

**GCE**

**Business Studies**

Advanced GCE **A2 H430**

Advanced Subsidiary GCE **AS H030**

**OCR Report to Centres June 2016**

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

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## F291 An Introduction to Business

### General Comments

The most significant issue at this session was the lack of context on the higher mark questions (2b and 5). A very sound understanding of the issues surrounding, respectfully, induction training and ethical behaviour was usually demonstrated but the responses could very often have applied to any business. Generic comments about improving efficiency, motivation, and productivity can only score at Level 2 of the mark scheme which meant that candidates answering in this way limit themselves to less than half of the available marks. As has been mentioned before, simply stating the business' name is not sufficient.

In similar vein it appears that many candidates have been taught to end an answer, or indeed almost every paragraph, with “and this will help improve their revenue and profit” as if this were an analytical statement worthy of marks at Level 3 of the mark scheme. Once again this is a very generic approach. Better candidates not only wrote a statement such as this but linked it explicitly to one or more of CPUK's objectives that were mentioned in lines 7-10 of the case study. This certainly helped to provide contextual analysis.

The legibility of some answers was very poor with candidates writing what can only be described as ‘scribble’. Answers are not penalised because of this (although the quality of written communication did form part of the mark scheme on question 5) but where an answer is hard – or impossible – to follow it is unlikely to realise its full potential.

There was no evidence that candidates were short of time. There was also less evidence of questions which resulted in ‘No Response’.

### Comments on Individual Questions:

#### **1(a) State what is meant by the term ‘adding value’ (2)**

This was not a question that had been asked before but most were able to tackle it. The key to gaining both marks was to recognise that a business had done something to improve or change a product so that it could be sold at a higher price. Exemplifications which illustrated this e.g. “A printer buys paper for £1000 and turns it into books which then sell for £3000” were acceptable. A common confusion was to assume that value added was synonymous with ‘mark up’. This is not correct and such responses could not gain any marks.

#### **(b) CPUK is a company. All companies are accountable to their shareholders. Outline two ways in which CPUK may be held accountable to its shareholders. (4)**

This was a question that discriminated well. A very large number of candidates had no idea what ‘being accountable to shareholders’ meant and made a wild guess – the most common being ‘pay them high dividends’. Any method of being held accountable was acceptable. The most obvious (and a popular choice) was the AGM where shareholders can attend and can question senior executives on policy, dividends, directors’ pay etc. Another was the publication of the Annual Report and Accounts - where financial and other information for shareholders can be viewed. Use of the company website since websites are likely to have a ‘contact us’ section where shareholders can email in was another possibility - as was simply ‘writing in to CPUK’. As with the website the company should respond to those shareholders who write in with an issue, complaint, or question. Those who understood the term ‘accountability’ answered this well.

**2(a) State two issues that are likely to be covered on an induction course (2)**

Most candidates scored both marks here. Where this was not the case it was either because the response was too vague (“they get a talk about the business”) or the assumption that induction was somehow part of the early stages of the recruitment process (“they will give them the job description”).

**(b) Discuss why an effective induction course is important to CPUK (14)**

The purpose of an induction course was well understood however some chose to ignore the question and considered the benefits to employees rather than to CPUK. Candidates could have considered issues such as helping new employees to ‘settle in’ faster and become more confident in how to perform their jobs therefore improving customer service, or that thorough induction training shows that the business values its employees and this can motivate them resulting in a more committed workforce with less absenteeism and/or greater productivity. As mentioned above, there were a very large number of generic answers such as these that, while perfectly correct, were unrelated to the context of CPUK and so could not score highly.

Health and safety was a popular choice for a topic to be covered. It was encouraging that many candidates realised that CPUK’s employees have a legal obligation to comply with the legislation (and so new employees have to be made aware of this) and that there is the possibility of fines and compensation if employees do not comply. The better contextual answers reasoned that with so many sporting and outdoor activities in the villages there was considerable potential for an accident and so it was particularly important for CPUK to make its employees aware of this and how to act in the event of a health or safety issue arising.

In something of a ‘throwback to the past’ only a relatively small number of candidates attempted an evaluation on this question. Having delivered some sound analysis of the advantages to CPUK most answers simply stopped and failed to evaluate the benefits of the training.

**3 The state of the economy has meant a fall in the income of many consumers Analyse how a fall in consumers’ income might affect CPUK (6)**

On a standard demand and supply graph a fall in income is likely to reduce demand (shift the demand curve to the left) lowering price and equilibrium quantity demanded and supplied. Once again those who knew their business microeconomics scored well here. Although there was no necessity to draw the diagram it certainly helped a candidate’s answer if it was drawn correctly; indeed a correctly drawn diagram automatically gained four of the available six marks. In many cases candidates then spent valuable time simply repeating what was on the graph rather than discussing the implications of it.

To access the higher marks examiners were looking for an *impact on CPUK* such as the fact that the price fall and the fall in quantity was likely to reduce CPUK’s revenue and profit. For the highest mark available a comment such as “the price fall and the fall in quantity will reduce CPUK’s revenue/profit so they will have to do more marketing and introduce special offers” Or “....and so CPUK may have to (try to) lower costs to keep their profits up to meet their strategic objectives”. A point well made by a number of candidates was that, alternatively, it could be argued that holidays in the UK are ‘inferior goods’ (the term did not have to be used) and so as income falls the demand for a holiday at a place like one of CPUK’s villages might actually rise.

Although there were, as ever, a number of very confused and inaccurate diagrams and explanations on the whole this question was answered well and it was pleasing to see how well this section of the specification has been taught.

