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Examiners' report

A LEVEL

BUSINESS

OCR Level 3 Advanced GCE in Business

H431

For first teaching in 2015

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Version 1

Contents

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 responses 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 Teach Cambridge.

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Paper 2 series overview

There was clear evidence of good overall subject knowledge in this year's exam. There were also noticeable improvements in the ability of candidates to carry out calculations. Analysis skills were well used in many cases, and candidates understand the importance of developing responses within the context of the resource booklet for Section B.

Evaluation Skills remain an area that many candidates struggled to demonstrate in sufficient detail. Although there were better attempts to make judgements than previous series, many candidates still made a summary of previous points into a conclusion, rather than using definite decision making.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• read the questions carefully and answered the exact question asked • had detailed and exact subject knowledge • in Section B, were able to draw on the resource booklet for application • in Section B, demonstrated an ability to analyse, and when needed, develop their response within the context of the specific business being examined • produced evaluations that were relevant and specific to the question at hand • make strong judgements in context.	• gave very general and sweeping explanations that weren't specific to the question asked • had gaps in their subject knowledge • in Section B, either didn't use, or made little use of the resource booklet • in Section B, simply copied from the resource booklet rather than using it as a source of application when presenting their responses • made a summary of existing points rather than presenting evaluations and judgements • left some questions blank. This may have been because of poor time management or forgetting to return to questions that had previously been left out.

Section A overview

There were improvements in Section A this year. Candidates demonstrated better calculation skills and were more exact in their subject knowledge. Candidates also use business language and terminology in their explanations. However, marks are still lost where candidates did not read the questions prompt carefully. As an example, some of the 'explain' questions saw candidate stating rather than explaining their answers.

Questions 2, 3, 5, 6, and 7 were generally answered well.

In contrast, Questions 1, and 4 were, at times, less successfully answered.

Question 1

1 Define the term 'business plan'.

[2]

More successful responses identified a business plan as a written document. Students who then explained what a business plan is, such as a guide to help achieve strategic objectives, got full marks.

There was confusion among some candidates who either gave benefits of a business plan or explained how it was used by businesses for planning purposes. Neither of these points answered the actual question.

Exemplar 1

A business plan is a document created by a business that highlights its idea, aims and objectives and how it will achieve these, e.g. how will it finance the idea, how it will market the product or service. **[2]**

In Exemplar 1, the candidate has made it clear that a business plan is a document. The response then explains that the business plan helps to achieve the aims and objectives of the business. This warrants 2/2.

Question 2

2 State **two** types of communication media a business may use.

1 ....

2 ....

[2]

Answers here were generally very good with a wide array of communication media accepted.

A small number of candidates did not identify any actual media. Instead, candidates mentioned things like ‘formal communication’, or ‘one way communication’. This was not what the question asked. Candidates are asked to read the questions carefully as the key word in this case was ‘media’.

Question 3

3 A UK-based business exports its products to Greece, which uses the Euro (€) as its currency. The product’s selling price, including transportation, is £165.

If the exchange rate is £1 = €1.22, calculate the price paid in Euros by a Greek importer. Show your working.

....

....

....

....

Answer = € .... **[2]**

Generally, this question was very well answered with a considerable number of candidates getting the answer correct.

Candidates are reminded to write their final response in the ‘Answer’ space provided.

Question 4

4 Explain **two** reasons why the dismissal of an employee would be considered unfair.

1 ....

....

....

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2 ....

....

....

.... **[4]**

Candidates, at times, struggled to access marks on this question. There were several examples of scenarios and hypothetical situations. This does not show sufficient knowledge and understanding. There were also many examples of repetition where a candidate described discrimination twice such as race and sexual orientation. Candidates must make sure they make two very separate points for full marks.

Better responses gave two very different examples of unfair dismissal such as discrimination on the grounds of age, and being dismissed due to pregnancy.

Question 5

5 Explain **one** reason why a business may choose to operate in each of the following markets:

Physical market ....

....

....

....

Non-physical market ....

....

....

....

[4]

The quality of responses here was, to a large extent, very good. Candidates demonstrated good subject knowledge, were able to differentiate between physical and non-physical markets, and wrote exact reasons why a business would choose each type of market.

Question 6

6 State **two** characteristics of a public limited company.

1 ....

2 ....

[2]

There were considerable amounts of good answers here and candidates were able to demonstrate specific subject knowledge.

Misconception

A small number of candidates mistook a public limited company for a public sector organisation. Candidates should be able to differentiate between the different types of ownership and understand what constitutes the private sector and the public sector of the economy.

Question 7

7 A business buys a new vehicle for £35 000. The Finance Director is considering which method of depreciation to use.

Option 1: Straight line method
The vehicle will be depreciated over a five-year period with no residual value.

