

Business Studies

Advanced GCE **A2 7811**

Advanced Subsidiary GCE **AS 3811**

Combined Mark Schemes And Report on the Units

June 2005

3811/7811/MS/R/05

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**Mark Scheme 2871
June 2005**

General

- 1 The paper is to be marked to AS standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers the "own figure rule" (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Sections in bold refer to possible issues/content that the candidate might use. These are neither exhaustive nor necessarily required.
- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
 - (a) the clarity of the candidates' expression,
 - (b) the structure and presentation of ideas,
 - and (c) their grammar, punctuation and spelling.
 - 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions,
 - 1 where the candidate's demonstration of communication is good in terms of clarity of expression
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling,
are sound in the other regards
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OR structure and presentation of ideas,
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are such as to detract from the quality of the answer.

- 1 Fish farming is an example of business activity in the primary sector of the economy. Identify the other two sectors of business activity. [2]

Secondary.

Tertiary.

If the words are recognisable but misspelt, award the marks.

Level 1: 2 x 1 mark (2)

- 2 As part of its regional policy, the government has designated much of the West Coast of Scotland as a Development Area (Line 43 – 44).
Outline two likely reasons for the government offering support for businesses in this area of Scotland. [4]

The government aid comes from the Regional Development Assistance (RDA) programme. RDA is for:

- the safeguarding of jobs - in order to support communities (“stop suppliers closing as well”).
- the creation of jobs - encourage new businesses into the area.
- helping prevent a loss of revenue to the Treasury via lower tax receipts. Large numbers of unemployed people causes government spending on benefits to increase.
- bringing in foreign investment and so boosting the local economy – and (via the multiplier effect) at national level.
- achieving equity between areas of the UK, helping to alleviate poverty and economic decline.
- helping to prevent ‘overheating’ in some areas and encourages more balanced growth.
- helping firms survive and/or grow so they can compete more effectively both in exports and against imported products. There is a trade issue here.
- R & D (accept references to “money for helping firms make better products” etc) so that businesses can remain competitive.

Also, in order to qualify for RDA, there has to be ‘an element of capital expenditure’ by a business so allow references to “buying better machines (to compete)” etc.

For Level 1: credit simple statements e.g.

- “Because infrastructure is poor”
- “To create jobs locally”
- “To boost growth”

For Level 2: 4 marks, allow two different valid results (of RDA) which are supported. The support may or may not be linked.

Level 2	Reason(s) outlined.	(4-3)
Level 1	Reason(s) stated.	(2-1)

3 Other than through regional policy, analyse how government might affect McAvoy's Ltd. [9]

The specification makes reference to "the state as a consumer, provider, supporter and source of constraints" therefore accept references to these in any form.

THE LAW NB. Candidates are NOT expected to know the legislation in detail.

The 'standard' Acts are likely to be: Health & Safety Act, The Minimum Wage, Weights and Measures Act, Sale of Goods Act, Sex/Race/Disability Discrimination Acts, Employment Protection Acts, Data Protection Act etc.

Other legislation might include legislation with regard to marketing of products e.g. Trade Descriptions Act.

EU ('government') legislation is relevant as well e.g. Working Time Directive. Various environmental Directives to conserve or protect species and/or habitats e.g. Wild Birds Directive.

TAXATION Accept references to Corporation Tax, Income Tax, VAT, National Insurance, Road Tax (on McAvoy's vehicles), Import Duty (Duty/tariffs if permitted under EU law to make imported fish more expensive) etc. A detailed understanding is not necessary.

Income Tax could also be discussed in the context of changes in the consumers' demand for McAvoy's salmon.

GOVERNMENT SPENDING FOR ECONOMIC REASONS Rises/falls in public spending to counteract the economic cycle to assist businesses will increase/decrease economic activity.

N.B. Do not award credit for references to changing 'interest rates' The Bank of England has been independent for eight years!

The government may also affect companies such as McAvoy's by allowing/not allowing further fish farming in a certain area (say for environmental reasons although this is unlikely in the case of McAvoy's organic nature) – this may affect future growth, profits etc.

GOVERNMENT PROVISION OF MERIT GOODS (The term does not have to be used!) E.g. education and health. The government provides these goods as a free market would not provide them in "sufficient quantity" so that the workforce is more productive and can adapt more quickly to changing labour market conditions. The provision of health care means that the workforce is going to be healthier and therefore more productive than would otherwise be the case. Also, apart from regional assistance there is help in the form of subsidised training/retraining schemes to help promote the objective of full employment. This may help to lower McAvoy's costs.

In addition, the government provides information for firms - e.g. through the Central Office of Information etc. - in order to assist businesses to compete.

Level 3	Some analysis of influence on operation of McAvoy's.	(9-8)
Level 2	Some application/understanding of influence(s).	(7-4)
Level 1	Influence(s) stated.	(3-1)

- 4 **Angus Finlay wants McAvoy's Ltd to aim for a growth in sales of 5% per year from 2007 (Line 90). Discuss the extent to which McAvoy's stakeholders might benefit from this objective. [14]**

Accept references to sales volume or sales revenue.

Essentially this answer revolves around "which stakeholders benefit?" Or/And "Is this correct"? Can this growth in sales be achieved especially if some directors, including the founders of the business, are not fully committed?

Candidates could argue that this objective will/might/could mean maximising rewards/benefits for all stakeholders if it is achieved. Alternatively which one(s) will 'lose most' if it is not?

Possible stakeholders in McAvoy's: shareholders, employees, customers, "Local community", suppliers, competitors, government.

It could be argued that, as the shareholders are those who have risked their money by investing in McAvoy's they should get a large/the largest benefits/reward if the objective is reached. Shareholders will see a rise in share value and higher dividends if growth is translated into profit. In the short run will dividends have to fall if more profit is retained to help pay for the growth?

In the long run employees could benefit if the company is in a secure financial position or/and their wages do rise in a 'fair' way. A bigger, 'more successful' firm hopefully means more job security and better conditions.

Are Angus (and possibly other senior managers) simply doing this to 'empire build', i.e. enjoy the power and prestige of being in charge of an even larger company. He/they may demand more resources to achieve the objective and more pay/bonuses if it is achieved. Less cynically, McAvoy's growth may enable executives to have greater challenges and more job satisfaction.

Would customers benefit? There is no suggestion that prices will fall and quality does not seem to be an issue. However if 'distributors are demanding more (line 71) then customers who are currently disappointed by shortages will be able to enjoy the fish.

Will 'the local community' and 'the local environment' be affected? Will jobs be created? If growth leads to profit McAvoy's may (feel it should) 'put something' into the local community, e.g. community grants/sponsorship. Will the expansion lead to (say) more pollution etc even though McAvoy's does try to adhere to organic standards?

Suppliers may well benefit. It is unlikely, given its ethos, that McAvoy's will try to force worse conditions of supply and payment on them. Will they be a stakeholder in the true sense of the word and be a 'partner' in the growth? If so, the larger McAvoy's may mean that the suppliers' position is more secure.

Presumably the government will be 'happy', as it will get more tax revenue if the objective is achieved.

Level 4	Some evaluation e.g. supported judgement concerning the impact on McAvoy's stakeholder(s).	(14-11)
Level 3	Some analysis of the impact on McAvoy's stakeholder(s).	(10-7)
Level 2	Some application/understanding of the issues(s).	(6-4)
Level 1	Knowledge recalled about objectives or/and stakeholders.	(3-1)

- 5 Assume that the Board decides to accept Angus's proposal to expand the farm (line 67).

Evaluate the sources of finance that McAvoy's Ltd could use to fund the expansion. [14]

On this question, accounting issues such as ratio analysis and gearing are not expected; they are not part of the 2871 specification.

Possible sources: a rights issue (accept "issue more shares"), a loan from the bank, selling off some land, retained profit, seeking government assistance, or (if they want to change the nature of the business) "go public".

Issuing more shares. What will be the effect on the existing shareholders? McAvoy's is a private limited company. Who would buy the shares? Could new shareholders be found? There are also issues of control. They could 'go public' but is this really likely to be a 'good idea?' Again, there would then be issues of control and accountability that may well affect the philosophy of the firm – "...organic farming is something I believe in. ...I for one never considered our objective as striving for an ever-greater profit" (Lines 96 – 97).

A loan from the bank is a clear possibility as existing borrowing in this form is down to £50,000 (line 77). If retained profit is used any loan will be smaller and less interest payable. NB An overdraft if theoretically a possibility but is really for short-term (cash flow) use rather than long term growth. Advisability of using overdraft facilities.

Advisability of selling assets (The co-founders Jamie & Ben McAvoy were left a large area of land by their grandfather in his will. This included the sea-loch on the West Coast that McAvoy's now use for farming – Line 11). Might this be needed in future? Could a buyer be found for land in such an 'out of the way' place?

Retained profit. No mention is made of this but it would be a valid source in the context of 2871.

Government assistance (RDA) would potentially be a valid source. McAvoy's is in a Development Area and should make use of this if it can. Allow reference to assistance in the form of grants for building and/or capital equipment, and also for training assistance and specialist advice etc. Some assistance e.g. ready built factories and discounted land purchases are not relevant to McAvoy's! NB for higher levels of the mark scheme candidates need to show some awareness that the assistance is not 'a bag of money with no strings attached' that is automatically given; McAvoy's would have to submit an application justifying what it wants.

Level 4	Some evaluation of the source(s) McAvoy's could use.	(14-11)
Level 3	Some analysis of source(s) McAvoy's could use.	(10-7)
Level 2	Some application/understanding of the issues.	(6-4)
Level 1	Knowledge demonstrated of source(s) of finance.	(3-1)

Specification Grid

Question	AO1	AO2	AO3	AO4	Total
1	2				2
2	2	2			4
3	3	4	2		9
4	3	3	4	4	14
5	3	3	4	4	14
Sub-Total	13	12	10	8	43
QWC					2
Total					45

Mark Scheme 2872
June 2005

General

- 1 The paper is to be marked to AS standard.
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- 1 (a) Outline two methods of market research Alton Towers may have used to gain the information in Tables 1 to 4. [4]

Any relevant answer e.g:

Questionnaires left on car windscreens/in the hotel bedrooms

Specific questionnaires for specific events

Sales figures from the tills

Level 2	Method(s) explained/applied to the business.	(4-3)
Level 1	One or two method(s) stated.	(2-1)

- (b) Discuss the importance to Alton Towers of maintaining a quality service for its customers. [9]

Understanding of quality in terms of customer demands/expectation of the service. Some consideration of the level of the experience when visiting Alton Towers e.g. issues related to choices of the rides, enjoyment of the rides, introducing new rides/facilities, queuing, quality of the facilities (rest rooms, restaurants etc.). The need to maintain consistency of service across the different activities and time (e.g. when people return to the venue).

How might the business monitor quality? – use of customer satisfaction questionnaires/mystery shoppers etc. Approaches to how the business might improve quality e.g. Kaizen. Cost to the business of the departments that look after quality control issues.

Implications of poor quality and the cost to the business of not achieving its mission statement e.g.

- Customers do not come back
- Poor public relations/poor word of mouth
- Legal/Health and safety issues especially with the rides

Level 4	Evaluation of the various issues and their relative importance.	(9-7)
Level 3	Analysis demonstrated by considering the implications for the business.	(6-5)
Level 2	Understanding of concepts involved demonstrated.	(4-3)
Level 1	Appropriate concepts and issues identified.	(2-1)

2 Analyse the implications for Alton Towers of having only one quarter of its total staff employed on a full time basis. [7]

Consideration of whether those who are not full time are part time and/or temporary staff and the weighing up of the implications of these options. Issues covered may include:

- *The problems of workforce planning in such circumstances*
- *Recruitment, selection and training costs of temporary staff given the seasonal nature of the business balanced with the cost savings made by not paying them out of season.*
- *Given that many of its staff are local how many come back each year to work for it?*
- *What are the implications for customer services of part-time/temporary staff?*
- *Nature of the job – are most of these 900 jobs fairly low level? If so this has implications for nature of people taking the jobs and the level of training/expertise needed.*
- *How to motivate so many staff who are not full time.*
- *Park is only open for part of the year – may therefore be better for the business to have a smaller permanent workforce.*

Some consideration the impact of the attempts to create out of season market via the hotel on staffing needs.

Level 3	Analysis demonstrated by considering the implications of employment issues for the business.	(7-5)
Level 2	Understanding of concepts involved demonstrated.	(4-3)
Level 1	Appropriate concepts and issues identified.	(2-1)

3 (a) Calculate the number of visitors arriving by coach in 2000. [3]

$$\begin{array}{lcl}
 30\% \text{ arrive by coach} & & \\
 \text{Total visitors in 2000} & = & 2.45\text{m} \quad [1] \\
 30/100 \times 2.45 & = & 0.735\text{m} \\
 [1] \text{ for process} & & [1] \text{ for final answer}
 \end{array}$$

(b) Evaluate the issues related to promoting Alton Towers to trade customers. [8]

Understanding that the trade market comprises coach operators, corporate customers, school parties, hotels and group organisers. Consideration of the different components of this segment of the market and their similarities and differences. Consideration of how this segment differs from the general customers segment.

Having a separate trade sales department to work on targeting this market segment. Comments on the different media Alton Towers could use, their cost and effectiveness in reaching the trade target market – TV, radio, press, direct mail, promotions and the Internet.

Comments on the ways specific groups in the trade market are targeted:

- *Coach tours and groups organisers – direct mail and trade PR*
- *Companies – main TV campaigns, trade PR, direct mail, direct calls from sales representatives*
- *Schools – direct calls, direct mail, onsite education centre, resource packs for schools*

How to allocate the promotional budget between the different markets?

Use of the Alton Towers brand in its promotional strategy.

Position Alton Towers as a destination resort. Promoting the hotels as conference venues especially during the closed season.

Consideration of the consequences of promoting to trade customers.

Level 4	Evaluation of the various issues and their relative importance.	(8-7)
Level 3	Analysis demonstrated by considering the implications for the business.	(6-5)
Level 2	Understanding of concepts involved demonstrated.	(4-3)
Level 1	Appropriate concepts and issues identified.	(2-1)

- 4 Discuss the factors that Alton Towers would need to consider when deciding whether to invest in a new ‘white knuckle’ ride. [12]**

Identification of the factors that will influence the investment decision:

- *How long since the last thrill ride was introduced, and how successful it was?*
- *Is it the right time to make such an investment?*
- *What are the competition up to?*

Consideration of how to minimise the risk of the investment e.g. good market research, secure sources of finance.

To what extent will constraints such as availability of technology, stakeholder influences, opportunity costs etc. affect the decision to invest in a new ride?

What investment appraisal techniques should the business use and how appropriate/effective are these techniques?

What sort of return is required from the investment?

Consideration of all of the four functional areas of business activity – marketing, finance, operations, human resources in relation to the proposed investment.

Use of the data in Table 5 to support the points made.

Consideration of external factors.

