

**GCE**

**Business**

Advanced Subsidiary GCE **AS H031**

**OCR Report to Centres June 2016**

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

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

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#### OCR REPORT TO CENTRES

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## H031/01 The local business environment

### General Comments:

Preparation for this examination needs to include both practice at answering multiple choice question and case-study based questions.

When practicing the multiple choice questions, it is important to include information on time management (to ensure sufficient time is left to complete the rest of the examination paper) and include plenty of practice for numerical-based questions.

For questions which required application to the context, it is important that the resource booklet is read very carefully by the candidate and used as appropriate when answering the questions. The resource booklet puts the business, in this case Wild Fangs, in context and give candidates invaluable information which allows them to apply their answers and enable them to access the higher levels of response marks on the paper. The ability to analyse (consider the impacts or consequences) and the ability to evaluate (make a decision with justification) also needs to be developed through regular practice in order to best answer the 12 and 20 marks questions.

The range of questions presented on this year's examination paper gave candidates of all abilities the opportunity to demonstrate their understanding. The vast majority of the papers showed that the candidate had, at least, attempted to answer all of the questions set, with a very low rate of questions unattempted. The questions addressed a wide range of topics taken from the specification and were a true test of a candidate's ability to apply their knowledge and understanding of business. The higher tariff, 12 and 20 mark questions, gave higher ability candidates the opportunity to fully demonstrate their understanding using contextual application, analysis and evaluation.

Teachers appear to have used OCR resources to good effect to help to prepare candidates for this examination. Those candidates who had been fully prepared for this examination generally performed well.

### Comments on Individual Questions:

Qs. 1 -15

The multiple choice questions were generally well answered, with candidates making clear their intended responses. It was disappointing, however, to see some candidates giving no response to questions if they were uncertain.

The numerical questions proved to be the most difficult, with questions 4, 10 and 15 proving the most difficult of all. Question 4 highlighted two particular issues. The first, that many candidates did not know how to calculate a percentage, or rather work backwards from one to work out the correct answer. The second that many did not know or appear to know how to write or key 40 million into a calculator. Many who scribbled down their workings showed millions with an incorrect number of zeros. Question 10 again showed that many candidates had difficulty calculating percentages. Question 15 was even more poorly answered, possibly understandably because percentage change was the required calculation. On this question, candidates who got the answer wrong appear to have correctly calculated the £28000 variance but then divided this by the incorrect base number. On such questions the base number should be the 'original' number, in this case the predicted forecast of £180000 and not £152000. Candidates need to be given plenty of practice at handling numerical data.

Of the non- numerical questions, questions 2 and 11 proved the most difficult. In question 2 the most common wrong answer was (c), showing that candidates do not have an accurate understanding of the function or purpose of lean production techniques. In question 11 answers were evenly split. Candidates need to be able to distinguish between various types of factors (in this particular question social) including political, economic, environmental, ethical, social, legal, technological etc.

Q.16(a)

This was a straightforward question. Over half of the candidates scored full marks. The most common correct answers were 'to gain an income' and 'to be his own boss'. The most common incorrect answer was to write about the benefits of being a sole trader e.g. the profits do not need to be shared.

Q.16(b)

This question required candidates to consider the risks of being an entrepreneur. We were looking for personal risks here e.g. the risk of losing a stable income, or of damaging your physical or mental health. Most candidates managed to score at least two of the available four marks. To gain the full four marks the candidate needs to have 'explained' rather than just 'stated' each of the risks.

Q.17

The vast majority of candidates scored at least half marks on this question. The most common answers concerned getting advice and support. Those responses that were clearly contextual scored full marks. Contextual references to such as 'Faik having no experience of setting up a business' or 'Faik has just left university' were entirely sufficient to meet the contextual requirement.

Q.18

This extended response question required candidates to judge the importance to Wild Fangs of providing high-quality customer service. To achieve high marks, the response needed to be in context, analytical and evaluative. A response which is purely theoretical, i.e. it could apply to the importance of customer service for almost any business, is limited to a maximum of two marks. Thankfully, very few candidates limited themselves in this way, however it is worth emphasising to students the importance of answering in context. Most candidates showed some analytical skill, the higher marks for analysis were awarded to those candidates who provided a well-developed chain of cause and consequence rather than making simple statements such as 'more profit'. To score high marks for evaluative skills candidates needed to judge the importance of high-quality customer service to Wild Fangs in particular. The easiest way this appears to have been achieved is by considering the specific type of business or circumstance which Wild Fangs' finds itself in. Criteria such as 'it is a service', 'it deals with children and vulnerable adults', 'it is a new business and needs to get established', 'it is a new business with an inexperienced owner', 'there are no employees and the business has limited resources', 'the business relies on its website and customer reviews' are all specific criteria which could be used to demonstrate how important customer service is to this particular business.

