

## **Business Studies**

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

### **Examiners' Reports**

---

**June 2011**

**HX30/R/11**

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

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

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

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

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

© OCR 2011

Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annesley  
NOTTINGHAM  
NG15 0DL

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

## CONTENTS

### Advanced GCE Business Studies (H430)

### Advanced Subsidiary GCE Business Studies (H030)

#### EXAMINERS' REPORTS

<b>Content</b>	<b>Page</b>
Chief Examiner's Report	1
F291 An Introduction to Business	2
F292 Business Functions	6
F293 Marketing	10
F294 Accounting	12
F295 People in Organisations	14
F296 Business Production	17
F297 Strategic Management	19

## Chief Examiner's Report

I commend to you the following reports from the Principal Examiners for each of the seven units which make up this qualification. These reports are written following feedback from every examiner involved in the marking of the scripts, so that they provide an excellent overview of candidate performance. Once again, there were no reports of candidates being unable to complete examinations due to time pressures and there was good discrimination of performance in each unit. There are, however, recurring issues across the seven units which need highlighting (not for the first time in most cases).

First, there is a growing tendency for candidates (particularly the weaker ones) to copy out large chunks of the context to form part (or all) of an answer. This is completely unnecessary and only helps to limit any potential mark which a candidate can gain. Where a question requires 'context' the case material evidence should be used within any answer to help explain how or why a particular issue is relevant, important or likely to occur.

Second, candidates continue to find even basic numerical tasks to be difficult. Greater familiarity with the relevant quantitative techniques required of a Business Studies student is necessary. Even those candidates who do manage to carry out a required calculation correctly, rarely go on to then use this information to help their answer to the following question or any other question on the examination paper.

Third, the A2 units require greater (and/or more detailed) subject knowledge. Too many answers in the four optional units (F293-6) lack any theoretical rigour to justify the higher level marks available. Once again this year, there were many candidates at both AS and A2 who did not appear to have any knowledge about the topics clearly listed in the specification (e.g. cell production and ARR on unit F292, work study on unit F296 and decision trees on unit F297).

Fourth, some better candidates were still unable to access the higher evaluation marks (of which there are plenty at A2). This was generally because too many attempts at evaluation were merely a summary of what was presented by the candidate earlier in their answer. How to improve the writing of evaluative answers will be one of the topics to be focussed on at the A2 INSET planned for the Autumn term, details of which have already been sent to Centres and are available on the OCR website at

[https://www.ocreventbooker.org.uk/ocr/DesktopDefault.aspx?e=fjefcbdbhgncidcph&PROD\\_ID=14198](https://www.ocreventbooker.org.uk/ocr/DesktopDefault.aspx?e=fjefcbdbhgncidcph&PROD_ID=14198)

Finally, centres will already know that all the case studies used in each unit are always based very closely on real businesses. To clarify this situation, the rubric on the front page of the examinations will now state this, starting in January 2012.

## F291 An Introduction to Business

### General Comments

The paper was accessible to all candidates both in terms of the questions asked and the scenario itself. There was no evidence of any time pressure.

There was often a lot of generic material in candidates' answers – especially on questions 3 and 5 – rather than an analysis of the issues in the specific context of Starbucks. For example, on question 5 a frequent response was Starbucks should introduce new technology which means machines that make the production of goods faster and it can operate 24 hours a day. Whilst this sort of comment is true, and, therefore, creditable at Level 2 on the mark scheme, it is not going to score more highly because of its generic nature; the word 'goods' was used rather than 'coffee', and as most Starbucks' outlets are unlikely to operate 24 hours a day, therefore this advantage of technology would not be relevant to it.

Spelling, punctuation, and grammar, were again a concern. Huge spidery writing with as few as four, or even three, words on a line emerged time and again. This, coupled with the half a page 'stream of consciousness' sentence, did not make following some candidate's answers easy. As has been noted before, candidates are not marked down because of this (although marks for spelling, punctuation, and grammar are embedded in the mark scheme for question 5,) but an examiner can only mark what is readable on the paper. Where an argument is hard to follow an examiner is less likely to give the benefit of any doubt.

### Comments on Individual Questions

1 (a) Any of the standard methods of judging a business' size were acceptable, e.g. profit, turnover, number of employees, or the number of branches/shops. 'Market share' was not acceptable; a small business (judged on these criteria) operating in a niche market might have a very high proportion of that market.

1 (b) This part of the question was generally well answered. Reference could have been made to Starbucks 'as a whole' (nationally or internationally) or at branch level. The actual name of the economy of scale did not have to be given and a detailed outline was not necessary. Thus 'Starbucks could buy in bulk and this would mean lowering its costs' was obviously a reference to a purchasing economy and the effect of that economy and so scored both marks.

Reference was most commonly made to purchasing, technical, and financial economies. Many candidates had clearly heard of managerial, marketing, and risk bearing economies but struggled to outline their nature

References to external economies of scale e.g. 'good infrastructure in the area of the shop can lower coffee transport costs', were also valid but were few and far between.

1 (c) Technical economic terminology and detailed knowledge were not necessary. Answers such as 'a market dominated by a few firms', 'they tend to be large companies', 'firms are interdependent' or 'there may be non-price competition' were all valid. In the past a question such as this on a particular type of market structure has generally been well answered on this paper and this one was no exception. This is encouraging because it demonstrates a sound understanding of the important underlying concepts. Many candidates (and by no means only the most able) were

able to use their knowledge of this type of market structure to help with their analysis on questions 2 and 5.