Level 4	Evaluation of the various factors and their relative importance.	(12-10)
Level 3	Analysis demonstrated by considering the implications for the business.	(9-7)
Level 2	Understanding of concepts involved demonstrated.	(6-4)
Level 1	Appropriate concepts and issues identified.	(3-1)

Specification Grid

Question	AO1	AO2	AO3	AO4	TOTAL
1 (a)	2	2			4
1 (b)	2	2	2	3	9
2	2	2	3		7
3 (a)	2	1			3
3 (b)	2	2	2	2	8
4	3	3	3	3	12
Sub-Total	13	12	10	8	43
QWC					2
Total					45

Mark Scheme 2873
June 2005

Subject specific instructions

- 1 The paper is to be marked to AS standard.
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are such as to detract from the quality of the answer.

- 1 (a) Calculate the total contribution if the special order for horse feed from Claire Bayley is accepted (lines 36-39). [6]

Version 1

$$\begin{aligned} \text{Variable Cost of horse feed} &= \frac{\text{Total cost from supplier}}{\text{Units sold}} &= \frac{\underline{\pounds 1428}}{168} \\ & &= \pounds 8.50 & (1) \\ \text{Contribution per unit} &= \text{Price} - \text{Variable cost per unit} & (1) \\ &= \pounds 9.00 - \pounds 8.50 &= \pounds 0.50 & (1) \\ \text{Monthly contribution} &= \pounds 0.50 * 80 &= \pounds 40 & (1) \\ \text{Annual Contribution (feed)} &= 12 * \pounds 40 &= \pounds 480 & (1) \\ \text{Additional contribution from reduction in delivery costs} &= 12 * \pounds 120 \\ \text{Total Contribution} &= \underline{\pounds 1920} & (1) \end{aligned}$$

[Max 5 marks if answer not £1920]

Version 2

$$\text{Total Contribution} = TR - TVC \quad (1)$$

$$TR = \pounds 9 \times 80 \times 12 = \pounds 8,640 \quad (1)$$

$$TVC = \pounds 8.50 \quad (1) \times 80 \times 12 = \pounds 8,160 \quad (1)$$

$$\text{Total Contribution (excluding delivery)} = \pounds 8,640 - \pounds 8,160 = \pounds 480 \quad (1)$$

$$\text{Reduction in delivery costs} = \pounds 1,440$$

$$\text{Therefore Total Contribution} = \pounds 1,920 \quad (1)$$

[NB: An answer of £480 by any method = 5 marks]

OFR

(b) Should Hazel accept this order? Justify your decision.**[10]**

There are both financial and non-financial factors to take into consideration.

Financially, although the order from Claire will not create as much profit per item as normal for this product there is still a positive contribution per item. There is also the regular and guaranteed inflow of cash to the business to be considered.

The fall in delivery costs will reduce the average total cost of other products sold by PDS, which may lead to a fall in price and even more business for the shop.

Other non-financial factors include:

- Will Claire undercut Hazel's market by selling on the bags of horse feed to Hazel's potential customers at a price lower than that charged in the PDS shop but high enough to provide Claire with a profit over and above what she is paying Hazel. This may lead to a fall in Hazel's potential future market. Is there any way of Hazel preventing Claire from selling on the product cheaply?*
- What if Hazel's customers find out about the lower price being charged to Claire? Hazel's loyal customers will be unimpressed by the lack of loyalty shown in return.*
- Although the regular order from Claire will provide a regular source of income will it create yet more administrative and stock holding issues for Hazel to deal with?*
- Will this order from Claire lead to further business for Hazel, or might it lead to Claire setting up in competition to the PDS shop?*

Hazel will need to weigh up the additional financial benefits of accepting the order from Claire with the problems associated with greater stock levels, the chance of losing regular customers and the loss of potential new business. If Claire is really only buying the horse feed for the horses in her stables then there appears to be no real problem as no selling on is taking place.

Candidates may argue that over a year the additional contribution is very small and insignificant, although it is a significant addition to cash flow (£9 x 80 x 12 = £8640). We would need to know more about the financial situation of PDS from both a profit and cash flow point of view.

OFR/ARA

Level 4	Evaluation shown by supporting any judgement shown, highlighting any problems, weighting of arguments and/or consideration of long- and short-term issues. A clear decision must be made.	(10-9)
Level 3	Some analysis of the implications for PDS of accepting or not accepting the order.	(8-6)
Level 2	Some understanding shown of factors to consider when making a decision about accepting the order.	(5-4)
Level 1	Some knowledge of cost, price issues, contribution or unsupported statements why the order should be accepted or not.	(3-1)

2 Discuss the advantages and disadvantages to PDS of having such a wide product portfolio. [16]

PDS has four distinct product portfolios; riding lessons, livery, farming carried out by a tenant farmer and the shop.

Advantages: Each segment may be affected differently by the business cycle/state of the economy. Although the lessons and shop are linked with the riding of horses, whereas during a slowdown in the economy casual riders may purchase fewer lessons or hacks those people who have horses in livery will still have to spend money on their upkeep. Items in the shop such as horse feed and equipment for the care of horses will be affected by the health and welfare of the horses rather than the state of the economy. On the other hand, the tenant farmer will be protected from the changes in demand thanks to the Common Agricultural Policy and the fact that foodstuffs are less income elastic. This is also a guaranteed regular income for Hazel.

Customers for one part of the business may become aware of and purchase from another part. For example, those people who come to PDS for riding lessons may not otherwise have been aware of the shop. Not only will they go on to purchase from the shop, they are also likely to tell their friends about what is available. Equally, those who ride horses regularly may be interested in eventually buying their own horse and putting it in livery at PDS.

Customer loyalty is created for the PDS brand. Hazel will be able to sell more easily to customers who are already aware of the business and know of the quality of service offered. By building up a wide range of products it will also make it easier for PDS to further expand and diversify in the future.

Disadvantages: Control of such a wide variety of different products for such a small firm as PDS may cause problems. Hazel already appears over-stretched because of the stock problems in the shop and is facing problems with labour turnover. Hazel is the only manager for the riding stables, livery and the shop, as well as dealing with the tenant farmer as and when necessary. This may lead to a less well-developed strategy for future development and a lack of supervision of the employees of PDS.

A wide range of different products may be a drain on PDS's finances. There is a danger that instead of having a solid core to the business, PDS is made up of many parts that do not have the necessary finance or solid structure to fight off the competition.

ARA

Level 4	Evaluation shown by weighting of arguments and/or consideration of long- and short-term issues. A balanced argument is required.	(16-13)
Level 3	Some analysis of the advantages and/or disadvantages for PDS's business of having a wide product portfolio. NB: A one-sided answer should not gain more than 10 marks	(12-9)
Level 2	Some understanding shown of the advantages and/or disadvantages of a wide product portfolio.	(8-5)
Level 1	Some knowledge of product portfolio and/or its management.	(4-1)

3 Evaluate ways in which Hazel may be able to improve stock control in the shop. [16]

Hazel seems to have insufficient time to control the stock levels in the shop so leading to inefficiencies. It would appear that she orders supplies on an ad hoc just-in-case basis.

One solution would be to employ someone to work in the shop on a full-time or part-time basis. It appears that the shop is very busy and Robert states that Hazel is ignoring one of her objectives of setting up PDS, namely getting away from the 'rat race' of deskwork. Whether PDS could afford a specific employee to manage the shop is unknown but given the obvious inefficiencies currently explained by Hazel there would be large opportunities for cost savings that may be sufficient to pay for another employee. Who knows how large a part of the business the shop will become. Given its current rate of growth the time may come shortly when Hazel would have to employ someone else full-time in any case.

Maybe a reduction in the range of products offered in the shop may be more manageable. However, this may have a negative impact on long-term sales. The large number of local customers may be attracted to this shop because of its wide range of products.

As the shop becomes more established it may become easier to predict sales trends more easily. With more data, over a full year, seasonal trends may become more apparent. Maybe items that customers want that are not in stock could be available by order only, so removing one of the problems stated by Hazel.

Use of a computerised stock and ordering system may be within PDS's financial constraints. Again, if the saving in the long-term is greater than the one-off cost of purchasing and installing a barcode system then what appears an expensive luxury may be a wise financial move for the business. This may also be a cheaper solution than employing a full-time employee to run the shop.

Clearly, the current situation is untenable in the long-term. There is a severe impact on efficiency, space required for holding stock and Hazel neglecting other areas of the business. Some products have an end of month stock level higher than the sales for that month, whereas in one case stock has run out. The most likely solutions involve an outlay of money although this is likely to be less than the monetary and non-monetary costs of continuing with the present system.

ARA

Level 4	Evaluation shown by questioning the likelihood of success for proposals made, possibly in relation to any future changes in PDS's business activities, weighting of arguments and/or consideration of long- and short-term issues.	(16-13)
Level 3	Some analysis of the consequences for PDS of any proposed changes in the control of stock in the shop.	(12-9)
Level 2	Some understanding shown of the ways in which stock control may be improved.	(8-5)
Level 1	Some knowledge of stock control and factors affecting it.	(4-1)

4 Evaluate the advantages and disadvantages to PDS of introducing a formal training programme for all employees. [10]

It would appear that no training is currently being offered by PDS, although some of the staff will have qualifications so that they can work with the disabled riders.

Advantages: *Providing training will give employees more confidence in their job and are likely to do the job better and gain more satisfaction. There is evidence in Table 2 that many of the staff that have left did so because of a feeling of dissatisfaction with the job and a lack of progression and training. Two wanted a “better job” or career, two went on to gain more training (Annette and Kieran), two stated a lack of training was their reason (Carmen and Rose), Indira felt that she was gaining no experience and Ronel was not able to deal with customers. All of these may have been less likely to leave if training was being provided by PDS.*

A company providing training is more likely to be able to attract more and better employees. Given the high labour turnover and shortage of good staff in this industry, Hazel could gain a competitive advantage by offering training – especially if this training was under the supervision of the British Horse Society.

Disadvantages: *PDS employs a lot of part-time staff. This can lead to difficulties in providing training, as it is unlikely that they will all be present at the same time. This will cause problems with any on-site training provided. Part-time staff are also more likely to have higher labour turnover and so Hazel may question the efficiency of paying for them to attend training courses if they are likely to leave the business in the short-run.*

Given the busy nature of the stables and the long days, will it be possible to provide sufficient training? Any off-site training will reduce the available staffing for PDS on any given day or week and any on-site training is likely to extend what is already a very long working day. It may cause problems for maintaining the instructor to rider ratio set by Hazel, so reducing the amount of business that can be done per day.

Ultimately, Hazel has a conflict between introducing training to reduce labour turnover and associated costs, without it affecting the quality of service offered in the short-run. Clearly, if successful, there will be obvious advantages to PDS in the long-run.

ARA

Level 4	Evaluation shown by supporting any judgement shown, weighting of arguments and/or consideration of long- and short-term issues.	(10-9)
Level 3	Some analysis of the advantages and/or disadvantages of introducing a formal training programme for stable workers, with specific reference to the context available. NB: A one-sided answer should not gain more than 7 marks	(8-6)
Level 2	Some understanding shown of possible benefits or problems of introducing training.	(5-4)
Level 1	Some knowledge of reasons why training should or should not take place.	(3-1)

Specification Grid

Question	AO1	AO2	AO3	AO4	Total
1 (a)	3	3	-	-	6
1 (b)	3	2	3	2	10
2	4	4	4	4	16
3	4	4	4	4	16
4	3	2	3	2	10
Sub-Total					58
QWC					2
Total	17	15	14	12	60

**Mark Scheme 2874
June 2005**

General

- 1 The paper is to be marked to A2 standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers "the own figure rule" (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Material in italics refers to possible issues/content that the candidate might use. These suggestions are neither exhaustive nor necessarily required.
- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
 - (a) the clarity of the candidates' expression;
 - (b) the structure and presentation of ideas;
 - (c) their grammar, punctuation and spelling.
 - 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions.
 - 1 where the candidate's demonstration of communication is good in terms of clarity of expression;
OR structure and presentation of ideas;
OR the grammar, punctuation and spelling;
and sound in the other regards.
 - 0 where the clarity of the candidate's expression;
OR the structure and presentation of ideas;
OR the grammar, punctuation and spelling;
are such as to detract from the quality of the answer.

- 1 (a) Analyse how market segmentation could assist Benita in assessing the needs of her customers. [6]

Many possible answers. Segmentation can be used in a variety of ways, such as demographic, geographic etc. Different customers will visit the salon at different times for different services etc.

Level 3	Analysis of marketing segmentation in the context.	(6-5)
Level 2	Application and/or understanding of market segmentation.	(4-3)
Level 1	Identification of marketing segments/ definition of segmentation.	(2-1)

- (b) Hair Styles reduced the price of Benita and Daniel's Gents Cut at quiet times by £3. This led to an increase in the number of gents' cuts of 25%.

- (i) Calculate the price elasticity of demand. [4]

Calculation:

Current price--£15

New price--£12

$$\text{Percentage decrease} = \frac{3}{15} (1) \times 100 = 20\% (1) \quad (2)$$

$$\text{Elasticity is } \frac{\% \text{ change in demand}}{\% \text{ change in price}} = \frac{25}{20} (1) = - 1.25 (1) \quad (2)$$

- (ii) Discuss the factors that cause customers to buy services and products from Hair Styles. [16]

Several factors and plenty of case evidence including evidence from (b)(i). The specification highlights income, advertising, and price but there are other issue such as competition, brand loyalty, word of mouth, perceived quality etc.

In the case, the candidate might refer to Table 1 and aspects of the 4 P's. Close consideration of the issues should allow the candidate to evaluate and prioritise the factors. Better answers may well return to the issue of segmentation and consideration of the different types of customers.

Level 4	Evaluation of the factors in relation to buyer behaviour, in context.	(16-10)
Level 3	Analysis of the factor(s) in the context.	(9-6)
Level 2	Application/Understanding of the factor(s).	(5-3)
Level 1	Identification of factor(s).	(2-1)

- 2 (a) Analyse two marketing factors that Benita would need to consider if she decided to relocate Hair Styles. [6]

Place factors relate to aspects of being able to 'reach' the target market for your customers. If the salon relocated would it be in a stronger position to increase the size of the market? Key factors would include cost, changes to revenue, likelihood of increasing customers plus ARA.

Level 3	Analysis of place factor(s) using example(s).	(6-5)
Level 2	Application/understanding of place factor(s).	(4-3)
Level 1	Knowledge of place factor(s)	(2-1)

- (b) Develop and justify a promotion strategy that Benita could employ for Hair Styles. [16]

Promotion is given plenty of coverage in the case study. A promotion strategy should include elements of advertising, sales promotion, publicity and personal selling. Aspects of publicity, sponsorship and other techniques may also be relevant. Better candidates are likely to consider the type and range of products, the new products and the types of promotion already taking place. A strategic approach may well be offered by some with a consideration of timescale, cost, validity of techniques etc.

Level 4	Evaluation of the strategy in the context.	(16-10)
Level 3	Analysis of the strategy/ aspects of the strategy, in the context.	(9-6)
Level 2	Application/understanding of the aspects of the strategy.	(5-3)
Level 1	Identification of the aspects of the strategy.	(2-1)

- (c) With consideration of the law as it relates to marketing, discuss how Benita should deal with the complaint from the angry customer. [10]

A number of laws may be relevant but most are likely to consider contract and/or Sale of Goods legislation. Were the risks related to using the colouring made clear? Was the product faulty in some way? If so, who is to blame? Are there issues of merchantable quality? Should Benita consider negative publicity?

