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# COMBINED FEEDBACK ON THE JUNE 2013 EXAM PAPER

UNIT R061:  
INTRODUCTION TO  
BUSINESS



# BUSINESS AND ENTERPRISE

Level 1/2

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## INTRODUCTION

This resource brings together the questions from the June 2013 examined unit (R061), the marking guidance, the examiner's comments and the exemplar answers into one place for easy reference.

The marking guidance and the examiner's comments are taken straight from the Report to Centre for this question paper.

The Question Paper, Mark Scheme and the Report to Centre are available from:

<http://www.ocr.org.uk/qualifications/cambridge-nationals-business-level-1-2-award-business-and-enterprise-level-1-2-certificate-j804-j814/>

**OCR**  
RECOGNISING ACHIEVEMENT

**Tuesday 21 May 2013 - Morning**  
**LEVEL 1/2 CAMBRIDGE NATIONALS IN BUSINESS AND ENTERPRISE**

**R061/01 Introduction to Business**

Candidates answer on the Question Paper. **Duration: 1 hour**

OCR supplied materials:  
• Copy of the Pre-Release Research Brief (insert)

Other materials required:  
None

Candidate forename: \_\_\_\_\_ Candidate surname: \_\_\_\_\_

Centre number: \_\_\_\_\_ Candidate number: \_\_\_\_\_

**INSTRUCTIONS TO CANDIDATES**

- The Insert will be found in the centre of this document.
- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer all the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Do not write in the bar codes.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.
- This document consists of 12 pages. Any blank pages are indicated.

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**Cambridge National**

**Business and Enterprise**

Level 1/2  
Unit R061/01: Introduction to Business

**Mark Scheme for June 2013**

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**Cambridge Nationals**

**Business and Enterprise**

Level 1/2 Cambridge National Award in Business J804  
Level 1/2 Cambridge National Certificate in Business and Enterprise J814

**OCR Report to Centres**

**June 2013**

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## PRE-RELEASE MATERIAL

The question paper is based on a pre-release Research Brief which is issued to centres 6-8 weeks before the examination.

Questions in the question paper will ask learners to draw on the knowledge and understanding gained through researching businesses in their local area which are similar to the business in the Research Brief.

The pre-release Research Brief can be found here:

<http://www.ocr.org.uk/Images/167814-question-paper-unit-r061-01-introduction-to-business-insert.pdf>

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RECOGNISING ACHIEVEMENT

**Tuesday 21 May 2013 - Morning**  
**LEVEL 1/2 CAMBRIDGE NATIONALS IN BUSINESS AND ENTERPRISE**

**R061/01 Introduction to Business**

**INSERT**

**Duration: 1 hour**

**INFORMATION FOR CANDIDATES**

- This is a clean copy of the Research Brief which you should already have seen.
- You may not take your previous copy of the Research Brief into the examination.
- You may not take notes into the examination.
- This document consists of 2 pages. Any blank pages are indicated.

**INSTRUCTIONS TO TEACHERS**

- Do not send this Research Brief for marking. It should be retained in the centre or recycled. Please contact OCR Copyright should you wish to re-use this document.

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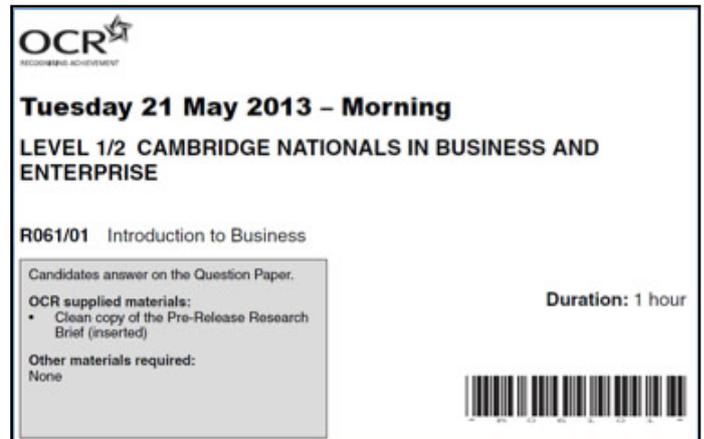
## GENERAL EXAMINER COMMENTS ON THE PAPER

