often very little linkage here 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 adhere to deadlines for submitting MS1 forms and candidate work to the appointed Moderator
- Please ensure that marks entered on 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, entre 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 correct 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

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- Please encourage the use of Assessor annotation of candidate work
- Please ensure that Assessors check the authenticity of evidence. Pages downloaded from the Internet do not constitute evidence
- 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 familiar with the pre-issued case study within centre. Candidates certainly displayed a very good grasp of the case study in 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 the question '(b)'. Whilst it is pleasing to see such detailed knowledge of the case study, it is important that candidates do not write for too long on this question thus encroaching on time to complete the rest of the paper.

Whereas strong contextual references were found in question 6(b), sadly, these were all too often missing in candidates' responses to questions 1(c) and 7(b). Candidates need to be encouraged to write in context on all of the higher tariff questions and not just when making strategic decisions.

Once again this series the numerical questions were, on the whole, well answered. The majority of candidates scored full marks on the break-even calculation and the labour turnover ratio. Most candidates also scored more than half marks on the net present value question. Surprisingly, the aspects which caused most problems on this paper were stakeholder conflicts and economic conditions affecting cash-flow, despite both topics being studied at AS as well as at A2.

Comments on Individual Questions:

- 1 (a) The vast majority of responses were awarded full marks on this part of the question. Of those candidates who did not score full marks the most common error was not explaining 'external' or using the word 'external' in an attempt to explain the meaning of 'external'.
- 1 (b) Those candidates who gave an issue and then the opinions of two named stakeholder groups scored a straightforward nine marks. The company itself, Tysu Ltd, is not a named stakeholder group so responses such as 'Tysu wants to pay low wages' could not be awarded. Candidates needed to refer to managers, directors, shareholders' opinions, or the like, in order to access the marks.
- 1 (c) Disappointingly many candidates wrote a generic answer to this part of the question – when, in general, businesses should be concerned about conflict with stakeholders. To achieve more than two out of the eight marks available the response needed to be written in context, referring to details in the pre-issued case study. Name dropping is not acceptable as context.
- 2 (a) Pleasingly, the vast majority of candidates achieved full marks on this part of the question. Those who did not appeared to confuse generic aims with specific objectives.
- 2 (b) (i) This part of the question was generally well answered with most candidates being able to correctly calculate the break-even quantity. Those who made an error in their calculation achieved one mark if they stated the formula. It is good practice to encourage candidates to write down the formula when answering numerical questions, since marks can frequently be awarded for the formula, even when the candidate's workings are incorrect.

- 2 (c) 'Limitations of a tool' questions require specific weaknesses of the tool to achieve marks, in this case specific weaknesses of break-even analysis, eg it assumes that costs can be categorised into fixed and variable, or it assumes that all goods produced are sold. General weaknesses, which apply to all decision-making tools because of their inherently predictive nature, are to be discouraged, eg all decision-making tools use estimates and are inaccurate.
- 3 (a) The answers to this part of the question on the benefits of critical path analysis were far better than in previous series. Candidates now appear to have a good grasp of the advantages of using critical path analysis. The most common answers related to float time, the identification of critical activities, simultaneous activities and the reallocation of resources.
- 3 (b) This part of the question caused little problem and was generally well answered. Of those candidates who did not achieve full marks, by far the most common error was to confuse the hours and minutes, giving an answer of 480 hours.
- 3 (c) Many candidates thought that the sequence of activities on the critical path was B-C-D-F-G-H highlighting an incorrect understanding.
- 3 (d) This part of the question was generally well answered. Most candidates were able to supply the correct answer, or at the very least provide the formula.
- 4 (a) The vast majority of candidates showed that they understood that the 'rate of labour turnover' related to staff leaving their jobs. Disappointingly, relatively few candidates picked up on the difference between the 'level of labour turnover' and the 'rate of labour turnover' – the former being a number and the latter being a proportion. Some candidates incorrectly thought that the 'rate of labour turnover' compared the number of staff leaving with the number of staff being appointed.
- 4 (b) This part of the question was correctly answered by the vast majority of candidates. Those who made an error tended to have the formula upside down.
- 4 (c) Many candidates failed to grasp the significance of the word 'increasing' in this part of the question, despite it being emboldened on the question paper. The question was not asking for a reason why the labour turnover rate was 'high', but rather why it was 'increasing'. Correct responses, therefore, related to some sort of change – most commonly an increase in workload.
- 4 (d) This part of the question was generally well answered. Of those candidates who failed to achieve marks, the most common error was to suggest a problem for the employee rather than for the business.
- 5 (a) Pleasingly much improved from previous series. A large proportion of candidates achieved full marks on this part of the question. Where this was not the case the most common error was to add, rather than subtract, the initial Year 0 cost of the option.
- 5 (b) This part of the question was not answered well. Some candidates gave changes in legal, technological or social conditions rather than external economic conditions as required by the question. Of those who did give external economic conditions – interest rates, exchanges rates, and the like – few managed to explain the impact on Tysu Ltd's cash-flow predictions. Many candidates incorrectly suggested impacts on profit. Cash-flow forecasts do not calculate profit.