Option 2: Reducing balance method
The vehicle will be depreciated at a rate of 25% per year.

Using both these options, calculate the difference between the recorded value for each option at the end of Year one. Show your working.

....

....

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....

....

....

Answer = £ .... **[4]**

There was a lot of evidence that centres had well prepared their candidates for calculation style questions. This question was well attempted and answered.

Candidates were given own figure rule (OFR) marks for partially getting the answer right. Where possible, candidates should show their workings when completing this type of question. Although a candidate can get full marks for simply writing down the final correct answer, it is still good practice to show all workings.

Section B overview

This section looked at Coffee#1 and stronger responses made good use of the resource booklet. There were also impressive examples of candidates developing their responses in relation to the context of the question.

Some candidates assumed that advantages and disadvantages was sufficient to achieve evaluation marks. More often, a 2-sided argument is development of an existing point.

Good evaluation involves questioning the significance, contrasting the short-term with the longer term in relation to the question, or making judgements on the most important factor. Centres are reminded that considerable marks go for evaluation in many questions and this should be considered by candidates when writing their responses.

Questions 8, 10 (a), 10 (b), 11, and 12 were often well answered by candidates.

Questions 9, 13, and 14 presented challenges and there were many examples of students not answering the questions correctly. Some candidates made the mistake of giving a running commentary and copying information from the resource booklet, but without answering the actual question.

Question 8

8 Analyse **one** likely benefit of innovation for Coffee#1.

....

....

....

....

....

.... **[4]**

A wide range of acceptable responses were seen in this question. Candidates were able to identify a specific benefit of innovation. The resource booklet was well used to provide context to the benefit identified. Those students who were then able to further explain the implications of this to Coffee#1 were able to access full marks.

Assessment for learning

Candidates do not have to write large volumes to access the full marks on this question. Having said that, centres should ask their candidates to produce more detail than simply saying 'this leads to more sales and profits'. When analysing, candidates should also avoid simply repeating what they had previously used to gain the knowledge mark.

Question 9

9 Evaluate whether ratio analysis is useful in assessing the performance of Coffee#1. **[9]**

This question was often less well answered by candidates. Many candidates misread the question and struggled to answer what they were asked. The question clearly asked the usefulness of ratios. Many candidates simply commented on the ratios, but did not understand exactly what the ratios told them about the performance of the business and why this information is useful in assessing the performance of Coffee#1.

Although some candidates were able to access knowledge marks for the specific benefit of a type of ratio, the application, at times, did not refer to or make comparison across the two years of ratios given. By not making comparisons, candidates did not access the application marks. There was also a lack of the tangible benefits to Coffee#1 such as its impact on cash flow. This meant that many candidates did not access analysis marks.

Candidates should note that better analysis marks in this type of question are given for understanding the usefulness of ratios, making comparisons from the information in the resource booklet, and giving a specific impact on the business concerned.

Evaluation marks can be accessed by questioning the timeframe of the ratios given. Is two years of ratios enough to make a true judgement? Are ratios significant, or are other more qualitative sources of information far more useful?

Assessment for learning

As this is a 9-mark question, candidates can access full marks by first writing one very good evaluation point within the context of the Case Study. Following on from this evaluation, candidates should then go on and make a strong overall judgement.

Candidates should always make sure they make a clear justified judgement, rather than presenting a simple summary of information they have already written previously in the response.

Misconception

Simply 're-telling the story from the resource booklet' is not enough to allow candidates to access knowledge marks. The knowledge mark must come from demonstrating specific subject knowledge on the topic being examined.

Exemplar 2

Ratio analysis can be very useful as it will show Coffee #1 their financial performance, for example, their current ratio in 2021 was 0.94, which showed that their current assets did not quite cover their current liabilities, which means they will have more debt to pay off. This will not be useful when expanding to make 3 new stores as ~~the~~ Coffee #1 will most likely need a loan for this, which need to be covered by the assets. By 2022, the current ratio increased to 1.45, which shows that Coffee #1 is more efficient at turning assets to cash to pay off what it owes, therefore the ratio analysis is useful when looking at financial performance.

The profitability ratios of gross profit margin and net profit margin have significantly increased (GPM: 20.4% → 31.8% and NPM: 8.2% → 20.3%) which shows that ~~the~~ Coffee #1s performance is increasingly better each year as they are either finding more ways to cut costs, e.g. lowering wages, find a new cheaper coffee bean to purchase, or increasing sales revenue. However these ratios are more useful when information is given as to why they have increased, as Coffee #1 can assess the reasons, and as a result, continue with these methods to increase profit margins further.

