

**AS LEVEL**

**Examiners' report**

**BUSINESS**

**H031**

For first teaching in 2015

**H031/01 Summer 2024 series**

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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. A selection of candidate answers is also provided. 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 and the mark scheme can be downloaded from OCR.

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## Paper 1 series overview

This series has seen some good answers relating to operating sustainably (as illustrated by responses to Question 19). Examiners have also seen some improvement in candidates' understanding of the marketing mix (as illustrated by the knowledge, application and analytical components of Question 21). However, types of business ownership do not appear to be well understood (see Question 18 (a) and Question 18 (b)). In addition, financial calculation and interpretation questions caused some candidates difficulty (Question 8, Question 20 (a) and Question 20 (b)).

Candidates who showed a sound understanding across the breadth of the specification, coupled with an ability to analyse and evaluate, did well on this paper.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> <li>demonstrated numerical calculation skills in Questions 8, 20 (a) and 20 (b) and the ability to interpret graphical data (in Question 13)</li> <li>answered questions contextually in Section B where the name of the business in the question required this (Questions 18 (a), 18 (b), 19 and 21)</li> <li>made judgements supported by justified reasoning (Section B extended response Questions 19 and 21).</li> </ul>	<ul style="list-style-type: none"> <li>left answer spaces blank (including multiple-choice questions) and Questions 20 (a) and 20 (b)</li> <li>showed little, if any, evaluative skill; sometimes ending extended response questions abruptly with no attempt at a conclusion</li> <li>demonstrated little, or no, knowledge of different types of business ownership (for Questions 18 (a) and 18 (b), but this also affected responses to Question 17).</li> </ul>

Section A gives time for candidates to settle into the exam. This section of the paper was generally well answered by most candidates. A minority of candidates lost marks because they ticked two responses. Candidates should be instructed not to take this approach. Where a candidate indicates an answer and subsequently changes their mind, they should clearly cross out their original tick. In addition, some candidates lost marks by leaving an MCQ entirely blank. Candidates should be encouraged to indicate a response to all fifteen questions.

Section B contains questions that link to the business scenario given in the Research Booklet. It is important that candidates spend time reading (and if possible re-reading) the information in this booklet before attempting any of the questions in this second section of the paper.

Some questions in Section B required the specific use of contextual information to gain full marks. Candidates can identify these questions because the name of the business will be given in the question. For example, Question 18 (a) which did not say 'Explain one benefit of operating as a partnership' (where a generic response could gain full marks) but rather 'Explain one benefit for Robyn & Rozy of operating as a partnership' (where a contextual answer is required to gain full marks).

Section B also contained calculation questions. Candidates should be encouraged to always show their workings. That way, even if their final answer is incorrect, it may be possible for examiners to award some intermediate marks rather than zero.

As always, Section B also contained two high tariff, extended response questions. These questions were skills marked. Candidates needed to demonstrate the skills of analysis and evaluation to gain the highest marks.

Areas which caused most problems on this paper were types of business ownership (Questions 18 (a) and 18 (b)) and calculations (Questions 8, 20 (a) and 20 (b)). Questions on business functions (Question 7, Question 9 and Question 11), Question 16 defining an entrepreneur and Question 19 about the advantages of acting in a sustainable manner, were well answered.

## Section A overview

The vast majority of multiple-choice questions were well answered. Those that were more problematic are discussed below.

### Question 8

- 8 At the beginning of 2023, Clark's Veterinary Clinic appointed two additional vets. The clinic has since collected the following data.

	2022	2023
Number of vets employed	3	5
Revenue	£1.5 million	£2 million

Clark's veterinary clinic's percentage change in labour productivity from 2022 to 2023 was:

- (a) – 25%  
 (b) – 20%  
 (c) + 20%  
 (d) + 25%

☐  
☐  
☐  
☐

[1]

This question was testing a candidate's ability to calculate labour productivity and percentage change. Only a third of candidates selected the correct answer (b). Other answers were evenly split across the other three options. While without workings, it is impossible for examiners to know what the common causes of the errors in calculation were. This highlights the need for repeated and frequent practice of such calculations.

### Question 15

- 15 Which of the following is a financial measure of performance for a theatre?