Level 4	Evaluation of the legal issues with a justified recommendation for action.	(10-9)
Level 3	Analysis of the legal issues in the context, with a recommendation.	(8-6)
Level 2	Application/understanding of legal issues or some consideration of the option(s) available.	(5-3)
Level 1	Some knowledge of legal issues.	(2-1)

Assessment Grid

Question	AO1	AO2	AO3	AO4	Total
1 (a)	2	2	2		6
1 (b)(i)	2	2			4
(ii)	2	3	4	7	16
2 (a)	2	2	2		6
2 (b)	2	3	4	7	16
2 (c)	2	3	3	2	10
Sub-Total	12	15	15	16	58
QWC					2
Total					60

**Mark Scheme 2875
June 2005**

Subject - specific instructions

- 1 The paper is to be marked to A2 standard.
 - 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
 - 3 In assessing quantitative answers the "own figure rule" (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
 - 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
 - 5 Material in italics refers to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
 - 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
 - (a) the clarity of the candidate's expression
 - (b) the structure and presentation of ideas
 - (c) the grammar, punctuation and spelling.
- 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions,
- 1 where the candidate's demonstration of communication is good in terms of clarity of expression
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling,
and sound in the other regards,
- 0 where the clarity of the candidate's expression,
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling, are such as to detract from the quality of the answer.

1 (a) If JDL increased its long-term debts by £1.3m calculate its new gearing ratio. [4]

Present gearing = 75%

Present capital employed = £5.2m

Therefore present long term liabilities = £3.9m [2]

If extra £1.3m borrowed then new debt = £5.2m

New capital employed = £6.5m [1]

New gearing ratio = 80% [1]

Method [1-2], Accuracy [1-2]

(b) Evaluate the INTERNAL sources of finance that JDL could use to help fund its land purchase project (option 1). [10]

Internal funds would be gained from:

- *sale of assets*
- *sale and lease back*
- *better cash flow management*
- *debtor factoring*
- *retained profit*

Consideration needs to be given to the above with reference to their feasibility and impact on generating funds What assets does JDL own? Would it make sense to sell them? Debt factoring. How might this help? Does it look as if internal sources can generate enough?

Level 4	Evaluative comments on suitability / appropriateness	(10 – 9)
Level 3	Analysis of options	(8-6)
Level 2	Understanding in context	(5-3)
Level 1	Knowledge of options.	(2-1)

(c) Analyse the value of a cash flow forecast as an aid to JDL's decision making. [6]

Cash flow forecast is a prediction of amounts and timing of net cash movements into/out of a business. Useful as a means of predicting liquidity problems [when/extent] and hence useful as a basis of making contingency plans to deal with them. Contextual reference regarding timing of outflows and inflows with reference to building projects. Unless stage payments are arranged then builders always have problems with cash flow imbalances.

Level 3	Analysis of the technique.	(6-5)
Level 2	Application of knowledge to case.	(4-3)
Level 1	Knowledge.	(2-1)

(d) What should JDL do with the Warwick Road site? Justify your answer. [16]

Option 1 Potential profit: £432000.

Risks [no planning permission] unable to sell to developer. But houses can go back on market. Therefore financial risk small although will have paid in total £800000 over market value.

Option 2 Potential profit: Revenue = 8@£475000 = £3.8m plus 6@ £260000 = £1.56m.

Therefore total Revenue = £5360000.

Costs are 8@£200000 = £1.6m plus 8@£260000 = £2.88m.

Therefore total direct costs = £4.48m.

Therefore contribution =£880,000.

Overheads need to be taken into account.

Therefore option 2 much more profitable [rate of return on capital].

However – following factors need to be considered:

- *Capital costs/outlay/running*
- *Can these be financed?*
- *Risk*
- *Opportunity cost*
- *Capability*
- *Impact on business relationships in future with Knowle and Sons Ltd.*
- *Business objectives*

Level 4	Evaluative comments leading to recommendation	(16 –10)
Level 3	Analysis of main issues	(9 – 6)
Level 2	Understanding of issues in context	(5 – 3)
Level 1	Knowledge	(2 –1)

- 2 (a) With reference to Table 3, analyse the direct labour variance experienced on the Stafford Council contract. [6]

*Negative variances in labour costs. Causes likely to be
Volume based/more labour used than anticipated
Value based/unit costs higher than budgeted.*

Level 3	Analysis of issues.	(6-5)
Level 2	Understanding of issues.	(4-3)
Level 1	Knowledge of issues.	(2-1)

- (b) Evaluate James' statement that the Stafford contract was of financial benefit to JDL. [16]

Contract made a loss on full-allocated costs. However positive contribution and hence helped cover company overheads. Basis of overhead allocation? Availability of other work. Value as a cash flow income generator. Core business leading to other future contracts. Means of keeping work force employed [lay offs creating range of future problems]. Such contracts also generate funds to help finance the company's speculative land and property activities. As a general principle any contract that yields a positive contribution is of financial value to a business. Reputation as a building contractor maintained. However the contract failed to cover full costs and hence is not in its self very attractive. Problem stemmed from fixed price nature plus running over budget.

Level 4	Evaluative comments.	(16-10)
Level 3	Analytical comments.	(9-6)
Level 2	Understanding in context.	(5-3)
Level 1	Knowledge.	(2-1)

Assessment Grid

Question	AO1	AO2	AO3	AO4	TOTAL
1 (a)	2	2			4
1 (b)	2	3	3	2	10
1 (c)	2	2	2		6
1 (d)	2	3	4	7	16
2 (a)	2	2	2		6
2 (b)	2	3	4	7	16
Sub-Total	12	15	15	16	58
QWC					2
Totals					60

Mark Scheme 2876
June 2005

General

- 1 The paper is to be marked to A2 standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers the 'own figure rule' (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Material in italics refers to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
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OR structure and presentation of ideas,
OR the grammar, punctuation and spelling,
and sound in the other regards,
 - 0 where the clarity of the candidate's expression,
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling, are such as to detract from the quality of the answer.

- 1 (a) (i) Calculate the percentage of the population living in the Sedgford District Council area in 2005 who form the working population. [4]

$$\frac{24,625}{72,010} \times \frac{100}{1} = 34.20\%$$

- (ii) Analyse how local labour market conditions might affect Stewart and Larry's ability to recruit appropriate employees. [6]

Unemployment is relatively static, but rising very slightly overall - it was 0.89% in 2002, 0.91% in 2003, and 0.93% in 2004 (we do not have 2005 figures).

Particularly significant is the fact that unemployment in the primary sector is on the increase - contributing 0.42% of overall unemployment figure in 2002, 0.45% in 2003, and 0.49% in 2004 (again no figures for 2005).

Unemployment is also rising in the secondary sector - contributing 0.36% of overall unemployment figure in 2002, 0.37% in 2003, and 0.39% in 2004 (again no figures for 2005).

However, the situation in the tertiary sector is even more significant - the total number unemployed is very low, and still falling. This sector contributed 0.11% of overall unemployment figure in 2002, 0.09% in 2003, and 0.07% in 2004 (again no figures for 2005).

All this information drawn from an analysis of Fig 1 and 3 suggests that Stewart and Larry will find it very difficult to find skilled, experienced, unemployed workers in the tertiary sector, unless they pay enough wages to tempt some of the people currently employed in the tertiary sector to contemplate moving to work for Stewart and Larry.

They may find it easy to recruit from the unemployed pool of primary and secondary sector workers, but these workers will have different types of skills and experience to the ones which Stewart and Larry are looking for. Some candidates could argue that this is not necessarily a big issue as the skills and experiences needed to work in a cafe are not of a sophisticated nature.

Similarly, Table 2 shows a growing differential in proportionate pay rates across the three sectors, and bearing in mind that Stewart and Larry have only been paying minimum wage they may find it very difficult to recruit the right sort of people with the right sort of skills.

They may need to try to recruit from outside the Sedgford District Council area, but at the wages they seem prepared to pay it would seem unlikely that people would be prepared to travel some distance to work for them. (We also do not know the geographical size of Sedgford District Council's area, nor do we know the state of unemployment in the surrounding areas).

They may have to recruit people who do not have the right skills, and spend time, money and effort training them with the skills that are necessary for working in a cafe.

Level 3	Candidate demonstrates analytical skills in consideration of how local labour market conditions may affect Stewart and Larry's ability to recruit appropriate personnel.	(6-5)
Level 2	Candidate explains possible problems, which may be caused by such recruitment issues.	(4-3)
Level 1	Candidate demonstrates theoretical knowledge of factors affected by local labour market conditions.	(2-1)

(b) Analyse the possible implications of TTT employing friends and relatives during the first few weeks of trading.

[6]

They appear to have recruited people who have little experience of this type of work. They also seem to have limited skills and extremely limited competence, and are also probably quite young.

In this type of business, whilst the required skills are relatively limited, customer service skills and basic levels of competence are still very necessary, as it is the counter staff and waiters who are always at the forefront of the business, and have most contact with the customers. As a result their standard of performance (positive or negative) has a huge impact on customer perceptions of the business and levels of customer satisfaction.

In this case the performance of the business could be negatively affected because the counter staff regularly get customer orders wrong, and cannot add up the customer bills properly. The waiters are also not performing to reasonable standard. This could seriously affect the number of customers. It will be difficult to get repeat business from previously unsatisfied customers, and the reputation of TTT may suffer as a result.

It may also affect the level of confidence and morale of the workforce, as they will probably be aware of their own shortcomings.

Level 3	Candidate demonstrates analytical skills to show the possible impact on the TTT of Stewart and Larry's recruitment methods.	(6-5)
Level 2	Candidate offers an explanation of the possible problems, which may be caused by Stewart and Larry's recruitment methods.	(4-3)
Level 1	Candidate demonstrates knowledge of recruitment methods only.	(2-1)

- (c) Evaluate whether TTT should have a formalised training programme for its workforce.

[16]

Case study evidence shows that there were problems which could have been minimised/eradicated if Stewart and Larry had been more focused on the skills base their employees would need before the business began trading. Similarly, some of these problems might have been dealt with if they had recognised the problems as they occurred and given remedial training immediately. Difficulties may include counter staff with communication and numeric problems and waiters with limited skills.

There may also be issues relating to induction training - there does not appear to have been any, although we are not specifically told that. There also appears to be a problem with Health and Safety issues which suggests that some basic training was also needed in this area.

Better candidates will move on to demonstrate the possible consequences to the business if they do not address these training issues, particularly if Stewart and Larry find it extremely difficult to recruit the right sort of people with the right sort of skills from the very small number of unemployed tertiary workers in the area. If they recruit from the unemployed with primary/secondary sector experience they will need to train these recruits with the appropriate skills to work in the cafe.

Because they seem prepared to offer relatively uncompetitive wages this could mean that the level of skills and abilities of applicants in general might be quite limited, as more suitable candidates might not want to work in such a job, at a relatively low rate of pay. If this is the case, the training needs of any new starters might be of paramount importance.

Better candidates may go on to argue that the type of work people will be doing at the cafe requires only limited skills and abilities, therefore the need for, and cost of, training is not of paramount importance, maybe arguing that other issues, such as payment rates and accident rates are much more expedient issues for Stewart and Larry to concentrate on.

Level 4	Candidate demonstrates evaluative skills when considering the extent to which training should be formalised at TTT.	(16-10)
Level 3	Candidate demonstrates analytical skills when considering the extent to which training should be formalised at TTT.	(9-6)
Level 2	Candidate explains problems caused by lack of training at a business.	(5-3)
Level 1	Candidate offers theoretical knowledge only.	(2-1)

- 2 (a) Stewart decides to advertise for replacement staff offering £6.00 per hour with no fringe benefits.

- (i) Calculate the average hourly wage for tertiary sector workers in 2004 in the Sedgford District Council area. [2]

$$\frac{284}{40} (1) = £7.10 (1)$$

One mark for method and one mark for a correct response.

- (ii) Evaluate the likely impact of this decision on levels of motivation at TTT. [14]

Better candidates could focus on information given in Table 2, working out that the average wage paid in the tertiary sector was £7.10 (£284 divided by 40 hours) in 2004, which has risen from £6.55 (£262 divided by 40 hours) in 2003 and £6.00 (£240 divided by 40 hours) in 2002. This means that Stewart is offering a wage which seems quite unattractive and relatively un-competitive, and only the same as the local average three years ago. (N.B. We do not have a figure for 2005, so if the observed trend has continued the £6.00 will be even less attractive). This may mean that the workforce at TTT are not motivated to work very hard or may start to look for better paid work.

Furthermore, the working population in the area has increased, but the number of unemployed in the tertiary sector has continued to decrease. As a result there are very few unemployed tertiary workers. They may not be tempted to work for Stewart and Larry, as the market rate for their skills is way in excess of what Stewart has decided to offer.

People who are unemployed and have experience only in the secondary sector may be tempted to apply for the vacant posts. If they were to do so they would be earning far less than they used to, but more than they would be likely to be receiving in state benefits. This might tempt them to apply for work at Stewart and Larry's, but they would not have the skills and experience necessary and so would need to be trained. TTT may attract former secondary sector employees who want to retrain, but will they be motivated to stay if better-paid work becomes available to them?

Similar remarks may apply to former primary sector workers, but they may be more inclined to apply, due the fact that their former wages would have been less than those paid in the tertiary sector, and they may take the opportunity as a means of retraining/getting back into work. They may be pleased to have a job, but may not be motivated to work hard if they follow F W Taylor's principles and are motivated by money.

Perhaps Stewart should have included fringe benefits as well as this would have increased his chances of attracting more applicants. Profit sharing may also have enabled him to attract more applicants, as that may have been seen as an opportunity for successful applicants to boost their earnings. This, of course, would be subject to how successful the business was, and how the profit sharing was worked out.

Level 4	Candidate demonstrates evaluative skills when considering the likely impact of Stewart's decision.	(14-8)
Level 3	Candidate demonstrates analytical skills when considering the likely impact of Stewart's decision.	(7-4)
Level 2	Candidate explains issues, which might affect levels of motivation at a business.	(3)
Level 1	Candidate demonstrates theoretical knowledge of issues affecting motivation.	(2-1)

(b) Discuss the possible consequences to TTT of health and safety issues. [10]

In this case the owners of the business need to be aware of the fact that all members of staff should have food hygiene qualifications, and the penalties associated with any non-compliance with such legislation.

Fortunately none of the former employees was seriously injured in the three incidents mentioned in the case study, and as such would not be successful if they took legal action. However, these issues do serve to illustrate the need for Stewart and Larry to comply with Health and Safety legislation.

Candidates may discuss the legal requirements placed upon the business and various consequences arising from non-compliance. They may also discuss the possible consequences to this business had any of the employees been seriously injured in any of the three incidents.

