

**GCE**

**Business**

Advanced GCE H431

**OCR Report to Centres June 2018**

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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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# H431/01 Operating in a Local Business Environment

## General Comments:

Many candidates had been well taught the subject content and it was especially pleasing to see that use of context was much better than last year when the opening question was often very poorly answered. This improved use of context and some very appropriate evaluation led to a number of excellent scripts.

On the other hand there were a large number of candidates who did not appreciate that this paper is concerned with business *in a local environment*. Very frequently - especially on questions 19 and 21 - the analysis and/or evaluation was aimed at the charity as a whole. This was not what was required; the questions made specific reference to the shop not the charity nationwide.

There was no evidence of time pressure in the examination and very few candidates 'ran out of time'.

This report should be read in conjunction with the mark scheme, which provides a number of correct (and incorrect) answers for each question and explains what the examining team did, or did not, reward marks for.

## Comments on Individual Questions:

### Section A

Question No. 1-15 Multiple Choice Questions.

Candidates demonstrated much better technique than last year. Very few questions were not attempted.

### Section B

Question No. 16

Many candidates found this a straightforward question to get started. Most opted for money/finance/profit. References to 'staff' and 'time' were also acceptable. It was pleasing to see much better use of context here than was demonstrated last year when a huge number ignored it altogether and so got 1/6. Most candidates achieved at least 3 out of the 6 marks available which could have been higher with a further reference to the data (2 marks available for APP). This is certainly a move in the right direction.

Some veered off into 'what he should be doing in terms of marketing' which was not answering the question (NAQ).

Question No. 17

There were a number of candidates that wrote everything they knew about motivation theory. However, encouragingly, there were also some very well planned and considered answers giving explicit application of theory to the context. Many of the better answers made considered evaluative comments, often throughout their responses rather than exclusively at the end.

Candidates should note that apart from the manager and his deputy (Ann), all of the staff are volunteers (in order not to negatively mark it was acceptable to refer to them as 'employees'). As a result, references to monetary methods of motivation could only gain more than one (knowledge) mark if they were in reference to Ann rather than the volunteers.

Question No. 18

It was pleasing to see the overwhelming majority of candidates demonstrated excellent knowledge of factors that might cause a business uncertainty and be able to put it into the context of a charity shop. However quite frequently the **impact** of the uncertainty was not analysed in depth - or even at all. There were throwaway references to (say) 'a fall in customers' – which was true but was not going to score highly.

Question No. 19

Rather than considering what the question asked for, many said why **good** customer service was so important, at worst in the abstract and at best with a link to the shop. Unless it was made clear, why the reverse was likely to impact negatively on the context of Michael's shop then it was not able to score well.

Other issues included references to the effect on the charity as a whole, which was not what was being asked for and was therefore not rewardable.

Better candidates pointed out that being a charity shop selling 'bargains' or it simply being a place 'to drop off unwanted items' might mean that poor customer service was secondary or even of no significance at all. This sound evaluation was rewarded well.

Question No. 20a/b

It was pleasing to see that confidence in using quantitative skills was more apparent this session as it was last year. Whilst there were certainly some who didn't even attempt the calculations the overwhelming majority did. They knew where to look for the data in the case and how to apply it. This was a welcome development.

Question No. 21

This question brought forth some good analysis but the problem of 'doing the analysis and then stopping', was often evident in the answers provided by many candidates. As such, evaluation discriminated well between candidates.

# H143/02 The UK Business Environment

## General Comments:

This was the second year of the ‘new’ linear A Level and this component, which focuses on the UK market, was based on the Virgin Trains brand which appeared to be very familiar to candidates. The examination produced a wide range of answers from candidates and there was no evidence of them running out of time. It is still true that many try to write about too many issues in the 9 and 15-mark questions in Section B.

The general standard of scripts was lower than that seen last year. This was due to two specific issues which centres need to address in the future. First, and repeating a comment I made in last year’s report, “candidates must make better use of the context in Section B answers. Centres are reminded that the skills of analysis and evaluation cannot be rewarded if they are not written in the context of the business in question.” This was especially true this year in questions 8 & 11.

Second, it appeared that many candidates were not familiar with the whole of the specification. The concepts of ‘materiality’, ‘added value’ and ‘service marketing’ are all in the specification, but many candidates were unable to correctly answer Questions 3, 4 & 14.

This report should be read in conjunction with the mark scheme, which provides a number of correct (and incorrect) answers for each question and explains what the examining team did, or did not, reward marks for.

## Comments on Individual Questions:

### Section A

Question No. 1, 2, 5 & 6

These questions were well answered by most candidates.