- 1 (d) Any valid references to 'the planning process' were acceptable. The overwhelming majority of the candidates picked up on how constructing a plan would entail analysing Starbucks' situation (via SWOT/PEST, etc) and so may help avoid the implied mistakes from the diversification which were mentioned in the second paragraph.

The sort of responses which were common were that it could help to ensure that Starbucks has the necessary human resources and the necessary finance for the growth referred to in the final paragraph. It would also provide a series of targets to aim for which also meant there would be a means of reviewing progress towards objectives.

- 2 This was a question which discriminated well. The key issue here was whether a candidate understood the difference between 'cost' and 'price'. In previous reports it has been stressed that these must **not** be treated as synonymous. Those candidates who used the words interchangeably did not score as well as those who clearly stated a likely sequence of events; i.e. if Starbucks *costs* rise then it may have to raise the *price* of coffee to the consumer (and possibly accept lower demand) or leave price unchanged (and unless costs can be cut elsewhere) accept lower profit margins.

Those candidates who wrote 'the price will go up' were awarded credit, but not as much as those who had identified *why* this had occurred and what the likely effect of the price rise might be.

On a demand and supply diagram a bad harvest will change the conditions of supply. This is shown by a shift to the left of the supply curve which increases the price of the coffee, i.e. the cost to Starbucks. There was a noticeable difference between those candidates who could correctly utilise a basic supply and demand diagram to show the effects of the poor harvest and those who struggled to draw one and decide whether this initially affected demand or supply.

A diagram was certainly not necessary but many candidates chose to draw one. It has been emphasised before that this is *not* an economics paper and a detailed knowledge and understanding of microeconomic concepts is not necessary. This can be a challenging area of the specification for candidates but centres are encouraged to persevere with delivering it; a correctly drawn diagram can be a useful 'shorthand' way of explaining a particular point. Those candidates who drew one clearly found it easier to then analyse the effect - and so scored more highly. An accurate diagram here, even with no accompanying comment, would still have scored four out of the six marks available..

- 3 The specification makes reference to 'the significance of the workforce' through workforce planning, recruitment, selection, and training so a wide range of responses was possible.

While there was certainly a sound knowledge and understanding of human resource issues, there was a vast amount of generic comment particularly about recruitment and training often with no reference at all to Starbucks. These were certainly valid but could only score at Level 2 of the mark scheme. Very frequently candidates simply wrote as if the question had stated 'Why is recruitment and training important to a business?'

There was often little thought as to exactly what was required by the question and consequently there were answers which made little sense such as 'Starbucks should recruit internally for the expansion as it is easier than external recruitment'. If this was intended to be a reference to managers and supervisors then this could have been a good point, but with

no such explanation the comment was not logical; internal recruitment in the new stores for 'frontline staff' would simply mean creating vacancies in stores elsewhere.

Many candidates assumed that by adding a brief observation at the end to the effect that 'all this (recruitment, selection, and training) will cost Starbucks a lot of time and money' would take the answer to Level 3 of the mark scheme because it demonstrated analysis. This was not the case. Better candidates who *did* analyse, made clear use of the case material; for example, stating that it would be harder to attract new applicants because of the illegal withholding of employees' tips and the subsequent court case. Mention was also made of the importance of having to respect local culture and abide by different employment laws when recruiting employees for the international stores.

There was occasionally some confusion of 'human resources' with 'business resources' in general (usually finance) on this question. These responses could not access any marks.

- 4 This was another question which discriminated well; it required candidates to really think about the comparative importance of ethical factors to such a large and well-known company. It was pleasing to see so many candidates understanding the important, and topical, issue of business ethics. There was a lot of interesting answers about the possible effect on reputation (and, therefore, sales), on recruitment issues, on marketing implications, and on the relationship with suppliers. The 'other side of the coin' of being ethical (i.e. costs are likely to be higher for Starbucks) was also considered by a sizeable proportion of the candidates.

The majority of the responses reached Level 3 of the mark scheme for some analysis of the effects of Starbucks' unethical/ethical behaviour but regrettably, many candidates ignored the 'extent' part of the question and so could not access Level 4 marks for evaluation.

At the other end of the scale, many candidates simply repeated the text at length, i.e. that Starbucks had been acting unethically (by illegally taking tips) and/or had acted in an ethical way with the 'Shared Planet Initiative' with a statement along the lines of 'and this is not a good thing/this is a good thing for them to do' with no analysis of why that should be the case. There is a difference between using case material to support an answer and simply copying it out.

Following what was written above about some answers in question 2, candidates needed to be clear about the differences between cost and price, and on this question revenue and profit as well. An examiner can only mark what is on the script and when a statement is patently wrong it is not easy to give the benefit of the doubt and assume that something else was intended. For example, where a candidate wrote about Starbucks being more ethical through the Shared Planet Initiative and stating 'The effect of paying more for the coffee will reduce Starbucks' revenue' this was not rewardable; presumably what was meant was a reduction in *profit*.

Candidates really do need to be aware of precisely what the terms on the AS level specification actually mean and also need to appreciate that they should not use them interchangeably.