An obvious route to take is to consider the costs associated with a much more focused approach to Health and Safety with the actual and hidden costs associated with non-compliance and any compensation which might need to be paid to any injured parties.

Better candidates may look at the morale and motivation issues associated with a lack of attention to Health and Safety issues. They may also consider the negative impact of having a poor reputation, and how this could affect recruitment - particularly in a labour market where experienced tertiary workers seem to be at premium.

Level 4	Candidate demonstrates evaluative skills when considering the possible consequences of health & safety issues at TTT.	(10-9)
Level 3	Candidate demonstrates analytical skills when considering the possible consequences of health & safety issues at TTT.	(8-6)
Level 2	Candidate explains how health & safety issues might affect a business.	(5-3)
Level 1	Candidate demonstrates theoretical knowledge of health & safety issues only.	(2-1)

Assessment Grid

Question	AO1	AO2	AO3	AO4	Total
1(a) (i)	2	2			4
1(a) (ii)	2	2	2		6
1(b)	2	2	2		6
1(c)	2	3	4	7	16
2(a)	2	3	4	7	16
2(b)	2	3	3	2	10
Sub-Total	12	15	15	16	58
QWC					2
Total					60

Mark Scheme 2877
June 2005

General Marking Instructions

- 1 The paper is to be marked to A2 standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers the "own figure rule" (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Material in italics refers to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
 - (a) the clarity of the candidate's expression;
 - (b) the structure and presentation of ideas;
 - (c) the grammar, punctuation and spelling.
 - 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions,
 - 1 where the candidate's demonstration of communication is good in terms of clarity of expression
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling,
and sound in the other regards,
 - 0 where the clarity of the candidate's expression,
OR structure and presentation of ideas,
OR the grammar, punctuation and spelling are such as to detract from the quality of the answer.

1 (a) Using the information in lines 27 – 32, calculate the percentage savings in the value of maintenance stock NC might achieve by 2005, if it can reach its stock level target. (Ignore any change in stock prices that may occur.) [4]

$$2500 * £250 = 625\ 000 \text{ (1) (= new value of stock) or } 41.77 \text{ (1)}$$

$$£1.5 \text{ million} - £625\ 000 = £875\ 000 \text{ (1)}$$

$$875\ 000 / 1\ 500\ 000 * 100 \text{ (1) = } 58.3\% \text{ (1)}$$

4 marks for correct answer only

NB: volume saving is the same as value saving – accept this approach

1 (b) Analyse why NC might be unable to achieve a similar reduction in its levels of production stock. [6]

Possible reasons might include:

- *The need to meet unexpected increases in demand e.g. a boom in house building.*
- *The reliance on suppliers for some raw materials e.g. coal and coke – there may be unforeseen interruption to supply.*
- *The cement works needs to hold some stocks of raw materials obtained in the summer because quarrying in winter may be difficult e.g. the clay and chalk.*
- *Placing more small orders for materials may prove to be more costly per item so offsetting cost savings from stock reductions.*
- *A reduction of 58.3% in production stock is unrealistic because:*
 - a) *the business is working near full capacity;*
 - b) *it uses continuous flow production to minimise cost.*
- *Some just-in-case stocks might be held, e.g. if quality is unacceptable for a batch of cement produced.*

Level 3	For analysing the reasons why similar reductions in production stock may be difficult.	(6 – 5)
Level 2	For demonstrating an understanding of why production stock reductions may be difficult.	(4 – 3)
Level 1	For knowledge of the general disadvantages of reducing stock levels.	(2 – 1)

1 (c) Evaluate the impact the external environment may have on operations at NC.**[16]**

Candidates may approach this question from a variety of angles. They may adopt a PEST approach or they may adopt a pragmatic approach looking at various external constraints on the business. The following is a general guide and other appropriate responses should be given credit.

- *Legal constraints on operations such as Health and Safety, laws concerning pollution/emissions and noise etc. Also building regulations and standards and building controls.*
- *Social issues – the residents of the area, pressure groups are concerned about the current and future operations of the business.*
- *Economic factors – the business is dependent on the prosperity of the construction industry which can be dependent on the economy e.g. interest rates and the housing market, government expenditure on new building.*
- *Technological factors – new processes, fuels etc.*
- *Political – whether the environmental lobby is influential or not with the local and national government.*

Level 4	For evaluating the external environment impacts on operations within the context of NC.	(16 -10)
Level 3	For analysing how the external environment impacts on operations within the context of NC i.e. the impact of these constraints on the business.	(9 – 6)
Level 2	For demonstrating understanding application of how the external environment impacts on operations, i.e. the implications of external environment constraints on the business.	(5 – 3)
Level 1	For showing knowledge and understanding of how the external environment impacts on business.	(2 – 1)

2 (a) Analyse two reasons why Northbury is an ideal location for cement production.**[6]****Possible reasons might include:**

- *The local availability of raw materials e.g. chalk and clay – keeps transport costs down and shortens production lead times. (Also accept the view that Northbury has 25 years supply of materials for future production.)*
- *To provide the products for a nearby market – cement is a bulky product to transport long distances.*
- *Labour, (courses at local FE colleges for specialist labour) though this is not a key factor in this case.*
- *Good transport links to the market, road and rail mentioned in CS.*
- *Availability of land to build a cement works.*
- *Possibility of government assistance (not really valid in this case).*

Level 3	For analysing the reasons why Northbury is a good location for a cement manufacturing business. Two reasons for full marks.	(6 – 5)
Level 2	For clearly demonstrating an understanding of the reasons why Northbury is a good location for a cement manufacturing business.	(4 – 3)
Level 1	For demonstrating knowledge of the general factors that influence location of business.	(2 – 1)

2 (b) Discuss the benefits of research and development to NC.**[10]**

Possible benefits might include the:

- *Development of new products, which gives the business a competitive advantage over its rivals – may gain higher prices/sales/profits as a result.*
- *Consumers (including the construction industry) benefit from the development of new better products – this gives wider choices and possibly also lowers prices for products.*
- *Development of new materials to produce the goods*
- *Development of new processes, which might lead to improvements in efficiency or the reduction of raw materials needed to produce the goods e.g. the use of tyres or ash from power stations.*
- *Health and safety might improve and there might be environmental benefits from R and D.*
- *Image – A commitment to R and D is seen as good for the firm's image with both customers and also the local community (if the research leads to reductions in pollution etc.)*
- *Opportunities for research workers and other employees to be creative and inventive – this could motivate workers – they may also receive company recognition (financial and non-financial)*

Do not accept Market Research.

Level 4	For evaluating the benefits to be gained from R and D within context of NC.	(10 – 9)
Level 3	For analysing the benefits to be gained from R and D within context of NC.	(8 - 6)
Level 2	For demonstrating an understanding/application of the benefits of R and D.	(5 – 3)
Level 1	For showing knowledge and understanding of the benefits in a general context only.	(2 – 1)

2 (c) Evaluate the methods NC might use to ensure it sells products of the highest quality to its customers. [16]

Quality is about meeting the needs of customers but it may involve some measurement to achieve particular standards. Northbury Cement uses methods clearly identified in the case study (lines 12 – 18).

Quality covers many aspects of production such as design, reliability, durability, after sales service etc.

Quality can begin with the design process and then the methods used to manufacture the goods.

The company may adopt a range of procedures to achieve quality standards.

- *Total quality management – where quality checks are built into the entire production process. It is a business philosophy as much as a method of quality control.*
- *Quality assurance – meeting the standards desired by customers – it involves ensuring/guaranteeing certain practice, national or international recognised standards e.g. ISO 9001, signs and symbols.*
- *The introduction of quality circles – staff who meet regularly to solve problems and suggest ways to improve quality in all areas of the business.*
- *Benchmarking – a technique used by businesses to identify the best methods of production and the best products and aim to match them.*
- *Sampling of products (line 16) + testing of attributes.*

Level 4	For evaluating methods NC might use to achieve the highest quality of products.	(16 - 10)
Level 3	For analysing methods NC might use to achieve the highest quality of product.	(9 – 6)
Level 2	For demonstrating understanding application of methods used to achieve the highest quality of products.	(5 – 3)
Level 1	For showing knowledge and understanding of the methods used by businesses to achieve quality improvements.	(2 – 1)

Assessment Grid

Questions	A01	A02	A03	A04	Total
1(a)	2	2	-	-	4
1(b)	2	2	2	-	6
1(c)	2	3	4	7	16
2(a)	2	2	2	-	6
2(b)	2	3	3	2	10
2(c)	2	3	4	7	16
Sub-Total	12	15	15	16	58
QWC					2
Total					60

Mark Scheme 2879
June 2005

This module is assessed by applying the criteria designed for the Business Project. In those criteria a levels of response strategy is used but it is fundamentally different from levels as used in other modules. In this component and in 2878 the four statements in each criterion are levels of excellence of the same skill. Level 4 represents the best that we can reasonably expect in the time available and not perfection. Level 1 represents the least rewardable achievement.

In using the criteria:

- (a) **The whole work should be read before deciding on any level for any criterion.**
It is possible to meet the requirements of each criterion at any point in the work and it is the total achievement which must be assessed.
- (b) The approach must be **positive**, working from the top down in each case. The object is to define the highest statement which fits the work the candidate has presented.
- (c) It is sufficient that a given level is identified **ONCE**. Any further demonstrations of that level simply serve to increase the mark awarded within the band.
- (d) There are no right conclusions to the report, what we look for is sufficient use of evidence in logical support of a stated conclusion, recommendation or strategy.
- (e) There are many routes through the report and it is sufficient that the route chosen could be supported by evidence in the case.

The Criteria

There are 90 marks available for the report and the plan together. The marks are awarded by reference to the criteria below. These criteria enable distinct features of the whole work to be assessed.

Criterion 1: The skill with which the problem has been explained in context [5 marks]

This criterion requires the candidate to define, explain and discuss the problems. Parameters within which the problems are presented and aspects of them measured, should be explained and justified. The candidate should show that there are problems to be solved and present the context in which they need solution.

Level 4	The nature of the problem is well demonstrated, the need to solve it clear and the context is well developed.	(4-5)
Level 3	The quality of the presentation of the problem is sufficient to enable the development of a solution strategy.	(3)
Level 2	The presentation might make it difficult to develop a solution.	(2)
Level 1	There is an attempt to define or explain the problem.	(1)

Criterion 2: The skill with which appropriate and realistic objectives have been set and used. [10 marks]

This criterion requires the candidate to set objectives for the investigation as a whole and for distinct stages of it. Once these are set and their realism established they should provide the framework within which the research will take place. The success of the investigation should also be assessed by comparing actual achievements with the intended outcomes.

Level 4	The objectives set are appropriate to the investigation and have been used as a framework for the approach. There is evidence of evaluation against them.	(8-10)
Level 3	Good use has been made of objectives but there are some limitations to their effectiveness or to the candidate's use of them.	(5-7)
Level 2	Either the overall use of objectives is below average or good objectives have been set but not used.	(3-4)
Level 1	There is some evidence of attempts to make, explain, or refer to objectives.	(1-2)

Criterion 3: Evidence of appropriate Research Methods [10 marks]

This criterion requires the candidate to give careful thought to the nature of the problems, the purpose of the research, the data available and the form in which it is best collated. The candidate should refer to research undertaken and the methodology involved, where it is relevant to the issue presented and to its consideration.

Level 4	A method of approach has been selected and effectively justified in the context of the problem and its potential solutions.	(8-10)
Level 3	The approach is good but there is a weakness in it which is not crucial but which should have been avoided.	(5-7)
Level 2	There are sufficient weaknesses in the method or its use, to make the solution of the problem difficult.	(3-4)
Level 1	There is some attempt to develop and apply a method.	(1-2)

Criterion 4: Evidence of Appropriate Primary and Secondary Research [10 marks]

This criterion looks at the evidence collected and the justification for doing so. Sufficient primary research will be expected but it should be supplemented by appropriate secondary research including specialist reading around 'risk and reward'. The candidate is recommended to make good use of the Internet as a source and to have collected evidence in a form likely to facilitate analysis and evaluation as the basis of solution. Data is presented in the case which is not necessarily relevant to the issues being considered and the candidate is expected to select effectively. The evidence presented should be a balance of that collected in preparatory work and that selected from the case.

Level 4	Evidence collected is balanced, appropriate, sufficient and in a usable form. It is collated in ways which will make analysis and evaluation effective.	(8-10)
Level 3	The evidence is sufficient to enable analysis and evaluation but there are non-crucial weaknesses.	(5-7)
Level 2	The quality and sufficiency of the evidence collected is likely to make analysis and evaluation unrealistic or difficult.	(3-4)
Level 1	Evidence has been collated.	(1-2)

Criterion 5: Evidence of collection, understanding and use of appropriate Business Studies knowledge [15 marks]

This criterion requires that the candidate has selected from subject knowledge, appropriate concepts, theories or techniques which have been critically explained, justified in their selection and effectively used. This use may be in methodology, the collection, collation and presentation of evidence or in its analysis and evaluation. It is expected that the candidate will draw and use knowledge from across the specification and not be limited to highly specialised areas. Knowledge which, though correctly explained or presented, has not been used, will not be rewarded. The knowledge used in compiling the report should be a balance of that collected from preparatory work and that selected from the case.

Level 4	There is evidence of good explanation and use of knowledge consistently throughout the report.	(12-15)
Level 3	Opportunities for the use of knowledge have not been consistently taken and/or understanding and application have been occasionally unclear.	(7-11)
Level 2	Understanding and/or application are consistently flawed or subject based support is lacking in significant areas of the work.	(3-6)
Level 1	There is evidence of application and/or use of relevant subject knowledge.	(1-2)

Criterion 6: Selectivity, Analysis and Synthesis [15 marks]

This criterion assesses the candidate's ability to turn data into evidence, to reject some which will not be relevant, to draw some together (synthesis) and to break other bits down and interpret them (analysis). It looks at the selection of methods of presentation and their appropriateness for the data collected and the use to be made of it. It may become clear that some evidence is weak and candidates who show understanding of this and evaluate the consequences will be credited. The candidates should be using the data which they consider relevant both from the preparatory work and that available in the case.

Level 4	Evidence is appropriately presented and considered forming a good basis for decisions or for strategy development.	(12-15)
Level 3	The overall handling is good but there is a non-crucial weakness.	(7-11)
Level 2	Skills shown will give a basis for some limited evaluation.	(3-6)
Level 1	Some analysis can be identified.	(1-2)

Criterion 7: Evaluation, Recommendation or Strategy Development**[15 marks]**

This criterion looks for ability to make logical and reasoned judgements and to select and justify best solutions. Evaluation may be shown at all stages of the work e.g. in developing criteria for explaining and presenting the problem, in determining a method of approach or in deciding which business studies ideas to use. We do not look for 'right answers' but we do expect that any judgements made will also be supported by reference to evidence and to logical argument. We also expect that candidates will evaluate in the light of their own objectives and will show understanding of the limitations placed on their findings by weaknesses at earlier stages in the report. The candidate must also show awareness of the extent to which any strategies or recommendations are realistic in business terms.