Question No. 3

Very few candidates demonstrated an understanding of ‘materiality’ with lots of guesswork involved. Many did not even attempt the question. A number of candidates confused it with other accounting concepts, such as ‘realisation’, ‘prudence’ or ‘objectivity’. About one in five candidates did score full marks, often providing a good example to answer the question.

Question No. 4

The true definition of ‘added value’ was not known by nearly all candidates. Most candidates included all of the costs. Centres need to ensure that candidates are aware that added value is not the same as profit.

Question No. 7

The first part of this question was testing candidates' awareness of cash flow and it is pleasing to report that most got the answer correct. The most common wrong answers included the credit payment.

The second part of the question was one often assessed on the legacy specification and yet there were a number of wrong answers (some of which were not simply mathematical mistakes) and even some candidates who did not attempt one or both of the calculations.

## **Section B**

Question No. 8 & 9

Similar to last year, there was a lack of context in many of these answers. Candidates need to appreciate the structure of the examination and the transition at this point away from non-contextual to contextual answers, based on the resource booklet. It is important that candidates understand that naming the business is insufficient for context - they should try and embrace the context, as even referring to trains or stations was sufficient for context.

What this means in practice is that many candidates scored only 1 mark for a 4-mark question, as they did not show evidence of context (and achieve the application mark) which is necessary for the analysis to be credited. There were many potentially very good answers to both of these questions, which could only gain 1 mark, as they contained no context at all and could have been about any business.

Of the two questions, Question 9 produce the better answers, with most candidates suggesting a bank loan, retained profit or leasing as possible sources of finance. Answers to Question 8 occasionally suffered from candidates not really knowing what a joint venture involves.

Question No. 10

This question about the advantages of a mission statement for Virgin Trains was generally well answered. Many candidates took a stakeholder approach, although some tried to cover too many stakeholders (two would have been sufficient). Most of these answers ran out of steam and did not attempt any evaluation which limited the final mark to 6.

Other candidates often scored less well as they took a different line in their answers by considering a mission statement and business plan to be one and the same thing. This led to some suggested uses of a mission statement that are very unlikely in real life (eg to use with a lender when requesting finance).

Question No. 11

This question about training methods saw some very good answers with many candidates able to identify two or more methods of training, each linked to a different role which Virgin Train's employees may have (with ample reference to the context) followed by some good evaluation. The best evaluative answers often considered the overall cost to Virgin Trains of this training (although it is a large business so could probably afford it) or discussed how different forms of training were especially useful for different job roles listed in Extract C. For example, on-the-job training is probably not the best option if customer safety is involved but is an excellent idea for learning about ticketing and customer service.

Training is a fundamental and straightforward topic however there were some answers that gained very low marks. Many of these contained no context and hence achieved only 1 or 2 marks. Others went off track, as candidates did not read the question carefully enough and did not consider how the training methods "...improve the skills of Virgin Train's employees" rather than how Virgin Trains is affected.

Question No. 12

Many answers to this question used the resource booklet well to pick out political factors. The issue highlighted in Extract D about possible privatisation was the most popular answer, although a common misconception was that Virgin Trains would become a business operating in the public sector as a result of nationalisation.

Evaluation was weak in terms of weighing up factors, or which factor would affect the business most and why. There were also a number of candidates who wrongly considered interest rates, changes in GDP and consumer confidence to be political factors.

Question No. 13

I am pleased to report that more candidates got this decision tree question right than completely wrong. Although some candidates scored zero, either because they did not know how to calculate the EV or made no attempt at all, there were plenty of candidates who scored full marks. Many candidates, by clearly showing their working, were also able to pick up two or three marks due to only marking one or two errors in their calculations.

Question No. 14

This was the most poorly answered question in Section B. Very few candidates demonstrated any knowledge or understanding of the 3 service Ps, with lots of answers which were no more than a general description of Virgin Trains' marketing. Even for those candidates who did refer to the 3 Ps, there was confusion about what was the 'process' (many thought it was the process of marketing). Others did not realise that 'people' is about employees and customer service rather than customers and 'physical evidence' is about the branding or image of the actual service rather than anything else that was vaguely physical in existence (such as the evidence of the business doing well!)

There were a small handful of astute answers where candidates not only knew what the 3 Ps are, but interacted with the large amount of context available. One of the best answers seen ultimately decried that regardless of what any company does in terms of the 3 Ps, the typical budget or short-haul consumer is only interested in price. This candidate went on to say, possibly with some first-hand knowledge that if the 3 Ps were actually more important than price then why is Ryanair so successful!

### **Summary points**

- Centres need to ensure that the whole specification is covered with candidates.
- Greater use must be made of the context in Section B answers.
- Good candidates do not always allocate enough time for evaluation, as they try to explain or analyse too many issues in their answer.
- Questions 1, 5, 6 & 7 were answered best.
- Questions 3, 4, 11 & 14 were answered least well. Unfortunately for candidates, the last two of these were the two 15-mark questions.