- 5 The format for this sort of question is now well established. Answers for Starbucks as 'a corporate entity' or/and as 'an individual outlet' were acceptable. It is always hoped that the 'big 18 mark question' allows candidates free reign to consider, analyse and evaluate a variety of business issues in context. Here, candidates could have drawn on several sections of the specification e.g. 'What businesses need', 'Objectives', 'The market', and 'Other influences'. The majority were able to do this, although a minority of the candidates included ethical issues again which was disappointing. Once again it needs to be stressed

that when candidates raise and analyse issues they then need to evaluate them if they are to access the level 4 marks.

Weaker answers, as ever, on this type of question comprised a glorified list of generic issues which could apply to almost any business. Although these were accurate and well explained they could not progress beyond Level 2 of the mark scheme.

The routes into Level 4 were clear to those candidates who had been taught the paper's requirements; reference could have been made to the most significant factor(s) affecting Starbucks and/or the time period under consideration. The best answers made a clear and explicit analysis of the case material (followed by an evaluation), rather than simply repeating it. Candidates do need to appreciate that there is a difference between using case material to support an answer and simply copying it out. There were some interesting suggestions about factors such as the nature of the consumer, market research, the speed of the proposed expansion, and the state of the economy showed that candidates had engaged with the scenario.

## F292 Business Functions

### General Comments

The overall examination was felt to be fair with performance on Section B a little better than last summer but with performance in Section A considerably worse. Despite advice in previous reports, some candidates still appear to have not prepared well enough for this first part of the examination, neglecting the need for the wider knowledge of the specification which is required.

**Section A:** There was a full range of marks in Section A and it proved to be a very good discriminator, but this year fewer candidates scored more than 12 out of 18. A lack of revision of key terms such as 'margin of safety' and 'cell production' was a downfall for many candidates. In many cases, poor performance on this section had a significant impact on the final grade awarded to candidates.

**Section B:** The 'case study' questions differentiated well, with a much more even spread of marks across the four longer questions. Once again, weaker answers mainly contained a rewriting of the case study material. Although most candidates had a reasonable grasp of the case study material, many were reluctant to make full use of its content in providing analytical and contextual answers. However, it was pleasing to note a slight increase in the number of answers which made much better use of the context and which were clearly able to understand the nature of the childcare industry. It did appear that more candidates attempted to consider the impact or knock-on effects on JKL, even if the context was sometimes a little uncertain. Carefully reading the question continues to be a problem, especially on questions 2(b) and 4.

### Comments on Individual Questions

- 1 (a) This part of the question was poorly answered with over half of the candidates unable to score any marks. Most of these answers referred to health and safety, profit or buffer stocks. Good answers gave straightforward definitions linking to actual sales and break-even sales.
- 1 (b) This part of the question was generally well done, with most candidates gaining both marks for autocratic and democratic. There were some interesting spellings of laissez-faire.
- 1 (c) This part of the question was about marketing objectives rather than generic business objectives. Better answers built SMART responses (although not necessary); for example, 'increase sales by 10% in the next six months'. Other common objectives seen were in relation to increased market share, improved brand loyalty or developing a unique selling point. Unfortunately, around a quarter of the candidates gained no marks as they referred to corporate or general business objectives, such as growth or survival.
- 1 (d) Considering the frequency with which questions about ARR are asked, it was very surprising that this part of the question was answered so poorly, with over half of candidates either missing out the question or scoring no marks. Some candidates calculated the payback period, for which no reward was possible; others got into difficulty with their units. Very few candidates managed to score full marks, although those who remembered to show their workings were able to access some of the marks. This is a straightforward business formula with which candidates should be able to cope at AS level.

- 1 (e) This part of the question was very poorly answered, with a majority of candidates scoring zero or one mark. Candidates seemed to not understand the term 'cell production', with many choosing to refer to job production and the benefits associated with it. Also, many candidates repeated the same advantage twice. There was evidence of a lack of examination technique in that an appropriate 'reason' was sometimes given but with no explanation.

Better responses linked to the improved quality from an increased level of motivation or an enhanced sense of teamwork which leads to improved communication.

- 1 (f) Most candidates gained the two marks for disadvantages with the most common responses being increased costs, such as recruitment or interviewing. However, some candidates failed to gain both marks for the advantage as they would state that there was 'an inflow of new ideas or new blood' but then failed to develop how this was an advantage to the business, for example, new product innovation that might cut costs.
- 2 (a) (i) Less than half of the candidates managed to score both marks when calculating JKL's market share. There were a number of simple mathematical errors as well as some candidates choosing to use incorrect information from the case study.
- 2 (a) (ii) Candidates tended to score zero or two marks on this part of the question, with the former being more common. Many of the wrong answers calculated the profit margin, for which no reward was possible.
- 2 (b) This was marginally the best answered of the extended responses. Many candidates were able to effectively engage with the case material, especially Table 1, when answering this part of the question. The most common routes through to Level 3 which were seen included:
- the quality of JKL, which gave it a unique reputation and thus it could justify high prices;
  - a link to possible price inelasticity of demand, why it might be inelastic and so a suitable response might be to increase prices;
  - the reliability of a quality service for which parents would be prepared to pay given the importance of childcare in today's world;
  - the fact that JKL is at 100% capacity so it does not need to cut prices in light of competition as there is an excess demand for places anyway.

