

GCSE

Business Studies

General Certificate of Secondary Education **J253**

OCR Report to Centres June 2017

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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 of moderated work this year was in line with earlier sessions. Candidates were able to access the two different scenarios and investigate them within a local context.

In controlled assessment A, Jennie, a 23 year old with experience as a supermarket manager wanted to open a clothing hire business, dealing in prom and wedding outfits as well as fancy dress. Candidates were told that Jennie had little capital to help her start her business. Abdul, in controlled assessment B, again had experience of working in a major organisation, but here the experience was in the same line of business that he wanted to develop – cycling. Crucially he had the backing of very wealthy parents.

The difference in background should be picked up by candidates and then used to apply their knowledge and understanding. With her lack of capital, Jennie would have to think carefully about the pricing strategy she should use in Investigation 2 and the range of products and services she would be able to offer in Investigation 3. In contrast to this, the ability of Abdul to call on his very wealthy parents would impact in a positive way in his choice of promotional methods and his ability to stock a range of potentially very expensive bikes.

Not all candidates saw the implications of financial position of the two entrepreneurs. Whilst there was some better use of the fact that both businesses would be new and starting in a competitive market, the lack of finance, or financial support, was largely undeveloped.

Application of the assessment objectives

AO1

As in earlier years, this AO proved to be the least problematic for candidates. There was a good understanding of market research, pricing strategies and promotional methods. Product mix was rather less clear to candidates in that there was some omission of services as well as the more physical aspects of dress hire and cycle sales.

Candidates must make sure that all the necessary specification is covered, whether or not it is deemed applicable, which should then be covered in AO2. In a minority of cases, candidates only covered point of sale promotions when advertising should have been included in the work on Abdul. Differential pricing was often missed from controlled assessment A.

In controlled assessment A, candidates showed good knowledge of e-commerce, and in B there was some good knowledge of customer service and the different forms it might take.

Candidates must make sure that the change over time element (Investigation 2) in both controlled assessments should be completed. As in previous years, a large minority of candidates did not complete this element of the assessment.

AO2

Within the controlled assessment, AO2 (application), carries the most marks. It is vital therefore that candidates make sure that their knowledge and understanding is applied to both the scenario and the local area.

In the case of Jennie we have someone who has no capital but has experience of management in retail. The lack of capital would influence the ability for example to run a prolonged penetration

pricing strategy. Would she have enough backing to sell goods at below competitor rates? The local area would have an impact here – if there is strong local competition, would they stand by and let a new business take their custom? Clearly there would be a rather different outcome if there was no competition.

In Investigation 3, Jennie's lack of capital would influence her ability to carry a wide range of stock. Can she really afford to have a full selection of wedding dresses, *and* men's wedding attire, *and* prom dresses, *and* fancy dress?

A minority of candidates rightly explored the product mix for Jennie in how it might be off-putting for potential customers. Would someone wanting to spend a lot of money on a wedding dress be happy with buying it from a shop which also sold fancy dress?

E-commerce, though well understood generally, was not always applied to the scenario. Some candidates investigated whether local consumers would want to buy/hire prom and wedding attire through e-commerce. This gave the necessary backing to any recommendation being made (AO3). Many candidates did not see the potential issue in using e-commerce for this type of product/service.

In the case of Abdul, the backing from wealthy parents would mean that he would be able to at the very least consider a more expensive promotional strategy – for example a cycling celebrity to open the store. The product mix could be wide, with a full range of cycles on display. In Investigation 3, the financial backing would enable Abdul to send workers on training programmes to make sure they were able to offer good customer service when selling a bike costing many thousands of pounds.

The local area, in the form of competition, must be explored fully and related to the scenario candidates are investigating. Many candidates completed this research well, often including maps to give a clear indication of just how much competition Jennie or Abdul would face. At times, the link between local conditions and decision making was not always clear.

AO3

In Investigations 2 and 3, primary and secondary data should be collected to analyse and inform the recommendations to be made. Primary research, usually in the form of interviews, should be focussed with questions being related to outcomes. For example a question such as 'Would you buy or hire a wedding dress from a new business which charged a lower price than local competitors?' would provide valuable data to support (or not) a decision to recommend penetration pricing.

Data should be carefully analysed, using percentages wherever possible to add detail to the outcome. Recommendations should always refer back to the analysis, quoting figures where necessary to support the view being put forward. It remains the case that some candidates make recommendations without referring to any information they have collected.