**4 As a large business that operates from five different locations CPUK has a number of benefits in terms of internal economies of scale.**

**(a) Analyse two ways in which CPUK might benefit from internal economies of scale. (10)**

This was very well answered; most candidates could name and, at least, explain two economies. Some confused financial economies with purchasing economies but very few got their answer completely wrong. Analysis overall was good with candidates explaining how the economies would impact on the strategic objectives of the business. A clear use of the context was the key to accessing the higher marks. Examples included bulk purchases of sports equipment or food for the village restaurants or the possibility that lower rates of interest on a loan might well have made the purchase of the newly opened Bedford village easier to finance.

**(b) Outline two managerial problems for CPUK that might result from operating from five separate locations. (4)**

This was, generally, well answered with most identifying communication and decision making issues as a potential managerial problem. "Communication may be difficult due the five locations" was a common statement however this could only gain one of the two available marks. 'Communication' is a valid issue but the rest of the answer merely repeated part of the question. Better answers made reference to the likelihood that it may take longer to 'cascade down' information, objectives and policies. Others said that broadband coverage might be poor in rural areas and so managers may not always be able to be in contact with each other. (One would have thought that CPUK would have considered this issue but is nevertheless a sensible contextual response). Similarly with 'control'. A policy of centralisation may not suit each individual village's circumstances due to, say, management style.

**5\* Evaluate the benefits to CP of acting/operating in an ethical manner (18)**

A number of 'stream of consciousness' answers appeared in response to this question with little or no attempt at paragraphing or even to write anything resembling a concise sentence. Some of these responses were very unrealistic and candidates should be encouraged to take some time to plan when it comes to answering the higher mark questions. "Acting ethically means they always have staff so if they don't act ethically they will have no staff and with no staff there is no one at the parcs to run them and so with no one to help serve customers they will have to close it down and so will lose revenue." These sorts of answers did not score well.

There were a number of points that could be made about an ethical approach (for example the effect on employee motivation and its impact on customer service, how it could improve recruitment, how an ethical approach could be used as a marketing tool, how it might encourage investment) but the key to higher marks was context.

Many answers were technically correct but could have referred to any business. Stronger answers made explicit reference to how acting ethically could help CPUK meet its objectives such as reducing their carbon footprint or increasing dividends to shareholders. This issue of use of context is one that candidates really do need to be made aware of.

## **F292 Business Functions**

### **General Comments:**

This was a much smaller than usual cohort for this unit examination, for candidates who were 'resitting' it in Year 13. This was most noticeable in the small number of very weak answers and the large number of overly long answers which included material that was not necessary in an AS answer.

There was no evidence of candidates running out of time or being unable to access the case study material. However, there was a considerable range of candidates who were able to integrate the context of the case study into their answers. There were many answers which gained little credit, as they ignored the issues faced by the business or, in extreme cases, were completely opposed to what would have been suitable for the business.

As may be expected from the characteristics of this atypical cohort, the performance on Section A was a little better than usual. In Section B, there were many overly long answers, some of which were completely generic. There were a much smaller number of very good answers, although rarely across the whole paper by a single candidate.

Knowledge of the examined terms was generally good although the topics of cash-flow forecasting and direct costs were particularly poorly understood.

### **Comments on Individual Questions:**

#### **Question No. 1(a)**

The concept of a customer oriented approach was well known by most candidates although most were unable to give two answers which were clearly different. A small number of candidates thought the concept was something to do with 'customer service'.

#### **Question No. 1(b)**

This was the least well answered question as most candidates were unable to satisfactorily define the term 'direct cost', although many were able to give a correct example. Too many answers made the incorrect assumption that direct costs and variable costs are the same thing.

#### **Question No. 1(c)**

This question was the best answered with 80% of candidates gaining full marks.

#### **Question No. 1(d)**

This budgeting question discriminated very well amongst candidates, with the full range of marks used. Many were able to gain all four marks but there was a full range of incorrect answers. The most common wrong answers were for the sales revenue and profit answers.

### **Question No. 1(e)**

There were a good number of correct answers about the factors affecting the span of control of a business. However, many answers did not adequately explain why or how the factor was important and other answers had the cause and effect the wrong way around. For example, candidates wrote about how a span of control may affect motivation of the workers rather than why the motivation of the workers may determine the span of control.

### **Question No. 1(f)**

Too many answers to this question ignored the fact that helping to improve quality was listed in the question and therefore was not a suitable answer. Again, many candidates produced two answers which were too similar to be able to be rewarded.

### **Question No. 2(a)**

Candidate's attempts to correctly draw a stock control chart were decidedly mixed. There were some excellent, well labelled, neat diagrams produced which gained full marks, although this only accounted for about a third of candidates. At the other end of the spectrum, there were some very untidy answers which often had random lines drawn. It is surprising that many candidates clearly did not have a ruler with them in the examination.

### **Question No. 2(b)**

There were a few very good answers to this question about the possibility of introducing batch production into the Bristol factory. They tended to recognise that there would be significant issues caused by the loss of the 'handmade USP' of the product as well as the impact on increased stock levels and the potential reduced motivation of the workforce, due to the repetitive nature of batch production. These answers often recognised that as the Bristol factory produces less than 5% of SBL's output any change would have minimal effect on overall operational efficiency.

There were many much weaker answers which showed a lack of understanding about production methods (for example, batch production will be motivating for workers and lead to increased specialisation) or failed to engage with the context of the case study and proceeded to only consider very generic pros and cons of changing the production method.

