

**GCE AS LEVEL**

**Business**

**H031**

**OCR Report to Centres June 2018**

## About this Examiner Report to Centres

This report on the 2018 Summer assessments aims to highlight:

- areas where students were more successful
- main areas where students may need additional support and some reflection
- points of advice 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.

The report also includes links and brief information on:

- A reminder of our **post-results services** including **reviews of results**
- Link to **grade boundaries**
- **Further support that you can expect from OCR**, such as our Active Results service and CPD programme

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### OCR REPORT TO CENTRES

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# H031/01 The Local Business Environment

## 1. General Comments:

Teachers appear to have used OCR resources (including last year's paper) to good effect to help to prepare candidates for this examination. Those candidates who had been fully prepared for this examination generally performed well.

Preparation for this examination needs to include practice at answering multiple choice questions and scenario-based questions.

When practising multiple choice questions it is important to include information on time management (to ensure sufficient time is left to complete the rest of the examination paper) and include plenty of practice for numerical questions (including calculation and numerical interpretation). In addition, candidates should be encouraged to make a selection for every multiple choice question. Although the omit rate was low, it was still disappointing to see some candidates leaving a multiple choice question entirely blank.

For case study based questions, which required application to the context, it is important that the resource booklet is read very carefully by the candidate and used as appropriate when answering the questions. The resource booklet puts the business, in this case The Yorkshire Wagyu Company, in context and gives candidates valuable information. This should allow candidates to apply their answers, enabling them to access the higher marks on the paper. The ability to analyse (consider the impacts or consequences) and the ability to evaluate (make a judgement with justification) also needs to be developed through regular practice in order to best answer the 12 and 20 mark questions.

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

## 2. Comments on Individual Questions:

### Section A

Question No.

Qs. 1 -15

The numerical questions proved to be the most difficult, with question 5 proving the most difficult of all, possibly because it also required accounting knowledge.

Question 5 was a numerical interpretation question, coupled with an accounting concept. Candidates were presented with a statement of financial position and were asked to work out the working capital. The most common and incorrect answer given was (b), i.e. £0. This appears to indicate a common misconception by candidates that working capital is current assets minus non-current liabilities. The concept of working capital (i.e. as current assets minus current liabilities) and the interpretation of financial statements may benefit from further emphasis during course delivery.

Of the non-numerical questions, questions 6, 9 and 10 proved the most difficult. This may indicate some omission in Specification coverage – especially in the areas of leadership theory, budgeting and market structure.

Question 6 was answered incorrectly by 40% of candidates. Candidates were being tested on their understanding of ‘monopoly’ as a market structure. The incorrect answers were evenly spread across the three incorrect answers, indicating that candidates did not have an understanding that high barriers to entry keep firms from entering the market, minimising competition and maintaining a monopoly’s ability to set prices and make high profits.

Question 9 revealed poor knowledge from many candidates of Adair’s Three Circles leadership theory. By far the most common, and incorrect, answer was answers (a) i.e. Autocratic, democratic and laissez-faire. This suggests either that candidates had not studied Adair’s theory or that they had confused management style with leadership theory. Candidates are advised to ensure that they have sound knowledge of all theories listed in the Specification.

Question 10 tested candidate knowledge of budgeting. Surprisingly, many candidates found this question difficult. The correct answer appears straightforward i.e. to monitor the performance of the business. However, many candidates suggested that the use of a budget minimises the need for financial control. Others suggested answer (d), overlooking that the business was a sole trader, which, therefore, does not have shareholders.

## **Section B**

### **Question16**

This question asked candidates to explain a reason why someone would choose to set up their own business. Most candidates were able to achieve one mark. To gain two marks candidates needed to ‘explain’ their reason, rather than ‘state’ their reason. So, for example, an answer such as ‘to be their own boss’ or ‘to earn a profit’ were acceptable for one mark but not for two marks. Examiners were looking for an ‘explanation’ e.g. ‘to be their own boss (1) so they can choose their working hours (1)’ or ‘to earn a profit (1) which may be higher than a wage (1)’.

### **Question17**

This was a straightforward question with 80% of candidates achieving the mark. The most common correct answers were ‘customers’ and ‘suppliers’. The most frequent incorrect answer on this question was ‘employees’, possibly showing confusion between the words ‘internal’ and ‘external’ or a failure to read the question properly.