Recommendations should also reflect the scenario being investigated and the local area. At times candidates seem rather lost in the theory and recommend what *in general* might be the best option for a new business rather than one which fits the particular circumstances they have been given and the constraints, or otherwise, of the local area and the person involved.

Candidates must also look carefully at the wording of the different tasks within an investigation. In investigation 3 on Abdul, candidates are asked to advise Abdul on the importance of good customer service. Research here is required on how local consumers view customer service. Is it a vital element, or is say price more important? Is good customer service important on products such as bikes? This is a further example of how well focussed research will provide the necessary data to help answer the precise task which has been set.

A292 Business and People

General Comments:

Approximately 12000 students took this examination paper during this June session. The general impression is that the paper was appropriate for the ability range of candidates, and that it was of a similar standard to last years' paper.

Many candidates displayed an excellent knowledge of the specification content and outstanding scripts were seen. Approximately 15% of the cohort achieved over 46 marks of the 60 marks on offer. However, there were many scripts which displayed major gaps in knowledge and understanding, and it seemed apparent that some centres were not well prepared. The main questions which caused difficulty related to question 1e 'payment systems', 2b 'functional areas', 2g 'impact of ICT on working practices', and 2h 'the benefits to business of lateral integration'.

Comments on Individual Questions:

Question 1

- a) (i) This part of the question was well answered with approximately 60% of candidates able to achieve the four marks on offer by explaining one advantage and one disadvantage to a business of being a sole trader. Correct responses for the advantage included 'Gary would keep all the profit as he is the only owner'. A correct disadvantage included 'Gary would have unlimited liability therefore if the business closes because it cannot pay its bills he could lose his personal possessions such as his house'.
- (ii) This part of the question was well answered with 70% of candidates correctly selecting 'income tax' as the tax which sole traders paid on its profits.
- b) (i) This part of the question was well answered with 70% of candidates able to obtain the one mark on offer by correctly stating a reason why a sole trader may wish to become a private limited company. The most common responses included 'limited liability', and 'raise money from the sale of shares to family and friends'.
- (ii) This part of the question was generally well answered. Approximately 55% of candidates obtained three of the marks on offer by explaining how the stated business may benefit from growing in size. Correct responses included 'JFC Ltd will make more money which it can use to further improve the business', and 'JFC Ltd opening more shops will lead to its name being more recognisable and therefore this may lead to more sales'. A common incorrect answer included reference to 'JFC Ltd can employ more employees'.
- (iii) This part of the question was targeted at the more able but proved more accessible and over 40% of candidates achieved L3. Most candidates (90%) could make general L2 statements such as 'Gary is an autocrat and as a result is demotivating staff'. However, many candidates were unable to fully analyse problems of this type of leadership style.

Correct six mark answers included 'It is clear Gary has an autocratic leadership style. This is good for making decisions quickly and reacting to changing customer demands but for the workers it could cause low morale especially if Gary is arguing with them. It also means to the worker that they have minimal say in the business and as a consequence do not feel valued and therefore become less motivated,

which may be a big problem especially if Gary does not spend much time with the customer as it is the workers who know what the customer wants. Therefore, despite JFC being successful I recommend Gary changes his leadership style and becomes less autocratic’.

- c) This part of the question was well answered. Approximately 70% of candidates obtained L3, and 45% obtained the six marks on offer. It was clear centres had covered this topic in detail.

An example of a good response included ‘I would choose Location B as being located in the town centre, meaning potential passing trade which means higher sales. A high population also means higher potential sales and profits. Whilst Location A is cheaper than Location B in terms of rent, sales must be lower as it appears it is in the countryside, as the location is scenic although we don’t know exactly the difference in population sizes.’

- d) (i) This part of the question was very well answered with over 80% of candidates able to obtain the three marks on offer by selecting the appropriate statements relating to job description and person specification. The most common mistake was that some candidates thought that the statement ‘the person must have good communication skills’ was part of a job description and not a person specification.
- (ii) This part of the question was very well answered with over 65% of candidates able to correctly provide a method of selection for shortlisted candidates. The most common correct answer included ‘I would choose ‘interview’ so I could see what their communication skills are like as they would be dealing with the public.’ Some incorrect responses were because candidates did not clearly read the question. These incorrect answers included ‘select by looking at the candidates CV’.
- e) This part of the question was poorly answered. Few candidates (47%) understood the implications of the ‘fixed salary’ payment system and ‘hourly’ payment systems. Candidates were often of the misconception the hourly payment system would ‘motivate them’ and that the workers could ‘select any number of hours they could work’ or ‘when’ they could work. Additionally, very few candidates linked the payment systems to the type of business and the jobs required within such organisations.