### **Question No. 3**

This was the least well answered of the four longer questions in Section B. Many candidates appeared to have very little knowledge about what a cash-flow forecast is. This led to many answers which talked very generally (and sometimes convincingly) about the way in which a more detailed cash-flow forecast may or may not benefit SBL, but without any hint that the candidate knew what the concept actually was. In most cases, this led to zero marks being awarded for the answer. Some answers also referred to benefits which would not be possible when using a cash-flow forecast, in terms of general planning or investment decisions.

As is often the case, there was also much confusion between cash, revenue and profit. Answers often gained fewer marks because they constantly referred to how the forecast would help the business to plan its revenue, costs or profit, rather than its cash inflows and outflows.

The good answers did not make this mistake. On the contrary, they highlighted the problems which SBL suffer due to the credit terms which their retailers will expect. These answers also made excellent use of the financial data provided, especially the increasing stock, debtors, creditors and overdraft. These candidates recognised that SBL's current overtrading may lead to significant issues in the future without better cash-flow planning.

#### **Question No. 4**

The 'marketing' question suffered from a general lack of engagement with the theoretical concepts and then relating them to the context. Most candidates were able to talk generally about the advantages and disadvantages of selling online, but many ignored the fact that SBL already has a very good website and makes full use of social media. This meant that answers were often too focused on pros and cons that would not be relevant unless the business was new to digitally-based promotion and selling.

Answers which did engage with the context recognised that SBL ran the risk of cannibalising its market by upsetting the TV channels and other stockists, especially if SBL were able to undercut them on price. Other answers recognised that SBL may struggle to keep up with demand from single customers placing 'random' orders around the world, although they also recognised that selling online would allow SBL to sell to more countries.

It was rare to see good evaluative answers which managed to come to a reasoned conclusion (as opposed to repeating what had already been said earlier in the answer with the addition of the words 'to conclude'). These answers tended to identify the limiting factors which SBL currently faced, namely cash-flow, delivery/quality issues and the current relationship with, and reliance on, the TV shopping channels, and balanced these against the benefits available.

#### **Question No. 5**

The answers to this question about using motivational theories fitted into two broad categories. First, answers which referred to contextual issues which SBL faced with regards to motivating its production staff and how they might be solved, but made no attempt to refer to any motivational theory or methods devised from them. Second, answers which were able to talk accurately about motivational theories and how they may be used, but made no attempt to consider the issues which SBL faced. In both of these cases it was very difficult to award anything above a Level 2 mark.

Once again, the key to successfully answering this question was to identify the theoretical concepts which may be relevant but then relating them explicitly to the case material provided. For example, using piece rate (Taylor) for creative workers where the look of the bear was very much the product's USP may be inappropriate or considering the work of Mayo or Herzberg to identify ways in which the workers can have their feelings of 'isolation' remedied.

## F293 Marketing

### General Comments:

The Marketing option is an opportunity for candidates to use their Business Studies knowledge in a creative way and apply it to a familiar type of business.

The context of a business producing and selling apps was well within most candidates' frame of reference. As such context was well used in this examination. In particular many candidates made reference to the competitive nature of the market, dominated by the big players such as Microsoft and IBM. The relatively small size of BRB in contrast to these businesses lent itself to be used in all of the evaluative questions in different ways.

It was also good to see the objective of the business (growth and the increase in revenue from advertising and extra content) being used in analysis and evaluative comments. The nature of the BRB business model is that the apps are free to download and therefore candidates who tried to analyse by suggesting that their strategy would 'increase sales and then increase profits' were unlikely to be rewarded with analysis marks because of the lack of context in their analysis. Analysis and evaluation must always be in context and therefore the easiest route to showing how branding, or a marketing mix or the expansion into Japan, could effect the business was by analysing how it would help BRB to achieve this objective (or not).

Candidates used the market research data well. It could be applicable to many of the questions. Some candidates brought in their own evidence, not referenced from the case study. On occasion this added to an answer, but was unnecessary to gain full marks. However some candidates spent far too long telling the examiner about successful apps and how these had developed their marketing strategy (the importance of branding to 'flappy birds' was particularly prevalent). This was often a distraction from the real answer and took away from the time candidates had to develop a specific answer for BRB. Any experiential information used correctly can be rewarded but centres should remind candidates that everything they need is in the case and no further knowledge of the market, product or service is needed or required.

Time management did not appear to be such a major issue in this session of F293. It was obvious that some candidates chose to start with Question 6 and then went back to answer the preceding questions. Where candidates did run out of time it was often because they had written a far too long answer to question 6 and then had to rush the other answers or leave them unfinished. It is understandable that candidates see question 6 has a higher mark available and therefore place undue emphasis on completing their question. Whilst this is true the skills required in question 6 are identical to those required in the 13 mark questions, just better rewarded with the inclusion of Quality of Written Communication marks. Therefore a good answer to question 6 needs to be no longer than a good answer to a 13 mark question. The major difference with a good answer to question 6 is that candidates bring a more holistic view of the business (and specification) and by answering the preceding question first, candidates are more likely to have a better understanding of the business as a whole.

Evaluation must be based upon good effective analysis and most candidates attempt to cram all of their evaluation into a hastily written conclusion at the end of their answer. This approach rarely provides a 'top mark' answer. The best responses are evaluative in every point that the candidate makes. In essence the candidate should use every point to answer the question as they make the point and then bring all of these together at the end of the response - not as a summary, but to play each point they have made off against another. This is especially important in question 6 where many candidates are producing a formulaic answer with little real evaluation which explores an answer to the question in any depth.

