

GCSE

Business Studies

General Certificate of Secondary Education **J253**

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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A291 Marketing and Enterprise

General Comments

The standard seen in candidates' work this year was broadly in line with that of previous sessions. Candidates had a choice of two controlled assessments. Deb is a young entrepreneur wanting to set up a cafe business. She had no experience of running a business, but had worked in the hotel trade for some years. She had little savings. In contrast to this, AWQ hotels is a large, successful, profitable business based in mainland Europe. It wants to open a hotel in the UK, possibly with golfing facilities. The most popular choice was Deb and her proposed cafe.

In both controlled assessments, candidates are required to use the data provided to answer to complete investigation one. No other data is required for this section. In investigations two and three, candidates are required to collect primary and secondary data in order to complete the various tasks. The collection of data should be clearly focused and enable candidates to have clear evidence to support any recommendations being made. It is this element which candidates found most challenging, with ideas being put forward without any clear justification from analysed data.

It was disappointing once again to see so many clerical errors within the work submitted. Centres should take greater care in adding up candidates' marks and make sure that those marks are entered correctly with OCR.

Application of the Assessment Objectives

AO1

In AO1, candidates must show their knowledge and understanding of the specification area under investigation. In Deb's cafe this was marketing with franchises/independent operation in investigation one, pricing in investigation two and product mix/help for entrepreneurs in investigation three.

A number of candidates in investigation one simply covered all the advantages/disadvantages of franchises, ignoring the direction given to restrict the work to explain how *marketing* would be affected by operating as an independent or under a franchise agreement.

Knowledge of pricing methods was generally good, though candidates do need to show understanding rather than simply writing a definition. All methods in the specification should be covered.

The product mix in investigation three was again covered generally well in knowledge terms, though there was a varied approach to help available to entrepreneurs. Weaker attempts simply provided a list. Many candidates covered the local, regional and national help which is available. There was no requirement to make a judgement as to what help would be most suitable for Deb.

In the AWQ hotel option, investigation one was concerned with where the hotel chain might focus its initial hotel in the UK. Here candidates needed to look at the importance of the research in making a particular decision. In investigation two, the work on promotion was completed well, with candidates clearly in their comfort zone. The product mix in investigation three was again completed well by a number of candidates, though the wider aspect of the work in this choice of assessment was at times a little weak, with candidates not always able to cover the wider aspects of a product mix in such a situation.

AO2

Here candidates need to apply their knowledge and understanding to the scenario under investigation.

Despite many reminders in this style of report and the feedback given direct to centres, it remains the case that this particular assessment objective remains a challenge.

Application is the most important objective within the assessment. It is vital for higher achieving candidates that they consider carefully the information they are given and consider how that information may affect marketing decisions. All too often, candidates wrote in a very generic way. This is not *any* cafe or hotel group. Deb was opening her first business, without any experience and little savings. She had some hotel work experience. Just how might these facts affect her decision making? Could she afford to provide a wide product mix in investigation three? Would she have the experience to prepare a wide range of food and drink? Could Deb afford a penetration pricing policy which may well result in temporary losses?

In the case of AWQ hotels, they would have little problem with financing any promotional activity, but what would be applicable if it was simply opening a single hotel in the candidates' home area and nowhere else? How would the fact that they were a 'mid-range' hotel affect, say, wedding bookings? Would local people prefer a more up market venue or would they be happy with 'mid-range'?

There must be constant reference within the work to the detail which candidates are given in the pre-release material in order to gain higher marks in this particular assessment objective.

AO3

Analysis and interpretation of data has improved over the years with better candidates recognising the significance of particular results and using that analysis to good effect when justifying recommendations.

The foundation for this AO is good, clearly focused research. Candidates should look first at the local area. There was some very good use of maps in both assessments, which could clearly show the level and nature of competition. This is vital in making recommendations for pricing, promotion and product mix.

The use of questionnaires was more varied. Better candidates had a clear focus, for example asking whether local consumers would use a new cafe which was charging less than its competitors. This clearly gives evidence to support, or not, the use of penetration pricing. Weaker questionnaires into Deb's cafe simply asked how much people would pay. Whilst this may be important, it does not clearly link to a particular pricing strategy for Deb. Many candidates used demographics in their questionnaire. This is useful if the data is used in the analysis. Having numbers of males and females questioned is of no real use unless there is analysis of different views of males/females which can link into recommendations.