# H143/03 The Global Business Environment

## General Comments:

This was the second sitting of this paper, which is based on a business in a global context – in this case IKEA.

Unlike components 1 and 2, this paper is wholly based on the case study. Therefore, it is important for candidates to thoroughly read and understand the case material before attempting any of the questions.

Most candidates interacted with the data about IKEA well and used material from the resource booklet in their answers. One of the most important aspects of this qualification is the need to use context in the higher skills of analysis and evaluation. If a candidate does not use the resource material in their answers then analysis and evaluation marks will not be available and therefore centres should prepare candidates to read, understand and make good use of the context in their answers. For example on the two 20 mark questions, a candidate who does not use appropriate and relevant context about IKEA can only be credited a maximum of 2 marks.

Candidates need to be selective over the data that they choose to use. Whilst some material can be used many times in many questions, too often candidates tried to ‘shoe-horn’ the same context into every question. This is likely to lead to irrelevant material and unlikely to develop into a good answer.

Question 6 included a number of questions about network/critical path analysis. The diagram was printed on a separate page to the answer spaces. It is understandable that candidates used the diagram to calculate their answers, but sometimes these answers were not transcribed correctly. The examiner can only mark what has been given as an answer and care needs to be taken so that candidates are fully rewarded for their knowledge and skills.

On the longer answer questions (Q2, Q3, Q5, Q7 and Q8) the skills of knowledge, application, analysis and evaluation (evaluation only required in Q’s 4, 6 and 7) are all important and must all be demonstrated. This is one of the fundamental differences in how the legacy A Level and the new A Level are examined. There were examples of candidates who showed good evaluation skills but little analysis. Likewise, there were answers, which showed good analytical skills but no evaluation. Candidates must be prepared to show all three or four skills (where appropriate) in their answers. Centres should use sample and practice papers to guide them in the weighting of the different skills for these longer answer questions and emphasise the importance of showing the examiner all of the skills required.

## Preparation Points for Centres

- Candidates must spend more time analysing and evaluating in context and less time repeating or quoting the case study or showing that they have a complete knowledge of the specification.
- Candidates must read the questions thoroughly. Each question is a set of instructions, which, if understood and followed, will produce an excellent answer.

- Candidates too often make a point and do not take it far enough. A chain of analysis is required for developed analysis, so candidates need to show the full effect on the business. For example on Q8 where candidates would state that, an increase in import duties might affect the cost of importing of wood for IKEA. This leaves the examiner asking ‘so what?’ A good answer goes further and develops this into a chain of argument showing the full effect on the business in terms of capacity, profits etc..
- Candidates must ensure that they fully read the question and focus their analysis on the right stakeholder or business. For example on Q2, much of the analysis was often focussed on the effect on IKEA. However, the question clearly states that the analysis should have been focussed on the stakeholders of IKEA.
- At the heart of evaluation is actually answering the question. Too many candidates provided analysed points to questions 3, 5 and 8 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 provided a justified evaluation.
- An answer is more coherent and convincing when there is good use of technical business language, business theory, sentences and paragraphs. Questions 4 and 6 are 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. Even in the six mark answers, a good structure is essential to show a chain of thought/analysis.
- Centres should prepare candidates for techniques such as network/critical path analysis by asking individual questions about the elements, not just how to prepare a whole network. Whilst it is possible for future examinations to ask for complete diagrams to be completed, it is equally likely that a number of small mark questions can also be asked and this type of question is often less well practised.

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

#### Question No.1

Most candidates made an attempt at answering this question and had some knowledge of barriers to entry in a market. However many candidates thought ‘competition’ was a barrier to entry whereas it is the opposite. A monopoly (such as IKEA) may be a barrier to entry but a competitive market is not in itself a barrier to entry – in fact it is considered to be something that more freely allows entry to a market. Often candidates went on to explain that they actually meant a lack of a competitive market because of dominant businesses and gained marks, but sometimes candidates did not and could not be rewarded.

The context could have been a great help to candidates and was to those who used it. If most candidates actually thought about what would stop them setting up their own furniture shop, then this could have led to a nice set of answers.

#### Question No. 2

The focus of this question should have been the effect on IKEA’s stakeholders, not on IKEA. However many candidates did not focus on the stakeholder and subsequently were not credited

full marks. The use of the CSR profile in Extract B was good, although there was a tendency for candidates to repeat the data, not actually use it.