- 6 (a) This part of the question split the candidates into two groups – those who gave generic benefits of Ansoff's Matrix, eg an assessment of risk, and those who actually applied this assessment of risk to Tysu Ltd's current options. Those who did the latter entered Level 2. A response which indicated which segment a particular option would be in and identified the risk level was awarded full marks eg Option 2 (India's roads) would be categorised as diversification, a high risk option.
- 6 (b) This part of the question required the candidates to recommend an option for Tysu Ltd to take. Almost all candidates showed a good knowledge of the case study and achieved at least a Level 2 mark. Sadly, too many candidates then jumped to making a decision without ever analysing the contextual points which they had made, therefore, limiting their marks to a maximum of six out of twenty.
- 6 (c) This part of the question was generally well answered with the majority of candidates achieving at least half marks.
- 7 (a) This part of the question was answered extremely well by some candidates and extremely badly by others. Candidates appeared to have either a firm grasp of what contingency planning is about, or no grasp at all. Contingency planning relates to planning for a crisis or emergency and is always pro-active, all too often candidates simply referred to planning for 'problems' or planning in advance.
- 7 (b) There was a disappointing lack of context in responses to this part of the question. Many candidates went no further than indicating generic advantages (such as being able to respond quickly or minimise losses) and generic disadvantages (such as takes time and money). The response needed applying to Tysu Ltd's particular situation in order to achieve more than two of the fourteen marks available.

F256 Business Law

General Comments

There was a noticeable improvement this series in the candidates' understanding of company law, data protection and consumer protection legislation. There remains, however, significant confusion surrounding intellectual property rights legislation and legal rights after dismissal. 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.

The skills of analysis and evaluation were pleasingly evident in the majority of candidate responses to the higher tariff questions. Where candidates tended to do less well, the weakness appeared to be in writing generically rather than applying the legal aspects to AM Ltd and its situation. In question 1(g), for example, many candidates could list several principles of the Data Protection Act, but relatively few attempted to explain the practical impacts of these principles on AM Ltd's day to day operations. This is an element which needs reinforcing to candidates during their examination preparation – practical application to the business given in the text is needed to achieve highly on high tariff questions.

Comments on Individual Questions

- 1 (a) Most candidates were able to explain two provisions of the Companies Acts. Of those who did not, the most common confusion was to give provisions of the Partnership Act.
- 1 (b) Less than half of all candidates knew that companies pay Corporation Tax on profits, many thought companies pay income tax.
- 1 (c) This part of the question was generally well answered with most candidates referring to 'investing in shares'.
- 1 (d) Whilst most responses to this part of the question suggested what might be wrong with the logo (achieving one mark), it was disappointing how few candidates appeared to know that this was a breach of the Trade Marks Act (needed for full marks).
- 1 (e) Again, there was confusion between the Copyrights, Designs and Patents Act and the Trade Marks Act. Whilst both cover intellectual property rights, candidates need to clearly understand the difference in remit between the two Acts.
- 1 (f) (i) Disappointingly, many candidates did not know that in the context of data protection, a 'data subject' is the person whom the data is about.
- 1 (f) (ii) Surprisingly, given the poor responses to question 1(f), most candidates managed to answer this part of the question correctly.
- 1 (g) In contrast, some excellent answers were seen to this part of the question. Most candidates showed a good knowledge of the Data Protection Act; sadly, far too few applied this knowledge to AM Ltd, therefore, limiting themselves to two out of an available fourteen marks.
- 2 (a) Most candidates achieved at least one mark on this part of the question. They seemed to find little difficulty explaining the meaning of 'verbal' but struggled, or omitted, to explain the meaning of 'contract'.