In general, the candidates attempted all of the questions on the paper. Most of them seemed to identify with the scenario, although some of the candidates found the idea of marketing and selling a service difficult. Once again there was limited evidence of the research brief being thoroughly utilised by the candidates prior to the examination. The aim of this qualification is for the candidates to engage with and to use their knowledge of business operations in order that they can apply it to realistic business situations. The research brief is released to centres in advance of the examination and this time should be spent researching each of the areas identified in the research brief.

Even those candidates who had carried out the research and used some local knowledge, found it difficult to achieve any form of analysis and, therefore, they were restricted to the lower levels of the mark scheme. Centres should also encourage their candidates to spend some time reading the stem to the question and any short scenarios at the start of each section of the paper as this often gives further insight into what is required by way of a response.

There remain a number of candidates who did not respond in any way to some of the questions. As all marks achieved in the examination count towards a candidate's overall qualification grade, they should be encouraged to give a response to each and every question as this may attract some reward, whereas a 'no response' will definitely not achieve any marks. In particular there were three tick box questions on the paper and a proportion of the candidates who did not attempt these straightforward questions. There were also quite a few candidates who ticked all the boxes. Candidates only need to tick the number of boxes given in the stem, as if only two ticks are required only the first two will be marked. There was some evidence that even the most basic knowledge of ownership, objectives, marketing and raising finance was lacking. Questions 7 and 8 showed that there were gaps in knowledge about all of the external factors impacting on a business. Businesses do not operate in isolation; they are part of, contributors to and reliant on the actions and expectations of all stakeholders. All of these issues can be addressed through proper use of the research brief which is then applied to real businesses.

The quality of the answers was variable. A number of candidates were able to communicate their answers in a structured way but these were the exception. Language skills remain a problem due to the inability of many candidates to express their points clearly. This was particularly evident in Questions 3(a), 6(a)(i), 6(a)(iii) and 7.



## GENERAL EXAMINER COMMENTS ON THE RESEARCH BRIEF

### Research Brief

**Context:** An independent cinema with only one screen, which shows a range of new release, Bollywood and 'art house' movies.

**Business objective:** The Board of Directors has never set business objectives.

**Finance:** The business would like an additional cinema screen but does not currently have the £500 000 required for such a project.

**Marketing:** Many customers choose to go to a multi-screen cinema in the next town. Research will need to be carried out in order to create an effective marketing mix to compete against this multi-screen cinema.

**Production and operations:** the independent cinema has three showings a day, seven days a week. The cinema sells pre-packaged drinks and sweets, as well as popcorn. The popcorn is cooked in batches by the staff each morning.

**Human resources management:** The independent cinema employs ten full-time staff and six part-time staff. There are two shifts per day: 10am - 5pm and 4.30pm - 11.30pm. Full time staff work one shift per day, five days per week. The part-time staff work three shifts per week. Overtime is sometimes available.

Use of the research brief is crucial for candidates to understand and apply business knowledge. Candidates should be able to use their own local research to inform their responses to a number of the questions on the paper. In this case the context of the research and brief and the focus of the question paper was an independent cinema offering a service and a number of products to enhance and complement that service.

Candidates should be encouraged to research similar businesses and to use them as examples in their answers. This allows the candidates to assess the implications to the business such as increased/decreased costs, a change in business organisation and increased/decreased revenue. In this way the candidates could come to realistic conclusions in terms of an independent cinema.

Candidates should use the information in the research brief to investigate similar businesses. Each section relates to a particular learning outcome and should give teachers and candidates a particular focus when preparing for the examination. For example in the marketing section as it was mentioned that research would have to take place, so teachers should encourage their candidates to investigate the methods of research which such a cinema might use in its local area and how useful it might be to the cinema.