It was also encouraging to see some candidates evaluate their responses. This was mainly evidenced through a weighing up of the main impact, which was ultimately the fact that JKL has such a good reputation and there is an excess demand for places. Some candidates justified that it does not need to do anything in relation to cutting prices, but could arguably increase them.

Weaker answers had a tendency to misinterpret the question and talk solely about different pricing strategies. Whilst this could be rewardable, as a discussion on pricing strategies does tend to incorporate factors affecting price, it often led candidates to ignore the context by discussing inappropriate pricing strategies, such as destroyer pricing or market penetration.

3 There was a wide range of answers to this question on cash-flow. Better answers made reference to Appendix 2 and considered contextually based solutions to JKL's problem. Better Level 3 responses considered issues such as:

- increasing prices as a means of increasing inflow as this may be accepted by customers;
- methods to reduce labour costs and the human resource implications of this; for example, on the quality of service.

Candidates who followed this approach, using the data to support their arguments, were able to achieve a Level 3 mark.

Level 4 skills were occasionally shown by about 10% of candidates. This was usually from justifying the main way to improve cash-flow, typically linked to higher prices and/or delaying the growth of the business.

However, many candidates either simply described the cash-flow forecast with examples of how to increase inflows and ways to decrease outflows, with no reference to the specific implications of their ideas. These answers were unable to move out of Level 2. A significant number of candidates focused primarily on describing sources of finance which JKL could use, such as increasing the overdraft or getting a loan. These assist in dealing with the cash-flow issue, but do not inherently improve the cash-flow situation itself.

Many answers made no reference to Appendix 2 and focused on rather generic suggestions, such as 'get rid of staff' without giving any consideration to the impact of this on JKL. Other answers honed in on fairly insignificant cash-flows; for example, marketing costs. Franchising was another suggestion which was only weakly discussed.

4 This question, about the impact on motivation of JKL's employees as a result of increased capacity utilisation, was often misunderstood by the candidates. A number of them wrongly focused on whether JKL should increase capacity utilisation rather than the impact on motivation. There were also a lot of very generic answers with long explanations of motivational theory which could not get out of Level 2.

Some candidates seemed to interpret that any increased capacity utilisation would result in JKL breaking health and safety laws as a result of "cramming" too many children into smaller buildings! This showed a lack of knowledge of JKL's current situation.

Better responses included the need to look at the impact on quality of service and how this would impact on employees or JKL. Other candidates looked at wider issues, clearly analysing that the employees have such good perks that there might not be much impact at all on employee motivation.

There were some excellent answers which really engaged with the case study and which recognised that quality was the USP for JKL and that any threat to this needed close attention, regardless of the fact that it is generously staffed at present.

5

This was another question which provided a very mixed set of responses. In many cases, the ability of candidates to read the actual question set was a major discriminating factor. Some candidates gave very long winded explanations of how to improve quality which were almost bereft of any links to JKL. Solutions such as kaizen, lean production, quality circles and cell production, were all seen by the examining team.

Better responses engaged effectively with the context of JKL and the most common routes through to Level 3 included:

- an analysis of what specific benefits would accrue to JKL from the quality counts scheme considering, for example, the fact that all nurseries must have an OFSTED inspection and the importance to parents of OFSTED's findings;
- some analysis of the cost implications (albeit it is not that expensive) for a firm with weak cash-flow and whether it was value for money;
- the training which is provided at the moment is good enough and what additional value would NDNA training bring?

The candidates who understood the key to the question went on to score very good Level 4 marks from making a judgment. This judgment could be one of two extremes:

- there is no need to take part in the quality counts scheme as it brings no additional value at the present time to JKL – it does not appear to have a quality issue especially considering the excess demand;
- reputation is everything in the market and so it should take on the scheme so that it continues to be one step ahead of TotsAtPlay, especially as parents are unlikely to compromise on quality.

## F293 Marketing

### General Comments

In general this paper appeared to offer a more accessible paper than in the January series. Candidates were slightly more able to make use of the case evidence and they tended to be more willing to bring in 'outside' knowledge of car sales and the motor industry in general.

In common with many previous papers, the actual questions followed a similar pattern, though the calculation question proved to be much more accessible than usual with many candidates producing a correct response. Question 5 proved to be very difficult and there was a tendency for many candidates to write in very general terms in relation to questions 3 and 4.

There did not appear to be any issues with time with most candidates attempting every question effectively.

Adding more lines to the responses in the answer book helped, though it did not solve the problem completely. Candidates who use additional sheets should be encouraged to mark clearly that they have done so on the main answer booklet and on the additional sheets. There were no issues with the quality of written communication and the standard of handwriting was also not an issue.