Level 4	Reasoning and logic are of a high standard throughout the work. There is clear evidence of critical awareness in the recommendations.	(12-15)
Level 3	Good in the main but some non-crucial opportunities to show evaluation or critical skills have been missed.	(7-11)
Level 2	Judgements made and critical awareness shown are weak in at least one crucial aspect of the report.	(3-6)
Level 1	There is evidence of attempts to support judgement.	(1-2)

Criterion 8: Presentation**[5 marks]**

The report is meant to be well structured and easy to read. This criterion gives credit for features which add to the cohesion and readability of the report. This includes such aspects as, work sectioned into paragraphs, diagrams correctly labelled and explained, statistics and other data sourced and quotations attributed. This criterion is not concerned with communication skills but it is concerned with the effective use of specialist subject language and diagrammatic or graphical presentations.

Level 4	The report is excellent or good in nearly all presentational aspects.	(4-5)
Level 3	The standard is acceptable but there are some weaknesses.	(3)
Level 2	The standard detracts from the readability of the work.	(2)
Level 1	There is some evidence of an attempt to develop structure.	(1)

Criterion 9: Written Communication Skills**[5 marks]**

This criterion is concerned with the ability of candidates to use the English language effectively. It relates to clarity of expression, the structure and presentation of ideas, grammar, punctuation and spelling.

Level 4	Communication skills are consistently good throughout the report.	(4-5)
Level 3	The overall standard of skills is acceptable.	(3)
Level 2	The overall standard of skills is acceptable in some respects.	(2)
Level 1	The overall standard of skills shows some merit.	(1)

Assessing the Plan

The plan has four requirements and is capable of satisfying criterion 1 completely (five marks available) and half of criterion 2, (a further five marks). Aspects (i) and (ii) of the plan task satisfy criterion 1 and aspects (iii) and (iv) can gain up to five from criterion 2. If there is no plan at the mark for criterion 1 is zero. If there is a plan but it does not address the aspects required then the mark for criterion 1 is one for an attempt. If no objectives are stated in the plan, the mark from criterion 2 is zero. If the stated 'objectives' are not objectives or are those of the firm, the mark from criterion 2 is one.

However the candidate has a second chance to gain these marks in the report itself.

If the candidate states assumptions in the plan one mark is earned. If they are explained or justified two marks can be earned. Assumptions are not, however, required.

It could be that the plan is excellent saying all that needs to be said about the problem and its context and about the objectives of the candidate. In this case all five of the marks for criterion 1 and five of those for criterion 2 will be awarded. If this is not the case, there is scope to award more marks for context from the report itself up to a total of five for criterion 1 and a total of 10 for criterion 2.

Assessing the Report

Criterion 1

It is likely that most of the marks for this criterion will be awarded for the plan. But the extent to which the context is further developed in the report will give scope for the total award.

An award of five under criterion 1 for the plan means that no further assessment for criterion 1 is necessary for the report itself.

An award of 3/5 for the plan gives scope for **additional** award of 2/5 for the extent to which there is genuine development beyond the plan.

Criterion 2

Up to five marks are awarded on this criterion for the objectives as expressed in the plan. The further five are awarded for development and use in the report. In effect levels 1 or 2 are likely to be shown in the plan and levels 3 and 4 can only be shown in the report itself.

The objectives have to arise from the problem as the candidate has understood it and must be the outcomes which the candidate intends to achieve. The mark will be poor (level 2 max) if the objectives are not followed at all but will be very good if there is a pattern (level 3) and the objectives are used in the final stages of analysis and or evaluation (level 4). Objectives do not have to be specifically stated in the report but there must be a clear reference from the plan that the work is objective driven. In this case fairly clear objectives are:

- to identify the main problem or problems
- to focus information on determining which option to select. This would include a decision not to seek growth at the moment
- to argue the alternative positions
- to develop a logical argument for the recommendation made or strategy proposed.

Evaluation is only rewardable if the knowledge used is sufficient (two or three points well made will suffice) and there has been analysis of the data used. A mere unsupported judgement is not evaluation. The candidate can make the recommendations depend upon stated and argued assumptions and they can argue that the findings are weak because the evidence is insufficient to sustain them. Evaluation which is subjective is only rewardable where it reflects on the process and is embedded in the argument surrounding the points made. A strategy is a whole idea based on a known objective and not just a list of recommendations.

Criterion 3

Research method here will relate to how the evidence is selected and why it is chosen. This must be a function of the declared understanding of the problem and the objectives.

Criterion 4

The only primary research available is that which uses the case material. Secondary research will look for examples and understanding from study over the course and from Business Studies theory. The good mark requires some evidence of all three but the larger element should be the primary data.

Criterion 5

The mere presentation of business studies knowledge is not rewardable. It has to be appropriate and relevant to the position taken by the candidate. Most importantly, it must be used in some way to analyse data, to support or explain or to advance the argument.

Criterion 6

Selectivity is not easy to measure. Where the candidate makes a decision to reject data and particularly where the thinking behind that decision is shared, it is easy to reward well. Otherwise evidence of selectivity is largely negative in that the good report will have picked its way through the data avoiding that which is not relevant to the issue or to the stance adopted to solve the problem. There may be several problems and several solutions to each of them. It is sufficient that the report provides a logically acceptable answer to a relevant problem posed. Time limitation should make us generous in interpreting this criterion with respect to selectivity. Analysis is the process of turning mere data into evidence and this can be done by ordering data, or by applying appropriate techniques or theories. A human relations approach to this one can be expected to rely on at least one theorist. Another approach might analyse the numerate data to produce a feasible strategy or even to reject any action. It is quite likely and acceptable, to establish a reasoned basis for rejecting one of the options and then to concentrate on the other.

Criterion 7

The candidate is asked to decide what action should be taken. They could select either option 1 or 2 or they could decide the time or circumstances are not suited to growth. The recommendations depend upon stated and argued assumptions and they can argue that the findings are weak because the evidence is insufficient to sustain them. Evaluation which is subjective is only rewardable where it reflects on the process and is embedded in the argument surrounding the points made. A strategy is a whole idea based on a known objective and not just a list of recommendations.

Criterion 8

How good is the report structurally? In assessing this criterion remember the constrained time conditions under which it has been produced. The candidate who has kept to the plan, followed the objectives, drawn, explained and used relevant diagrams well, will score well on this criterion.

Criterion 9

The usual rules about reasonable language in the circumstances apply, this is not about perfection.

The Final Mark

There are nine criteria and a narrow band of marks in most cases. ± 1 on each criterion is very little in each case but a full grade if it is in the same direction all the time. Check the final total as a representation of the quality of the work and re-read if you have doubts.

The criteria are inter-dependent and it is easy to penalise or reward for the same thing on more than one occasion, so your impression of the overall quality of the work is very important.

**Mark Scheme 2880
June 2005**

Subject specific instructions

- The paper is to be marked to A2 standard.
- Marking should be positive; marks should not be subtracted for errors or inaccuracies.
- Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily have to pass through all lower levels of response.
- In assessing quantitative answers the “own figure rule” (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- Materials in italics below refer to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
- The emphasis throughout this paper should be upon the integration of the material learnt and the context described within the stimulus material. Candidates are expected to treat both in a synoptic manner, considering situations from a variety of perspectives rather than a series of discrete issues by adopting a holistic/multi-disciplinary approach.
- Up to 4 marks will be awarded for Quality of Written Communication, QWC, which in this context refers to;
 - ◇ The clarity of the candidate’s expression,
 - ◇ The structure and presentation of ideas,
 - ◇ The grammar, punctuation and spelling.

Marks will be awarded as follows

- 4 where the demonstration of communication is as good as could be expected under time constrained examination conditions,
- 3 where the candidate’s demonstration of communication is good in terms of clarity of expression,
Or structure and presentation of ideas,
Or grammar, punctuation and spelling,
And sound in other regards,
- 2 where the candidate’s demonstration of communication is sound,
- 1 where the clarity of the candidate’s expression,
Or structure and presentation of ideas,
Or grammar, punctuation and spelling,
Are such as to detract from the quality of the answer,
- 0 where the demonstration of communication generally detracts from the quality of the answer.

1 Evaluate how different stakeholder groups might view EEL's ethical stance. [18]

Ethics – the value systems that provide the foundation for behaviour, what the organisation believes, holds true and important. Manifested in its structures, reward systems and actions. Ethics is about doing the right thing and as such is highly subjective.

Is EEL an ethical business? The case makes mention of its integrity and reputation in the market. Further, it values its employees through its open culture, involvement and training. Despite the firm making losses average wages have risen, so it cannot be accused of exploitative behaviour toward its employees. Further, it is involved in the local community, e.g. sponsoring soccer club. All of these stakeholders (customers, employees, community) might view the firm's ethical position a being essentially a good thing.

Is the spending on R&D a reflection of an ethical stance or merely a reaction to legislation? If EEL is truly trying to create a low pollution diesel engine then society might view EEL's ethical position favourably. However, it is not clear whether this behaviour is ethically, commercially or legislatively driven.

But, there are other views. The retired serviceman with the diesel motorcycle idea might think that EEL has behaved unethically if it does indeed produce such a product. It will have taken someone else's idea for no recompense. Is this theft or good commercial practice? Once the idea has been articulated it's in the public domain, so why shouldn't EEL investigate and exploit it?

Shareholders might view EEL as being highly ethical, particularly those who are less concerned with financial gain. Others, however, might see the firm as not being financially driven and as such its ethical stance holds it back. For example, the idea of a subsidiary R&D consultancy could generate profits which shareholders might view as good, but employees and the community might feel its existence will threaten their jobs.

GPM in 2004 is 9.5%.. But retained profits for 2004 is in excess of minus £25m, giving ROCE of -10.7% and ROE of minus 20.4%. To return to positive values either costs must fall, or incomes rise, or both. The ethical stance toward employees might make reducing, or holding wages constant, very difficult. Note, positive GPM means that losses are being caused by overheads. Might it be no coincidence that the R&D budget (£22m) is about the size of the loss? Any reduction of this spending would please those shareholders who focus on profits in the SR. So again, need to consider the value of R&D and whether ethics plays any part in this considerable (4.3% of turnover) expenditure.

If GPM is 9.5% then COGs must be £516 x 90.5% = £467m. Subtracting direct labour gives material spending of £376m, meaning EEL is a very slow payer to its creditors. Might thus be seen as unethical, making suppliers wait so long for their money?

Overall, no clear answer, the quality of argument within the concept and context will determine mark.

Level 4	Discussion is evaluative in balancing different possibilities.	(18-13)
Level 3	Case material is subject to analysis in discussing ethics.	(12-8)
Level 2	Applies the concept of ethical behaviour/stakeholders.	(7-4)
Level 1	Demonstrates knowledge of ethics/stakeholders.	(3-1)

2 Discuss the extent to which the strategic behaviour of EEL might be affected by a UK recession.

[19]

Recession: falling levels of GDP, or GDP growth below the LR trend. Two successive declines in a quarterly GDP. Characterised by lower demand which may lead to increases in unemployment and reductions in business confidence. Part of the business cycle.

Reaction of EEL will reflect the anticipated length of the recession, its depth and possible government reactions to it. EEL 2004 gearing is 47.5%, so any increase in interest rates by B of E would really hurt. Further, already making net losses so would exacerbate this and could lead to business failure. Need to know the nature of the LT creditors, is this borrowing secured/how exposed is EEL to its creditors? Greater risk if all of the borrowing is concentrated in one creditor. Possible reaction is to convert debt into equity. But, in a recession an engineering company might not be an attractive investment proposition. Might converting to PLC status be feasible in the context? Now might be the time to sell out to a major player – how much is independence really worth?

Be pro-active. Lobby government to increase spending to stimulate economy, especially infrastructure (construction sector would benefit)

Nature of EEL's products are investment goods, Automotive Applications, Off Highway, Construction and Power Generation, so falling business confidence may result in fewer orders. Customers can make existing machinery "do". Note order book is full for the next few months so SR secure, but need to look to the longer term.

Candidates might attempt to suggest cost savings, and support these by ratio analysis, for example a reduction in stock turnover. So, reduce the quantities of engines built speculatively to save costs. But, this reduces flexibility of supply that in a tightening market might be very bad news. Increase output of parts rather than complete engines to allow customers to maintain their existing engines at a time they cannot afford to replace them.

Look to reduce costs. Reduced R&D expenditure might erode any competitive advantage especially in the face of more demanding emission legislation. Similarly, might need to keep marketing spend high to win those few orders that are out there. Training costs, savings might be so small as not to risk alienating the workforce.

Reduce labour, cost of which in 2004 represents 17.6% of revenues. Downsize through natural wastage, might mean a skill imbalance. Redundancies, high SR costs and run the risk of losing manufacturing capacity when the up turn comes. Reaction of staff, case suggests they are loyal and there is a family feeling about the place. Might this mean labour costs are the last possible saving? But switching to sub-contract manufacturing would reduce LR strategic exposure to business cycle. Stop sponsorship of the local sports club might save anywhere between 10 – 99K. But, impact on the community.

Diversify into non-UK markets. 2004 UK is 40.8% of sales (2002 43.6%). USA seems to be an increasingly important market, 13.6% in 2004 up from 12.3% in 2002. Might recession not be confined to just UK? If UK only then seek to export. If wider recession seek out still vibrant markets.

Move into non-industrial markets, seek new markets for existing products e.g. motorcycles, canal boats, lawn mowers etc. But are consumer markets any less sensitive to business cycle?

Level 4	A view of response(s) is reasoned explicitly in context.	(19-14)
Level 3	Analysis of response(s) supported by case material.	(13-9)
Level 2	Describes possible response(s).	(8-5)
Level 1	Identifies possible response(s).	(4-1)

3 How should EEL react to the threatened overtime ban? Justify your response. [19]

Three issues; need to deal with the immediate threat, where the rumour originated from and longer term why the threat was made. Issue touches on all aspects of the business and so should be approached in an integrative manner. Top answers will not only address the immediate threat but also the strategic consequences of it. Whilst "holding a meeting" is a legitimate response it is reasonable at this level for candidates to explain what the meeting aims to address.

Immediate; full order book for next four months. Can't afford not to deliver due to financial penalties that might be imposed. NB. case describes these as stringent, and as such the inference is that they are significant. Expect reference to EEL's weak financial position vis-à-vis gearing and liquidity. Further, size of penalty might write off the profit potential of the order. Data for motorcycle engines suggests 5% gross profit margin. Also, not meeting delivery times will undermine its competitive position in the longer run for future business. Does current order book require overtime working? Even if not, an overtime ban would remove the ability to take on new smaller orders alongside existing full order book.

Deny the rumours – tell the employees that EEL is going to keep all manufacturing in-house. Even if this isn't true forever it is true at the moment. The proposal is just that, so is it really a "fib"? But, this runs the risk of not being believed and so causing a festering unease amongst the employees. Alternatively, come clean. Tell the employees that it is a proposal for a new product, which might create additional jobs and not replace existing ones if adopted. So no threat to the core activities and hence job security. But, some might think this is the start of a slippery slope etc.