A chain of analysis was essential to gain all the marks and candidates needed to think about what the effects would be on the chosen stakeholders. For example, customers may want cheap prices for their furniture and the CSR profile might increase prices, meaning the customers pay more. That is basic analysis and must be taken further, so for example the customer may not be able to afford to buy as much furniture as they want, or may have a less money to spend on luxuries. This development is essential to gain all the marks.

#### Question No. 3

Again, careful reading of the question was vital to enable candidates to gain all of the marks on this question. This was not asking about the importance of promotional activities, but instead asking for candidates to evaluate one reason why a range of promotional activities is important to IKEA.

There was plenty of case material to support a number of reasons, from the global nature of IKEA (ie different promotional activities for different countries) through to the mass market nature of IKEA (ie different activities for different age ranges, income levels etc.).

Candidates only needed to analyse and evaluate one reason. The process of successfully doing this was most likely to involve an analysis of why this reason is important to IKEA, an analysis of why this reason may not be important to IKEA and then an evaluation of the level of importance, perhaps in relation to other important elements of IKEAs strategy. Relatively few candidates put forward a coherent answer that covered all of the required elements, often giving lots of analysis, but never getting to any substantial evaluation. Alternatively, some candidates gave some good evaluation but it lacked the developed analysis to gain these marks.

#### Question No. 4

This was a reasonably well answered question with candidates able to formulate good explanations of why IKEA might have paid more to its employees in the USA. It was particularly pleasing to read some answers, which related the increase in basic wages to IKEA's CSR policy. This showed not just understanding of Extract E but the case as a whole.

#### Question No. 5

Candidates who read the question carefully and used the wording of the question in their evaluation were well rewarded. The focus of the importance of stock control should have been to the success of IKEA. Too many candidates just argued why stock control was important and missed out the important element of success. Whilst this could still lead to a good answer, for full marks success was essential.

Although there are some overlaps, which were rewarded, logistics and stock control are different elements and this was not a question about logistics. Again, candidates who focussed on the nature of the business and the products (ie global business, often large products, needing a warehouse, etc.) had a number of good arguments at their disposal, which could easily be developed into analytical chains and lead to some good evaluation.

Some candidates spent a great deal of time discussing JIT as a method of stock control. This was unlikely to lead to many marks as it is obviously inappropriate for IKEA and is just knowledge of stock control not actually answering the question set. There are only 2 marks on this question for pure knowledge so spending a great deal of time on definitions and explanations is unlikely to gain the much more important marks for analysis (6 marks in total) and evaluation (8 marks in total).

#### Question No. 6

Network/critical path analysis always divides a cohort of candidates. Many will be happy and confident with the topic and others will have a block, which they fail to get through. This led to a number of 'no response' answers to these questions.

Those candidates who did know how to use the technique sometimes transcribed their answer incorrectly from the diagram on page 12.

However, the most common incorrect answer to Q6ai was 84. This came from the EST for activity K, not activity H. This was such a common incorrect answer that it is an obvious area upon which centres should focus. Being able to identify which EST and LFT refers to each activity is an important skill.

On question 6b a few candidates attempted to identify the critical path using the durations of the activities, not the actual letters that identify each activity. A critical path is always identified using the letters/names of the activities, not the durations.

Most candidates made an attempt at 6c and it was pleasing to see that this was a relatively well understood aspect of this topic.

Question 6d was a change of topic and focussed on cross elasticity of demand. As in past series, one of the most common errors was inverting the formulae. As long as working was shown this could be rewarded at 3 marks. However, candidates who do not show their working as a clear step by step process are risking zero marks if they make a mistake.

#### Question No. 7

Too many candidates did not show any knowledge of Ansoff's matrix. Application and analysis marks cannot be rewarded if there is no knowledge shown so it is essential for candidates to show they know the topic. This can be simply done by using the knowledge and those candidate who took this too far and drew and labelled a complete matrix were obviously wasting time. The easiest way to show knowledge and application was to classify IKEAs strategy as being market development on Ansoff's matrix.

There was some confusion between Ansoff's and the Boston matrix, which is perhaps understandable under the pressure of an examination, but obviously gained no marks.

#### Question No. 8

The last question on the examination is often likely to be strategic in nature and this question requires candidates to take a holistic perspective of the case material, there is no one extract which will provide all of the context needed. There is also a need to focus on the future for IKEA

to gain all of the evaluation marks. Like Q5 and success, this was often an element that was missed by some candidates.

There are obviously many different routes a candidate could take, as there are many economic factors that could affect IKEA and candidates did not need to cover everything. Those who did try to cover more than three often did not have time to complete their answer. In reality, two well analysed and evaluated economic factors were enough to gain all of the marks.

The evaluation needed not just to focus on the future for IKEA, but also on the 'extent to which' the changes are likely to affect IKEA.

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