## Comments on Individual Questions:

### Question No. 1

Advertising elasticity of demand proved to be an accessible calculation for most candidates. There was a majority of correct answers. The most common mistakes were:

- Using actual changes in the numbers rather than the percentage changes
- Getting the figures the wrong way round (ie  $\% \blacktriangle P / \% \blacktriangle QD$ )
- Using the wrong figure as the basis for the percentage change

Where the examiner could see a route through to a wrong answer from the working provided, then process was rewarded. However there are still a small percentage of candidates who provide minimal, if any, working and some whose working is so erratic that it is difficult to follow the process. There are 4 marks available on this question, which equates to at least 6 minutes of time in the examination. This is enough time to set out the process that the candidate has gone through and check their own answer.

### Question No.2

Branding is an important aspect of the marketing for many businesses. However there are also some industries where brand is relatively unimportant. Candidates could quite reasonably make an argument for the importance or not of branding in the app market for BRB and there were good answers that came down on both sides of the argument.

The most dominating aspects from the case were the nature of the industry, dominated by four main players, the short product life cycle and the market research provided in Fig 1. By using these effectively, candidates could have built up the argument for the importance of branding, specifically to BRB. The analysis of this was most likely to hit the objectives of BRB, including the sale of advertising space and the extra 'in game' content.

To build up an argument against the importance of branding, candidates could utilise a number of different arguments. The most obvious would be to argue that branding, in this market, for this business, is not important. For example, it could be suggested that the short product life cycle reduces the impact branding can have on sales, or that branding might get someone to download the game (for free) but is unlikely to make them want to purchase extra content.

Another successful route was to argue that something else was more important to BRB than branding, thus diminishing the importance of branding itself. This route is valid and was rewarded, but it also led to answers which sometimes got lost and did not answer the question. There were a few candidates who spent perhaps half a page arguing the importance of branding and then another two pages focussing on some other element of the marketing of the business. These answers often did not bring the point back to an evaluation of the relative importance of these other elements over branding and therefore did not answer the question.

### Question No. 3

It is understandable that candidates immediately associate a question about product portfolio analysis with the Product Life Cycle and the Boston Matrix. Indeed, used well, these tools provide a framework to show understanding and analysis of the product portfolio. However there is no need for a candidate to waste time in the examination drawing a life cycle for an app or placing, in a visual way, BRB's products on a matrix. This information was given to candidates in Table 1. Therefore it did not need to be regurgitated under examination conditions. This approach only wastes time which would be better spent analysing the usefulness of these methods to BRB.

Most candidates understood, and could apply, the theory of product portfolio analysis to the business. What was trickier was analysing the ways in which BRB could use the product portfolio analysis. By using this type of analysis what could BRB gain, or lose? How would BRB react to their findings from a product portfolio analysis? These were some of the ways in which candidates did answer this question, but far too many simply reeled off everything they knew about product portfolio analysis, never really applying the use to BRB.

### Question No. 4

There were a number of elements to the sampling methods used by BRB. The sample was taken from a quota method based on age of BRB's current customers. This could lead to some straightforward analysis of the disadvantages of basing the quota on age when BRB wants to expand into the adult market. Also the sample was taken from customer submitted data through social media accounts. Many candidates argued that this data is often misleading and may not be reliable. Lastly was the 'incentive' given of an early release of the game, a tactic used by many developers, which could again incentivise the sample to lie about their age in the hopes of being the first to play the game.

Most candidates used the context well in this question. However being able to analyse the effect, reaction or consequence on BRB of choosing this sampling method was the route into level 3 and many candidates did not go far enough with their answers.

There was also some misunderstanding, in a minority of candidate answers, as to the meaning of quota sampling. Some confused it with stratified sampling and others were convinced they were to answer a question about random sampling, no matter that it did not apply in this case. Some candidates also spent too much time telling the examiner about the different sampling methods that BRB could have chosen. Whilst they achieved good knowledge marks for this, the nature of levels of response approach means that the use of the data and analysis of it achieves higher marks than the basic knowledge involved.

### Question No. 5

Most, if not all, candidates recognised the marketing mix as being about the four Ps; product, price, promotion and place. However fewer candidates actually answered the questions and recommended a marketing *mix*. A good marketing mix involves the blending of all four Ps to achieve the objectives of the business, given quite clearly in lines 13-15.

The most common approach was to recommend what BRB should do with each P in isolation from each other, and then to give a bland conclusion that stated this is what they should do, or wasted time repeating the previous elements. Whilst this approach did not preclude the award of level 4, it is not the true nature of a marketing mix and was unlikely to be rewarded beyond the middle of level 4.

It was a brave candidate who went beyond this approach and detailed a mix of the elements from the start of their answer, playing the importance of each of the Ps off against one another. The size of BRB and the nature of the market and industry (with most apps sold through the main online stores) means that place is unlikely to be an important element of the marketing mix. Likewise the app is free to download and as such price of the app is irrelevant – although the price of the extra content was very important, especially when used in conjunction with the market research in Fig. 1. Answers which focussed on the elements that were most important and suggested a focus on one particular P were often rewarded with a higher mark.

### **Question No. 6**

Centres have obviously made good use of past papers and reports to prepare candidates for this question which always looks at a strategy encompassing more than just marketing elements.

In this case there was material given in the case study that allowed candidates to use any, or all, of the functional areas of marketing, people, production and finance. Most candidates made good use of this material, but some simply repeated back to the examiner parts of the case study which is a waste of time. The use of this material to actually come to a judgement is far more important and should be the focus from the start of the answer.

The formulaic approach of taking one function at a time and then bringing this all together in a conclusion that makes a judgement is a reasonable approach as long as the judgement has the foundation of good, contextual analysis to back it up.