In investigation three on both assessments, candidates were able to see how competitors approached a product mix. Few candidates included surroundings/decor in their work. This is an increasing area of competition in hotels and cafes and adds to the customer 'experience'. In particular in Deb's cafe, appealing surroundings might well have helped justify a skimming approach to pricing – but would she be able to afford those finishings? With good data from competitors, there was greater scope to justify any recommendations being made.

Candidates investigating AWQ hotels in investigation 3 completed varying research into potential other additions to the product mix. A more imaginative approach is required into how such a business might use its premises for different events and how additional provision (a gym was proposed by many) could be used to enhance the general appeal of the hotel.

It is helpful for moderators if the use of appendices is kept to a minimum. A number of candidates had all the research data, including graphs separated from the main body of the work. Having graphs and charts with the accompanying analysis gives the work a clearer flow and makes for smoother moderation.

A292 Business and People

General Comments:

The general impression is that the paper was appropriate for the ability range of candidates.

Many candidates displayed an excellent knowledge of the specification content and outstanding scripts were seen. Over 10% of the cohort achieved over 50 marks of the 60 marks on offer. However, there were many scripts which displayed major gaps in knowledge and understanding. The main questions which caused difficulty related to question 1c(ii) namely organisational charts and 2b 'allocation of profits'. Both questions were targeted the higher end and differentiated as such.

Comments on Individual Questions:

Question 1

- A (i) This part of the question was satisfactorily answered with approximately 52% of candidates able to achieve the one mark on offer by correctly stating 'private limited company'. The most common incorrect response was 'partnership'.
- (ii) This part of the question was generally well answered. Approximately 65% of candidates were able to explain how the stated business may help local businesses in the area, and help local people. Correct responses included 'MFS may need supplies therefore creating sales for local businesses' and 'MFS will create jobs for the public'.
- (iii) This part of the question was very well answered with approximately 90% of candidates able to correctly explain why the stated business can be said to operate in both the secondary sector and tertiary sector. Correct answers included 'MFS makes office furniture which is in the secondary sector', and 'MFS sells furniture so it is in the tertiary sector'.
- B (i) This part of the question was well answered. The vast majority of candidates, over 80%, could explain why businesses need to provide a good level of service and achieved the two marks on offer. Correct responses included those outlined in the mark scheme namely 'If MFS did not provide a good service then they would get bad publicity which may lead to lower sales', and 'if MFS gives good service they will get a good reputation and people will keep coming back to their store'.
- (ii) This part of the question was satisfactorily answered. Correct answers equated to 35% of candidates and included 'By 2016, the business has survived and therefore MFS may now want to expand'. Incorrect answers simply explained objectives without referencing the change in time e.g., 'MFS wants to expand' or 'MFS wants to make more profit'.
- C (i) This part of the question was well answered with over 60% of candidates able to obtain the two marks on offer by stating two pieces of information which can be found in a contract of employment. Correct responses were varied and included 'hours of work', 'rates of pay', and 'job responsibilities'. As anticipated, incorrect answers included 'home telephone number', 'mobile number', and 'a person's qualifications'.
- (ii) This part of the question was very well answered with over 90% of candidates able to correctly calculate the amount of money the employee received for making 1800 chairs, namely '£14400'. Many students did not show their workings but were still awarded both of the marks on offer.