It is important that candidates learn to look at the implications of different courses of action and to come to some conclusion(s) about which is best in a particular case.

## Question 1(a)

Some of the questions in this examination are based on the scenario in the research brief and your background research.

Answer all questions.

### SECTION A

Monarch Independent Cinema Ltd (MIC Ltd) is a private limited company.

**1 a)** Identify **two** characteristics of a private limited company. Place a tick (✓) in the correct boxes in the table below.

Characteristics	Tick (✓)
The business can trade shares on the stock exchange	
A maximum of two shareholders	
Limited liability	✓
The business has its own legal identity	✓

[2]

### Mark Scheme Guidance

One mark for each correct benefit identified up to a maximum of two identifications.

If crossed out reward if not replaced.

Mark from top down – maximum 2 marks.

### Examiner comments

This part of the question was reasonably well answered by those candidates who only ticked two boxes.

## Question 1(b)

- b)** MIC Ltd is considering ways to raise finance. One way in which it could do this is to change its form of ownership from that of a private limited company.

Suggest **one** other suitable form of ownership which would help the business raise finance. Explain why this would be a suitable choice.

**Suitable form of ownership**

Public limited company (1 mark)

.....

**Explanation**

This would mean selling shares in the business on the stock exchange (1 mark)

which can bring in extra capital (1 mark)

**Other example answers**

It would mean that the business still had limited liability which would encourage investment (1 mark)

The company would also still have a separate legal identity which would encourage investment (1 mark)

This would make the bank more willing to lend them money (1 mark) because they are a more stable company (1 mark).

[3]

### Mark Scheme Guidance

One mark for a correct identification of a form of business ownership, (public limited company).

One mark for the way it raises finance eg shares.

One mark why it is suitable, eg lot of money.

No context required.

### Examiner comments

'Plc' was seen often by way of a response to this part of the question, but so was 'partnership'. The stem stated that MIC is a private limited company. Therefore, a partnership was not a realistic option in the context of the business. A proportion of the candidates stated 'plc' as the answer found it difficult to then explain how this would raise finance. The best answers explained that shares could be sold on the stock exchange and that this might raise the amount of money MIC would need for the additional cinema screen as referred to in the research brief.

## Question 2(a)

## SECTION B

The Board of Directors of MIC Ltd has never set business objectives.

- 2 a) Using your research of businesses in your area, recommend and justify **one** suitable business objective for MIC Ltd.

**Recommendation**

Profit

.....

.....

**Justification**

Increase sales

At the moment the cinema is only showing 3 films a day and it is open from 10am to 11.30pm and if they are to survive they need to show as many films as possible (Level 2).

Because from the research I have done, I found out that the only cinema in my town, shows about 60 films a day in its 7 screens. This enables them to reduce costs and bring more customers into the cinema (Level 3). Also there are many other facilities such as a leisure centre which makes it a whole day trip out to the cinema.

Even without this bigger range of films they can make better sales by offering better quality films in the area (Level 4).

**Other example answers**

- Market share
- Survival or Growth
- Sales
- To provide effective service to the public

**Other justification answers**

Growth

The cinema industry is growing at the moment, especially with 3D technology being introduced in so many cinemas. This technology means that the cinema needs to invest heavily in order to buy new screens (Level 2) so that it can gain new customers and gain more sales (Level 3). This is why an objective of growth is appropriate at the moment. However, MIC Ltd may not have the capital to invest and this might make a growth objective unrealistic. It depends on whether or not it has the money (Level 4).

Expansion

After a few years businesses should try to expand their business. The business might have to spend some money in order to expand the business. For example Newtown picture house a cinema in my area (research) was not getting much business so it expanded (Level 2) and redecorated which made the customers more likely to go there as it looks clean and new. MIC Ltd could expand and re-decorate this would mean that more customers will go. The revenue will therefore go up and so will the profits (Level 3). Newtown Picture House also added more screens so that more people would come because more films would get shown. Even though it costs the cinema money in the long run it will make them more money (Level 4).