### Comments on Individual Questions

- 1 The majority of the candidates gained four marks, although a few failed to attempt the question and others gained two-three marks, according to the mark scheme, by showing less than full understanding.
- 2 All candidates gave at least one pricing strategy or method and were able to explain it. Many cited these as if in a textbook with little or no attempt to apply to the case, with many candidates not appreciating that the firm is operating in several different markets; hence, different methods might be applicable to different products. Such an approach is sound analysis. Many candidates gave a recommendation but it was not supported by the preceding text. Candidates should give clear definitions/explanations and relate these to the case – e.g. competitive pricing means more than looking at the competition's pricing and a precise explanation should follow this statement. Penetration pricing was not really applicable, as the firm was not introducing any new products.
- 3 Most candidates listed the advantages of a website and most gained marks for understanding. Relatively few went on to relate these advantages to the situation of PCL, with many making assumptions that a website would gain more sales without explaining why. The question also asked for a consideration of enhancing the website and many answers ignored this aspect. Some answers focussed on non-marketing advantages or failed to show the marketing advantages of an enhanced website.
- 4 Some candidates did not give a marketing objective. The majority did, though targets related to profit were accepted but only relatively few candidates gave a SMART target or one specifically applicable to the situation in which PCL operates. Consequently, most answers were awarded some marks for application. Most went on to discuss ways in which PCL could achieve the stated objective, instead of answering the question. Those candidates who considered the objective in relation to the SMART criteria or the firm's position in the market gained analysis marks.

- 5** Disappointingly many responses did not address the question, instead considering how marketing activities could achieve objectives. Few candidates stated objectives and then considered how various activities impinged on them, or considered ways in which this could be measured. Most responses cited surveys, questionnaires, website contributions, sales figures and gained marks for understanding but few discussed the effectiveness of these ways of measuring at PCL. Another approach was to name DAGMAR or AIDA but few candidates went on to explain these models and how they might be used to measure effectiveness of, for example, an advertising campaign. Advertising elasticity of demand was often cited but this is not a way to assess effectiveness per se and few candidates showed how it might be used in such a way. Additionally, many who referred to this concept only wrote about profit or sales revenue.
- 6** Many candidates recommended a course of action but this was not supported by the text of the answer or it could have applied to any business thinking of a move. Many responses were awarded analysis marks as these contained some implication(s) of the points discussed. This final question was attempted at a higher standard than in the previous sitting in January but again few candidates produced a recommendation which was supported by the preceding argument. A few key relevant points, with advantages and disadvantages argued not just stated, with a recommendation which follows on will gain high evaluation marks, even if relatively short. There is no need to write at length about the whole range of topics in the course. Time is too short.

There was a wealth of possible material in the case study and this should have led to candidates having much to consider. Most are now able to consider the wider implications of the decision being made with plenty of references made to the other functional areas of the business. The standard of responses appears to be slowly improving over time.

## F294 Accounting

### General Comments

The paper proved to be accessible to all of the candidates and many of the responses showed a good level of knowledge in terms of the indicative content of the specification. In most cases, it was encouraging to see that candidates understood and used the case study issues.

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

However, there is still room for improvement and, in particular, candidates were, once again, reluctant to use quantitative data to justify their evaluations. This issue will be explored in more detail where relevant.

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

### Comments on Individual Questions

- 1(a) and 1(b)** The majority of the candidates calculated the correct answers; however, it was disappointing to discover that a significant proportion of the candidates could not extract the correct current asset/current liabilities data from the balance sheet provided.
- 2** Centres need to encourage their candidates to explore the links between question 1 and 2. In this case, a candidate who used their answers to questions 1(a) and (b) was clearly demonstrating analysis and was rewarded with a high mark. Candidates need to carefully read the questions for clear signposts; in this question Table 1 was referred to and so there must be a possibility that the examiner would like to see the use of this table in terms of answering the question.
- 3** The vast majority of the candidates could provide two reasons and link their stated reasons to the case study. As a result, the average mark for this question was high.
- 4** The vast majority of candidates were able to analyse The Empire's forecast cash-flow position but found greater difficulty in evaluating the forecast. For example, candidates could have questioned the accuracy of the forecasts or even supported the accuracy with reference to the actual sales revenue and other figures provided. Far too many candidates interpreted cash as equivalent to profit. There is a need for candidates to ensure that this fundamental accounting issue is thoroughly understood.
- 5** This question explicitly referred to Tables 4 and 5; consequently it was disappointing to discover that a significant proportion of the candidates ignored this instruction and produced a generic answer about profit centres. The whole point of the reference was to encourage the candidates to explore the allocation of overheads and the impact on the performance of each profit centre. Candidates who used the tables to assess the impact were highly rewarded for their analysis of the figures.
- 6** It was pleasing to find that the vast majority of the candidates correctly calculated, and used, payback and net present values. Many candidates also calculated ARR for good measure! The correct use and interpretation of investment appraisal techniques immediately accessed a good Level 3 mark.

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

On this paper the following could have been included in a response to question 6:

- marketing/sales: the market research evidence relating to the 16-24 market. Is demand likely to be seasonal as a result of the nature of the tourist market?
- human resources: would the expansion require significant recruitment and training? The availability of potential employees?
- external influences/risk: the impact of the economy on demand for cinema visits and the impact on tourism. The Empire has only been recently acquired, would this new project overstretch CCL's resources (including management)?
- It is likely that CCL would have to borrow a considerable sum, what would be the impact of rising interest rates?
- objectives: CCL has a strong growth objective and this proposal fits well with this objective.
- what about competition? If CCL decides not to invest, will competitors seize the opportunity?

## F295 People in Organisations

### General Comments

As stated in the January report on this unit, there were no obvious signs of any time issues, with candidates being able to write at length. However, for many, more time could and should have been spent reading the case study in order to answer in context.

