Qualification Accredited

OCR
Oxford Cambridge and RSA

Examiners' report

A LEVEL

BUSINESS

OCR Level 3 Advanced GCE in Business

H431

For first teaching in 2015

H431/01 Summer 2025 series

Version 1

ocr.org.uk/business

Contents

Introduction 3
Paper 1 series overview 4
Section A overview 5
Question 1 5
Question 2 6
Question 3 6
Question 4 6
Question 5 7
Question 6 7
Question 7 8
Question 8 8
Question 9 8
Question 10 9
Question 11 10
Question 12 10
Question 13 10
Question 14 11
Question 15 11
Section B overview 12
Question 16 (a) 13
Question 16 (b)* 14
Question 17* 16
Question 18 18
Question 19 19
Question 20* 21

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.

Paper 1 series overview

This component focuses on the local business environment, in this case a small independent tailor known as Shanti's Sewing Limited (SSL). SSL provides all types of tailoring work including repairs, resizing, and restyling, as well as specialising in the alteration of formal clothing such as wedding dresses and suits. These sewing tasks were done by Shanti (the owner) along with three employees.

The concept was well received by most candidates, who understood the market for clothing repairs. Some candidates made suggestions in answers that demonstrated a lack of understanding about the business and in particular, small businesses, suggesting Shanti should grow into a national chain or offer 'buy one get one half price on wedding dress alterations', which demonstrated an almost generic approach to making suggestions for this case study. Candidates are reminded to use the evidence provided in the case study when making recommendations for any business and consider the suitability of those recommendations being offered.

Some responses were very difficult to read, which means that they are not likely to be as successful, due to the argument being difficult to follow. This is something which centres need to address if a candidate is to reach their potential. Some responses were also very hard to follow and lacked structure. There were responses that appeared to be more of a stream of thought that provided little more than lists of points, rather than well-developed, structured, and focused responses.

On the other hand, there were many responses that were very well laid out with the arguments clearly arranged in paragraphs and with a concise evaluative conclusion. There is still evidence of colloquial language being used in place of key subject terminology (such as 'going bust' instead of 'business failure') and centres are advised to remind candidates of the academic nature of writing required in advanced-level study. There was no evidence of time pressure in the exam, and very few candidates 'ran out of time'. This report has been written based on the feedback from the entire team of examiners and should be read in conjunction with the published mark scheme.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• made full use of the information provided in the resource booklet • had a clear structure with well-developed chains of analysis • showed their working on numerical questions • started their responses by demonstrating knowledge and understanding of the key concept(s) in the question • used paragraphs to separate the points being made in each response • incorporated appropriate subject terminology, showing a depth of understanding for a concept.	• gave purely theoretical responses which meant they could not gain the analysis and evaluation marks • made limited use of the information provided in the resource booklet, often only referring to the type of work SSL undertakes • did not show knowledge and understanding of the key concept in the question by providing responses that implied knowledge and understanding rather than demonstrating knowledge and understanding.

Section A overview

The multiple-choice questions proved a very effective discriminator on this paper. Inevitably, some questions generated a very high level of correct responses, whereas others did not. It was pleasing to see candidates respond well to Question 10, which contained a financial statement, as numerical questions are often not responded to well.

Question 13 was responded to the least well in this section. Candidates often selected the answer that suggested a fall in advertising elasticity of demand (AED) would be an appropriate marketing objective for a toy manufacturer, implying that candidates did not fully understand the concept AED. Question 5, relating to critical path analysis, was also answered incorrectly by many. Question 8 demonstrated the need for centres to make sure full coverage of the specification, as many candidates were unable to identify the method of external growth from the options provided.

However, there were plenty of candidates who demonstrated excellent knowledge of the topics covered in this section and scored more than 12 marks.

There were a small number of candidates who missed out one or more responses in this section. Centres are reminded to inform candidates that there is no negative marking and so any response can be more successful than none. There were also other candidates who marked more than one box. When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark can be given, as it is not possible to determine which was the first response selected by the candidate. A detailed rationale of the multiple-choice responses is provided in the mark scheme.