[7]

## Mark Scheme Guidance

### Level 4 – Evaluation (6–7 marks)

Recommendation for suitable business objective for MIC Ltd which is fully justified in context.

Maximum 6 marks for evaluation but no reference to local area.

### Level 3 – Analysis (4–5 marks)

Analysis of a business objective suitable for MIC Ltd using examples and/or the local area.

Maximum 4 marks for analysis but no reference to local area.

### Level 2 – Application (2–3 marks)

Knowledge and understanding of business objectives (how/why).

### Level 1 – Knowledge (1 mark)

Identification/knowledge of business objectives.

### Default marks: Level 4 = 7 Level 3 = 5 Level 2 = 3 Level 1 = 1

There needs to be no reference to smart objectives.

However you must read underneath so you could pick out the objective from the text underneath.

## Examiner comments

The candidates' knowledge of objectives was variable. Those who selected an appropriate objective were able to develop a simple explanation about why the cinema should have that objective. However, there were too many responses which did not identify a realistic objective and which, therefore, could not develop an answer.

Some candidates managed to achieve Level 1 marks by referencing a relevant comment in the explanation. A considerable number of responses detailed SMART objectives and then went on to explain each part of SMART; therefore, missing the point of the question. The best answers referred to their local cinema and the objectives such as customer service, increased sales and growth. However, these were rare as the majority of the responses failed to reference local research at all.

In order to achieve the higher levels of response, the candidates were required to analyse the objective in term of its implications for the cinema and to come to an informed judgement as to the likelihood of its success in this context.

## Question 2 (b)

(b) State **two** other business objectives which MIC Ltd could have.

1 Survival

2 Market share

### Other example answers

- Growth
- Sales
- Social Benefit
- To provide effective service to the public
- Profit

[2]

### Mark Scheme Guidance

Allow any other valid response relating to MIC.

One mark for each correct identification up to a maximum of two identifications.

Do **not** reward the business objective identified in 2 (a).

Do not accept "Marketing" or "Promotion" as an objective.

### Examiner comments

Since knowledge of objectives was variable, there were many incorrect answers or repeat answers from part (a).

The research brief referred to the fact that the cinema currently has no objectives and, therefore, this would have been a useful area for the candidates to further explore.

## Question 3 (a)

### SECTION C

The Board of Directors of MIC Ltd has decided that an additional cinema screen might attract more customers and help the business to break even. The estimated cost of the additional screen would be £500 000. The business would need to raise finance in order to fund the building of the additional screen.

- 3 (a) Explain what is meant by the term 'break-even'.

Break-even is the quantity needed to produce/sell (1 mark) in order to cover  
all the costs of the business (1 mark)

#### Other example answers

Break-even is the point at which costs (1 mark) equal revenue (1 mark)

Point at which neither profit or loss is made (2 marks)

Fixed cost/selling price-variable costs.

Fixed cost/contribution per unit.

[2]

### Mark Scheme Guidance

Up to maximum of two marks.

### Examiner comments

It was encouraging to see that many of the candidates correctly answered this part of the question.

The use of a formula gained full marks and in most cases this showed a clearer understanding than some of the responses which tried to explain it in words.

## Question 3 (b)

(b) Identify **two** suitable methods by which MIC Ltd could raise the finance required for the building of the additional screen.

Explain why each method would be suitable.

Method 1 **Mortgage (1 mark)**

Explanation **A mortgage is a loan secured on a property**

**(1 mark) and MIC Ltd wants to buy more property (1 mark).**

Method 2 **Bank Loan (1 mark)**

Explanation **A bank loan would be quick and easy to set up (no marks) which can be paid**

**back in a long period of time (1 mark). From a bank loan a business can take out a large**

**sum of money and would be beneficial for the business (1 mark).**

### Other example answers

- Share issue
- Retained profit
- Venture capitalist
- Business Angels

[6]

### Mark Scheme Guidance

Allow any other valid response.

One mark for identification of method eg loan.