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

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

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

The quality of written English remains varied. Paragraphs can be used as an aid to break an answer down into distinct parts and, thereby, enhancing its readability. Such a technique may also help candidates to organise their thoughts. However, the overall standard of spelling appears to have improved and this enhanced the readability of many answers

It is always important to ensure that whatever is written is presented in such a manner as to allow the examiner to actually read it. There were still some scripts which tested the examiners' powers of deciphering!

### Comments on Individual Questions

- 1 A pleasing majority of the candidates gained full marks on this question. It is also pleasing to report that a large majority of the answers were well presented with clear signs of the calculations undertaken. Most of the candidates who did not gain full marks calculated the original wage by incorrectly multiplying £7.75 x 46, instead of 35 hours and, subsequently, adding on the overtime payment of £11 x 9 hours.
- 2 An insufficient number of candidates used their answer to Question 1 to help build an argument as to the benefits of introducing the piece rate system. It was hoped that candidates realised that by allowing employees access to an increase in income, more pallets would be filled thereby increasing production at BNL This would then allow BNL to meet the additional orders.

It is also worthy of note that too many candidates offered benefits to the employees without going on to suggest how BNL would benefit, as the question required!

Sadly, some candidates failed to read the question with sufficient care and wrote about the disadvantages to BNL of using a piece rate system of payment

- 3** The question asked for one possible consequence to BNL; but, unfortunately, candidates did not offer such a consequence but instead wrote about Bahader. Reading the actual question is very important and requires candidates to ensure that sufficient time is taken to absorb the actual question in order to gain marks.

There was some confusion as to whether Bahader's case was upheld, even though it was stated within the question.

Weaker candidates merely stated that:

'Bahader being sacked, BNL would be a worker short and, therefore, could not complete the contract and, therefore, go bankrupt'. Such answers are very simplistic and lack realism.

Good candidates concentrated on the time and costs involved and the subsequent consequence(s) of these. Others gained access to the higher marks by concentrating on the negative publicity and the consequence(s) of such publicity given BNL operates within a competitive market. There were some excellent answers to this question which were succinct and contextual.

- 4** Good candidates quickly identified the leadership styles of Jim and Gupta and went on to analyse why such styles were or were not appropriate in the context of the case. However, few went on to evaluate and, consequently, missed an opportunity to gain significantly more marks.

Simply writing, 'To evaluate I think BNL should change its leadership style' is not a Level 4 answer. There needs to be a justified judgement in the context of the case.

There were obvious opportunities to apply the leadership and motivational theories to such a question. Only the very good answers did this with any degree of conviction and accuracy.

The question asked candidates to consider how appropriate it would be to change the style of leadership. In order to do this successfully, there was a need to consider how a particular style would impinge upon the case situation. How would the employees react and, consequently, what effect would a change have on BNL?

- 5** The actual question asked candidates to consider the main barriers to effective communication. An insufficient number of them used the relevant theory to provide a framework for their answers. (Shannon and Weaver - technical, semantic and effectiveness.) In fact there were some answers which failed to offer any relevant terminology related to communication.

There were clues provided within the case for candidates to use (eg. noise, differing cultures and languages, Bahader)

Good candidates analysed the consequences of their chosen barriers and some went on to weigh up the evidence and suggest which barrier was most significant to effective communication in the context of the case.

Very few candidates attempted to comment on the relative skills of the sender and receiver of messages.

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

This is a synoptic question and allows candidates to draw on their knowledge from any part of the specification.

Good answers answered the question in a strategic manner and considered the implications for BNL and its stakeholders.

The really good answers weighed up the evidence and reached a justified judgement as to whether BNL should or should not introduce a system of employee participation.

It was clear from some of the answers offered that there was some uncertainty as to what employee participation actually involves. Few candidates referred to collective bargaining, although there were some who mentioned quality circles. Sadly, some concentrated on whether BNL should introduce quality circles, changing the emphasis of the actual question, to their detriment in terms of accessing higher marks.

Just stating that employee participation will improve motivation did not gain access to the higher marks. It was expected that candidates would offer a more detailed and linked consequence to BNL as a result of employee participation.

Very few candidates considered the skills of the employees or the actual type of employee participation. Just stating that costs may rise was not deemed to be sufficient to cover the 'other issues'. Considering costs in terms of lost production and effective usage of employee's time would have been a more productive route in terms of marks awarded.

A very small minority of the candidates mentioned that there are legal requirements to involve employees; redundancies, health and safety issues and changes in contracts.

Employee participation is a significant part of the specification and, therefore, warrants further such questions in the future.

## F296 Business Production

### General Comments

It was very clear that most candidates successfully got to grips with the case study and its various nuances. This was evident from the logical assumptions and deductions which most candidates made, taking the case study material further to enable valid analysis and evaluation. Many still have problems with the numerical question and lose relatively easy marks and it is, again, clear that effective evaluation is scarce. There were no obvious issues of time – most candidates appeared to have finished every question and drawn a conclusion. The biggest concern is that whole swathes of candidates do not know certain, what might be perceived as 'niche', aspects of the course. In January it was value analysis; in June work study. Very clearly candidates are making a 'best guess' but the issue of specification coverage, whether from a teaching point of view or revision from the candidate's point of view, is a significant concern. Candidates are preventing themselves from accessing a significant proportion of the marks.