However the best answers are strategic in nature and are focussed on answering the question from the very first paragraph. Candidates who can pull together the case material covering different functional areas and play these off against one another will get their answer quickly into level 4, which makes up a third of the available marks on this question. Each 'mini-judgement' brings the answer closer to the overall judgement and candidates who can perfect this type of response are rewarded at the very top of level 4.

This question included some elements of international marketing and it was good to see a few candidates utilising what they had learned in this area in answer to this question. This was not simply a matter of expansion but into a lucrative and yet perhaps inaccessible market. However the nature of online sales may reduce some of the specific risks involved. Candidates who recognised the differences that may exist between the UK market and the Japanese market often had answers which had an extra level of analysis and evaluation beyond the formulaic responses.

### **Preparation Points for Centres**

- Candidates must spend more time analysing in context and less time repeating or quoting the case study or showing that they have a complete knowledge of the specification. The nature of levels of response marking means that knowledge can be assumed from good use and analysis of the case study.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain level 3 or 4 marks.
- Candidates too often make a point and do not take it far enough. For example on question 2 where many candidates correctly identified why branding was important but did not analyse the impact on the business. This is not good enough for level 3. It leaves the reader asking 'so what is the implication for the business?'
- It is true that sales lead to profit in many business scenarios, but there are plenty of businesses where this link is not straightforward or even true. In the case of BRB, sales/downloads of the app did not ensure revenue or profits. It is only through the purchasing of extra content or the sales of advertising that BRB make any money. Candidates who rely on the tried and tested method of trying to analyse the impact on the

business may miss the specific nature of the business and therefore be analysing out of context. To be rewarded, analysis must be in context and centres should prepare candidates using a variety of scenarios, for example public sector businesses, not for profit organisations and those with differing objectives beyond basic profit maximisation.

- At the heart of level 4 evaluation is actually answering the question. Too many candidates provided analysed points to questions 2, 5 and 6 but never actually answered the question. In many cases candidates kept on producing analysis, often moving further away from the central arguments, and just repeated their analysis in a conclusion. This is repetition and does not provide justified evaluation.
- An answer is more coherent and convincing when there is good use of technical marketing language, marketing theory, sentences and paragraphs. The mark scheme for question 6 is specific about the need for this but every answer will benefit from a more robust approach from candidates. Too many candidates produced answers which were one long paragraph, making it very difficult to follow the twists and turns in their arguments. This was especially true in question 2. Even in the six mark answers a good structure is essential to show a chain of thought/analysis.

## **F294 Accounting**

### **General Comments:**

The overall standard of work was similar to past examination series. The vast majority of candidates seemed to understand and therefore attempt all questions. Most candidates were able to identify and use appropriate resource materials to support a response.

A noticeable number of candidates did not make use of ratio analysis to derive additional information which impeded their ability to respond in an evaluative way in questions 2, 5 and 6.

### **Comments on Individual Questions:**

#### **Question No. 1**

The question required candidates to identify two benefits from using savings to finance the purchase of a warehouse. Most candidates identified two benefits or analysed one benefit and therefore gained the majority of marks. Candidates who lost marks on this question tended to insufficiently explain their response to gain the higher analysis marks.

#### **Question No. 2**

This question asked candidates to use variance analysis. Whilst nearly all candidates understood what this was few candidates thought to produce a variance analysis table. Only a small minority expressed the variance in percentage terms.

Most candidates were able to identify that a favourable variance for book sales but adverse variance for sales revenue required a review of sale prices or negotiating a better price from suppliers.

Nearly all candidates identified wages as an area requiring attention. Too many candidates suggested employee wages should be lowered or employees paid less without reference to the issues this would create. Stronger answers spoke of reducing the wage bill and the financial and moral costs of redundancies.

#### **Question No. 3**

This question required candidates to calculate two financial ratios – stock turnover and acid test. A significant number of candidates did not know the formula for calculating stock turnover and therefore came up with incorrect values. Most candidates knew the formula for the acid test and calculated it correctly.

#### **Question No. 4**

This question required candidates to identify the cash flow problems worsening stock turnover creates. A majority of candidates identified correctly that this would cause problems with cash flow because revenue may not be received in time to pay expenses. Stronger answers made use of the acid ratio they had calculated in question 3 to illustrate why this could be a significant problem for the business. Weaker responses commonly stated the main problem would be storage of stock and the additional costs extra storage would create.

### **Question No. 5**

This question required candidates to evaluate whether a fair price had been paid for the purchase of a 50% stake in the business. Most candidates were able to identify information from the case study that could be used to value the business. A majority of candidates used the information they had identified to present points for and against the price paid being reasonable. Few candidates thought to challenge the information in the case study such as the valuation of stock or the percentage of debtors that may default on their debt. As a result, many candidates failed to achieve top marks.

### **Question No. 6**

This question required candidates to evaluate the financial contribution of three aspects of a business with a view to discontinuing two of them and relocating the business. It was evident that many candidates appreciated the need to answer the question by using accounting, marketing, operations and people evidence.

Most candidates identified that the costs could be reallocated and this may make a difference to the profitability of different aspects of the business but few candidates did carry out this calculation and many who did, got the calculation wrong.

Many candidates identified the value in marketing terms of the business being socially responsible. Only a few candidates recognised that this may be of only limited value to this business because the bulk of its trade was online.

Candidates generally appreciated the adverse impact relocating the business would have on the morale of staff and the image of the business. Better answers considered the costs involved in moving including redundancy payments and the interruption to business. Answers that gained top marks identified these costs as a particular problem given the current ratio of the business.