Question 1

1 Profits made by a co-operative are:

(a) distributed to shareholders ☐

(b) donated to charity ☐

(c) paid to central government ☐

(d) shared between members ☐

[1]

Question 2

2 What is a correct way to calculate added value?

(a) Actual cost minus budgeted cost ☐

(b) Current assets minus current liabilities ☐

(c) Margin of safety multiplied by unit contribution ☐

(d) Selling price minus cost of inputs ☐

[1]

Question 3

3 One way a school can act in a more sustainable manner is by:

(a) purchasing e-textbooks rather than paper copies ☐

(b) raising money for local animal welfare charities ☐

(c) removing the onsite chocolate bar vending machine ☐

(d) sending broken laptops and tablets to landfill ☐

[1]

Question 4

4 An advantage of producing a budget is that it:

(a) sets no specific limits on spending ☐

(b) will automatically be fixed at the same level as the previous year ☐

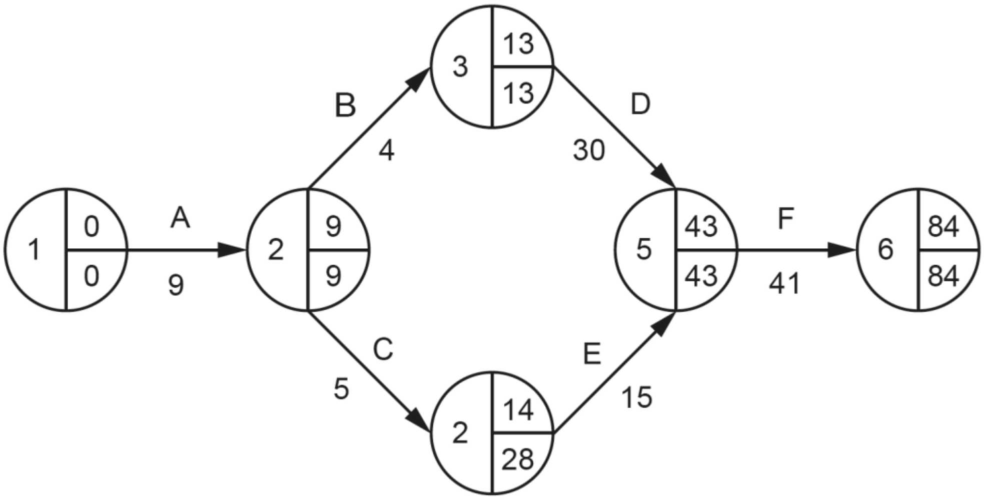
(c) will be increased by a set percentage each year ☐

(d) will provide information to help managers monitor performance ☐

[1]

Question 5

5 The schedule for a project is shown in the network diagram. All timings are in weeks.



Assuming no other changes, if activity C takes twice as long as expected, how many weeks will this delay the completion of the project?

(a) 0

(b) 1

(c) 4

(d) 5

[1]

Question 6

6 A mission statement:

(a) can be used as a marketing tool

(b) is a financial document

(c) limits corporate vision

(d) turns tactical objectives into a strategy

[1]

Question 7

7 What is **not** an example of lean production for a tomato ketchup manufacturer?

(a) Creating quality circles to solve problems in the bottling area ☐

(b) Improving the ergonomic layout of the food preparation area ☐

(c) Producing each bottle of tomato ketchup using job production ☐

(d) Using just in time (JIT) to keep stocks of tomatoes to a minimum ☐

[1]

Question 8

8 What is a form of external growth?

(a) A dominant firm ☐

(b) A strategic alliance ☐

(c) A works council ☐

(d) International trade ☐

[1]

Question 9

9 Organisational culture:

(a) attempts to explain consumer buying behaviour ☐

(b) evaluates the function, cost, and aesthetics of new products ☐

(c) reflects the attitudes, values, and beliefs of a business ☐

(d) requires the involvement of a trade union ☐

[1]

Question 10

10 An income statement for APL plc is shown.

	£m	**£m**
Revenue	880	
Cost of sales	340	
Gross profit		540
Expenses	220	
Operating profit		?
Finance costs	21	
Profit before tax		299
Tax	74	
Dividends	45	
Retained profit		180

What is APL plc's operating profit for the year?