Correct answers were rare but did include the exemplar from the mark scheme namely ‘I wouldn’t change as I would say that paying workers a fixed salary is a very easy payment system as the amount paid to workers does not change whereas it would with an hourly payment system. Therefore it is easy to budget as it is fixed. A problem with hourly pay is that workers feel less part of the business therefore may be less motivated for the business and provide a poor service which may then lead to lower sales and profit’.

Question 2

- a) (i) This part of the question was satisfactorily answered. Whilst over 60% of candidates could obtain one of the two marks on offer by correctly stating an objective of a plc, few candidates (30%) could state an objective of a social enterprise business. Rare correct two mark responses ‘MT plc is run to make a profit whereas a social enterprise wants to support a cause’.
- (ii) Whilst over 40% of candidates obtained the two marks on offer by correctly explaining the meaning of the term ‘continuity’ in the business sense, approximately 50% obtained no marks. A correct two mark response included ‘If one of the owners dies the business continues’.

- b) This part of the question was poorly answered. Nearly 50% of candidates could not explain the role of the Human Resources department. This area is clearly in the syllabus and it was a surprise that it was so poorly answered as the 'internal organisation' topic is consistently examined by this paper. Correct responses were rare but did include 'Human Resources deals with the recruitment and selection of workers so as to provide the best workers for the firm and ensure it is efficient and profitable'.
- c) This part of the question was well answered with over 70% of candidates able to obtain at least one mark on offer and over 60% achieving both marks by correctly explaining why shareholders and the local community may be in conflict with each other. The most common responses included 'Shareholders and local residents may be in conflict as shareholders want to maximise profit which may mean increased pollution levels in the local area which harms local residents'. Many candidates explained the conflict in prices in that shareholders want high prices and local residents want low prices. This was awarded full marks.
- d) This part of the question was generally well answered with approximately 50% of candidates obtaining at least two of the four marks on offer by explaining one reason why the number employed in the secondary sector has reduced. Only 30% could provide two reasons and achieve the full four marks on offer. Correct responses included those outlined in the mark scheme namely 'UK businesses use robotics which are more reliable than humans therefore less workers are needed'. The more able provided the type of response 'Wages are high in the UK in comparison to wages in some countries abroad, therefore, UK prices tend to be higher, therefore, lower sales which mean fewer businesses are now in the secondary sector which means less jobs '.
- e) This part of the question was well answered with over 75% of candidates able to obtain at least two of the three marks on offer by explaining benefits to a company of complying with employment laws. The most common response included 'If MT plc did not follow health and safety then workers may get injured or killed and then the business would get fined or prosecuted and this would be very bad for its reputation and sales'. An additional correct response included 'MT plc will not get sued and lose money if they follow employment laws'. Candidates also referenced 'the business will have more motivated staff as they know they are being treated equally in the work place which makes them more motivated'. This type of response was awarded.
- f) (i) This part of the question was well answered with over 70% of candidates able to obtain at least one of the two marks on offer by explaining why a trade union is a pressure group. The most common response included 'a trade union puts pressure on employers by taking industrial action'. Incorrect answers included reference to a trade union 'trading around the world'.
- (ii) This part of the question was well answered with over 75% of candidates able to obtain at least one of the two marks on offer by explaining how an employee could benefit by being a member of trade union. The most common response included 'workers' wages may be higher as the union will collectively bargain on behalf of the workers'.
- g) This part of the question was poorly answered. Nearly 40% of candidates did not obtain any marks as they incorrectly linked ICT to improving products as opposed to improving work practices. Correct responses were rare but did include 'Email is still fairly new and it has improved the speed with which employees within MT plc can communicate. Also the ability of using your phones and computers to visually see workers who may be miles away help reduce business costs and save time'.

Candidates were awarded for explaining that ICT improvements have increased the number of employees working from home, therefore saving the business money in terms of office space.

- h) This part of the question was poorly answered. Whilst targeted at the more able it was surprising that nearly 40% of candidates obtained no marks as they showed no knowledge of the term 'integration'. This area of the syllabus has consistently been questioned in previous examination papers so candidate responses, in general, were disappointing.

Correct responses were rare but did include 'Lateral integration takes place when two businesses integrate that have related goods but they do not compete directly with each other e.g., a sports clothing shop integrating with a sports shoe shop. By laterally integrating, MT plc can now target different customers therefore have more potential profit'.

