

## AS LEVEL

*Examiners' report*

# **BUSINESS**

**H031**

For first teaching in 2015

## **H031/02 Summer 2019 series**

Version 1

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## Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.


Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

## Paper 2 series overview

This year's examination was based on Meadow Foods, the UK's largest independent dairy, and the nature of the context appeared to be accessible to all candidates. There were more 'better' scripts this year, largely thanks to the way in which candidates interacted with the context available. Both of the extended response questions certainly allowed candidates to show what they knew.

At the other end, there were fewer 'weak' scripts with most candidates having a reasonable attempt at most of the paper. There was no evidence of time being an issue for any candidates.

There continues to be limited correlation between performance on the two sections of this paper. It is still the case that candidates who interact really well with the context and write very good extended answers to Questions 11 and 12 drop marks on straightforward questions in Section A. On the other hand, there are some candidates who really know their theoretical knowledge and score very well on Section A but are not able to show this ability in applied questions in Section B.

	<p><b>AfL</b></p>	<p>Centres are reminded to make sure that candidates have had ample opportunity at answering extended questions using context. This can easily be carried out by using past papers from this specification as well as the legacy papers.</p> <p>Candidates need to be well practised at considering the implications of any theoretical concept on the business and how the business may respond. Given the requirement of context, to allow the award of analysis and evaluation marks, it is vital that candidates are aware of what a generic answer looks like compared to a context-rich answer.</p>
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Question 1, 4, 5, 7 & 10 were the best answered and Questions 3 & 12 the least well answered in this examination.

## Section A overview

The aforementioned discrepancy between the two sections was best shown in Questions 1, 5 & 6, where candidates who scored well on the whole paper sometimes scored less well than lower ability candidates. This section covers as much of the specification as possible and so it is vital that candidates do not miss out any parts of it when they are revising and preparing for the examination.

There continues to be an issue with quantitative topics, with Question 3 being the worse answered (by far) in this section.

### Question 1

1 State **two** measures of the size of a business.

1 .....

2 .....

[2]

Less than half of the candidates managed to provide two correct answers. There continues to be a misunderstanding about market share being a measure of size. A business could have a huge market share in a tiny market, so would be considered small, or have a small market share in a huge market, so would be considered large. The market share cannot therefore be considered a way to measure size of a business.

### Question 2

2 Explain, using an example, what is meant by the term 'above the line promotion'.

.....

.....

.....

..... [2]

The evolution of the subject is clearly evident in many answers to this question, with references to above the line being about promoting to a mass audience, as opposed to the more traditional definition of using external media; both answers were completely acceptable.

Some candidates penalised themselves by not providing an example (or giving one which was below the line) and around a third of candidates appeared to have no knowledge of the term, many referring to promotion of employees.

### Question 3

3 **Table 1** shows an extract from a statement of financial position for a business.

<b>Non-current assets</b>	£550 000
<b>Current assets</b>	£250 000
<b>Current liabilities</b>	£100 000
<b>Non-current liabilities</b>	£200 000

**Table 1**

Using the data in **Table 1**, calculate the business' net assets.

.....

.....

.....

.....

Answer = ..... [2]

Only 40% of candidates managed to get both marks for this question. The remainder made various attempts to come to an answer, without any success.

### Question 4

4 Explain **one** advantage and **one** disadvantage for a business of its managers using an autocratic leadership style.

Advantage.....

.....

.....

.....

Disadvantage.....

.....

.....

.....

[4]

Some candidates did not know what an autocratic leadership style was referring to or, in some cases, confusing it with a democratic or laissez-faire style of leadership.

### Question 5 (a)

5 A business wants to calculate the variances on two of its budgets.

	Budget	Actual
Sales revenue	£400 000	£350 000
Cost of sales	£200 000	£175 000

Calculate the variance for each budget, stating whether the variance is adverse or favourable.

(a) Sales revenue

.....

.....