### **Question18**

This question required candidates to show knowledge of why TYWC should prepare a cash flow forecast. The question was disappointingly answered with many candidates suggesting that a cash flow forecast predicts profit levels. This shows confusion between the accounting concept of ‘profit’ and ‘cash flow’. Centres would be advised to help candidates understand the

difference between these two concepts. A simple demonstration of a builder building one house for a customer should suffice to make the point clear. The builder buys all the materials in advance and has a cash flow crisis for a couple of months until the house is eventually built and sold. Finally, he makes a good profit. So, the builder is profitable but experiences an intermittent cash flow problem. Candidates who achieved one of the two available marks did show a clear understanding of cash flow but failed to apply their answer to TYWC. For full marks, a contextual response was required.

#### Question 19a

This extended response question required candidates to recommend training methods TYWC could use to train its catering assistants. To achieve high marks the answer needed to be in context. Disappointingly, a significant minority of candidates wrote about various training methods but failed to include any context about TYWC, thus limiting themselves to two marks. References to 'ingredients', 'cooking' or 'food' would have been sufficient, although 'beef' or 'food hygiene' would have been preferred.

Those who did well on the question chose two or three training methods, discussing the advantages and disadvantages of each method. They then considered which method would be most suitable for TYWC given its specific circumstances.

Those who did less well on the question seemed to fall into one of two categories. Either they discussed advantages/disadvantages of training in general (rather than advantages/disadvantages of the specific methods) or they correctly analysed the methods but failed to make any overall judgement on which method would be the most suitable for TYWC.

#### Question 19b

Most candidates achieved at least one of the available two marks. Those who were unsuccessful tended to suggest monetary methods e.g. bonuses or wage rises. Again, this could indicate confusion between the terms monetary/non-monetary or a misreading of the question.

#### Question 20

The most common correct answers to this question were the price of the Wagyu beef and the price of substitutes. A wide range of answers were offered and accepted. On occasions where a mark could not be awarded the candidate seems to have confused factors affecting demand with factors affecting supply.

#### Question 21a

This calculation question required candidates to be able recall and use the formula for calculating price elasticity of demand. Pleasingly, many did this successfully. However, a significant proportion scored no marks at all. This seems to indicate patchy coverage of this area of the specification. Even for a candidate with limited understanding of mathematical concepts or poor arithmetic skills, examiners would have expected a partially correct answer, which could be awarded some marks. A fair proportion of candidates produced the sum ' $115/30 = 3.83$ ' i.e. the absolute differences in the two variables rather than the percentage change.

#### Question 21b

This was the highest tariff question on the paper. Marks for this question are awarded for knowledge (maximum 2 marks), application (2 marks), analysis (8 marks) and evaluation (8 marks). Context is crucial to gaining more than two marks. Pleasingly, the vast majority of candidates were able to apply their knowledge of the marketing mix currently used by TYWC.

To score good marks for analysis examiners were looking for a chain of argument that linked marketing mix to the future success of the business. Those who scored most highly appeared to consider each of the four P's of price, promotion, product and place in turn. Although that is not the only approach, it does seem to have been one, which allowed candidates to work through the analytical links clearly and precisely.

To score high marks for evaluation candidates needed to make an overall judgement as to the likely success of the marketing mix. Those whose explanation was detailed and contextual were liberally rewarded. There was no correct answer to this question. So long as the candidate was able to justify their argument any viewpoint was equally acceptable. For example, a candidate could have argued that pricing was good but promotion was weak, or that promotion was good but place was weak; either way the weak strands of the marketing mix impacting future success. Pleasingly many excellent answers were read by examiners and were awarded 18+ marks.

# H031/02 The Wider Business Environment

## 1. General Comments:

As with AS components nationally, this component saw a significant drop in entry and, at the same time, saw a fall in the standard of answers produced by candidates. This did not appear to be a function of the case material, as candidates appeared to be comfortable interacting with the information in the Resource Booklet about Bombardier.

A significant fall in the mean mark on the paper appeared to be due to two factors: first, an unfamiliarity with some key concepts in the AS specification and, second, candidates not making use of the context in Q.8 (b), Q.10 and Q.11. There appeared to be no evidence at all of candidates running out of time.

This report should be read in conjunction with the detailed mark scheme which lists many of the right and common wrong answers seen by examiners.

## 2. Comments on Individual Questions:

### Question No. 1

Very few candidates gained both marks for their definition of 'quality assurance' as they either defined 'quality control' or 'quality'. Too many took the word 'assurance' in a literal way, rather than consider the full term.