- (iii) This part of the question was satisfactorily answered. Only 28% of candidates fully understood the meaning of 'piece rate' as a method of motivating workers. Correct responses for the advantage included 'workers produce more and work at a faster rate in order for the business to get more money'. A correct disadvantage included 'workers may rush their work which can lead to poor quality which may increase waste costs'.
 - (iv) This part of the question was well answered with over 90% of candidates able to select at least one correct statement linking to the role of ACAS. However only 57% could obtain both marks by selecting "Will give advice to both management and the union in a dispute", and 'Will provide a meeting place for discussions to take place'.
- D (i) This part of the question was satisfactorily answered with 60% of candidates achieving two of the four marks on offer. Candidates tended to be able to explain an advantage of homeworking to the stated business but had difficulty in identifying and explaining a disadvantage of homeworking. For an advantage of homeworking, correct responses included 'If people work from home then less space is needed for offices which may decrease costs'. For the disadvantage correct responses included 'monitoring of work by managers becomes difficult and this could affect business efficiency'. The more able explained that the 'working environment in the business maybe less friendly as less workers are there therefore people are less motivated'.
- (ii) This part of the question was very well answered with over 98% of candidates achieving the mark on offer by explaining one 'quick' method of communication. Common correct answers included 'email' and 'mobile phone'.
 - (iii) This part of the question was very well answered with over 82% of candidates achieving the mark on offer by explaining one potential problem of the 'quick' method of communication as given in part (ii). Common correct answers for email included 'poor connection' and 'workers may not check their emails regularly'. Common correct answers for telephone included 'workers may not always be near a phone' and 'poor reception'.
- E This part of the question was satisfactorily answered. Over 55% of candidates achieved two marks by explaining how an 'employee award scheme' could motivate workers. Correct answers included 'workers work harder in order to gain the award' and 'business will benefit as workers feel appreciated which makes them work harder'. Many candidates had no understanding of 'democratic leadership style'. Correct responses included 'leaders take on board the views of workers so these workers feel valued so work harder'.

Question 2

- A (i) This part of the question was well answered. Over 78% of candidates could obtain the one mark on offer by correctly selecting the correct feature of a public corporation namely 'A public corporation is owned by the Government'.
 - (ii) Although this question was aimed at the more able, it was surprising to see so many candidates (of all abilities) failing to achieve any marks. Correct responses included 'as public corporations are run by the government the business will receive tax payer's money for expansion' for the advantage of public corporations. Regarding the disadvantage, correct responses included 'decisions are made by government rather than shareholders so the business loses some control'.
- B This question was aimed at the more able and it differentiated as such. Approximately 35% achieved one or two marks on offer. Correct responses included 'profits will now go to shareholders by increased dividends as opposed to the government'.

- C (i) This part of the question was satisfactorily answered with approximately 40% of candidates gaining full marks. Correct responses included ‘owners want to maximise profits which may mean charging high prices whereas the public want lower prices so they have more money to spend elsewhere’. Some candidates explained the conflict in terms of ‘businesses create pollution and the public protesting’. This was rewarded.
- D This part of the question was targeted at the more able and as a consequence was poorly answered by the majority with only 15% of candidates achieving L3. Most candidates could make general L1 statements such as ‘communication will be harder with Option B as there is a long chain of command’. However, a high percentage of students struggled to explain an advantage and disadvantage of the options in relation to a business’ chain of command and span of control.

Correct six mark answers included ‘I would choose Option A because the wider span of control will involve fewer managers which will reduce costs for TC. The shorter chain of command also means messages pass quickly up or down the chain and there is also less chance of messages being distorted. I do recognise that if you have a narrow span of control, staff would be more closely supervised and there is less stress for managers as less workers to monitor, but I felt overall the cost savings and quicker communication with Option A outweigh the benefits of option B’.

- E This part of the question was targeted at the C/D candidate and was answered satisfactorily. Approximately 73% of candidates obtained L2 and achieved at least three of the six marks on offer by explaining an advantage of internal recruitment. Only the more able could provide a reasoned judgement explaining both advantages and disadvantages of internal recruitment.

An example of a good response included ‘if you recruit internally it is cheaper because you don’t have to pay external recruitment agencies for their services or pay for advertising in the national press, and you know the possible candidates. However, I do think it is not a good idea to recruit only within the business as if you look outside you will have many more potential candidates and these may bring new and better ideas, which is great for a Marketing Director position as he/she will need to be fresh and forward thinking. Therefore, on balance, I think TC should use the external method as a Marketing Director post is of high importance and crucial to increasing sales of the business’.

- F Considering this question was aimed at the less able it was surprising that many candidates did not obtain full marks (only 35% achieved L3). To achieve L3 each of the selection process statements had to be referenced. An example of a good response included ‘This selection procedure is illegal and not effective as you can’t select someone for a job based on age and gender. Also, if you want applicants to sit tests and do a presentation then you need all of them to do tasks rather than 50% so that it is a fair competition between all applicants, and the business can compare the results’.