### Comments on Individual Questions

- 1 Nearly all candidates got as far as calculating the actual labour productivities. The majority failed to go any further and, consequently, only scored half marks. This highlights a problem on this and other papers – one of an inability to calculate percentage changes. This skill is fundamental and candidates need to practice it.
- 2 Comfortably the toughest question if marks are anything to go by. Many candidates simply did not know what work study is. This prompted a whole range of 'best guesses' based around the words 'work' and 'study'. Hence, answers relating to any study/examination of the way in which people worked were put forward. Some credit was given for answers which, by chance, had some validity, but the high marks (ie Levels 3 and 4) were only awarded to those candidates who actually knew the concept and applied it to the context. There were some very good answers in this respect, but very few examples of evaluation.
- 3 The vast majority of the candidates had a good attempt at this question. The areas of law were obvious, but whilst the question did not require a 'letter of the law' answer, the highest marks were awarded to those candidates who clearly demonstrated a knowledge of the law in a production context. In this case that meant health and safety or vicarious liability. Level 3 was reserved for candidates who, having explained the area of law, then analysed the effect on operations (in context, of course).
- 4 Most candidates had a good attempt at this question as most know the general advantages and disadvantages of deploying technology in a production situation. The stumbling block, if there was one, was the issue of context. Most responses had some context – usually something like 'bullets need to be standardised and technology can achieve this' which was fine. Generally, the more context candidates teased out of the case study in this respect the higher they went in Level 3. Once again, few of them accessed Level 4 – some sort of evaluation as to whether it should go ahead with technology – those who did often produced outstanding, articulate and well reasoned answers. Evaluation needs practice.

- 5** Nearly all candidates understood the concept of ethics and spotted the two or three ethical issues. Two (the dyes and the poor working conditions) were obvious, but some very good answers referred to the idea that manufacturing weapons (even mock ones) is morally wrong and explained why. Nearly all candidates achieved Level 2 or beyond and many appeared to want to go on writing. Maybe this is a topic close to their hearts! This question was very well answered.
- 6** Each year this final question throws up similar issues. Candidates ARE looking at more than just the functional area of production (good) and they ARE analysing (in most cases). The worst answers simply listed factors to consider in the relocation – not actually analysing them – but most went into some depth on at least half a dozen issues/factors/arguments. Essentially, given that all of the candidates could list reasons to move from the case study, the examining team rewarded the sophistication of the answer – particularly those candidates who showed some level of prioritisation. Usually this was left to the last paragraph, but candidates should get into the habit of demonstrating this skill earlier in their answer. All too often the last paragraph (clearly the candidate's attempt at evaluation) is simply a repetition of previous points and not an evaluative summing up of the relative weight of the various arguments.

## F297 Strategic Management

### General Comments

The case study and its questions acted as an effective discriminator, producing a wide range of marks. Almost the entire cohort answered all of the required questions. The questions most often not attempted were questions 1(a) and 3. This session too many candidates spent rather too long in answering Question 1(b), often to the detriment of later questions. A significant minority wrote unexpectedly brief answers to Question 3. There was no evidence of time pressures.

As has been the case for quite some time the best candidates share their reasoning with the examiner, rather than simply stating an unsupported position. Reasoning is best shown by the selective use of case evidence and the use of appropriate subject knowledge and understanding. Further, the best answers are clearly contextual. Given that all of the questions, bar Question 1(a), are synoptic, the examiner is looking for the skill shown by the candidate, rather than a specific decision. Consequently, it is vital that candidates are encouraged to always develop depth in answers

### Comments on Individual Questions

- 1 (a) This was the first time this technique, a decision tree, has been examined. Centres can be re-assured that it will be examined again. In preparing candidates the support materials at [www.ocr.org.uk/qualifications/type/gce/blt/business\\_studies/documents/index.html](http://www.ocr.org.uk/qualifications/type/gce/blt/business_studies/documents/index.html) are commended to centres, because these use the same vocabulary and set out with clarity what candidates can be expected to know and do.

A sizeable minority of candidates gained full marks for a value of £48,000. This shows that the technique had been mastered. However, below full marks there was a range of commonly seen responses. Sadly, some candidates felt unable to even make a start. This is particularly disappointing given the amount of data in the pre-seen case study (in fact, five nodes could have been worked out prior to the examination). Many candidates were successful in calculating the values for nodes 7 to 13 but then struggled when it came to the decisions nodes, nodes 4, 5 and 6. A commonly seen error was to treat the decision node as an event node with assumed equal probabilities for the branches. Also, seen quite often was the simple addition of the branches into the decision node.

Where candidates had made an error, yet had carried that error forward, the examining team awarded subsequent marks under the 'own figure rule'. However, for this to apply the working had to be clear so that it was possible to ascertain what was being done. That so many candidates simply covered the working sheet with figures, with little logic or indeed labels, made the examiner's task needlessly difficult. Those preparing candidates would do well to remind them of the need for basic examination technique.

- 1 (b) Understandably the issue of the parcel of land had clearly been considered in great depth prior to the examination. At the risk of laboring the point, the examining team did not have a 'correct' response for which they were looking. Rather, what was wanted was a clear decision supported by synoptic use of subject and case evidence. That some candidates achieved full marks showed that this demand was both reasonable and accessible.