It was noticeable from this question that a small but significant number of candidates did not have a clear understanding of the case study material. Some wrongly believed the business was selling electronic books on the internet despite the case study clearly stating that it was 'printed books' and therefore could not see the need for a warehouse. Others did not appear to understand that the retail outlet and café were within the warehouse. This made it very difficult for these candidates to obtain top marks.

### **Preparation points for Centres**

- Ensure case study material is fully understood by all students.
- Ensure students understand how to challenge the value of information to support evaluative responses.
- Ensure students can use financial ratios and other quantitative methods to derive additional information from case study material.

## F295 People in Organisations

### General Comments:

As stated in previous reports on this unit, there were no obvious signs of any time issues, with candidates being able to write at length. In general the paper was very well answered and very few candidates left any questions out, the length of the pages for candidates to write was adequate and there was discussion on all big questions indicating questions were understood well. The number of scripts that had extra sheets was encouraging that they felt they had plenty to write, however, a lot of general comments made up the bulk of the answers.

As with previous years the case study offered candidates many opportunities to utilise the information to help frame their answers and it was very pleasing to see how much of the context was used to answer the questions. There was lots of reference in this series to games consoles and retail issues were mentioned in the majority which indicates the case study was well understood by the candidates that sat the paper.

The questions allowed students to apply business terminology, theories and concepts as outlined on the specification. There was a good use of theory and the theory was used in context and critically analysed which was very good given in past years the theory is simply mentioned but left within the answer surrounded by generic answers. In general the theory was well selected and used appropriately throughout the answers. Quoting appropriate and accurate theory is always an obvious way to access higher marks. Those who did use theory in context of the questions were well rewarded.

The numerical questions were often misunderstood and more time spent reading the question would have helped secure these marks.

The quality of written English was of a good standard. Paragraphs were clearly evident in the longer essay questions which helped structure the answers and this was done well. Paragraphs can be used as an aid to break an answer down into distinct parts, 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 that candidates ensure that whatever is written is presented in such a manner as to allow the examiner to actually read it. There are still some scripts which tested the examiners' power of deciphering.

### Comments on Individual Questions:

#### Question No. 1

(i) Mostly answered well. Although there was a good proportion of candidates that calculated 20% of the budget and left that as the answer rather than adding it onto the £4300. More time reading this would have helped eliminate this mistake.

(ii) This question was very poorly answered. Candidates simply either rushed and didn't read the question or just were not prepared enough to answer it. Many candidates calculated the increase of profit per shop and then added this onto a £36,600 so had double counted the profit figure. May candidates managed to calculate the additional 20% per shop but then didn't go onto totalling it up at the end, which lost marks. Given this is in the specification and has been used time and time again, it is a shame candidates cannot always manage to calculate %

### **Question No. 2**

Candidates that read the question properly managed to get the full marks. There seemed to be a very clear lack of understanding on how training may increase profits. It seemed that the candidates were split between those that answered the question solely on training, or those that discussed just profit.

A lot of answers bordered the generic answers about training and profit were given which left a lot of candidates in L2 and marks capped at 4.

Candidates were expected to pull out a skill used in retail that could be linked with training and then the profit. This was rarely done, and when it was done it was more through default of generic skills such as 'customer service' which in retail is relevant but wasn't necessary in context if the company was not mentioned or any other contextual references given, such as knowledge of how their products are currently being sold, and being able to answer customer queries etc.

### **Question No. 3**

This was well answered. Candidates had a variety of ways in which this question could be answered and how to hang the theory onto the context provided in the case, and in the majority of answers managed to link in the new proposed shift system Nic wanted to introduce as the group they discussed. As the contextual reference was there these candidates were rewarded well when analysing the implications of this.

Candidates mentioned theories again, although a good proportion of candidates did nothing more than discuss theories such as Maslow, Herzberg, Mayo but then failed to use the context to back this up given it is in retail that these groups would operate.

There did seem to be fewer students that took an overall perspective of the business. Candidates tended to look at the logistics of the groups and how if people were absent then work would not be done. There also seemed a large reference to 'products not being made' if people are absent which was a complete misunderstanding of the case.

Many seem to think that once the groups were set up there was no changing, and a more strategic approach to looking at groups and how they work together to improve and drive up standards is expected of a candidate who is coming to the end of their two year A Level.

There was little attempt to evaluate. Writing 'to conclude' and then repeating what has already been said does not constitute a balanced judgement. At advanced level the essay writing skills need to be far sharper so this was disappointing. Clear guidance in writing a balanced essay must be used to gain the higher marks within each level.

### **Question No. 4**

This was very well answered with lots of contextual references of the difference in shops, the busy nature of shops on different days and the type of stock that is currently being sold at MTL. There was lots of analysis of how much of the data for performance is out of the employee control and the negative impact this would have on staff, and the implications on the current high labour turnover was discussed. There was also reference to the impact on the overall company if they were to remain competitive and develop new revenue streams going into games consoles at the same time this work force performance data is to be used.

### **Question No. 5**

There was plentiful context on this question given question one brought the profit levels to the candidates' attention. The information on how much profit that is currently made and how much each staff member would receive annually was well analysed.

Lots of theories again mentioned and well analysed when it came to why employees would want the bonuses and again the impact on labour turnover which is clearly an issue at MTL. Some very strategic answers which were very well rewarded.

A lot of answers tended to work on the negative aspects of how MTL has rarely broken even and the impact of a small bonus for employees. Although given how many young staff work in retail and the numbers of hours, a small bonus equating to a couple of weeks' worth of work was missed by many candidates. There seems to be a misunderstanding that bonuses are thousands of pounds and unrealistic given the current performance of MTL.