One mark for feature of funding method eg loan, interest.

One mark for suitability of funding method for this large investment.

This question is about the expansion of a private limited company eg not selling on stock exchange.

Do not reward "quick and simple".

Overdraft not suitable.

### Examiner comments

The research brief was clear that £500 000 would need to be raised. This should have indicated that methods of finance would be crucial to this business. Those candidates who answered this correctly chose loans, mortgages and selling shares and were able to explain how such finance could be raised, although many did not go on to explain why the cinema might use the suggested method.

Too many candidates suggested forms of promotion rather than finance which showed a basic lack of knowledge and/or understanding.

Also statements such as 'these are quick ways to raise money' are not useful since in most cases it is rarely true, especially when raising such large amounts.

## Question 4

- 4 Identify **one** service and **one** product offered to customers by MIC Ltd. Place a tick (✓) in the correct boxes in the table below.

	Service (✓)	Product (✓)
Bags of popcorn		✓
Minimum wage		
Showing a film	✓	
Staff canteen		

[2]

### Mark Scheme Guidance

One mark for each correct identification up to a maximum of two identifications.

No marks if ticks in both boxes.

If crossed out reward if not replaced.

### Examiner comments

A failure to read the stem to this part of the question resulted in many candidates ticking all four boxes instead of only the required two boxes.

The distinction between a product and a service seemed unclear to many of the candidates.

This should have been addressed in the preparation of the research brief.

## Question 5 (a)

5 (a) MIC Ltd needs to conduct some market research in order to find out how to attract more customers.

Identify **two** suitable methods of **primary** market research which MIC Ltd could use in order to find out how to attract more customers. Explain how each method would enable useful information to be collected.

Method 1 Questionnaires/survey

Explanation The cinema could give questionnaires (1 mark)

to people who do not already come to the cinema (1 mark)

in order to find out what they would like the cinema to

change (1 mark).

#### Other example methods

- Focus Groups
- Interview
- Phone calls
- Emailing
- Social media eg facebook, twitter
- Observation eg competition

Method 2 Testing/Sampling

Explanation Testing and observation (1 mark). Invite 10 people into the cinema (1 mark) and ask them

for their feedback on the cinema and what they could improve (1 mark).

#### Other example explanations

The cinema could interview (1 mark) current customers and find out their opinions (1 mark) on what are the best things about MIC Ltd (1 mark).

Questionnaire (1 mark). Ask people in the local area (1 mark) what they like about the cinema and dislike to that they can improve (1 mark).

The cinema could go to the multiplex cinema and collect data (1 mark) on what the most popular films are (1 mark) so that it would know what types of film people prefer (1 mark).

[6]

### Mark Scheme Guidance

One mark for identification of suitable method.

One mark for how this method can help attract customers to the cinema.

One mark for how useful the information is to the cinema.

If survey implied twice eg quantitative and qualitative then award separately eg paper-based questionnaire and interview/face to face etc.

Do **not** accept questionnaires and surveys/polls as two separate methods.

**Examiner comments**

Most candidates knew that a method of research was a questionnaire or survey and were able to explain how and why this might be used by the cinema, especially as it is in competition with a multi-screen cinema in the next town. However, there was a proportion of the candidates who stated both as separate methods and this was not rewardable. Other correct answers were interviews, focus groups, and social media; asking questions specifically about the other cinema or ways to improve MIC. It is important in 'explanation' questions that the candidates are encouraged to explain how and why a course of action is appropriate in order to access all of the marks available. Once again a substantial proportion of the candidates suggested methods of promotion rather than methods of research.

## Question 5 (b)

- (b) Using your research of businesses in your area, recommend a marketing mix which a cinema such as MIC Ltd could use in order to attract more customers. Justify your recommendation.

[10]

Product – films, complimentary products and services

(“the experience” eg comfortable seats)

**Exemplar response:**

A marketing mix contains the 4 P’s. For a cinema the

product (Level 1) is the films which it shows. To get more

customers they should show the latest films which are popular (Level 2).