### Question No. 2

Less than half of the candidates were able to correctly identify both the reorder quantity and buffer stock level from the diagram. Again, this sort of question has been asked many times in the past in previous specifications.

### Question No. 3

McClelland's motivation theory has only been on the specification for three years, but it was still surprising to find less than one in five candidates being able to correctly explain how a business may use it. A large number of candidates did not even attempt this question. It is vital that Centres ensure that the whole of the specification is taught, to ensure that candidates have the best chance of success.

### Question No. 4

The majority of students were able to correctly explain the difference between internal and external finance. However, candidates who merely said that one was from inside the business and the other was from outside did not gain any credit.

### Question No. 5

Given the world we live in and the way in which 'sustainability' stretches across the educational curriculum from a very young age, it was disappointing that most candidates could not gain any reward for a question asking how a business may act in a sustainable manner. As with Q.1, many answers took the word 'sustainable' literally, as meaning the business could continue.

Hence, many answers, which could gain no credit, referred to producing cash flow forecasts, finding more customers or treating employees fairly. There was also considerable confusion between what was sustainable and what was ethical.

Question No. 6

The question on SMART objectives was better answered but it was still the case that less than half of the candidates gained 3 or more marks. The easiest way to gain marks was to link a way in which a single characteristic of a SMART objective (e.g. agreed) could help the business. More general answers about the benefits of setting objectives were also rewarded.

Question No. 7

This question contained two quantitative questions. The first part required two numbers to be filled in to complete an income statement. Most candidates gained both marks. However, candidates then had to use the table to calculate the net profit margin. This proved more difficult, with only about a quarter of candidates gaining 1 or 2 marks. Centres are reminded of the 'correct' formulae for the accounting ratios published on the OCR website. However, as can be seen in the mark scheme, other versions of the formula were accepted, as long as clear working was shown.

Question No. 8

The labour turnover calculation was done fairly well. However, part b, which asked for two ways Bombardier's managers could use the labour turnover data saw exceptionally few answers gain more than 2 marks out of 4. This was because, although candidates may have provided a correct way in which the data could be used, there was no context in the answer. Centres were reminded in this report last year (and in the H431 reports) that questions in Section B MUST be in context if the company name is referred to in the question. Any context used may be very brief but must be present for the second mark to be awarded in each case.

Question No. 9

Most candidates were able to identify the difference between a customer and a consumer.

Question No. 10

This was the first of the two 'longer' questions which together make up for more than 50% of the total marks on this component. It was therefore disappointing to see many weak answers, which either did not engage with the context or made no attempt to consider whether price really was that important in this particular case.

Most candidates could comfortably identify the four elements of the marketing mix although many were slightly confused as to who the final customer of Bombardier was (the Government), often referring to the price of the train tickets. Some candidates also misunderstood the price of the contract, thinking this was the price that Bombardier had to pay, not the money they would receive. However, there were a small number of very good answers, including some, which gained full marks, which often recognised that price was a significant issue due to the nature of this contract being in the public sector. Equally, some good answers were seen which argued the opposite, that price was not that important as these trains were needed and that Bombardier is the only such company in the UK.

Question No. 11

The final question will always have 20 marks, which is one third of the total marks for this component. It is therefore vital that candidates perform well when so many marks are at stake.

Changes in technology was the focus of this question this year and there was a vast amount of context which candidates could use in the extracts provided in the Resource Booklet. Better answers tended to consider the impact of these changes on the employees (losing jobs or changing jobs) and the customer (better quality of service and quicker/more reliable journeys). However, many answers went no further than a discussion of a basic impact, but on a large number of stakeholders. It was also the case that many weaker answers considered the impact on the business, rather than on the stakeholders.

Centres should be reminded once again (as was the case with the previous legacy specification) that a full mark question is possible by discussing only two factors (in this case, the impact on two different stakeholders).

A small number of very good answers were seen (from about 10% of the cohort) which were able to not only consider the impact on the stakeholder, using the context provided, but also went on to consider whether that stakeholder is really affected and/or which stakeholder is most affected and why.

**Summary points**

- Candidates need to know the full breadth of the specification to properly prepare them for Section A questions.
- Candidates must recognise which questions in Section B require context.
- The last two questions accounted for more than half of the total marks and the higher order skills of analysis and evaluation are heavily weighted within these marks.
- Questions 4, 7a, 8a & 9 were answered best.
- Questions 3, 5, 7b, 8b & 11 were answered least well.

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