A293 Production, Finance and the External Environment

General Comments:

The question paper was based on a pre-release case study. The case study dealt with a fictional business called Aaron Furniture Ltd which manufactured furniture. In turn this was partly based on a real world business which had featured in a TV programme about a business guru visiting a furniture manufacturer and advising it how to improve its performance. In the programme, the guru had, amongst other things, been critical of the business for not using break-even analysis and had advised it to change over to batch production. There was a lot of detailed information in the case study. The information highlighted a range of issues confronted by manufacturing businesses in general. The case study and question paper were written prior to the announcement of a referendum on the UK's membership of the European Union. Some of the issues raised by the case study were pertinent to this and, where candidates used their understanding of the business aspects of the referendum debate to provide appropriate answers, credit was given. It was gratifying to see that students were aware of how the referendum debate related to business activity – teachers are encouraged to relate the study of the subject to the current context in which businesses operate.

The quality of writing was generally good. Candidates articulated their ideas clearly and used grammar and punctuation appropriately. On the whole, it was pleasing to see candidates recognising the need to apply a range of numerical skills and then doing this with accuracy.

A range of question styles was used in order to provide appropriate challenges for candidates of differing academic abilities and to enable an assessment across the range of skills.

The questions which were assessed using a 'levels of response' approach offered an opportunity for the candidates themselves to act as 'gurus' to advise the fictional business. In marking the candidate answers, credit was given for reasoned judgements in context. As ever, to gain level 3, it was expected that candidates would use evidence in the case study, bring in additional information or speculate on considerations which were pertinent in order to come to a conclusion. It was pleasing to see some improvement in performance at this level in comparison with previous years. For level 2 answers, the expectation was that the candidate would rely on the analysis of standard issues identified in textbooks.

Comments on Individual Questions:

Question One

- 1 a i) The question required the candidates to quote evidence in the case study – the comments made by the manager or the statement referring to the increase in competition from Swedish and Norwegian producers. One frequent but incorrect answer referred to the increase in the market size, another that the market was competitive because it involved selling to retailers in the UK.
- 1 b) This was answered very well by the majority of candidates. Most who did give an incorrect answer indicated that workers concentrating on one job was a disadvantage.
- 1 c i) There were many well-thought and articulated answers to this question. The candidates had been directed to the evidence in Extract 1 comparing the profitability of production in Sweden with the losses made in the UK factory. The better answers went beyond this evidence to discuss a range of other considerations for Aaron Furniture Ltd including the

loss of their USP 'made-in-Britain' claim, the possibility of selling off the factory in the UK to pay off some debts, the possible cost reductions in the UK factory resulting from switching to batch production, the risks associated with importing, including the possibility of tariffs resulting from (at that time) a possible Brexit vote and raising prices to cover costs in the UK. One very well developed line of answer picked up on the possibility of the pound strengthening against other currencies and how this would reduce the cost of importing from Sweden.

- 1 c ii) This was a straightforward question which was answered correctly by the majority of candidates.
- 1 d i) There was a mix of good, bad and indifferent answers to this question. It was pleasing to see many candidates constructing the graph correctly and labelling it appropriately. Total revenue and total cost lines were essential and further marks were awarded for total fixed cost or total variable cost lines and correct labels. Some candidates lost marks by inappropriate labelling of accurately drawn lines. However, despite the strong hints in the case study that break-even would be assessed, it was evident that many candidates simply did not know how to construct a break-even graph.
- 1 d ii) On the whole, candidates answered this well. Many had used their break-even graph to identify the break-even output whilst it was not uncommon for candidates to use the break-even formula to calculate the answer.
- 1 d iii) The better answers focussed on how break-even analysis can help business to plan knowing what level of sales will bring them a profit, a loss or will enable them to break even. Less commonly, some candidates wrote about the analysis helping with pricing and costs decisions. There were some woolly answers which related to setting targets in general but not specifying that this would relate to the sales needed to break-even.
- 1 d iv) Clearer answers about the problems with break-even analysis that were written about included the fact that they are predictions and then highlighted some of the possible changes, particularly the impact of new competitors affecting prices and possible changes to variable costs.