I found out that a new Hollywood blockbuster is likely to attract ten times more customers to my local cinema

than a film which has been out for more than a month.(Research) Having new films will encourage people to

go to MIC Ltd rather than to the multi-screen cinema (Level 3).

**Other example answers**

- Price – competitor pricing, penetration pricing, etc
- Place – distribution methods for tickets, Internet, etc
- Promotion – above and below the line.

**Other exemplar response**

The price (Level 1) would have to be cheaper than the multi-screen cinema. In my research I found out that it can cost over £10 per ticket which is a lot of money for two hours of entertainment (Level 3). If it was cheaper for the same film, then people would choose to go to MIC Ltd. The cinema cannot change the place (Level 2) where it is located, but it can sell tickets in more places, such as the Internet. Some of the people I asked said that they always book seats through the Internet so that they can get a good seat (Research). This might increase the number of customers who would be willing to go to the cinema and increase sales (Level 3).

Films are advertised a lot on TV but it is rare to see a cinema advertised. If MIC Ltd promoted itself more then it might get more customers, because they are aware it is there. However in my area it is much more important to people that the cinema shows new releases and sells good products than the price of the tickets (Level 4).

## Mark Scheme Guidance

**Level 4 – Evaluation (8–10 marks)** Evaluation of at least two components of the marketing mix suitable for a cinema using examples from research to support a recommendation. Maximum 8 marks for no reference to the local area.

**Level 3 – Analysis (5–7 marks)** Analysis of at least two components of the marketing mix likely to attract more customers for a cinema using examples from the local area. Maximum 5 marks for no reference to local area or only one part of the marketing mix with Level 3 analysis.

**Level 2 – Application (3–4 marks)** Knowledge and understanding of one or more parts of the marketing mix for a cinema.

**Level 1 – Knowledge (1–2 marks)** Knowledge of the marketing mix. One mark for one component and up to two marks for more than one.

### Default marks:

**Level 4 = 9      Level 3 = 6      Level 2 = 4      Level 1 = 2**

## Examiner comments

This part of the question required the candidates to use their own research. Most did not do this and, therefore, gained limited reward above Level 2. It was clear from the research brief that a marketing mix would need to be developed by MIC in order to compete with the multi-screen cinema. Most candidates knew what the marketing mix is but many could not develop their answers since very little work had been done in terms of their own research. However, in this case there were some good answers which referenced local cinemas and ways in which they marketed their service through a variety of promotions, products on sale and different pricing strategies such as differential pricing. Also the way in which the cinema might be refurbished to improve the quality of the experience was suggested. However, place was confused with location. Place is about how the cinema might get its service to the customer; for example the online purchase of tickets. Although there were some good Level 3 answers, evaluation was rare. Those responses which did achieve evaluation did so through statements such as 'it depends on' or 'advertising is the most important'. Centres should encourage their candidates to make such statements.

## Question 6 (a) (i) and 6 (a) (ii)

6 (a) (i) The staff at MIC Ltd are paid a wage.

What is meant by the term 'wage'?

The amount of money staff earn per hour, week or  
month (1 mark)

[1]

**Other example answers**

- The amount of money that staff are paid for working each month (1 mark)
- The amount of money paid by the company to workers (1 mark)

(ii) The staff at MIC Ltd are sometimes asked to work overtime. Which **two** of the following statements about overtime are correct? Place a tick (✓) in the correct boxes.

Statement	Tick (✓)
Working more than your normal hours	✓
A payment below the minimum wage	
A fixed monthly payment	
Receiving extra pay for working extra hours	✓

[2]

### Mark Scheme Guidance 6 (a) (i)

For one mark candidates must reference the reason for payment.

Accept "earn".

### Mark Scheme Guidance 6 (a) (ii)

One mark for each correct identification up to a maximum of two identifications.

Award marks from top to bottom if more than 2 boxes ticked and only first two.

If crossed out reward if not replaced.

No marks if ticks in both boxes.