- (a) The average number of unoccupied seats per show  
 (b) The number of shows staged per year  
 (c) The quantity of tickets sold over the year  
 (d) The theatre owners' return on equity

☐  
☐  
☐  
☐

[1]

This question was testing contextual understanding of financial measures of performance as applied to a theatre. Only a quarter of candidates selected the correct answer (d). The most common, incorrect, response was (c). Answers (a), (b) and (c) were all numerical but not financial.

## Section B overview

All the questions in this section link to the business scenario in the Resource Booklet. The scenario should be read carefully before answering any of the questions in this Section of the exam paper.

### Question 16

**16** Define the term 'entrepreneur'.

.....

.....

.....

..... [2]

Most candidates gained full marks on this question by stating that an entrepreneur was someone who had taken the risk of starting their own business.

### Question 17

**17** Outline **one** source of finance that a sole trader may use when setting up a business.

.....

.....

.....

..... [2]

Most candidates were able to suggest a suitable source of finance and gained one mark. However, the command word 'outline' and the mark of two should have indicated to candidates that more was required than just stating a source of finance. Examiners were looking for some development to the answer showing understanding of the source of finance selected (see Exemplar 1, below).

Many candidates gave one- or two-word answers, say, 'loan' or 'own savings' with little attempt at any further development, thus limiting themselves to just one mark. Of those who gained no marks, by far the most common error was to suggest an inappropriate source of finance. A sole trader cannot issue shares and a new business does not have retained profit.

## Exemplar 1

They may get a loan from the bank, which means that they borrow money and pay it back with interest.

This response shows the importance of noting the command word of the question.

The candidate correctly identifies a suitable source of finance, in this case a loan, for one mark. The response then continues to explain that a loan is a form of borrowing, this is sufficient for the second mark. More information is then provided about needing to pay it back with interest, however the candidate has already achieved full marks.

## Assessment for learning



Centres are advised to emphasise to candidates the importance of taking note of the command words used at the beginning of each question and the mark tariff indicated in the righthand margin, and then to respond accordingly.

## Question 18 (a)

18

(a) Explain **one** benefit for Robyn & Rozy of operating as a partnership.

.....

.....

.....

..... [2]

Less than half of candidates were able to identify a benefit of operating as a partnership. This suggests a lack of understanding of this area of the specification.

Of those that did gain a mark, by far the most popular answers were additional capital and additional skills. To gain full marks, candidates needed to give a contextual answer because the wording of the question specifically asks for a benefit for 'Robyn & Rozy' and not a benefit for any business. An example of a contextual answer that gained full marks is shown in Exemplar 2, below.



## Exemplar 2

Robyn & Rozzy can communicate & share ideas about new products for their salon. The sharing of ideas allows the business to keep up to date & retain engaging customers [2]

This response shows the importance of giving contextual answers when the business name is cited in the question.

The candidate correctly identifies that one benefit of being a partnership is that ideas can be shared, gaining one mark. Further detail is then given explaining that these 'ideas' could be about 'new products for their salon'. This is a contextual explanation, sufficient for the second mark. The candidate is given full marks for this response.

## Question 18 (b)

(b) Explain **one** benefit for Mark Hill Hair Cosmetics Ltd. of operating as a private limited company.

.....

.....

.....

..... [2]

Fewer candidates were able to identify a benefit of operating as a private limited company. This clearly shows a lack of understanding of this area of the specification, especially in relation to incorporated businesses.

Of those that did gain a mark, by far the most popular answers were limited liability and being able to issue shares. To gain full marks, candidates needed to give a contextual answer because the wording of the question specifically asks for a benefit for 'Mark Hill Hair Cosmetics Ltd' and not a benefit for any business. Exemplar 3 shows an example of a response with accurate knowledge, but no contextual explanation, thus being limited to one mark.

## Exemplar 3

The owners will have limited liability meaning if they get into debt their personal assets such as a car are not at risk of being taken. Only initial investment is at risk. [2]

This response shows good knowledge of limited liability, but it is a generic response with no context i.e. it would apply to all private limited companies. Since the question asks for a benefit specifically to Mark Hill Hair Cosmetics Ltd, one of the two available marks is reserved for a contextual explanation.

To improve this answer the candidate could have referred the company's specific financial situation from Table 1 in the Resource Booklet, specifically perhaps its current liabilities of £5,082,984 or its negative net assets figure of £3,568,845, thus making the possibility of insolvency more likely. Alternatively, references to specific prices charged from Table 2 or references to the company being established for 20 years or its work with celebrities, which might affect the likelihood of insolvency, could have been used.