But, this is just a threat made by one representative. How real is it? How representative of the feeling of the entire workforce? Might have been said in the heat of the moment. Talk to the Trade Union (union density is 76%) so a good conduit of communication. Need to gauge depth of feeling. Remember, an overtime ban hurts the employees just as it hurts the business. Given the losses being made by the firm for the last three years then such action might be highly destructive if it affects output (if it doesn't then it's pretty pointless!). Could be enough to tip the firm over the edge. If can convince TU represents about the truth then they are more likely to be able to convince the employees in turn due to TU credibility with employees.

Longer term; threat suggests a possible breakdown of the open culture. Why might employees be so willing to believe the rumour? Either due to the source – did it come from the board-meeting, if so suggests that board meetings are not confidential? This is a major worry for commercial reasons, someone might have been deliberately leaking "news" to gain their position. Or a lack of confidence in management. Whichever, this needs to be addressed. It is entirely possible that management's view of culture is merely wishful thinking and that employees simply don't trust managers. One possibility is to have employee representatives at board meetings so that such rumours can be squashed by the employees themselves.

One aspect of the case is that trust between managers and employees. Without this, there is a problem of demotivation that could lead to a reduced ability to be competitive because it might affect the business' core values. The threat of an overtime ban might be a symptom of a deeper feeling of insecurity amongst the employees.

Level 4	Discussion is balanced in evaluating response(s).	(19-14)
Level 3	Analyses case material in the development of possible response(s).	(13-9)
Level 2	Possible response(s) are applied to the situation descriptively.	(8-5)
Level 1	Identifies possible response(s).	(4-1)

4 Recommend whether EEL should proceed with the motorcycle project. [20]

No clear, obvious answer. Good answers will be characterised by analysis of the case to suggest a position. The “rightness” of the recommendation is determined by the quality of the supporting analysis, not the recommendation itself. Similarly, better answers will be strategic in their argument in recognising the holistic nature of the problem.

Ansoff’s matrix provides an analytical framework. New market, yes, new product, arguable depending on route taken. A major problem is how to protect investment. Whilst the engine and chassis can be patented the idea can be copied. What is to stop another firm(s) entering the market once EEL has established it does in fact exist. Why should EEL take all of the risk unless it can protect its hard won position? Real threat of “me too” products from bigger firms who enjoy scale advantages over EEL.

Initially issue is to determine objective. Being an Ltd we can assume this is profit whilst case suggests survival and independence are major concerns.

Is the venture profitable? Depends on route taken. For engine alone gpm is 5%, £20. If new engine needs to be manufactured (£9m + £4m)/ £20 = 650,000 units to recover capital costs (adaptation is 450,000 units). Is the market big enough to absorb this amount? Planning uses 125,000 units pa (where did this figure come from?) Would take 5.2 years to pay back. If motorcycles reach diesel car market share then market in 2001 would have been 27% x 177,000, about 48,000. Assumes same level of penetration in an entirely new market. Even at this optimistic level would require over 10 years to recover costs, the issue of profit of course depends upon how quickly one writes off the capital costs.

How big is the UK market – expect some critique of the primary research; 15% expressed an interest, so 177 x 15% = 26,550 sales. But is the target market existing motorcyclists? Case suggest rather than conquest, sales market is those transferring from cars or public transport. By 2005 more cities may have adopted congestion charging, increasing market scope. Diesel market growth in car market is 10 fold in 30 years, might a diesel motorcycle enjoy similar, rapid growth?

Resources; where might EEL get finance? Amount ranges from £5m if adapt an existing engine and then sell rights on a royalty basis up to £9 + £4+ £5 = £18m if develop a whole new machine. Balance sheet is not strong; increase debt raises gearing to 51.2%, but would a bank be willing to lend on this project. Might government offer start up funding if for MOD use? Can EEL recruit and train enough staff? What are the local labour market conditions like? Note, there is no suggestion in the case of these costs; which would need to be added in. If develop a new engine and sell royalty rights then figures are £9 - £5m = £4m/ £40 = 100,000 units to cover costs. But who would pay £5m in addition to its own manufacturing investment? What is in it for CCM, Triumph etc going into such a joint venture?

Also, EEL has no credibility in this market. So would need to establish channels of distribution/educate the market. How to communicate with them? If press, for example, is it motorcycle, car or mainstream? The overall tone of the marketing department’s submission doesn’t paint a positive image! If it’s not convinced how successful is it likely to be?

Strategic issues.

1. Can EEL manage this and still be successful in its core markets. Might this be a venture too far, diverting managers' attention from their main business? Does it have the ability, energy and vision to engage in such an ambitious strategic diversification without harming the fundamental business? Lots of real world examples suggest such a diversification is far from easy.

2. If it is such a good idea, why hasn't someone like Kawasaki (Japanese motorcycle manufacturer and diversified industrial conglomerate) already done it? Note, it's not exactly an innovation because the military are already looking for a supplier.

Level 4	Achieves an overall view having evaluated different possibilities.	(20-15)
Level 3	Analysis of material supports candidate's recommendation.	(14-9)
Level 2	Recommendation supported by the application of case material.	(8-4)
Level 1	Offers an unsupported recommendation.	(3-1)

Assessment Grid

Question	AO1	AO2	AO3	AO4	Total
1	3	4	5	6	18
2	4	4	5	6	19
3	4	4	5	6	19
4	3	5	6	6	20
Sub-Total	14	17	21	24	76
QWC					4
Total					80

Report on the Units

June 2005

Chief Examiner's Report

It is good to be able to report that a record percentage of the candidates aggregating this summer gained the top grade. Although the actual percentage remains low this reflects the relatively low average GCSE attainment of the cohort when compared to many other subjects. Whilst some will leap upon the improvement as evidence of grade inflation the truth is that more and more candidates are able to demonstrate the combination of subject understanding and skills required. Those preparing candidates can take heart from this on going improvement and deserve congratulations.

Sitting along side INSET these Principal Examiner Reports offer a valuable means by which senior examiners can give feedback on candidate performance and attainment. As every session they, and OCR INSET courses, are commended to colleagues. Details of INSET can be found on the OCR website, www.ocr.org.uk.

Quite correctly the report on each individual unit will have its own message for colleagues. However there are two common concerns expressed by senior examiners which need to be made. The first is concerned with decision making, the second, candidate communication.

On nearly every one of the ten units that are available each session candidates will be asked to make decisions or to offer advice. Examples include "Should Hazel accept this order?" (2873, Q1b), "What should JDL do with the Warwick Road site?" (2875, Q1d), "In the present circumstances what strategy should the board pursue?" (2879), "Recommend whether EEL should proceed with the motorcycle project" (2880, Q4). Likewise, those submitting a Business Project, 2878, are required to write a problem solving report. This emphasis on decision making is one of the distinct features of the OCR course. It is against this background that the weak decision making skills of so many candidates serves to lower their mark. Candidates are good at making a choice; they are less good at offering a reasoned argument, the essence of decision making. In preparation of OCR units, whether AS or A2 colleagues would be well advised to attach greater importance to decision making. The best candidates blend a clear grasp of the subject, its concepts, tools and techniques with the evidence presented in the examination case studies. If the percentage of A grades is to continue to rise then even more candidates must be able to demonstrate this ability.

Those that examine are, in the main, teaching colleagues. As such they are well aware that 16 – 18 years old students do not exhibit exemplary communication skills. But, this summer more than at any time in the past examiners have reported the awful presentation of scripts. Aside from the traditional asterisk betraying alack of planning, multiple crossings out and so on is the more fundamental ability to write legibly. Writing that cannot be readily deciphered is increasingly seen and serves to detract from the mark awarded under Quality of Written Communication, QWC. The narrowness of some grade boundaries and the marks available for QWC mean not getting all of the QWC can easily translate into low UMS achievement. In short, the poor handwriting of many candidates is too serious to ignore. An added issue is the colour of pen used, with too many candidates taking a liberal interpretation of the requirement to write in either blue or black as stated on the front of answer booklets. Please, for the sake of examiner sanity and eye sight; demand that your candidates have a decent pen!

2871: Businesses, Their Objectives and Environment (Written Examination)

General Comments

The marks scored in this session were polarised. There were those candidates who took the opportunity to score well on a 'standard' 2871 paper but there was also a lengthy 'tail' of candidates who seemed determined to wilfully throw away marks at every opportunity – for example, by ignoring the "other than..." in question 3 or failing to mention any specific stakeholders in question 4. There was also a tendency to answer some of the questions from a 'man in the street' perspective rather than from someone who has studied the subject at AS level. This was particularly apparent on questions 3 and 5. There was no evidence of time pressures. The quality of written communication was marginally worse than the January session.

Comments on Individual Questions

- 1) The overwhelming majority of candidates picked up two marks here. Some gave an example of each type of activity but this was not necessary. Simply stating 'secondary' and 'tertiary' was sufficient for both marks.

Where mistakes were made it was usually a statement that the other two sectors were 'the private sector' and 'the public sector'. Alternatively, some candidates gave two other examples of primary sector activity. The first response demonstrated a poor understanding of basic business studies terminology and the second showed a failure to read the question.

- 2) The term 'outline' requires slightly more detail than the word 'state'. On the other hand those who wrote at considerable length gained their marks quickly but then in labouring the points were simply wasting time. As has been said before, candidates ignore the trigger words to their detriment.

Some candidates clearly had no idea at all of the nature of Regional Development Assistance and tended to score by a happy accident - usually by some reference to "jobs". Others thought that the assistance was only available to McAvoy's, rather than all businesses in that part of Scotland.

Apart from the safeguarding and creation of jobs there were a number of valid possibilities, e.g. achieving equity between areas of the UK, helping to prevent 'overheating' in some areas and encouraging more balanced growth, helping firms survive and/or grow so they can compete more effectively both with exports and against imported products, etc.

- 3) There was a very wide range of marks on this question. The better candidates were careful to ensure that they analysed how McAvoy's might be affected by the government which was what the question asked for; if candidates did this they were well rewarded - often with full marks.

The 2871 specification makes reference to "the state as a consumer, provider, supporter and source of constraints" and so candidates could legitimately make references to these in any form. Typically these took the form of laws, taxation, and government spending.

One common cause of *low* marks was with regard to the Soil Association; the body that is responsible for monitoring organic food production standards. It is hoped that 2871 case studies can be used as teaching and learning aids as well as a method of assessment and so a quick check on the Internet would have provided the information to candidates as to the nature of the Soil Association; a completely independent body. Answers focusing on

how the government might influence McAvoy's 'through the Soil Association' were, therefore, wrong.

Other poor answers focused on the law; it was strange to see that with so many standard pieces of legislation available to be used - for example the Health and Safety and Employment Acts - many candidates insisted on a making up bizarrely hypothetical pieces of legislation such as "they may introduce a law banning salmon farming" or "the government may decide to pass a law saying Scottish farmers can't use the sea lochs any more". These sorts of answers did not score well.

It was very disappointing to see a large number of candidates making reference to the government changing interest rates when the Bank of England has been independent for over eight years. Long passages devoted to the effects of 'the government's monetary policy' on McAvoy's could gain no marks whatsoever.

There were a number of references to "a change in tax"; too often candidates treated 'a change in tax' as if there is only one universal tax paid by consumers and businesses alike. This was not an appropriate way to answer. Examiners try to give the benefit of the doubt but statements were often too vague to do this. A common response was along the lines of "higher taxes will negatively affect McAvoy's because they will have less money". This may well be true as a general statement but a general statement was never going to score highly. In this instance, will this negative effect be because of a tax change directed at the business (say a change in corporation tax) or because of lower *consumer* spending caused by an increase in income tax? It was usually left to the examiner to guess. A much greater degree of precision is needed when discussing tax changes and this is something a number of Centres need to address.

On a more positive note, the more able, and indeed the average, candidate seized on the opportunity to score well on this question. As has been said before in the Principal Examiner's report, one clearly analysed example (e.g. of law, tax changes, or exchange rates) on this sort of question takes a candidate straight to the full nine marks.

- 4) The answer to this question revolved around "which stakeholders are likely to benefit most?" It was often left to have the examiner to infer which stakeholders were being discussed - some candidates are still using the term 'stakeholders' as if it were synonymous with 'shareholders' and some made no mention of the term at all. As has been said above, examiners do try to give the benefit of the doubt, but can only mark what is in front of them. Any clear analysis or evaluation of the possible benefit (or disadvantage) to a particular stakeholder would have scored well. Many candidates simply listed the stakeholders without developing the answer as to how they might be affected and the degree of the effect.
- 5) This was the first time that a 14 mark question had been set on the topic of finance and it was pleasing to see it tackled confidently by the majority of candidates. There were a number of possibilities, e.g. a rights issue (examiners were prepared to accept "issue more shares"), a loan, selling off some land or other unwanted assets, seeking government assistance, leasing, or (if the board of McAvoy's wanted to change the nature of the business) "go public".

Less able candidates simply talked about raising finance in general terms and there was a tendency to write at length about possible sources without an accompanying analysis of the implications for McAvoy's or indeed the context in which McAvoy's were seeking the finance.

There were certainly some poor answers here. Weaker candidates tended to interpret this question as "How might McAvoy's get more money". This led to responses such as "put up prices". Given that the business needed to raise £400,000 this was not an appropriate response. A large number of candidates answered in a 'Catch 22' manner and said that if McAvoy's expanded this would generate the finance necessary for the proposed growth! Careful thought needs to be given to exactly what is being written.

It was also odd to see a large number of candidates argue against taking out another loan “*because with a loan McAvoy's would have to pay interest*”. This would have been a valid point if contrasted with certain other methods of finance - e.g. the use of any cash sitting idly in a current account - but as a ‘stand alone’ point it was a poor response. Candidates answering like this clearly have much to learn about the world. Worse was to come; responses such as “have a big sale”, “cut down on electricity use” and “cut employees’ wages”, were, frankly, ludicrous and demonstrated a very poor grasp of business finance!

Once again the better, and average, candidates simply did what the question asked and considered some of the available options and their likely impact on McAvoy's in the context of the expansion. It was not difficult to score marks for analysis here and any supported judgment as to the most appropriate source was well rewarded.

2872: Business Decisions (Written Examination)

General Comments

The context of the paper was familiar to candidates and so many were able to provide the application of their understanding within the time constraints of the paper. However, it is disappointing to note that despite the text being rich in data that could be used, it was often ignored. Using the data to back up the points being made is one effective way to move into analysis and Level 3 marks. Better responses were able to consider the implications of the points that they made and so reached into the higher levels of marks in this way.

Given that this paper is based on decision making in business, the more successful responses from candidates are able to assess a number of factors involved in the decisions made by the business under consideration. They then go on to consider the consequent implications before reaching a decision or judgement. However, as the report from the previous session of this paper noted, while stronger candidates did demonstrate skills of analysis there is relatively little evaluation to be seen. This is still the case and so the following points about the ways in which evaluation can be demonstrated are repeated:

- Examining arguments critically, and highlighting differing opinions.
- Where necessary, being able to tell fact from fiction.
- Being able to make comparisons and explain both sides before making a judgement about which is the most important or the best option and being able to explain the decision made.
- Considering the effects of different time spans on the situation or problem, i.e. long run and short run factors
- Considering the influence of wider business, social, political or economic issues.
- Looking at the feasibility of different options. This may be in terms of money, time, people, resources available or capacity.