The linkage between questions 1(a) and 1(b) is now starting to emerge more often. Consequently, candidates often used their answer to Question 1(a) in arguing their position about whether or not to buy the land. However, it will always be the case that it is possible to gain full marks on Question 1(b) without reference to Question 1(a).

It was a minority of candidates who engaged in further (voluntary) quantitative analysis. Those who did often calculated ARR and the payback period for the various outcomes from the tree. The use of this analysis supported assertions about risk and it is to be encouraged. Similarly, some candidates calculated BPL's gearing in order to consider its ability to raise the required finance.

Being synoptic and strategic what was being sought was a clearly reasoned view. So, an issue which might have been considered would be how the acquisition of the land is compatible with BPL's objectives, its resources, the land's strategic fit with the existing facilities on offer, as well as BPL's competitive position. Too often candidates give a view without any real evidence of having acquired the concepts and vocabulary in the specification.

- 2 The need to link the external change to some action on behalf of the company is one which still needs to be stressed. The examiners read some really good discussion of the impact on BPL of economic growth, but then found no consideration about how the business might respond. Having laid such a solid foundation about the impact it was a real shame that the thrust of the whole question was not considered.

Better answers gave a variety of possible strategic responses to this macroeconomic external influence. Often growth was linked to exchange rates, and thus a realignment of BPL's marketing efforts. For example, to target foreign guests at BPL if the value of sterling were to fall. Such a possibility is encouraging. However, what would have been even better would have been a synoptic view; for instance if BPL were to attract more overseas visitors then possibly foreign language training for key staff might be necessary. Similarly, perhaps the menu might need to be adjusted to suit different ethnic groups, or perhaps BPL buying a people carrier so as to be able to offer local tours (assuming of course such guests do not hire a car of their own). It was disappointing that so few candidates thought beyond marketing.

A minority of the candidates discussed the extent of the change in economic growth; its speed and scale. Some held that BPL's target market would be immune from changes in growth. Accepting that this may well be the case, the examiners were then looking for what the firm should do, even if it was 'do nothing because..'

- 3 The answers to this question were, in the main, disappointing. Too often the question set was not adequately addressed, and, in particular, too many candidates wrote descriptively about what had already occurred. Careful reading of the question showed the requirement to recommend to Wilhelm what he should do; hence, a retrospective answer ran the very real risk of being irrelevant. A further disappointment was the lack of subject support for any suggested action; this is a synoptic A2 unit and, as such, it is not unreasonable for the candidate to be able to show that they have studied the subject. Sadly, all too often, the answers given could have been written by any reasonably well educated adolescent. Hence, the suggestion to 'hold a meeting' shows little by way of the study and acquisition of the specification's requirement about the management of change. Again, the support materials are commended to centres, along with the use of respected subject texts.

Often candidates argued for some finesse of the current tip pooling scheme. A commonly seen favourite was the appointment of a Tronc Master. However, they too often failed to adequately address the core of the problem; why should an individual give up 'their' tip to a

group, particularly when any such tip is not likely to be made in public. Hence, where is the incentive for a chambermaid, finding a cash sum left by the bedside by a departing guest, to offer that up to a pool? A similar 'dilemma' might well face a golf caddy given a gratuity at the end of the round. In the absence of all tips being declared and pooled any attempt to share the pool, whether or not on some performance basis, is building a reward structure on loose sand.

The best answers clearly set out for Wilhelm a set of sequenced actions and with subject support. Typically these included the need for him to be clear about what it is he is seeking to achieve. Then, and only then, could he seek to persuade his senior managerial team of the need to change. Having gained their support then the possibility of holding staff consultative meetings becomes far more sensible. Occasionally, candidates argued that Wilhelm should in fact abandon his 'pooling' simply because it is unworkable and divisive in this context.

- 4 This question was well answered, and often gained the highest mark on the script. The concept of stakeholders is well understood and nearly all the candidates were able to link this to success, frequently with reference to the stakeholders' objectives. Better answers used the case evidence to suggest why an individual or group would see BPL as successful.

The use of financial ratios certainly is one route to do this. However, having calculated the ratio, e.g. a current ratio of 1.42, some discussion needs to be offered to explain why this value will be seen by a stakeholder, e.g. shareholders, as evidence of success. Similarly, whilst the case stated that the shareholders are not entirely financially driven the absence of ROE or EPS was a surprise. In calculating any ratio it would be good if candidates showed the three steps; formula, data and outcome.

A commonly seen misunderstanding was to consider stakeholder influence in seeking to summarise and evaluate. This is not what the question required.

At the lower end of the mark range the candidates described several stakeholders. In contrast, at the top end these candidates chose a small number of stakeholders, often just three, and then gave a well-reasoned and supported discussion.

Those few candidates who structured their answer entirely as stakeholders, and so neither identifying or differentiating between them, found it difficult to progress beyond the middle of the mark range.

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

**OCR Customer Contact Centre**

**14 – 19 Qualifications (General)**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

**Oxford Cambridge and RSA Examinations**  
**is a Company Limited by Guarantee**  
**Registered in England**  
**Registered Office; 1 Hills Road, Cambridge, CB1 2EU**  
**Registered Company Number: 3484466**  
**OCR is an exempt Charity**

**OCR (Oxford Cambridge and RSA Examinations)**  
**Head office**  
**Telephone: 01223 552552**  
**Facsimile: 01223 552553**

© OCR 2011