Q.19a

This was a relatively easy calculation question, which unsurprisingly was well answered by the vast majority of candidates. The most common error among those who did not score full marks was to miss out the 'x3', overlooking that the business usually received three bookings per month.

Q.19b

This was a more difficult numerical question. There was evidence that some candidates had been prepared well and scored full marks, while others got no further than writing down the formula for price elasticity of demand. Candidates need to be given plenty of practice when

preparing for the mathematical elements of the specification. It is not sufficient for them to know a formula, they must be able to use it, and in some cases work backwards to supply the missing variable.

Q.20

This was the highest tariff question on the paper. Once again, as an extended response question, it was level-of-response marked. The marking criteria mirrors that of Q18, with high mark responses requiring context, analysis and evaluation. Context is crucial because an answer without context is limited to two marks. Beyond this we are looking for analysis which develops the links in a chain of cause and consequence and evaluation which makes a justified judgement. Those candidates who scored most highly on analytical skills tackled the question by talking about each promotional activity in turn, e.g. a paragraph or two about the website, then similar on social media and again on trade fairs. This seems a good approach as they were able to analyse each promotional method in turn giving them several opportunities to score analytical marks. For evaluative skill a judgment of the effectiveness of a particular promotional method was acceptable. The very highest evaluation marks, however, were awarded for those who considered the effectiveness of Wild Fangs' overall promotional strategy i.e. its three promotional activities combined.

## H031/02 The wider business environment

### General Comments:

Although not a direct replacement, this new paper is similar in some ways to the F292 legacy paper, namely short answer generic questions in Section A and then answers linked to contextual information in Section B. The significant difference is that the case study material is not pre-issued.

The examining team felt that the overall performance of candidates was on a par to that found on the 'old' F292 paper, if not slightly better, especially considering the greater demands of working with unseen case material. It was felt that the information in the Resource Booklet about AG Barr was well presented and not too complex for candidates to understand in the timeframe. It was also a brand and product which was well known to typical Year 12 students. Centres should be aware that on this occasion the information about the business was presented in a number of short extracts. This may not always be the case as it may sometimes be more appropriate to present one continuous piece of prose.

There was no evidence of candidates running out of time. In fact, the opposite was generally true, with many overly long answers. In particular, many candidates wasted time writing more than they needed to for short answer questions in both Sections A and B.

It appeared as if some candidates were not fully prepared to answer questions on all aspects of the AS specification. There are a significant number of topics new to the AS specification and those examined in this unit, namely goodwill, acid test ratio, unfair dismissal and market regulation were not well answered.

Handwriting and spelling is improving, but simple errors of grammar, such as missing full stops and capital letters, in rare cases, made it difficult to interpret and assess answers.

### Comments on Individual Questions:

#### Question No. 1

The majority of candidates responded well to this question. Common answers referred to 'a sense of direction', 'objectives' and 'to gain finance'. It was very rare for a candidate to not gain at least one of the two marks with most gaining both marks.

#### Question No. 2

Another well answered question. Candidates had good knowledge of the continuous and larger scale nature of flow production. Occasionally candidates confused it with job production or gave disadvantages rather than advantages. In a significant number of cases the two answers were too similar to gain both marks.

#### Question No. 3

A significant number of candidates did not give a full description which could be awarded two marks. For example, a candidate might mention characteristics or qualities that a person should have, but did not mention that these were for a specific job role. Quite a few candidates appeared to not know the term at all and ended up describing a person specification as being when a business makes the product specifically to a person's requirements.

Question No. 4

There were a surprising number of wrong answers appearing in the unshaded boxes. Common mistakes were: giving the actual sales revenue as £21,000 (deducting rather than adding the variance); labour costs as £17,000 (adding the variance to the actual rather than deducting it); other costs being 'adverse' and profit 'favourable'. Candidates are certainly confused about the process of calculating variances and centres might need to spend more time practicing such questions.

Question No. 5

Popular correct answers referred to some form of discrimination or whistle blowing. Many candidates did not understand the differences between wrongful, constructive and unfair dismissal which led to approximately a third of candidates gaining no marks for this question.

Some answers given could *generally* be considered to be unfair (e.g. procedural issues or 'because the boss doesn't like you') but did not relate to the specific law on unfair dismissal. It is important that Centres ensure that any legal aspects of the specification are taught as precisely and legally accurately as possible.