Candidates must remember to provide sufficient evidence and analysis in their answers to justify their judgements. These skills can be improved with practice under timed conditions in order to ensure that candidates get used to using the data effectively in their answers.

There is also a vagueness in the work of many candidates in the use of terminology regarding financial issues. For example, weaker responses often made reference to the business 'making money'. There was also evidence of confusion between the use of the terms 'price' and 'cost' and also between 'revenue' and 'profits' in a number of scripts. Weaker candidates have also developed a tendency to answer questions with questions that are not further developed. For example, a candidate may write 'is there enough room to build another ride?' or 'will they need to purchase more land?'. This approach may identify good concepts or ideas, but they do need to be discussed in the answer in order to provide the analysis and evaluation that leads to the higher levels of marks.

Comments on Individual Questions

- 1) (a) This was generally well answered. The two most common responses were, firstly, centred around using questionnaires while customers were entering, within or leaving the park. Secondly, candidates provided some discussion concerning using the records of the numbers of tickets sold.

There was some evidence of candidates discussing both questionnaires and surveys but they were actually developing points about the same research method and this was not rewarded as two separate methods. Poor responses failed to answer the question and merely discussed primary and secondary research without actually outlining the methods that the business could use or discussed methods of sampling.

- (b) Candidates found it difficult to apply the idea of quality to the service sector

and even more so to Alton Towers in particular. However, good answers used the context of the theme park and the information in the data to consider health and safety issues, cleanliness and the quality of the attractions, rides, restaurants and food to underpin their analysis of the importance of maintaining a quality service for Alton Towers. There was very little evidence of any weighing up of the costs and benefits of maintaining a quality service for the customers of Alton Towers which is one way that would provide access to the highest level of marks.

While weaker candidates did consider ideas relating to loss of customers (and thus revenue) if the quality of service was poor. However, the lack of context led to answers that could have been about the importance of marketing or choice of product to any business.

- 2) There were a number of disappointing responses to this question for a variety of reasons. Some failed to read the question correctly and looked at implications for the employees rather than the business. There was little understanding shown of workforce planning issues and there was a tendency to present arguments that Alton Towers' workforce planning approach was flawed. Few candidates took the view that that Alton Towers is both an established and a successful business in order to present a more positive view that their approach to staffing might even be a successful one.

There were many vague answers that focused on a general discussion of the advantages and disadvantages of employing part time staff with many assumptions that such staff would be lazy and poorly motivated. There was also much confusion between the nature and implications of part time and temporary employment contracts.

Many candidates made the assumption that the part time staff were students who only worked in the summer. However, the case stated that the park was open for a season of 30 weeks meaning that, in fact, students are not available for most of this period. Better answers made some use of the information regarding recruitment from the local area.

More successful approaches to the question recognised the seasonal nature of Alton Towers and the types of jobs that were carried out by the different parts of the workforce. Such responses were able to analyse the labour turnover, recruitment, selection and training issues at work in this situation. Having a regard to the costs and benefits of the resulting flexibility of the workforce was also a useful method of tackling the question.

- 3) (a) Most candidates were able to tackle this question with ease, with the vast majority of responses showing workings. This is an essential skill, when approaching this type of question, which enabled a number of candidates who failed to reach the correct final answer to be awarded some of the marks under the own figure rule. As is usual in this paper, it is very clear when candidates have failed to bring a calculator to the examination.

Common mistakes included extracting the wrong figure for the total visitors, problems with decimal points, too many or too few zeros or getting the percentage calculation wrong e.g. $£2.45m \times 100/30 = £8.16m$.

- (b) There was a clear lack of understanding from many candidates that this business could segment its customers and market to different segments in different ways. It was particularly disappointing to find that many candidates failed to identify who trade customers were, even though it was spelled out in the scenario. Very few candidates made use of the calculation that they had just carried out in their answer to this question.

Candidates who responded with a general list of promotion methods achieved the lowest marks. Those who approached the question from the point of view of the consequences of promoting to trade customers were

able to analyse the implications and to come up with some original ideas about the effects this might have on the service offered by Alton Towers. Examples included the effect on general customers of school children in large groups careering about the park, implications for parking, increased queuing time, or the multiplier effect of ongoing business arising from the visits of these groups. Another successful approach used the information that 46% of the Alton Tower's revenue comes from in park spending to balance against the discounted entry prices that could be offered to trade customers as a form of sales promotion. Very few candidates were able to evaluate these issues in terms of the relative importance of promoting to different types of market.

- 4) Candidates came up with a wide variety of factors which Alton Towers should consider before making a decision. Such answers often identified a wide range of factors such as market research, staffing issues, raising finance, investment appraisal, when the building work would take place and where the new ride would be located. However, the majority of answers concentrated on cost and customer numbers. It is important to note that those candidates who simply listed a number of factors with limited development or who used theory without relating it to the context of the business and its situation were not highly rewarded.

Good answers made use of the data provided, particularly relating changes in visitor numbers to the years in which new rides were introduced. Other approaches looked at issues concerning the target market both for the theme park as whole and for the white knuckle ride, making use of the data on the age and socio economic profiles of customers.

Other approaches included questioning whether the business could raise the finance for this type of project at this point in time. Some candidates also looked at the recent investment in the hotels as an example of other ventures that could be more profitable.

The best answers suggested a few factors and analysed them in terms of the context of the business and the data contained in the case. Such candidates were then able to reach a conclusion as to which of the factors would be the most important to consider when making the decision or to weigh up the relative advantages and disadvantages of investing in the ride before recommending a course of action to the business.

- QWC Candidates do need to be reminded that using paragraphs will help them organise the points they are making. This is especially useful given the time constraints on this paper. It is not surprising to find that better responses are more effectively organised in this way. While there was less evidence of bullet points being used to make lists, listing was still very evident. It tended to take the format of a paragraph comprising entirely of questions that the business should be considering. This approach does not lend itself to developing any of the points to gain access to the higher levels of analysis and evaluation.

Given that the first two words in the data are the name of the business and that these words then occur twelve more times on the paper it is disappointing to find that a significant number of candidates do not use capital letters for the proper noun 'Alton Towers'. Apart from the usual spelling mistakes that are regularly noted in this report such as 'payed' for 'paid', 'loose' for 'lose', 'weather' for 'whether', 'companie' for 'company', 'relie' for 'rely' and 'there' for 'their', the context of the data produced some interesting errors. These included 'rollor coasters', 'propably', 'layed off' and 'jepardy'.

2873: Business Behaviour (Written Examination)

General Comments

It is encouraging to report that more and more Centres and candidates are really coming to terms with the nature of a pre-issued case study. The use of context to make candidates' answers less generic was much improved. There was evidence that candidates 'enjoyed' the case material with generally good 'engagement' with the context.

There were many more examples of Level 4 answers throughout the paper and even weaker candidates often managed to produce at least one Level 3 response in one of the four discursive questions. The majority of candidates now seem aware of what is required for Level 3.

The problem, as ever, is the use of formulaic answers to a question, particularly Question 4. As a result of this, evaluation was lacking in this question, as well as in Question 3. Candidates must realise that the use of the word 'overall' and then a few lines of pure repetition is unlikely to be a pathway to a Level 4 mark!

There was no evidence of candidates suffering from undue time pressure. It is still the case, however, that candidates are writing too much for the 10 mark questions, when compared to the 16 mark questions. Questions 1(b) & 4 should be answered more concisely, with less reliance on quantity and more on quality.

The quality of written communication continues to get worse, with very poor spelling, punctuation and grammar generally. It is astonishing how few candidates use paragraphs and how many do not appreciate the basics of when to use capital letters.

Comments on Individual Questions

1) (a) This question was well prepared for and over half of the candidates gained full marks. Another large group of candidates gained five out of the six marks, just omitting to include the saving on the delivery cost from the special order. Some candidates did actually mention the saving from delivery costs in part (b) of the question and if the correct answer of £1,920 was arrived at in this way the examiners did allow the extra mark to be transferred to part (a) of the answer.

In fewer cases, candidates chose to do most of the calculation in part (b), but again marks were transferred to part (a), where appropriate.

A significant number of candidates worked out monthly rather than annual contribution. There are still a minority of candidates who confuse contribution with revenue and most of these only scored one mark for calculating the total revenue of the extra order.

(b) Answers ranged from carefully considered recommendations using the result from part (a) together with other factors, to purely speculative answers.

The concept of 'special orders' is one that is well covered in the text books and has been asked on both units 2873 and 2872 on many occasions in the past. It was, therefore, a little surprising that many candidates approached this question in a non-standard way. In a significant minority of answers, candidates repeated themselves by talking about the financial benefits that they had just calculated in part (a). In many cases, candidates did use the context available about PDS, such as its size and the relative newness of the shop to analyse well and score over half marks.

However, a significant number of candidates demonstrated an ability to justify decisions using evaluative comments. The best ones generally came from candidates who considered the impact of this special order on the current customers, as well as the potential motives of Claire Bayley - in particular whether she was intending to undercut Hazel's price. This usually led to good discussion and in many cases evaluative comment. Another common good answer considered whether the additional storage costs or organisational problems of the special order were less than the contribution. There were a pleasing number of candidates who gained nine or ten marks on this question.

- 2) As often seems to be the case, the marketing based question was the least well answered on the paper. Many candidates did not seem to know what the term 'wide product portfolio' meant, even though it was clearly mentioned in the pre-released case study. Many candidates did not answer the actual question set, but instead set out the advantages and disadvantages of each of the four products that PDS provided and made little overall comment or analysis. Maybe these candidates had prepared for a different question! There were also a significant number of answers that talked about whether the disabled riding provision should be reduced. Both of these scenarios were not what the question asked and so received minimal credit.

A significant number of candidates only talked about the product portfolio in the shop; this usually limited the scope of their discussion.

Good candidates talked about how a range of products allowed PDS to be less affected by the business cycle and could gain from cross-promotion and complementary purchasing of products. In particular, the fact that the shop could help to bring in revenue at times when riding lessons, for example, might be less popular because of the weather or other seasonal fluctuations. Good reference was also frequently made to Hazel's inability to focus on the core of the business and how this conflicted with her personal objectives of starting PDS. This led to some very well written answers that were a pleasure to read.

Evaluation was seen in a good few scripts, usually where candidates recognised that three out of PDS's four products were all related to horses and so questioned whether the product portfolio really was that wide. It was actually the land managed by the tenant farmer that brought in the regular income and because he was producing staple products, production was relatively unaffected by demand factors.

- 3) Answers to this question were rather disappointing. Although most candidates were able to make a number of suggestions about how to improve stock control in the shop, many were very generic and could have applied to any company. In fact, not all the suggestions could be applied to PDS due to its limited size and likely financial resources. Theoretical discussions about Kanban, buffer stocks, JIT and computerisation could not be rewarded with more than half marks. In particular, many candidates felt that JIT was a good idea as it would mean that Hazel would not need to spend so much time controlling the stock.

Too many candidates became hung up on issues to do with stock control rather than ways of improving stock control.

The notion of more focused market research was common, as a means to knowing what to stock. However, this idea was rarely fully developed, with no attempt to discuss whether this was practical given the time issue facing Hazel.

Better answers discussed the implications of employing another member of staff to take the pressure off Hazel (so allowing her to return to her original core objective of working with horses and leaving the rat race), and how this might or might not work at PDS. Many answers eventually disregarded the option of computerisation of stock control as it would be too expensive for PDS. However, the best evaluative answers recognised that the savings from improved stock control, both financial and in releasing Hazel to carry out more important management functions, would almost certainly outweigh the costs of introducing

computers in the long-run.

- 4) This question was about the advantages and disadvantages of PDS introducing a formal training programme. A significant number of candidates misinterpreted this question to be about the benefits of on-the-job training against off-the-job training. In most cases these answers did contain enough relevant discussion to allow the examiners to give some reward. However, this is a good example of how candidates need to read a question carefully and not produce an answer to a question that they thought might be asked.

Most candidates approached this question in an almost totally theoretical way and did not engage sufficiently with the case study. This was disappointing given the fact that the case was rich in opportunities to contextualise. In particular, the examiners found it surprising how few candidates picked up the fact that PDS employed a lot of part-time staff and so this would make the organisation of training much more difficult.

Good answers made excellent use of the context available, particularly from Table 2, but also in the rest of the case study. Examples included:

- introducing a proper training programme may reduce much of the labour turnover listed in Table 2 but given the fact we are told that the days at PDS are long and tiring how will training be fitted in?
- how might it affect the instructor to pupil ratio that we are told Hazel is keen to maintain?
- what is the value of training if the labour turnover is so high and therefore staff will leave anyway? Will this just be a waste of money?

This type of evaluative discussion led to high marks being awarded in a disappointingly small number of answers.

Summary

- Candidates are making better use of the context, although not always consistently across all questions.
- Most candidates seemed to have sufficient time to complete the paper; omissions were usually as a result of a lack of knowledge and understanding rather than time constraints.
- Candidates, in general, spent too long on questions 1(b) and 4.
- Question 1 proved to be the major discriminator between candidates on the paper. This was often Centre-based.
- Question 2 - the marketing question, was least well answered.
- Question 3 showed that most candidates knew plenty about the theory of stock control, but were generally not willing or able to apply it to the context of PDS.
- Question 4 saw far too many generic answers, even from candidates who had used the case material to good effect in the previous three questions.
- Whatever happened to paragraphs?
- On a lighter note there were some amusing, if accidental, puns. The best were the regular references to "PDS being a stable business" and the one candidate who suggested that the advantage of having a wide product portfolio was that it prevented PDS becoming a "one-trick pony"!

2874: Further Marketing (Written Examination)

General Comments

The use of a hairdressing salon appeared to assist candidates in their willingness to use the context in their answers. Having made reference to the lack of context in just about every previous report, it is pleasing to be able to report that the situation appeared to have improved this time. Two concepts that had not been considered since the paper format changed in January 2002 did not cause candidates undue concern. These questions, on the law in marketing and the factors affecting demand were reasonably well attempted.

Overall, the average mark achieved by candidates increased, as did the numbers gaining each grade. Nonetheless, despite the better performance on this paper, candidates are often failing to fully develop arguments and there is still reluctance by many to use the material given. The case study is there to be used and in this case there was much to use. Some candidates are still presenting an "all I know about" approach. In the question on promotion, a large number considered the possibility of television advertising as a realistic option. Small businesses rarely use this and candidates who have elected to study marketing should know this.

Another difficulty lies in the ability of the candidate to carefully read the question before putting pen to paper. Often a misreading of the question can lead to a different interpretation being placed on the answer.

Time did not appear to be an issue for candidates and the quality of written communication was, in the main, very good.