Candidates were awarded a maximum of two marks if they provided a benefit of integration even though they did not understand what 'lateral' integration meant.

A293 Production, Finance and the External Environment

General Comments:

The paper was based on a pre-release case study. The pre-release case study provided information about a fictional business, BMF Ltd, which runs an annual festival, the Bowton Mountain Festival. The idea for the case study was derived from two UK festivals, the Keswick Mountain Festival and the Kendal Mountain Festival. The case study provided information about BMF Ltd, the company that has started and run the Festival, the Festival itself and about the fictional town of Bowton in which the Festival takes place. The information presented in the case study was designed to provide opportunities for questions in the examination to test the knowledge, application, analysis and evaluation skills of the candidates in relation to business studies. It was also designed to provide information candidates could use to help to answer these questions. As it is a pre-release case study, teachers are able to familiarise their classes with the materials and to consider how the subject might be relevant in the context. Candidates are encouraged to learn about events in the real external economy and use this learning, where appropriate, to answer questions in the examination. The examination was written before the Brexit vote and its effect on the exchange rate of the pound sterling against the euro. It was clear from many scripts that candidates in a large number of centres had been taught about this and its effects on export and import prices. Whilst the key issue in the examination was a rise in the value of the pound sterling, many candidates were able to use their understanding to assess the impact of the changes. It was good to see. The case study was again made available to candidates at the time of sitting the examination paper.

The quality of handwriting was very mixed. Some of it was almost illegible. The quality of writing on the whole was good. Candidates were able to articulate their ideas clearly and used grammar, punctuation and spelling appropriately. Numerical skills were also applied well across a number of questions.

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 of a range of skills. This was also reflected in the mark scheme.

Some questions were assessed using a levels of response approach. The highest level, as ever, rewarded evaluation in context. Evaluation in context requires a decision with reasoned judgements for that judgements. Evidence is provided in the examination to provide reasons for judgements. The wording of questions also encourages candidates to use their learning about the real world to support their reasoning. Candidates are also rewarded for the approach which identifies information they would need, but did not have, to make a decision. At a lower level, candidates are rewarded for applying their knowledge to analyse a case for and/or against an action or to understand an event.

Comments on individual questions

Question 1

- a) i) This question was designed to be a low tariff, easy introduction question to give encouragement to all candidates. The majority of candidates were able to answer the question correctly identifying the definition of batch production.
- a) ii) The question was looking for specific benefits to the Chinese producer in using batch production in the production of T-shirts for the Festival. The best answers revolved around the ability of the company to change production to meet the specific order,

the absence of waste or overproduction by only producing the amount required or their ability to be able to produce quickly and so meet the deadline.

- b) i) Many candidates answered correctly but a number of candidates suggested that total, rather than average, costs fall when economies of scale are achieved.
- b) ii) Historically, questions on the types of economies of scale have discriminated well and this was the case again this year. Candidates were rewarded for stating and explaining any of the main types of economies – purchasing (or bulk buying), managerial, marketing, risk-bearing, technical (production economies was allowed) and financial. Purchasing and technical were the best understood. Whilst there were some good answers about the others, the explanations of why economies arose often lacked precision.
- b) iii) Most candidates correctly answered diseconomies. It was clear, though, that a lot of candidates were guessing.
- c) i) This test of the candidates ability to apply numeracy skills was, on the whole, well met. Some candidates lost a mark by going beyond the remit of the question – having calculated the correct total revenue (£49,000) they then deducted costs to calculate gross profit. Candidates either had not read the question correctly or did not understand the term ‘total revenue’.
- c) ii) Candidates who had made an error (of the type indicated in the commentary or otherwise) on 1 c) i) were allowed to carry the error forward so that they were not penalised twice for it. On the whole, the question was well answered.
- c) iii) On the whole this question was answered well.
- d) A lot of information was provided in the case study which was relevant to this question. Candidates were rewarded for recognising this and applying it to give an answer. There were points on both sides – for using the Chinese producer and for using the UK producer. Some of the information was not certain and this gave opportunities for candidates to go into more sophisticated discussions about, for example, whether the rumours about Chinese unethical or non-environmentally friendly practices were indeed true and that further information about these was necessary. This, or a similar approach with regard to the UK producer and its quality and reliability were awarded the evaluation marks. Candidates who focussed on the reputation of BMF Ltd and its stress on social responsibility and the risk posed to this by using the Chinese producer given the rumours were also awarded evaluation marks. Additional marks were given for developing the consequences in terms of sales and profits or for indicating that BMF Ltd would be able to cover the additional costs of buying from the UK because its customers would be willing to pay a premium for goods produced in a socially responsible way.