If crossed out reward if not replaced.

### Examiner comments on question 6 (a) (i)

This should have been a straightforward question but in some cases the candidates simply stated that a wage was 'something you get paid', which was simply a repeat of the question. Those candidates who gained the mark explained that it was for working or was paid weekly, hourly, etc.

### Examiner comments on question 6 (a) (ii)

Most of the candidates answered this part of the question correctly and unlike the other tick box questions, few candidates ticked all of the boxes. Some of them only ticked one box and, therefore, gave themselves no chance of achieving the second mark.

## Question 6 (a) (iii) and 6 (b)

(iii) Explain **one** advantage to MIC Ltd of asking its staff to work overtime.

Increased productivity/sales

An advantage is that MIC Ltd will be able to open

more **(1 mark)** and therefore there will be more customers

meaning more revenue **(1 mark)**.

[2]

**Other example answers**

- Savings on recruitment
- Savings on training
- Longer opening hours/busy times
- Motivated staff

**Other example explanations**

An advantage to MIC would be a fall in the cost of training **(1 mark)** new staff to work for the extra hours in the cinema **(1 mark)**

Also their opening times will be flexible and attractive for customers. It means you would not have to hire more staff **(1 mark)** and they already know the job so you don't have to train new people **(1 mark)** also they only work overtime when they need to.

One advantage of overtime is in busy times **(1 mark)** you can ask your workers to work overtime rather than spending **(1 mark)** more money on recruiting part-time workers.

(b) MIC Ltd needs to recruit a new member of staff.

Identify **one** way in which MIC Ltd might advertise this job.

Poster

[1]

**Other example answers**

- |                                |                     |
|--------------------------------|---------------------|
| • Newspaper (local)            | • Job centre        |
| • Supermarket noticeboard      | • MIC website       |
| • Internet                     | • Local radio       |
| • Local college/university     | • Local television  |
| • Employment agency            | • Trade magazines   |
| Allow any other valid response | • Staff noticeboard |

**Mark Scheme Guidance 6 (a) (iii)**

One mark for a valid advantage plus one further mark for explanation in terms of benefit to MIC Ltd NOT the staff.

Award first mark for the advantage. Award second mark for reason.

Advantage to the business and not the staff, eg no marks awarded for more money for staff.

**Mark Scheme Guidance 6 (b)**

One mark for a correct identification. Accept internally and externally.

Do not accept television/radio which is not local.

**Examiner comments on question 6 (a) (iii)**

Most answered this part of the question correctly in terms of an advantage to MIC rather than to the workforce. The ability to explain the concept presented some of the candidates with a problem. Centres should encourage their candidates to explain terms verbally in order to develop the skill of explanation before they have to write it down.

**Examiner comments on question 6 (b)**

Most of the candidates answered this part of the question correctly with a newspaper being the most common response.

## Question 7

## SECTION D

- 7 Using your research of businesses in your area, identify **one** example of each of the following external factors which might impact on a business such as MIC Ltd.

**Social**

change in tastes/fashions

**Environmental**

recycling

**Ethical**

morals

**Political**

planning permission

[4]

**Other example answers****Social**

- demographics
- trend (downloading films, staying at home)
- social networks etc.

**Environmental**

- vandalism
- greener working
- littering
- noise pollution etc.

**Ethical**

- fair treatment of staff
- culture
- healthy eating
- placement of food
- not abiding by the age rating
- fair trade etc.

**Political**

- tax/grant reform
- minimum wage
- welfare reforms (benefit)
- government

**Mark Scheme Guidance**

One mark for each correct identification up to a maximum of four identifications.

Do not accept legal.

Do not accept repeats.

Do not accept religion, weather.

Identifications do **not** need to be in context.

**Examiner comments**

This question presented a problem to the majority of candidates who simply did not know the meaning of the terms and could not apply them in context. The external factors affecting a business are a whole learning outcome and although the research brief does not reference them directly they affect all businesses. Therefore, candidates should have researched how each one of them might have affected their own local cinemas. Best answers identified issues such as different age groups in an area, dropping litter or recycling bags, targeting different cultures and changes in government legislation.