Question No. 6

As was the case on the legacy specification, examiners encountered many basic misunderstandings about public limited companies. Some candidates were confused by the term 'public' and thought that a plc is run by the government. Some candidates gave responses about costs and benefits which could have applied to any large company in general.

The most popular correct answers were the fact that a plc can sell shares to members of the public, but could face a takeover bid.

Question No. 7

Examiners were pleased to see a large number of correct answers with about three quarters of candidates gaining full marks. Amongst the incorrect answers, the most common had the formula upside down or forgot to multiply by 100, to turn the answer into a percentage.

Question No. 8

The equally most common scores for this question were zero and four (full marks). Allowance was given for responses where the supply curve shifted as well as the demand curve as long as the labelling was then 'correct'. Marks were often lost due to the curves being labelled the wrong way round or failing to label the curves and/or equilibriums at all. Candidates need to be reminded of the importance of labelling diagrams. A few just drew an upward sloping line.

Question No. 9

The topic of segmentation remains one which is not always well understood. Many candidates thought it meant splitting products into different categories rather than identifying different categories of customers. This meant that around 40% of candidates scored zero for this question.

Some candidates who understood about segmentation did not then respond to the reference to AG Barr in the question. They were therefore limited to only two marks out of four because there was no contextual development for each method of segmentation. Centres must remember that most questions in Section B will require reference to the context provided in the Resource Booklet.

Question No. 10 (a)

This was the least well answered question. Only one in five candidates understood the concept of 'goodwill' well enough to gain any marks. Although it is a new concept on the AS specification the concept of 'goodwill' is clearly mentioned in the section on statement of financial position. Centres are reminded that any term mentioned in the specification can be assessed in either paper and candidates should be prepared for those terms that were previously only assessed in the A2 part of the legacy specification. The vast majority of candidates, who offered an answer, thought that goodwill related to charitable giving or how ethical the company is. There was a very significant number of candidates who missed out this question completely.

Question No. 10 (b)

Twice as many candidates got this calculation wrong than right. Often, the error was to calculate the current ratio (not deducting inventories), but many other answers appeared to have a random selection of figures, used in ways which were unclear. There was an even higher rate of candidates who missed out this question than the previous one.

Question No. 11

As ever, the importance of application must be stressed to candidates. Weaker answers tended to ignore the case study or did not read it carefully enough. This meant candidates gave incorrect interpretations of Extracts D and E, which invalidated their responses. Many candidates also restricted their discussion to only what was in Extract E. There was a significant number of answers which showed no understanding of what market regulation was about, discussing issues such as the price mechanism, the effects of international trade or the role of strategic planning, even though many regulatory issues were mentioned in Extract E. There was also considerable evidence in many answers of a lack of understanding about what can or cannot be regulated in the UK market and who is responsible for it.

Candidates should have been well prepared to answer this question as how markets are regulated and the impact of this regulation on a business is clearly mentioned in the specification. Most answers did not gain marks for analysis and, in addition, evaluation was very rare.

Question No. 12

Most candidates were able to answer this question. They identified ethical business behaviour as taking account of other stakeholder groups (employees, local community and the environment) and found relevant examples of this, mainly from Extract F. However, a significant number of candidates discussed non-financial motivation or training and its impact on the productivity of AG Barr, or other contractually required aspects of employment which would not be considered ethical issues. Many candidates referred to the concept of a business wanting to expand by merging as being unethical rather than a normal business practice which is regulated. Also, many candidates felt that AG Barr had somehow illegally bought Funkin without the competition authorities knowing (due to not understanding the concept of a merger or takeover "not being referred".)

Better answers described the impact of AG Barr's ethical behaviour on specific stakeholders but questioned the extent to which AG Barr was ethical. For example, it was often stated by candidates that although AG Barr has reduced its sugar content by 5%, it is only a small proportion of overall sugar content so is unlikely to make a significant difference to a consumer's overall health. There was some evidence of effective evaluation in this question, although it was still the case that only about 5% of candidates gained 16 or more marks out of 20.

**Summary points**

- Centres need to be clear about the ‘new’ topics which are now assessed at AS level which were previously only assessed at A Level.
- Candidates must make better use of the context in Section B answers.
- The last two questions account for more than 50% of the marks and the higher order skills of analysis and evaluation are heavily weighted within these marks.
- Many candidates scored very highly in Section A (including 20 out of 20 marks) but then proceeded to perform much less well in Section B.
- Questions 1, 2, 4, 6 & 7 were answered best.
- Questions 9, 10 & 11 were answered least well.

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

**OCR Customer Contact Centre**

**Education and Learning**

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)

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Head office  
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