- 2 (b) Pleasingly, this part of the question was generally well answered. The most common correct answers were 'enforceable in court', and 'has to be carried out by law'.
- 2 (c) Common misunderstandings remain – contracts do not need solicitor signatures to make them legally binding, invitations to treat are not binding elements of contract, and consideration does not refer to taking time to think about the contract. Some candidates with good knowledge of contract law failed to score as highly as they ought to have done because they did not write their answer in context. The question clearly referred to the contract between AM Ltd and Braithwaites' Garage.
- 2 (d) Most candidates were able to suggest a way to resolve the situation few, however, explained the resolution, therefore, limiting themselves to half of the marks available on this part of the question.
- 2 (e) A pleasing number of candidates wrote excellent evaluative answers to this part of the question. Candidate responses frequently argued for both the benefits and drawbacks and reached a judgement. Where candidates did not achieve highly on this part of the question the cause was not from a lack of knowledge as many arguments were put forward, instead it was from a lack of contextual reference to the situation between AM Ltd and Braithwaites' Garage.
- 3 (a) Most candidates were able to give three legal provisions of the Sale and Supply of Goods Act and explain how AM Ltd had broken this legislation. One common misconception was that it has to sell at the price advertised, since the advertising of price is only an invitation to treat this is not the case.
- 3 (b) This part of the question was generally well answered.
- 3 (c) Responses to this question were disappointing. Many candidates stated that AM Ltd needed to ensure that the customer can afford the repayments, which is not a provision of the Act. Others made reference to the cooling-off period, this is a provision of the Act but it does not apply to contracts signed on a company's normal operating premises.
- 3 (d) A good knowledge of a range of consumer protection legislation was evidenced, coupled with clearly contextual answers. This was encouraging. Having analysed the issues in considerable detail some candidates stopped short of making an overall evaluation of the seriousness of AM Ltd's position, therefore, limiting themselves to nine out of the fourteen available marks.
- 4 (a) This part of the question was generally well answered. Most candidates quoted from the text and achieved highly.
- 4 (b) (i) Whilst most candidates were awarded a mark for explaining that the dismissal was 'without valid reason' most forgot to explain what 'dismissal' actually means. Many of the best answers, achieving full marks, were succinct – 'being fired without just cause'.
- 4 (b) (ii) This part of the question was not answered well. Far too many candidates could not explain the help which a trade union could give to Whitney. Answers such as 'give advice' and 'provide information' were sufficient for marks, but many candidates achieved no marks.
- 4 (c) There was an alarming lack of clarity from candidates regarding the distinction between ACAS (LRA) and employment tribunals. Some candidates even confused one or other of the organisations with trade unions. Few candidates managed to achieve more than half marks and this is an aspect of the specification which needs addressing.

F257 Managing Risk in the Workplace

General comments

It has been pleasing this series to see a slight improvement in the candidates' ability to contextualise their responses, especially on questions 2(d) and 4(c). With the exception of question 3(d), very few responses were limited to Level 1 marks due to lack of context. This is an aspect to be continually stressed when working through exemplar responses and past papers with candidates as without the use of context high marks cannot be achieved.

Once again candidates did well on the questions covering topics relating to hazards and industrial relations, and less well on health and safety legislation and strategic risk. Aspects of the specification which cause greatest concern need to be afforded more time during the candidates' final preparation for the examination.