### **Question No. 6**

Candidates did indeed consider the other functional areas of the firm. An holistic approach to a strategic decision is certainly to be encouraged and it was pleasing to see this was being done. The candidates tended to answer the question really well or fall into the L3 trap where lots of general issues surround how staff would be redeployed across the remaining three shops.

There seemed to be a lot of conclusions that brought about a very strategic point that shop 4 is the only one with a high street presence that really needs to perform well. Although some did acknowledge the decline of the high street which lead them to the best decision being to close the shop. Again as contextual references were high, candidates were rewarded well for the discussion about the closure of shop 4.

## F296 Business Production

### General Comments:

Candidates, in the main, clearly found the case study accessible and logical. The depth of context in many answers suggest that the material was understood by candidates readily as a non pre issued text and that the business production process and its implications were straight forward to visualise and, as such, write detailed answers on. There were one or two common errors, not so much of contextual grasp but understanding of the specification.

In successive exam sessions candidates seem better prepared in terms of structuring responses, particularly with regard to evaluative questions. Indeed, there is more evaluation evident, although the quality of it is still a major issue.

There were few, if any, issues of time. Again, two hours seems very fair, and candidates used their time well in terms of allocation to each question.

There are some areas of the specification which, again, catch candidates out where they are forced to guess as there is clearly little or no knowledge.

Numeracy continues to be an issue for many candidates. For some, particularly those who had practiced all of the numeracy questions on previous F296 papers, the numerical question was clearly very straight forward. For others it clearly represented a challenge.

Moving forward, the principal message is one of knowing the concepts in the specification and ensuring that every sentence is clearly about THIS firm, not simply ANY firm.

### Comments on Individual Questions:

#### Question No. 1

Very few candidates discussed economies of scale actually achieved (by mistake) because DWCL don't achieve any. Hence answering in the negative was clearly not an issue. Candidates usually had a range of economies of scale (EOS) to choose from in terms of what they had very obviously revised (judging by answer plans) and generally chose the easiest to express in this particular context. Purchasing EOS was an obvious choice as the case study alludes directly to not buying in large quantities. Other EOS proved more elusive to analyse in context – many candidates knew what managerial economies were but did not really explain about how DWCL doesn't have any, or they were confused with specialisation generally. Technical EOS were often talked about but candidates must avoid 'technological'. There is no such thing and the word seems to drag candidates into a roundabout description of using more technology without being specific to technical EOS. Where financial EOS were analysed it usually ended up being badly done because the lack of loans offered by banks was explained in the context of DWCL not being very profitable (therefore high risk) rather than it being linked to its size (i.e. an EOS).

### **Question No. 2**

This question was less well answered than anticipated because candidates did not always answer the actual question, more what they thought was the question. The key was 'reliable' not why is break-even useful generally. This meant that many candidates gave a list of reasons why break-even is a useful tool, what it shows and how it helps a firm. This is not reliability. The best answers got quickly into analysing and evaluating why the tool is not so good IN THIS CASE, e.g. it sells at different prices. Hence answers tended to be bland/non-contextual level 2 responses that simply 'talked about break-even', or they went into reliability arguments (in context) and quickly jumped to level 3 and beyond. There was a lot of context to use and all of the 'classic' criticisms of break-even as a tool could be deployed in answering this question specifically in relation to DWCL. Evaluation was generally 'thin' and usually reserved for a concluding paragraph. The very best answers evaluated each reliability issue as they wrote about it. This, as ever, is the secret to high evaluation marks. Evaluation is not simply a concluding paragraph.

### **Question No. 3**

Candidates either knew what work study is or they had a wild guess and talked about studying work processes in very vague terms. Those who guessed either got lucky and exemplified their scant knowledge with correct analysis of work study at DWCL (and scored marks, even in level 3), or simply went off at an unrelated tangent and scored zero. Work study continues to be one of those 'fringe' areas of the specification that large swathes of candidates seem unfamiliar with. For those who understood it, it was often a very easy 6 marks as the advantage of doing it for DWCL was very straight-forward.

### **Question No. 4**

Very few candidates did not know what lean production was and could remember at least three lean techniques. Those who didn't usually talked about production methods, e.g. batch. There is a lot of time wasted in lean production preambles regarding Japan, Toyota and so forth – at best rewardable in level 1. Candidates would be far better served getting into the 'meat' of the question early – quite simply by discussing why some lean methods at DWCL would work. Many candidates did indeed do this successfully with good contextual and analytical responses. Others gave 'rehearsed' text-book responses that showed plenty of knowledge but no application. Again, evaluation was thin on the ground – those who did it reasonably well tended to get very highly rewarded.

### **Question No. 5**

The full mark range was used for the numerical question as candidates adopted all sorts of approaches. Some did it per unit, others holistically, but what was key was spotting that both revenue and costs were important and that the final answer needed to be per unit (i.e. 67p). A great many stopped one mark short of this with £600. Credit was given for partially correct trains of thought/calculations where possible.

### **Question No. 6**

The responses to the synoptic question 6 have got better year on year. It is now very few candidates that do not end with a decision and a conclusion, however weak. The very best candidates still earn their evaluation marks by weighing-up throughout the answer, not leaving it until the end. The scenario was clearly accessible and candidates clearly had plenty to write about. The best focussed on 'reasons' only and were forensic in their examination of the arguments. There were some first rate answers.