(a) £278m ☐

(b) £320m ☐

(c) £760m ☐

(d) £1420m ☐

[1]

Question 11

11 A farmer agrees to supply a supermarket with rhubarb every month for a year at a set price. Part way through the year the farmer receives an offer from a restaurant to purchase the rhubarb at a higher price. The farmer stops supplying the supermarket and begins supplying the restaurant.

Which type of legislation does the farmer appear to have **not** followed?

(a) Consumer protection law ☐

(b) Contract law ☐

(c) Financial conduct law ☐

(d) Intellectual property law ☐

[1]

Question 12

12 Which statement about contingency planning and crisis management is correct?

(a) Contingency planning is essential, crisis management is optional ☐

(b) Contingency planning is internal, crisis management is external ☐

(c) Crisis management is quantitative, contingency planning is qualitative ☐

(d) Crisis management is reactive, contingency planning is proactive ☐

[1]

Question 13

13 What is **most** likely to be a marketing objective for a toy manufacturer?

(a) Double the sales of its toys to girls of secondary school age ☐

(b) Improve the productivity of its action figure output by 5% ☐

(c) Reduce its advertising elasticity of demand from 1.6 to 1.3 ☐

(d) Use the Boston Matrix to include more 'dogs' in its product portfolio ☐

[1]

Question 14

14 Emerging markets:

(a) decrease the size of the global market ☐

(b) pose no threat to UK businesses ☐

(c) reduce overseas investment opportunities ☐

(d) typically have low labour costs ☐

[1]

Question 15

15 Hiro sells doughnuts. The ingredients for a box of doughnuts cost 65p. Hiro sells each box of doughnuts for £3.50. Fixed costs for the year are estimated to be £26 000.

The break-even point for the year is estimated to be:

(a) £21 931 ☐

(b) £31 931 ☐

(c) 6266 boxes ☐

(d) 9123 boxes ☐

[1]

Section B overview

Most candidates were able to use the case material from the Resource Booklet in their responses, which is essential to be able to access the higher skills of analysis and evaluation. However, many tended to focus on the same pieces of context in many of their responses, such as referencing the types of alterations undertaken by SSL or the fact that SSL only has three employees.

There was a wealth of data available in the resource booklet, which can be used in responses for further analytical and evaluative development. It is worth noting that it should be stressed to candidates that calculated data is an ideal source of information that can be used in responses to other questions on the paper. For example, many candidates correctly calculated SSLs estimated increase in revenue on Question 16 (a); however, very few candidates went on to use this calculated data as contextual evidence in responses to other questions.

Most candidates were able to make very good use of the information provided in the resource booklet. However, there was also a good proportion of candidates who simply gave theoretical responses or only mentioned the owner's name. Responses which only mentioned 'Shanti' or 'sewing' were not able to achieve the contextual application marks, meaning that they were also unable to gain the marks for analysis and evaluation. It is also important to note that any references to contextual information used in the stem of a question cannot be rewarded with application marks.

Candidates should make thorough use of the Resource Booklet to respond to the questions in context. Good use of context will pull together two or three pieces of information from the case study. This is an area which centres should focus on to allow their candidates to gain access to the higher marks.

Question 16 (a)

16

(a) The number of clothing repairs is currently 30 per month. Shanti thinks this figure could grow by 20% over the next 12 months. (Lines 24–26)

If the price per repair does not change, calculate the increase in revenue over the next 12 months.

....

....

....

....

....

Answer = £ .... **[5]**

The calculations on this paper are designed to be straightforward, but many candidates approached this in an unusual manner, showing different methods of calculating an increase in revenue that were often hard to follow. This meant that working marks were difficult to award if the answer declared on the answer line was incorrect. Candidates would benefit from taking a moment when they have completed their answer to go back to the question and check that they have addressed all parts of the question. A common error in answers related to not including the time period in the question, where candidates were asked to calculate the increase in profit over a 12-month period. The most common error was to calculate the monthly increase in revenue of £99 but then did not multiply this by 12 to give the correct final answer.