The use of imprecise or, in some cases, inaccurate financial terminology appeared more prevalent this series, especially on the final question on the paper. At this level candidates should not be confusing revenue with profit, nor should they be making vague references to 'money'.

Comments on Individual Questions:

- 1 (a) Most candidates were guided by the meaning given in the specification and, therefore, achieved full marks on this part of the question.
- 1 (b) This part of the question specifically asked for principles of The Health and Safety at Work Act. Too many candidates gave general health and safety principles, rather than the principles covered by this particular Act.
- 1 (c) This part of the question was generally well answered with the majority of candidates achieving full marks.
- 1 (d) Candidates need to ensure that they carefully identify which law that they are describing. For example, the specification covers two pieces of display screen legislation and candidates need to make clear to which piece of legislation they are referring.
- 1 (e) Most candidates were able to score highly on this part of the question. Those who did not tended to repeat their answers. Increased accidents, poor reputation and a de-motivated workforce were the most common correct answers here.
- 2 (a) Most candidates scored full marks on this part of the question. Of those who did not, two types of errors were evidenced – those who gave off-the-job examples, eg training courses and watching DVDs, and those who failed to notice the word 'types' in the question and gave details of topics about which Mike could teach Brenda.
- 2 (b) In order to achieve full marks on this part of the question candidates needed to ensure that their responses explained (rather than simply stated) the health and safety issues Mike should discuss with Brenda.
- 2 (c) In the main candidates gave very poor responses to this part of the question. Candidates apparently either had no idea or had difficulty articulating their understanding. It should be noted that the use of 'change' or 'strategy' cannot be awarded when used to explain the term 'strategic change'.

- 2 (d) It was pleasing to see that most candidates answered this part of the question using lots of detail from the text. Using contextual references not only makes the award of higher levels possible, it makes them easier to achieve as the response has some substance which can be analysed and then evaluated.
- 3 (a) (i) This part of the question split the candidates – those who were clear about the five stages of risk assessment did well, those who were not gave vague answers and scored poorly. Some candidates failed to grasp that the question was about the initial risk assessment for the building work and not for the finished pool once it was in operation.
- 3 (a) (ii) Again, this part of the question was generally well answered. The best answers related to Tom reducing the likelihood of accidents and subsequent legal action and avoiding Health and Safety Executive inspection and potential closure.
- 3 (b) Most candidates showed a clear understanding of hazards. Relatively simple answers such as 'a trailing cable being a trip hazard' scored full marks. Of those candidates who did not achieve full marks, by far the most common error was to talk about the resultant injury/illness.
- 3 (c) Most candidates were able to suggest two possible causes of Joe's accident. Interestingly, a lack of parental supervision was the most common answer.
- 3 (d) Despite knowing several benefits and drawbacks of taking on more staff, many responses failed to leave Level 1 because of their lack of application to CFC. Stunningly many answers gave not even a hint of context and could have applied to any type of business, anywhere. Candidates need to ensure that the knowledge they have is applied to the business given in the text in order to move up the levels.
- 4 (a) This is an aspect of the specification which the candidates seem to know lots about. The majority of the candidates achieved full marks on this part of the question; of those who did not, repetition was the most common cause.
- 4 (b) Again, as with question 4(a) candidates showed a clear understanding of ways to minimise the likelihood of industrial action. The most common correct answers were 'pay more', 'listen to staff' and 'provide more training'.
- 4 (c) The majority of candidates immediately honed in on the 50% discount rate, immediately putting their answer into context. The best answers weighed up the stability of having a guaranteed rental income versus the volatile, but potentially higher, levels of revenue of going it alone. Those who related this to CFC's currently poor financial position – having just had a poor season and spending £5000 on drainage it could ill afford, and taking out a bank loan to cover the expense of building the pool – did extremely well. Care should be taken by candidates when answering a question with a financial input to use accurate monetary terms – too often profit was used for revenue or cash flow and 'money' or 'capital' was used for 'income'. As this is an A2 business paper, on a double award qualification, candidates really should have a clear grasp of the financial terminology used in business.

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