## F297 Strategic Management

### General Comments:

This was the penultimate sitting of F297 (there will be a paper in 2017 for Yr.14 candidates). Conforming to its well-established format, this paper proved to be a very good discriminator. The majority of candidates found the 'rubbish' context to be accessible. There was very little evidence of poor time allocation. Very few candidates missed a question. Where this did occur it was most often Q1a, the quantitative question. Thus timing was not seen as an issue.

The quality of candidates' hand writing continues to be a problem. The examining team work very hard to fairly assess candidates, but their task is often made unnecessarily challenging by candidates' inability to write clearly. In such instances following the candidate's reasoning becomes fraught with difficulty.

It was rare to read an irrelevant answer. Where this did happen it was most often Q2, with the candidate choosing to answer a question about a macroeconomic change other than growth. If the change was clearly linked to growth some marks were gained.

### Comments on Individual Questions:

#### Question No. 1

a) This proved to be a very good discriminator, with the entire mark range being awarded. Happily, the modal mark was 13. This was awarded where the candidate had clearly used TSA to arrive at a forecast. Centres can be assured that the Examiner was not looking for a single 'right' value. Rather, full marks were awarded for the accurate use of the compete technique.

The number of candidates who did not use the graph on page 3 of the answer booklet was both surprising and disappointing. Some candidates calculated the 2015 Q3 trend and CV and did no more. Where candidates did go beyond this marks were awarded for the method, and in many instances high marks were nonetheless awarded despite an earlier mistake. However, this was only possible if the answer was presented in such a way that method could be discerned.

A common error was to give the extrapolated 2016 Q3 trend as the forecast index.

b) This question was the least well done. It is clear that whilst candidates recognise that TSA is a forecasting technique, few seem to be aware of its limitations. As such, many simply argued that it is an appropriate decision making tool and can assist in the setting of budgets. Better answers recognised TSA relies on historical data being reliable, i.e. there is little by way of environmental change. Often cited was the volatility of internationally traded commodity spot markets. Few recognised that the inherent weakness with TSA is the subjectivity in extrapolating the trend line. As such, the further into the future one wishes to forecast, the greater the error. Consequently, and given strategy is essentially about the longer term, TSA is of marginal use for anything other than tactical, immediate, decision making.

#### Question No. 2

Linking economic growth and VGL's four objectives presented little difficulty for the majority. Typically answers were six paragraphs; a scene setting introduction, a paragraph on each objective with a sixth, concluding, paragraph. Most held that growth would be good for VGL. Some took the view that with growth comes a tighter labour market and, given the nature of the work on the factory floor, VGL may struggle to hang on to its operative staff. Hence, three objectives would benefit from growth whilst the labour turnover objective may suffer. Others suggested that local authority contracts are likely to be for a fixed sum, hence economic growth would have no effect on this revenue stream. But with more waste to process, income from sales of recycled materials would rise, hence achieving the revenue objective remained possible.

Although YED of household waste was explicitly mentioned in the case, this rarely found its way into answers. In contrast many held that given revenues rose 9.6% between 2014 and 2015, a 6% rise could well be possible despite growth. Indeed, the validity of this objective was frequently questioned.

Better answers contained evaluation. Sometimes this was by considering the time scale of the growth and/or the possibility of regional versus national growth. Those that tried to evaluate by discussing the magnitude of the growth found themselves hampered by the wording of the question.

### **Question No. 3**

There was no clear, overall, consensus about whether VGL should enter the textile market. The best answers engaged fully with the context, and subjected it to stringent analysis. It is disappointing that so many candidates simply quote key values (such as break-even) rather than show the reader how they came about. Hence, a single unsupported figure carries less credibility than one which is clearly reasoned and supported. Similarly, depending upon assumptions about writing off capital investments, different profits can be legitimately achieved.

A significant disappointment was an overall lack of sensitivity to the proposal. For far too many a failure to exploit this market would result in the closure of VGL. A glance at the balance sheet shows VGL has £100m of fixed assets, hence the £80,000 cost of a second hand bailer is 0.08% of VGL's asset value. Consequently this project is simply not material. Similarly, with a cash pile of £4m one really does question why a bank loan was so often thought to be essential. Thus, VGL's gearing was held up as an insurmountable barrier to taking the project on.

It was pleasing to see candidates discuss the possible strategic fit between textiles and other waste. Other good approaches calculated a possible revenue figure and then compared that with VGL's stated revenue objective. By most calculations, and certainly taking a weighted average for price from table 4, it can easily be shown that the textile project readily meets the 6% growth required. Rarely was the concept of sunk cost seen, or indeed the idea of downside risk. In contrast the opportunity cost of having to sell stock timeously rather than hold it speculatively was seen.

### **Question No. 4**

This was possibly the most disappointing question in most scripts. Few candidates addressed the need for a strategy. Rather, what was presented was a discussion of different possible interventions with no, or little, attempt to prioritise or reason. Having studied a unit entitled 'Strategic Management' the examining team feel it is entirely reasonable to expect candidates to recognise the fundamental aspects of strategy; what is the aim, what resources are available, what is the context and who will benefit?

Lots of candidates focused on the role of training. Better ones sought to make sense of Michael's data (Table 4). Others tried to argue that engagement with the community, via the web data in Table 3, was the most sensible approach to reducing contamination. In both cases what was lacking was clear appreciation of the context such that many answers would have been equally appropriate for any business. Hence text book style discussion of several HR theorists was interesting to read but sadly lacking in relevance to VGL in particular. If the reader placed themselves in the shoes of VGL's management, too much was generic and of little value. For example, saying contamination needs to be reduced is worthy, but without saying what needs to be done to make this happen, it is not actually that valuable.

**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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