Question 16 (b)*

(b)* Shanti "…has collated some past data so she can calculate price elasticity of demand." (Lines 27–28)

Evaluate the usefulness to Shanti of using price elasticity of demand calculations. **[15]**

This question elicited a wide range in terms of the quality of the answer, with many candidates opting to write about different pricing strategies and having low or high prices, rather than the concept of price elasticity of demand (PED). A clearer statement related to the understanding of 'elastic' and 'inelastic' demand as part of PED would have been beneficial. Many responses incorrectly referred to increases in profits as prices are reduced, rather than focusing on the increase in revenue.

Those candidates who demonstrated good knowledge and understanding of PED, along with reference to the data in Table 1 and how Shanti could use this information to support her business strategy, were able to score well on this question. Stronger answers identified that simple alterations were more elastic than wedding dress alterations, acknowledging the difference in the usefulness of PED to Shanti in these different business areas.

It was pleasing to see some attempt at calculating PED for SSL at different price levels.

Assessment for learning – Using Price Elasticity of Demand

Using the correct terminology related to the concept in a question is essential. Very few responses used the terms 'inelastic' or 'elastic' in their answer to Question 16 (b). There was also a misconception with the use of the minus sign in PED calculations, with some candidates correctly calculating a PED of (for example) -2.20 when the price is reduced from £22 to £20. However, this was often followed by the suggestion that the answer was inelastic as it was 'below one', which is incorrect.

Additionally, many candidates attempted to calculate PED as part of their answer, which was encouraging to see, but it was unclear what figures were being used to do this. When including calculations as part of a response that does not specifically ask for a calculation, candidates should show their working, including a formula, in the answer space so that it can be identified how they calculated the answer/figures being used.

Exemplar 1

Shanti's calculations of PED ~~may not~~ usefulness may be limited. This is because the calculations are only for her simple clothing alterations and she now specialises more in formal clothing. Therefore, the majority of her revenue from formal clothing hasn't been analysed in the PED for this service. This means she could be undercharging customers and losing out on profit. Her simple clothing alteration services are a small part of the business and therefore the PED calculations usefulness are limited.

Exemplar 1 provides an excellent example of an answer that addresses the question set. Previously in the answer, the candidate had provided clear knowledge of PED with a well-written definition related to the responsiveness of demand to a change in price. In this extract we can see a discussion about how PED may not be useful to Shanti, acknowledging that the resource booklet only provided information (in Table 1) related to price/demand data for simple alterations, implying that if Shanti was to assume she should lower priced to increase demand, this may actually be detrimental to other areas of her business that could be seen to be more inelastic (which is a very reasonable assumption to make related to how much people would be willing to pay to get a luxury garment such as a wedding dress or a formal suit altered). There is good analysis shown by referencing the impact on profits, as well as an evaluation of the extent of the usefulness of PED calculations to Shanti.

This exemplar demonstrates that if candidates write clear, concise paragraphs with the required knowledge and a developed writing structure which addresses the question, then they can score well.

Question 17*

17* Shanti is, "…considering introducing some sort of appraisal method linked to a bonus" for her employees. (Lines 39–40)

Evaluate the impact on SSL of Shanti introducing a method of appraisal. **[15]**

This question was not responded to well by many candidates, with the vast majority focusing on the benefit of Shanti introducing a bonus that was in the stem of the question, rather than the question that asked about the impact of introducing appraisal methods - a method of assessing employee performance (which may then be used to determine who would get the bonus). A number of responses were unable to access any marks on this question, as there was no knowledge shown relating to appraisal. Many responses incorrectly suggested that a bonus was a method of appraisal and provided additional examples of alternative financial and non-financial 'appraisal' tools (such as extra holiday, overtime and extra days off) that would be better than a bonus for Shanti, demonstrating this was a topic area candidates need to better revise for future sessions as understanding was limited. This misconception was often followed by referencing the work of various motivational theorists who support money as a motivator for employees, further displaying a limited understanding of the concept of appraisals.

A small number of candidates confused appraisal (in human resource terms) with investment appraisal and attempted to discuss the use of payback and ARR for Shanti.