Answer = ..... [2]

Around 90% of candidates calculated the variance correctly for each of the two parts to this question. However, around a third of these were then unable to say whether the variance was adverse or favourable (in some cases not even offering a response).

### Question 6

6 A manufacturing business is operating a factory at 100% capacity utilisation.

Explain **one** advantage and **one** disadvantage to the business of operating at 100% capacity utilisation.

Advantage .....

.....

.....

.....

Disadvantage .....

.....

.....

.....

[4]

The topic of capacity utilisation continues to be one which the candidates find difficult. Too many focused on issues surrounding stock which is not really an issue. There was also some confusion with flow production, as it is assumed, candidates thought the two had to go together.



### Question 8

8 Explain what is meant by 'organic growth'.

.....

.....

.....

..... [2]

There were some very good (and concise) responses to this question. However, about 30% of candidates did not know the term or thought that it was something to do with growing products organically!

### Question 9

9 Explain **two** possible consequences for the farmers which supply Meadow Foods of it being the UK's largest independent dairy.

1 .....

.....

.....

.....

.....

2 .....

.....


.....

.....

..... [4]

Some candidates did not read this question carefully enough. It asked for the consequences for the farmers (not Meadow Foods). Lower ability answers tended to rely on repeating what was written in Extract C or not explaining how the consequence(s) would affect the farmers. See the mark scheme for exemplar responses for this and the other short answer questions.

There was also some evidence that candidates had not carefully read the context and so did not appreciate the true nature of the market and, especially, the role which the suppliers play in it.

	<b>Misconception</b>	Consequences can be positive or negative (candidates tend to always focus on the negative). It is actually good technique to give one of each when asked for two, as this means that answers are less likely to fall into the trap of being repetitive and therefore unrewardable.
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### Question 10

- 10 The NFU Dairy Board Chairman believes that Meadow Foods should be paying more for the milk that it purchases from the farmers (Lines 26–42).

Calculate the percentage increase in the price of Meadow Foods' milk required for it to equal the average farm milk price.

.....

.....

.....

.....

Answer = ..... [2]

It was pleasing to see a majority getting full marks on this question. Wrong answers ranged from using the wrong number as the denominator to calculating the Meadow Fam price as a percentage of the average price. A significant minority of candidates were unable to calculate a percentage change.

### Question 11

- 11\* Evaluate the importance of external quality standards, such as the Red Tractor scheme, to **two** stakeholders of Meadow Foods. **[12]**

This was marginally the better answered of the two extended response questions. Lower ability answers saw this as an opportunity to write about everything they knew about external quality standards, including benchmarking and ISO. Not only was this not the question being asked but these answers were completely generic, so 2 marks was the maximum possible which could be given.

Many answers also continue to be completely generic. Candidates may well leave the examination room thinking they have produced a good answer to the question when, in fact, they have only scored 2 marks. Exemplar 1 below is an extract from such an answer. This answer, although not wrong, could apply to any business; there is not even any mention of the industry which Meadow Foods is in, or the nature of the product they are selling.

Better answers recognised that, given the nature of the industry Meadow Foods is in, the need to reassure customers, pressure groups and other stakeholders was vital and quality standards permitted this.

Some answers gave a thorough (and overly long at times) discussion about the impact on two stakeholders, but never attempted to show any evaluation. Other answers ended up focusing on just one stakeholder but did carry out some evaluation. In both cases, 8 marks out of 12 was the likely mark given which was, therefore, the most common mark given for this question.

Around a fifth of candidates did manage to consider two stakeholders, in context, and produced some evaluative material. Exemplar 2 below shows how a good final two paragraphs can bring an answer to a natural, evaluative conclusion. These paragraphs followed on from an answer which considered the impact on the customers and owners of Meadow Foods.

## Exemplar 1

Quality assurance methods like the Red Tractor scheme are important for customers of Meadow Foods. This stakeholder group expects the products they have paid for to be up to standard and that they are of a good quality. Furthermore this is important for customers as they are spending money out of their own pocket to buy a product and expect it to meet quality standards. This is important as if Meadow Foods doesn't meet the external quality standards customers are not likely to buy their products and their reputation will be damaged.