Overall, the usefulness of the ratios will depend on what information is given alongside them, and also if there are previous years to compare it to. 8.2% ~~pe~~ net profit margin doesn't mean much unless compared with the 20.3% in 2022, as this proves that performance is improving year on year. It would also be useful to look at other measures of performance such as labour productivity since Coffee#1 is labour intensive.

In Exemplar 2, the candidate identified two very specific benefits of using ratio analysis to examine whether ratio analysis is useful. In the first paragraph, the candidate demonstrates that ratio analysis can identify the ability of Coffee#1 to pay its short-term debts, there is a comparison between both years which demonstrates application, and there is analysis where the candidate refers to how efficient the business is with managing its cash.

In the second paragraph, the candidate demonstrates another usefulness of ratios by looking at the gross profit margin and net profit margin and what it tells Coffee#1 (that it is better at managing its revenues and costs). There is reference to the ratios given with a comparison across both. The candidate then achieves analysis by identifying that the business may have found cheaper coffee bean suppliers.

For the evaluation, the candidate makes a strong evaluation by questioning just how useful ratios are, particularly as there is only two years of figures to work from. Not only that, but there may be other more useful measures instead such as labour productivity.

With two strong KAA paragraphs and a detailed evaluation where the candidate makes a judgement in context, this response warrants 9/9.

Question 10 (a)

10 SJW Ltd is a supplier to many coffee stores, including Coffee#1. SJW Ltd has been asked by its bank for a cash-flow forecast for the next 6 months. The Finance Director of SJW Ltd is producing this cash-flow forecast, but it is not yet complete.

	June £	July £	August £	September £	October £	November £
Revenue	48 000	48 000	56 000	50 000	58 000	
Raw materials	24 000	28 000	25 000	29 000	39 000	25 000
Labour costs	15 000	15 000	20 000	20 000	21 000	18 000
Utilities	5 000	5 000	6 000	7 000	7 000	
Interest	2 000	2 000	2 000	2 000	2 000	2 000
Net cash flow	2 000	(2 000)	3 000	(8 000)	(11 000)	
Opening balance	3 000	5 000	3 000	6 000	(2 000)	
Closing balance	5 000	3 000	6 000	(2 000)	(13 000)	

(a) The Finance Director has just received the final data needed to complete the cash-flow forecast. Revenue in November is forecast to be £78 000, and utilities in November are forecast to be £9000.

Calculate the closing balance for November. Show your working.

....

....

....

....

....

....

Answer = £ .... **[3]**

This question was very accessible with most candidates being able to achieve full marks. Candidates should always show their workings as there are opportunities to achieve partial marks in the final answer.

Question 10 (b)

(b) State the minimum level of bank overdraft that SJW Ltd will need to arrange for this 6-month period.

....

....

Answer = £ .... **[1]**

Most candidates were able to access the mark here. There was an opportunity for an OFR should the candidate use an incorrect figure in their previous question, but one which would have demonstrated their knowledge that the largest negative figure equals the size of the overdraft required.

Question 11*

11* Recommend how Coffee#1 could use flexible working practices. Justify your recommendation. **[15]**

Candidates were largely able to access this question. Candidates understood the wide range of flexible working practices available. The resource booklet allowed candidates to demonstrate their ability to apply this to Coffee#1. Analysis marks were accessed through discussing the impact on the business. To access development marks, there were many examples of candidates presenting either a two-sided argument, or looking further at the consequences towards the business, especially as Coffee#1 are looking to expand further. The best development responses were the ones which used the wider scenario of the resource booklet to present a detailed discussion.

In terms of evaluation, the better candidates demonstrated an ability to question whether flexible working practices was suitable based on the roles within the business. Other candidates questioned just how much of an impact flexible working practices would have, particularly as the resource booklet points out that staff shortages remain an issue in the industry. Questioning the wider usefulness of flexible working practices, and drawing a detailed judgement often saw candidates accessing the very top marks in this question.

Assessment for learning

As this is a 15-mark question, there are 7 marks available for evaluation. Candidates should put considerable weight into their evaluations. Candidates should present two good evaluations against their previous discussions. To access all the evaluation marks, a strong judgement should then be made using evaluative skills, such as identifying the most important factor and detailing why.

Exemplar 3

flexible working practices may include things such as working from home and part time working hours. Coffee #1 can use working from home for employees responsible for the financial part of the business. This should improve employee motivation as they are allowed the freedom to work from home. As workers feel more motivated, this can lead to an increase in quality of work produced. Hence, the financial reports for Coffee #1 can be produced with low chances of error. However, the quality of work is limited to whether employees ~~consider~~ become lazy working ~~to~~ from home. A lack of supervision may lead to carelessness which will affect the business in the long term and potentially prevent it from growing its number of stores ~~from~~ to 11,600 as forecasted.