## Assessment for learning



Types of business ownership, be it partnership in Question 18 (a) or private limited company in Question 18 (b) seem to be areas of the specification that are less well understood by candidates. This may well be because this topic is relatively alien to a candidate's life experience and are less concrete in concept than many other topics on the specification. For these reasons, it is recommended that more time is spent as part of the programme of study considering these concepts.

## Question 19\*

**19\*** Evaluate advantages to Robyn & Rozy of acting in a sustainable manner.

**[12]**

As with both extended response questions on this paper, this question is marked according to the skills demonstrated in each candidate's response. There are 2 marks available for Knowledge, 2 marks available for Application, 4 marks for Analysis and 4 marks for Evaluation. Application is required to gain marks for Analysis and Evaluation.

Candidates generally did well on this question, with most being able to name at least two advantages of operating sustainably and explain these in context. Analysis marks were awarded for impacts of these advantages on the business. Evaluation marks were given for judgement of the likelihood or magnitude of these advantages, with the very best responses attempting to rank how beneficial these advantages were to the Robyn & Rozy.

Of those candidates who did less well, two distinct issues were evidenced. The first, an apparent misunderstanding of the meaning of sustainability, most commonly with answers referring to being ethical or charitable instead. The second an accurate grasp of sustainability but an attempt to discuss both the advantages and disadvantages and weigh up whether the business should act sustainably. While the former incurred few if any marks, the latter did gain marks but lost valuable time considering disadvantages for no reward and frequently gave incorrectly focused evaluative comments weighing up the benefits and drawbacks.

## Question 20 (a)

**20**

**(a)** Using the information in **Table 1**, calculate the current ratio for Mark Hill Hair Cosmetics Ltd.

.....

.....

.....

.....

Answer ..... **[2]**

This question divided candidates. Those who knew the formula seemed able to apply it and accurately calculate it from given data, scoring full marks. Others struggled, with some answer spaces being left blank.

## Question 20 (b)

(b) Refer to **Table 2**.

It is estimated that the costs of the most expensive 'cut & blow dry' service at Mark Hill Hair Cosmetics Ltd. are:

- raw materials = £5
- labour costs = £20
- overheads = £15

Calculate the net profit margin for the most expensive 'cut & blow dry' service at Mark Hill Hair Cosmetics Ltd.

.....

.....

.....

.....

Answer ..... [2]

This question also divided candidates and had a very similar omit rate to Question 20 (a). However, on this question many candidates managed to gain 1 of the available 2 marks for calculating the net profit figure of £42, even though they got the final answer for net profit margin correct.

### Assessment for learning



Centres are advised to give candidates frequent practice at business calculations. Perhaps as a lesson starter while waiting for all students to arrive at the classroom. Making use of those first few minutes can consolidate learning of previous topics in a way which does not encroach on valuable teaching time.

## Question 20 (c)

(c) Identify **one** reason why calculating financial ratios is useful to a private limited company.

.....

..... [1]

This question was answered less successfully. Examiners were looking for answers about measuring/monitoring performance or informing stakeholders about this performance. Instead, examiners saw many answers that were vague. For example, 'to help a business make decisions' or 'help a business improve'.

## Question 21\*

**21\*** Evaluate how the strength of local competition may affect the marketing mix chosen by No.4 Packman Lane. [20]

As with both extended response questions on this paper, this question is marked according to the skills demonstrated in each candidate's response. There are 2 marks available for Knowledge, 2 marks available for Application, 8 marks for Analysis and 8 marks for Evaluation. Application is required to gain marks for Analysis and Evaluation.

Candidates generally scored well for Knowledge, Application and Analysis but did far less well on Evaluation. Most candidates were able to name at least two aspects of the marketing mix, explain these in context, and suggest advantages or disadvantages for No. 4 Packman Lane of these.

Evaluative comments were in short supply. Examiners were looking for a justified decision as to how the strength of local competition may affect the marketing mix chosen by No.4 Packham Lane. However, even the few attempts at evaluation evidenced only tended to judge the marketing mix itself, with no consideration for the impact of the strength of competition.

### Assessment for learning



Centres are advised to encourage candidates to ensure that they re-read the wording of the question before writing their conclusion. This should help focus their overall evaluative conclusion on answering the question on the exam paper, rather than a subtly different one on a similar topic.

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