Those candidates who were able to offer suggestions of appraisal methods, such as peer appraisal and 360 appraisal and how Shanti could use these to determine how the bonus would be awarded often scored well. Common evaluation points were seen in relation to the time taken to do the appraisal and the impact this would have on the level of sewing taking place, with stronger answers suggesting this could be done during the off-peak periods identified in Table 2.

Exemplar 2

To begin, a method of appraisal is defined as any way financial or not in which Shanti can reward her employees for their work. This may be a bonus or it could be something like extended holiday periods. One impact on SSL of Shanti introducing a method of appraisal would be increased motivation levels. By offering her employees additional rewards such as bonuses Shanti will improve the morale of SSL as workers are motivated by money. Although money may not be the main motivator, according to theorists like Maslow, self-esteem needs are important and by appraising workers Shanti will improve their self-esteem and make them more motivated to work. Because of this, SSL are likely to experience higher levels of productivity as workers are more motivated to work hard, leading to a more efficient workforce with higher output.

Exemplar 2 provides an example of the common incorrect approaches seen in responses to this question. The candidate suggests that appraisal is a method of rewarding employees, rather than a tool to evaluate an employee's performance, which can then be used to determine who should be rewarded.

Question 18

18 Analyse **two** ways Shanti could respond to the data in **Table 2**.

....

....

....

....

....

.... **[9]**

This was a generally well answered question, with many candidates being awarded full marks. More successful answers addressed the seasonal nature of any response being made by Shanti, such as employing temporary staff in the peak summer months for the purpose of dealing with forecasted increased demand at that time. Recommendations to employ temporary staff in the summer to deal with staff going on holiday, with no reference to the data in Table 2, was a common error, as this did not address the question.

Where candidates did not score well, it was often due to a lack of any reference to the data in Table 2, meaning that they were unable to access any analysis marks. A small number of candidates are still providing conclusions/judgments to questions that use the command word 'analyse'. This wastes valuable time for candidates in examinations, so centres should address the requirements of each command word with candidates.

Question 19

19 Shanti is in favour of the government reducing Value Added Tax (VAT). (Lines 52–53)

Assume the basic rate of VAT is reduced.

Analyse **one** impact of this change on SSL.

....

....

....

....

....

.... **[6]**

Many candidates did not show clear knowledge and understanding of VAT, opting to make sweeping statements that could have been true of any type of tax. A common misconception was to assume that SSL would make more profit if the VAT fell without stating how this could happen (it would need to be assumed that they would keep prices at the pre-VAT level for this to occur, but candidates need to explain this action). Where clear knowledge and understanding of a concept is not shown, no marks can be awarded. Candidates who scored well on this question clearly outlined the relationship between VAT and any point they were making as well as ensuring analysis was relevant and feasible. Often, candidates would suggest that following a 15% fall in VAT, the savings being made on purchasing a new sewing machine would provide Shanti with enough finance to be able to open additional outlets, grow nationally, or pay workers more to stop them going on holiday during peak-times.

Additionally, on a 6-mark question such as this, there is a requirement for two separate pieces of contextual application to be present in the response.

Misconception

Many candidates were unaware that VAT is a consumption tax and incorrectly implied that VAT has the same function as income/corporation tax and is based on the profit levels of a business, suggesting that SSL would have higher profits if VAT fell. There are many variables that need to be identified to make this statement true, many of which were not discussed in the answers. It is important that candidates have a full understanding of all areas of the specification and clearly explain the nuances of concepts within their responses.

Exemplar 3

adv ~~[illegible]~~

One impact on SSL would be a Save in Costs. Assuming that the VAT is permanently reduced to 5% from 20% as it was in the pandemic, this can allow Shanti to get her supplies from her Suppliers at a cheaper cost. Assuming that ~~[illegible]~~ SSL's Suppliers Lower their prices accordingly, it can allow SSL to purchase Supplies at a reduced Cost. This can allow a decrease in the variable Cost of SSL and therefore a decrease in SSL's total Cost. This allows more profit to be kept which impacts SSL positively as they can Spend it on new employees for example due to Shanti saying that SSL is experiencing general growth. Therefore, allowing SSL to increase its ability to meet deadlines.