## Question 8

8 The Board of Directors has identified three other external factors which may impact on the operation of MIC Ltd. These are:

- economic
- legal
- technological.

Using your research of businesses in your area, evaluate the likely impact of each of these external factors on a business such as MIC Ltd.

[10]

Economic – recession, unemployment, inflation, interest rates

Legal – employment law, illegal downloads/filming, copyright law, new legislation

Technological – 3D technology, digital content, illegal downloads, create app to purchase tickets

### Exemplar response 1:

Economic factors will impact on a cinema because in a recession (Level 1) people have less disposable income and therefore do not spend as much money on luxuries (Level 2). Since the cinema is a luxury to most people, this would have a large effect on a cinema in terms of lost sales. Costs will remain the same in some cases and therefore profit might be reduced (Level 3 – no research).

Legal factors are also important because the cinema will have to pay minimum wage (Level 1) to its workers and if this changes, this will increase its costs (Level 3 – no research). However, most cinemas do not employ a large number of staff, so the impact of this may be relatively small (Level 4 – no research). In terms of technology, many people now download films illegally rather than go to the cinema. This is an ethical issue which could massively affect the number of customers which choose to pay to go to the cinema and therefore the profits of a cinema (Level 3 – no research)

### Exemplar response 2:

Economic factors will affect MIC Ltd significantly because it is a very small business. Newtown Picture houses went through a difficult period of time last year because not many people were going to the cinema because they couldn't afford it. This is because the cost of living is going up such as rent and simple essentials (Level 2), such as bread. This means that after people have paid their rent they don't have a lot of money left over so they just buy essentials as they haven't got enough for luxury things such as going to the cinema. Also less and less people are going to the cinema these days because of technological factors.

Technology has significantly changed and people have got iPad and iPhones where they can download illegal and legal movies (Level 2) so they can watch the new films in the comfort of their own home. This is affecting small cinemas (Level 3) even more as people are not wanting to spend money when they could watch a film at home for free. Legal factors will also affect MIC Ltd. They have the same legal factors as Newtown Picture House such as copyright and having to pay wage and food safety and hygiene.

All of these factors can have a huge impact on MIC Ltd (Level 2).

## Mark Scheme Guidance

**Level 4 – Evaluation (8–10 marks)** An evaluation of the impact based on an analysis of all 3 external factors in the context of MIC using examples from the local area. Maximum 9 marks for two external factors evaluated with reference to local area. Maximum 8 marks for no reference to the local area or only one external factor evaluated.

**Level 3 – Analysis (5–7 marks)** An analysis of one or more of the external factors impacting on MIC using examples from the local area. Maximum 7 marks for two or three factors analysed including local researched. Maximum 6 marks for one factor analysed including local research. Maximum 5 marks for no reference to local area or only one external factor analysed.

**Level 2 – Application (3–4 marks)** Knowledge and understanding of one or more of the external factors.

**Level 1 – Knowledge (1–2 marks)** Knowledge of at least one external factor.

**Default marks:**            **Level 4 = 9**        **Level 3 = 6**        **Level 2 = 4**        **Level 1 = 2**

## Examiner comments

Candidates found these external factors a little more accessible but once again there was little evidence that research had taken place and very few referenced particular businesses in their local area. There were some good answers which identified that the recession might have an effect on a cinema because it is luxury and people might need to spend money on essentials. Others explained that changing technology, in particular 3D films, might have an effect on MIC's ability to compete with larger cinemas. Legal issues such as age restrictions and health and safety were also suggested. However, there were quite a few who confused environmental issues with economic issues. Also due to the lack of analysis in most cases many of the responses were restricted to a Level 2 award. Examples of evaluation were rare. This could have been achieved if candidates had interacted with the context and with the local area to come to an informed conclusion to which factors had the most impact on MIC Ltd.



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Telephone 02476 851509

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