Another stakeholder group which will find the external quality standards important are the owners of Meadow Foods. If quality standards are not met potential customer will not buy the product which will decrease profits. This will be bad for the owners of Meadow Foods as they

Will have less profit to keep for themselves or to invest back into other aspects of the business. In addition to this if their reputation is ruined the owners will find it hard to survive as they won't be making enough capital on sales to pay off expenditure and they may fall into debt.

### Exemplar 2

..... This being said, should the standards of Meadow Foods drop and it be renamed as Red Tractor assured, many customers would remain loyal to the brand due to the nomenclature and habit of purchasing from them and their historically good rep., meaning that external quality standards may not hold such importance.

..... in conclusion, I believe <sup>external</sup> ~~quality~~ quality standards are important to both the customers and the owners of Meadow Foods as it can create a good reputation and entice customers creating good quality products for them and in turn higher profits for the owners of Meadow Foods.

## Question 12

12\* Evaluate the advantages and disadvantages to Meadow Foods of behaving ethically.

[20]

It was thought that a question about ethical behaviour, especially in an industry with so many recent ethical issues covered by the media, would allow candidates to access many of these 20 marks (a third of the total paper mark). Unfortunately, this was not the case, with a mean mark of just over 8, but no evidence of candidates having run out of time.

Many of these low scoring answers, although they understood the nature of the ethical debate, spent too much time considering what Meadow Farms was already doing right and wrong rather than what the consequences of this behaviour were likely to be. Consider the excerpt from Exemplar 3 below which is tangential to the context and does not try to develop the impact of being able to secure funding more easily.

Compare this with the excerpt from Exemplar 4 below which builds up developed analysis by considering the impact on new customer bases and ultimately the ability to expand, all in context. This same answer then, after considering other advantages and disadvantages, in context, produces an excellent evaluative conclusion.

## Exemplar 3

Meadow Foods is the UK's largest independent ~~the~~ dairy, ~~so~~ it's the key business in the UK dairy industry and has large number of consumers. To make the ~~the~~ higher profit the business should fixed the consumers and expand ~~the~~ market,  $\Rightarrow$  if they want achieve the goal they need show a positive appearance to consumers. Therefore behaving ethically is ~~the~~ good method.

Behaving ethically could let consumer trust the business. ~~and~~ consumer prefer ~~the~~ high quality goods and suitable prices, if business can do that they can attractive ~~to~~ part of consumer, ~~but~~ and behaving ethically can ~~also~~ influence more consumers choice. ~~Almost~~ Almost people would like to choose the business ~~with~~ with ethical, it means the business is worth to trust, ~~they~~ the consumer don't need to worry about ~~the~~ quality problems.

~~Be~~ On the other hand ~~it~~ ~~is~~ behaving ethically can also ~~se~~ secure funding from outside easier and faster. The bank would like to borrow money to a company with ~~the~~ nice credit, ~~the~~ investors prefer to ~~gain~~ work together with ethical business as well.



## Exemplar 4

One possible advantage of Meadow Foods behaving ethically is that it will allow them to retain and attract new customers. If Meadow Foods is seen as an ethical business which pays its suppliers fairly, a potential customer who shares these beliefs is likely to buy their products rather than others. This means that through marketing it is set as an ethical business. It may increase sales from new customer bases who identify with these ethical attitudes. This will be positive as Meadow Foods profits will increase meaning they will have more capital to expand and cover expenditure.

In conclusion I believe that Meadow Foods should choose to behave ethically. The benefits of this will better the business and open doors to new potential customers. The success of this depends on whether Meadow Foods can afford to pay the short term price of additional capital and resources it will have to spend. The benefits in

the long term such as increased sales. Outweigh this in my opinion and considering that Meadow Foods announced strong profits in 2015 I think that they should go forward and behave ethically.

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