Another way Coffee #1 can use flexible working practices is by offering employees part time roles. As most stores are open from 7:30 am to 6:30pm daily, this could be a very long working time for baristas. Hence part time roles can prevent excessive working hours. This can then lead to more efficiency within Coffee #1 when producing and making hot chocolates for customers. This will lead to more sales ~~as~~ because customers will feel valued with the amount of time taken to recieve their orders. Hence greater sales will lead to greater profits. However, in my opinion, the effectiveness of part time roles depends on the skills of workers. Some employees may not have certain skills required to fulfil roles which will most definitely disrupt output. In the long term this can increase recruitment costs for Coffee#1 has some part time workers may be required to leave due to a lack of skills.

Overall, I believe that Coffee #1 could most definitely use working from home and part time roles to their advantage. This is because both methods of flexible work are seen to increase business output which is key for Coffee#1 because they are looking to grow further within a market of ~~of~~ many competitors. Hence they can use these work practices to achieve their objective of growth and hence I think should surely put them into practice. This will increase their ~~...~~ output and ~~...~~ will clearly boost their sales and profits.

Exemplar 3 demonstrates very good knowledge across the first two paragraphs. Working from home and part time working earned the knowledge marks. In both paragraphs there is application, which then allows analysis. For working from home, this is where the candidate looks at the increase in quality of work produced. There is development as the candidate goes on to present a two-sided argument which is written in context. As for part time working, there is analysis and development as the candidate discusses the subsequent efficiency on Coffee#1 especially within the context of the industry they operate in.

The candidate is also able to show evaluation skills by drawing attention to what the success of this flexible working practice depends on. However, the answer would have benefited from examples of what skills part time workers may lack.

The candidate also draws a very good judgement paragraph on the overall effectiveness of offering flexible working practices. This response warranted 13.

Question 12

12 Evaluate **two** ways that poor customer service may affect Coffee#1's stakeholders. **[9]**

Candidates, in general, were able to access most of the marks. In order access the initial knowledge marks, candidates must be able to identify how poor customer service impacts on a specific stakeholder. There was a lot of application in the resource booklet for candidates to use. To access the analysis marks, it is important to look at the impact on that actual stakeholder. Some candidates referred to impacts on Coffee#1 which prevented them, in most cases, from accessing the analysis marks. Candidates should always read the question carefully.

As this is a 9-mark question, candidates are expected to present their evaluation skills. This could be done by questioning just how big the impact is on the stakeholders concerned. For example, there are opportunities to argue that poor customer service has little impact on shareholders as this is a growing market and profits will still potentially increase. There are also opportunities to demonstrate that poor customer service has a greater impact on one stakeholder over another stakeholder.

Question 13

13 Analyse how **one** barrier to entry may affect Coffee#1's growth plans (**Extract D**).

....

....

....

....

....

.... **[4]**

Many candidates struggled to get more than two marks on this question. Although candidates were able to identify a barrier to entry and then show application, there were a lot of responses that simply stated generic terms for analysis. In most cases, this did not access the analysis marks as the question is asking how it affects growth plans. Better analysis looked at how it may force Coffee#1 to spend considerable amounts of money on advertising, they may have to use a different pricing strategy and might have to look for alternative places to expand due to the inability to afford the high rental costs.

Once again, candidates are reminded that it is only worth four marks, so there is no need to write beyond the space provided. However, the analysis should be specific and relevant to the case study to access full marks.

Question 14*

14* Coffee#1 has announced it will accelerate its growth plans.

Evaluate the importance of different market research techniques to ensure Coffee#1's expansion is a success. **[15]**

This was largely a very challenging question with significant numbers of candidates unable to access full marks. To access the initial knowledge marks, candidates needed to know specific market research techniques. Some candidates confused this with models such as Ansoff or Porters Five Forces. This was not what the question asked. Also, the question was not asking for the advantages and disadvantages of market research methods. It was asking for the importance of these techniques to make sure the expansion was a success. More successful responses focused on how the different market research methods allowed Coffee#1 to make good business decisions. This could have been developed with either a 2-sided argument, or through further discussion on the impact on the expansion plans in relation to the current scenario.

Some candidates demonstrated very good knowledge about the negative impact of poor market research on the subsequent decision making of Coffee#1 such as poorly conducted focus groups where everyone simply starts agreeing with each other, resulting in Coffee#1 offering a menu which fails to meet the needs and wants of future customers in its expansion plans.

With a 15-mark question, evaluation remains a vital skill which centres must stress to their future candidates. Evaluation could have been accessed by having two good evaluative discussions, and then having a strong judgement on the importance, or otherwise, of market research towards the success of the expansion plans. This ultimately ensures that the candidate has answered the question in its entirety.

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