Question Two

- 2 a i) This question was answered well on the whole.
- 2 a ii) There were a lot of answers that were limited to level two responses. These analysed well the benefits and the problems to Aaron Furniture Ltd of using batch instead of job. They focussed on costs, increased output, possible staff motivation and productivity issues, the issue of production no longer being bespoke and so on. For level 3, candidates needed to explore the factors which would lead to a decision one way or the other. There were some good answers which related to the need for market research to determine the impact on sales of moving away from job-produced, bespoke products or that referred to the fact that the business is currently making losses and so needs to change something.
- 2 b i) It was pleasing to see that a lot of candidates were able to identify the correct calculation that needed to be done and then complete this accurately.
- 2 b ii) Candidates generally were able to identify the benefits to the environment which would result from the use of a biomass burner and that the government would want to encourage businesses to achieve these for the sake of the environment.

- 2 b iii) Two lines of approach were credited in relation to advantages. The first related to the benefit of the low cost loans in terms of making the investment affordable. The second related to the benefits which would result for Aaron Furniture Ltd from using the biomass burner in terms of its image and energy cost savings.

For disadvantages, candidates recognised that even though it was low cost, Aaron Furniture Ltd would still be responsible for paying the interest and that it was a loan which added to the debts of the business and which would need to be repaid.

- 2 c i) The most common problem with answers to this question was the approach which identified the general benefits of quality control such as avoiding the problem of disappointing customers and creating a poor reputation for the business rather than focussing on the specific method. In relation to the traditional method of quality control, the two main lines of argument were - the increased speed of production as less time was spent on quality control and how this would increase total output; the reduced need for training and the possible reduction in costs resulting from this.
- 2 c ii) This question elicited more appropriate answers than 2 c i). TQM was cited and explained by large numbers of candidates. Total quality control was allowed as an alternative title. Answers which fully developed what TQM involved without naming, for example, that there would be inspections at each stage of production and that it created a culture of quality control engaging all workers, were credited with full marks.
- 2 d) There were a lot of very well-developed answers to this question. The very best went beyond the usual textbook approach of listing the advantages and disadvantages of just-in-case and just-in-time to consider issues that would lead the business to make a decision one way or the other. Of these, the most common was to suggest that the decision depended on whether or not suppliers of the raw materials had been, and would continue to be reliable so that the business would have the stock it needed.

Question Three

- 3 a) A lot of answers developed points at level two. They stated and explained the impact of rising employment, income and interest rates and of increasing competition. For level three, candidates went on to discuss conditional factors that would impact on sales. Candidates performing at this level stated that the overall effect would depend on the relative impact of the rises in employment and income and the rise in the interest rate and the increase in competition. A proportion of the candidates had not read the question correctly and wrote about sales in general including export sales rather than focussing on UK sales.
- 3 b i) Many candidates were able to calculate the correct answer. Some candidates were confused by the number of noughts in a billion – it was simpler and easier to refer to billions instead. Another common fault was to use incorrect data from Fig. 4, for example, using the percentage rise in prices instead of the data related to the value of sales.
- 3 b ii) This was a complex numeracy question. It was really good to see that many candidates could identify the correct sum. The most common fault was that candidates calculated a 5% fall from C\$210. It was set to challenge the most able candidates to apply their mathematical skills to business data. There were other numeracy application questions on the paper targeted at lower ability candidates.
- 3 b iii) This question was answered well by the majority of candidates. Most candidates who did attempt an answer were able to gain 3 or 4 marks at least, with the majority gaining 5.

- 3 c) There were some very impressive answers at level three. The most commonly cited issue at this level was about the possibility of exporting to Canada. The suggestion was that leasing made sense as a short term option so that Aaron Furniture Ltd could assess if exporting would continue in the long term before deciding whether or not to buy a factory. Once again, as with 2 aii), 2 d and 3a, many candidates restricted their answers to analysing relevant issues without appropriately justifying a conclusion. These issues included costs, ownership and control of the factory, finance, maintenance issues and availability.
- 3 d i) In general this question was well-answered and candidates highlighted the fact that Aaron Furniture Ltd would be seen as an environmentally friendly producer if it used FSC certificated suppliers, the biomass burner, or just labelled its products appropriately. Candidates were not rewarded for stating the requirements for FSC certification which were given in the case study.
- 3 d ii) The most commonly cited advantages of being an environmentally friendly producer related to the image or perception of the business and the likely impact of this on sales. In terms of disadvantages candidates commonly discussed the higher costs of sourcing supplies from environmentally friendly producers and the impact that might have on prices, sales and profits.

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