Exemplar 3 provides an example of response that clearly demonstrates knowledge and understanding of how a reduction in VAT can affect SSL through a reduced cost when making purchases for the business. Each sentence clearly follows the previous and is used to explain any points being made, rather than implying knowledge. The use of 'assuming supplier lower their prices accordingly' provides an excellent understanding of the issues surrounding VAT as well as addressing the potential uncertainty surrounding how the actions of other businesses cannot always be presumed.

Question 20*

20* "Shanti is proud of her achievements and considers her business to be a success." (Lines 55–56)

Evaluate the extent to which SSL can be considered a success. **[15]**

This was the most well answered question in section B on this paper, with many candidates scoring 10 marks or higher. Candidates were able to provide a wide range of success measures that could be identified from the resource booklet and were able to identify how much of a success SSL could be considered based on these.

Some candidates took a stakeholder approach to determine the extent to which SSL can be a success, which was an interesting way to approach this question. This often led to well-scored answers where the views of different stakeholders were analysed before determining which group might have viewed SSL as the greatest success compared to other groups.

Where candidates did not perform well on this question was usually due to a lack of understanding of how SSL may be seen as a success, with the common misconception being that SSL is small and only has three employees and one unit. It is important for candidates to appreciate that not all businesses aim to be large, and small businesses can also be seen as successful.

Good evaluation was seen in answers that identified how SSL may be considered a success at this point in time, and what they might need to do to continue to be seen as a success in the future.

Supporting you

Teach Cambridge

Make sure you visit our secure website **Teach Cambridge** to find the full range of resources and support for the subjects you teach. This includes secure materials such as set assignments and exemplars, online and on-demand training.

Don't have access? If your school or college teaches any OCR qualifications, please contact your exams officer. You can forward them this link to help get you started.

Reviews of marking

If any of your students' results are not as expected, you may wish to consider one of our post-results services. For full information about the options available visit the OCR website.

Access to Scripts

We've made it easier for Exams Officers to download copies of your candidates' completed papers or 'scripts'. Your centre can use these scripts to decide whether to request a review of marking and to support teaching and learning.

Our free, on-demand service, Access to Scripts is available via our single sign-on service, My Cambridge. Step-by-step instructions are on our website.

Keep up-to-date

We send a monthly bulletin to tell you about important updates. You can also sign up for your subject specific updates. If you haven't already, sign up here.

OCR Professional Development

Attend one of our popular professional development courses to hear directly from a senior assessor or drop in to a Q&A session. Most of our courses are delivered live via an online platform, so you can attend from any location.

Please find details for all our courses for your subject on **Teach Cambridge**. You'll also find links to our online courses on NEA marking and support.

Signed up for ExamBuilder?

ExamBuilder is the exam paper builder platform for a range of our qualifications. Find out more.

Free for all OCR centres with an Interchange account, it allows unlimited users per centre. We require an Interchange username to verify your centre's users for ExamBuilder.

If you do not have an Interchange account, please contact your centre administrator (usually the Exams Officer) to request a username.

Once you have an Interchange username, use the form on this page to sign up for ExamBuilder, or ask an existing user at your centre to create an ExamBuilder account for you.

Active Results

Review students' exam performance with our free online results analysis tool. It is available for all GCSEs, AS and A Levels and Cambridge Nationals (examined units only).

Find out more.

Tell us what you think

Your feedback plays an important role in how we develop, market, support and resource qualifications now and into the future. We want you and your students to enjoy and get the best out of our qualifications and resources, but to do that we need your honest opinions to tell us whether we're on the right track or not.

You can email your thoughts to resources.feedback@ocr.org.uk or visit our feedback page to learn more about how you can help us improve our resources.

Designing and testing in collaboration with you and your students

Helping young people develop an ethical view of the world

Equality, diversity, inclusion and belonging (EDIB) are part of everything we do

---

Contact the team at:

01223 553998

ocr.org.uk

To stay up to date with all the relevant news about our qualifications, register for email updates at ocr.org.uk/updates

Visit our Online Support Centre at support.ocr.org.uk