Question 2

- a) i) This question was generally well-answered. The most common error was to suggest that there would be no interest on imports on goods from one EU country to another, rather than no tariffs. It was a question which turned out to be very relevant to the current debate in the UK about Brexit.
- b) i) The question was presented as a straightforward calculation to ease weaker candidates in to the potentially complex area of exchange rates.
- b) ii) Many candidates took their cue from 2 b) i) and were able to identify and complete the appropriate calculation.

- b) iii) The basic answer identified that the cost of the weekend passes for the Festival would rise, causing a fall in the number of visitors. Many candidates went beyond this however. Often they commented that the change in the price (3€) was negligible and some went further combining it with the information from the case study that 70% of visitors had above average incomes and so would be able to afford the increase. Another good approach indicated that it was not just the cost of the passes that would rise but so too would the cost of staying in hotels, eating in restaurants and using transport in the UK and this cumulative effect might be significant.
- c) Variations of this question requiring an interpretation of business data presented in the form of bar charts have been on previous papers. It still discriminates well. The correct answer required the application of numeracy skills to calculate the change in the amount spent on venue costs. Weaker candidates stated what had happened to the percentage of total costs spent on venue costs or wrote about changes in total costs.
- d) Knowledge about grants was somewhat hazy amongst quite a significant proportion of candidates.
- e) Candidates were guided to discuss social costs and benefits in their discussion. Despite this, a number of candidates discussed the benefits of the grants for BMF Ltd without reference to the wider issues of relevance to the Council decision. Also some evident lack of knowledge, such as the suggestion that the grant would be repaid, spoilt some answers. However, many candidates were able to pick up on the many cues in the case study about the social costs and benefits. Those who achieved the higher level presented clear arguments about what should be Council priorities e.g. reducing unemployment or controlling spending in the light of the pressures on it, as identified in the case study.

Question 3

- a) i) Most candidates were able to give one of a number of appropriate definitions of monopoly.
- a) ii) This question was straightforward and correctly answered by the majority of candidates. However some candidates wrote about the effects of the change in the market, for example reducing prices, rather than on the nature of the market.
- a) iii) This question was more about the effects of the change in the market and how the business, Spirit of Adventure, should respond. Again, a majority of candidates were able to discuss the need to reduce prices in the light of competition and to take advantage of the increased number of candidates. The better answers put in the caveat that Spirit of Adventure would need to be able to cover costs. A few answers also argued for not reducing prices and stressing a USP of Spirit of Adventure, such as the quality of its goods and its service.
- a) iii) A clear definition was all that was required here. However, there are still too many candidates who write about profit in answers dealing with cash flow when they should be referring to revenues/inflows of cash and payments/outflows of cash.
- a) iv) Credit was given for the standard text book answers about the possible inaccuracies of cash flow forecasts such as that they are predictions, that costs can change and so on. It was pleasing to see many candidates applying information from the case study to explain why the cash flow might be inaccurate, for example, that it was based on the assumption the Chinese producer of T-shirts would be used but BMF Ltd could change to source from the UK or that the change in the exchange rate might affect sales.

- b) i) A surprising number of candidates failed to comply with the direction in the question to draw two lines from each source of information to match to the correct statements about it. By drawing only one from each they lost marks. Whilst many candidates had clear knowledge of the sources of finance, some displayed only partial or no knowledge.
- b) ii) This question challenged candidates to assess the performance of a business. There was some information in the case study to help. Candidates were told that share values had risen and that the Festival had grown. Beyond this, it was anticipated candidates would use their knowledge of business objectives to identify further information needed. For example, no profit figures were given (though many candidates assumed profits were rising). Some good answers referred to their social objectives.
- c) This question was very well answered. Most candidates identified EU visitors and the purchase of T-shirts from China as evidence of globalisation.
- d) Once again, the case study provided a lot of relevant information. Some of the developments referred to in the case study could lead to increased sales, some could reduce sales. Many candidates satisfied themselves with a discussion of these effects. The better candidates offered an attempt to weigh up the relative importance of the changes. One approach was to compare the relative importance of the high earning visitors with the low earners whose incomes had not been rising significantly. Another approach was to point out that the size of any increases in income tax and interest rates would be a significant factor. The focus of the question was on visitors to the Festival from the UK. A lot of candidates included a discussion about EU visitors and the effect of exchange rates in their answers. As ever, candidates should read the questions carefully and answer the question set.

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