Comments on Individual Questions

- 1) (a) Most candidates were aware of the basic concept of market segmentation and many were able to apply it to a hairdressing salon. Very few were able to analyse the answer with reference to how it could assist the owner to assess the needs of the customers. Better answers were able to consider the different services on offer and/or the times that these services could be provided.
- (b) (i) This calculation was generally better attempted than previous numerate questions with most candidates gaining some credit. Typical errors included the reversing of the equation with the answer 0.8 given instead of the correct figure of 1.25. Including a percent symbol also featured in some answers. There were a number of simple calculation errors, which continues to highlight the need to practise such questions.
- (ii) There was plenty of case evidence, including the calculation from (b) (i). Typical suggestions included price, income, quality of service, brand loyalty, advertising, and competition. Most candidates were able to include a number of these issues but very few went on to analyse and then evaluate the chosen ideas in the context of the hairdressing salon. Better answers tended to discuss the factors giving some priority to them. Brand loyalty was an under emphasised factor that is probably quite important for this type of business. Several candidates saw this question as the usual excuse to write the 4 P's answer. Whilst this had some credit it often lost focus fairly quickly.

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- 2) (a) This was fairly open-ended in terms of the required content with most candidates able to score marks. As with Question 1(a), there was very little evidence of genuine analysis. Candidates are encouraged to think about the actual question set. This question is about Hair Styles, not about *any* business. To analyse there must be a very specific answer presented.
- (b) The answers this time on the 'strategy' question seemed to be a little better than in the past. The setting of a question on promotion is often candidate friendly. In practice, candidates rarely perform at a high level in this area because there is an over-reliance on aspects of advertising. Better answers tended to consider some sort of above/below the line approach with a close consideration of different, but relevant, factors. There needed to be a reality check for many candidates. Slavishly following a textbook list of different ways of advertising for any business is a recipe for poor marks. Candidates at the bottom end tended to simply **list** possible methods of promotion.
- (c) Setting a question which required consideration of the law related to marketing, was always likely to be interesting. Better candidates realised that the question was about Benita dealing with the customer complaint. There was no requirement to have any sort of specific legal knowledge and the stronger answers simply put forward a plan of action that would fit in with the spirit of the law. Amusing suggestions included offering a whole variety of wigs, taking the opportunity to relocate (immediately!) and denying all knowledge. A consideration of who was to blame formed the basis of many answers.

2875: Further Accounting and Finance (Written Examination)

General Comments

Generally candidates coped well with the paper. All questions proved accessible, while at the same time discriminating effectively between candidates of differing abilities. The examiners were pleased to note that the standard of numeracy shown by candidates was higher than in previous years. However, the paper required candidates to demonstrate analytical and evaluative skills and some candidates found this challenging. Centres should continue to remind their candidates of the following.

- Close reference to the case is essential if application and analytical marks are to be gained.
- Clarity of layout is important in numerical calculations.
- The command word in the question needs to be noted carefully. Mere demonstration of knowledge however comprehensive and detailed will not score highly if the question requires analysis or evaluation.

Comments on Individual Questions

- 1) (a) Most candidates correctly calculated that the present level of long term debt was £3.9m (given the 75% gearing ratio and capital employed of £5.2m). With the extra debt of £1.3 m this meant that total long term liabilities rose to £5.2m. However, the capital employed also increased to £6.5m. This was usually ignored by candidates. The new gearing ratio was thus 80%.
- (b) The question specifically required an evaluation of internal sources of finance that JDL could use to finance its activities. Two major weaknesses existed in a surprising number of answers:
1. an inability to differentiate between internal and external sources;
 2. a tendency to describe sources rather than an attempt to evaluate them.

Better candidates linked their answer closely to the situation faced by JDL. They used the balance sheet as a basis for assessing what funds might be generated internally and considered those in terms of their suitability and feasibility. Weaker candidates showed strong knowledge but limited understanding of when an option was appropriate.

- (c) Many answers showed a surprisingly weak grasp of the nature of cash flow forecasts. Many suggested that they were used to calculate profits of alternative options. Only a minority focused on the predictive nature of the exercise and the emphasis on the timing of cash movements in and out of a business. Very few candidates made contextual reference to their importance to a construction company whose liquidity is notoriously low. Better candidates stressed the value of the technique as an aid to decision making and financial planning. This focus was lacking in many answers.
- (d) The examiners were pleased at the overall standard of answers to this question. Almost all candidates made some use of the financial data in order to attempt to calculate the differing profitability of the two option strategies. Better candidates developed their responses to consider the differing degrees of risk and the feasibility of the alternatives. Really strong candidates demonstrated high level evaluative skills in making a reasoned and well justified recommendation to JDL as to the preferred course of action. Weaker candidates often stated what they thought should be done but failed to underpin their recommendation with evidence or developed logic. Overall this question generated many good business studies decision making answers, while at the same time allowing strong candidates an opportunity to show their real understanding of financial issues.

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- 2) (a) Most candidates were able to show that they were aware of adverse variances and could show understanding of the concepts. However, only the better candidates were able to analyse the likely causes of the variance in terms of volume (more labour used than anticipated - 6.6% up) and value (unit costs higher than budgeted - 10.4% up).
- (b) This question caused significant problems for a number of candidates. Most saw that, as a result of overspending, the contract made a loss. Thus, they concluded that it could not be of any benefit to the business. Better candidates then recognised that, although an apparent loss was made, the contract did make a positive contribution to the overheads of the business. As a general rule a positive contribution implies that a contract is of financial value. Candidates were then were able to develop this line of thought to identify other ways in which the contract was of value such as income generator/maintaining good relations with local council/means of generating future work/work force employment as opposed to lay offs and attendant problems. In the light of all these types of points some overall assessment was made of the usefulness of such contracts. This question differentiated significantly between candidates who see business decisions as very simple issues that are very black and white and those who recognise that a wide range of financial and non-financial factors have to be identified and assessed before a final judgement can be made.

2876: Further People in Organisations (Written Examination)

General Comments

It was particularly pleasing to find that the scenario presented in this case study seemed to provide no particular difficulties to most candidates. In fact most candidates were able to utilise real-world knowledge, understanding and awareness of how such types of businesses operate and how such businesses often interface with the people that work in them. It would also seem that it is the type of business with which many candidates are relatively familiar, either from the perspective of part-time employment, or as customers themselves.

The overall impression formed by the examining team was that candidates had been well prepared with subject specific knowledge. However, some potentially sound candidates failed to demonstrate elements of the higher level skills of analysis and evaluation in the context of the business. The main issues for average to lower scoring candidates seemed to be caused by poor examination technique, especially poor time management.

The standard of written communication still seems to inhibit the performance of some candidates. There were also some instances where candidates were clearly not able to cope with the relatively straightforward numerical questions which should be tackled with some degree of confidence. At the other end of the spectrum there were also many candidates who found the numerical questions a means of making a very positive start to the examination. Future candidates would be well advised to revisit this area of their studies in this unit and use the previous papers to acquaint themselves fully with the nature of the numerical questions which have to form an integral part of the examination.

The examination seemed to work well. The questions provided a solid test of candidates' specialised knowledge, and seemed to differentiate candidate performance well, with questions 1(c) and 2(b) proving particularly effective in this respect.

Comments on Individual Questions

- 1) (a) (i) Candidates generally answered this first numerate element far better than in previous sittings. However, Centres should take care to stress to their candidates that they need to practise and be confident in their ability to cope with this style of question. Candidates should always remember to show workings, in case they make a basic mistake.
- 1) (a) (ii) A wide range of responses to a question which clearly did not have a right answer. Some candidates did not take heed of the trigger word, analyse, in the stem of the question and simply recycled data they had been given in the case study. Others went beyond what was actually required and tried to formulate evaluative answers, wasting precious time and effort in the process. Centres should be encouraged to actively teach students what processes are involved in dealing effectively with a question which requires an analytical rather than evaluative response.

Local labour market conditions have not specifically formed the basis of a question in past papers, although by implication this topic area has often figured in questions in previous sessions. The number of candidates who used the case study material in an appropriate manner to address the question set was actually very pleasing to the examining team.

- 1) (b) In general many candidates found this question the most accessible one on the whole

exam paper. However, the question did discriminate well between candidates who focused on implications as instructed, and those who took another route and chose to write mainly about issues which were not directly Human Resource issues. Candidates who took the latter route did not score well. It was quite disappointing not to see more genuinely analytical answers, given the wealth of evidence available in the case study.

- 1) (c) A question which proved the best on the whole paper in terms of differentiating candidate performance. There were two main reasons for this. Firstly, many candidates chose to ignore a key word in the question - i.e. formalised. Whilst this did not actually prevent candidates accessing either Level 3 or Level 4 marks, those candidates who approached the question from a generalised viewpoint with regard to training, rather than the required formalised route ended up scoring marks at the lower levels of the mark bands for analysis and evaluation. Secondly, a significant number of candidates seemed to be writing about the benefits of training to any business, rather than the business specifically run by Larry and Stewart. Good candidates focused on issues relating to the employment of family and friends in the early stages of the business, and used the examples of potentially dangerous accidents in the case study as justification of the need to formalise the training required.
- 2) (a) (i) This question provided candidates with a relatively simple calculation in order to score two marks. This question was accurately done by a great many candidates. All that was needed was for candidates to identify from the information given in the case study the fact that wages in the relevant sector amounted to £284 and then divide this by 40 hours to arrive at the correct answer of £7.10.
- 2) (a) (ii) The knowledge base required to tackle this question, seemed in most cases to be quite solid. Weaker candidates could recall theoretical knowledge very effectively, but found it difficult to apply the knowledge to issues and problems relating to the various categories of employees at TTT. The question was deliberately worded to allow a variety of routes into an answer, and required a judgement as to whether, on balance, Stewart's payment method (£6.00 per hour and no fringe benefits) should be introduced or not. Weaker candidates offered very one-sided answers, either for or against the chosen method of payment selected by Stewart. Provided that there was some effective link to case study material, this provided a straightforward route in to Level 2, and often Level 3. However, a one-sided approach seldom enabled candidates to access marks for evaluation in Level 4.

Better candidates were able to consider the various pros and cons from the standpoint of different employees (the sole remaining member of family as opposed to new recruits) often offering quite sophisticated reasoning as to why motivation might be affected in some circumstances but not others.

- 2) (b) The second best answered question on this examination paper. There were still some candidates whose answer completely focused on the implications of almost any business which did not deal effectively with Health and Safety issues, and as a result could not progress beyond Level 2.

There were also many answers which considered the issue purely theoretically, with no attempt to consider it from TTT's point of view and the implications for customers, the owners, the workforce, and the likely consequences of a relatively high incidence of accidents amongst an inexperienced, untrained and potentially vulnerable workforce.

There were some very good answers, which focused very well on the impact of Health and Safety issues within context, and articulated the possible costs need to be undertaken to solve the problem in relation to the perceived benefits of rectifying those problems.

Summary

Candidates for the future examinations in this unit will need to focus on effective time management during the examination, as 90 minutes is not long to assimilate the case study material, read the questions carefully, and write well considered responses.

Candidates should be reminded of the importance of appropriate use of terminology and the quality of their writing style, as well as a careful consideration of the nature and size of the business in the case study. They should also consider any key personalities, their role within the business and the impact they have on the problems that the business is facing. One particular technique which needs to be consistently worked upon is the ability to contextualise answers when demonstrating the higher level skills of analysis and evaluation.

Another key aspect which needs to be regularly visited is the ability to use numerical skills effectively within a range of Human Resource related topics - most obviously percentage change, but also the ability to manipulate data concerning lateness, absenteeism, rates of payment/methods of payment, productivity/efficiency, wastage, labour turnover etc.

2877: Further Operations Management (Written Examination)

General Comments

Again it is pleasing to report that the majority of candidates were well prepared for the topics that were set in the June 2005 paper. The case study in this examination was on a cement manufacturing company with its own quarry, which had been operating on its current site for over 40 years. It was very encouraging that the majority of candidates framed their responses in the context of the case study and so building on the improvements seen in recent examinations. As a result, candidates' marks have improved accordingly. This was, again, particularly evident at the lower end of the mark scale with very few candidates scoring less than 20 marks on the paper. Nonetheless, some candidates still disadvantage themselves, particularly with their answers on the more open questions such as Question 2(b) and Question 2(c), where it was common just to see the initials of the business used in the answer rather than any specific references to material from the case study, or any thought given to how appropriate their ideas were in the context of this particular business.

As in January, it was very encouraging to see candidates appropriately managing their time, although there was still some evidence of excessively long responses to the lower mark Questions 1(b) and 2(a). This must disadvantage candidates because it leaves them less time to discuss the key issues on the longer questions (on this paper 1(c) and 2(c)), which carry the highest maximum tariff of 16 marks.

The quality of written communication was usually very good, with many candidates gaining the full two marks. However, a very small minority continue to write their responses as one long paragraph or use bullet points; by doing this they fail to demonstrate that they can structure and present their ideas clearly.

Overall this paper seemed to work well, many candidates intelligently used the material to produce well-reasoned answers and it was encouraging to see a good number of scripts scoring over 40 marks out of the 60 available.

Teacher's Tip Reminder: The higher level marks are gained by those candidates who are able to successfully demonstrate in their answers what is required at A2 level – a clear, concise discussion of issues and problems in the context of the business in the case study with evaluation and judgement based on logical analysis.

Comments on Individual Questions

- 1 (a) The calculation question was generally well done with many candidates calculating the correct answer of 58.3%. Some candidates, (most likely A level Mathematicians!) spotted that as the average stock price remained constant that the desired stock saving of 3500 items out of 6000 currently in stock, worked out as a percentage, gave the correct answer. The commonest error was to calculate the remaining stock of $\frac{£625000}{£1500000} * 100$ (or $\frac{2500}{6000} * 100$), i.e. 41.7%, and take that as the saving!

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- (b) Most candidates realised that production stock involved raw materials, work-in-progress and finished products. Many picked out the salient points from the text about the quarrying being hampered by the weather and also the variability of demand and the fact that some large scale contracts, e.g. for major building projects, might have to be completed and, therefore, to aim to reduce production stock levels by over half was really a non-starter. Besides the company operates a flow production process and so any major stock reductions might mean raw materials run out and production ceases – not an ideal situation where kilns have to be kept at constant high temperatures.
- (c) This question was generally well done, with many candidates picking up evidence from the case study of the range of external factors that were affecting the operations of Northbury Cement (NC). Many candidates discussed the environmental issues (often at length) and also the way that laws (such as health and safety) impact on operations and also regulations on emissions of gas and dust. The candidates who scored high marks took a PEST(LE) approach and as such were then able to evaluate which of the factors, in their opinion, had the most significant implications for operations at NC.

Teacher's Tip: To gain the highest marks within the levels it is advisable to discuss a range of issues, contrasting those factors that might benefit the business with those that might have a detrimental impact. A one-sided answer is more likely to score marks at the lower end of the level.

- 2
- (a) This was a 'stock' question on location and the information given in the first paragraph and also the process diagram highlighted the key location factors. To achieve the highest level, candidates had to point out the specific implications for NC, such as the fact that locating near to raw materials in a bulk reducing industry, such as cement manufacture, would reduce transport costs.
- (b) Given this topic was tested a couple of years ago and previous answers were disappointing, it was encouraging to read some well-reasoned responses in this examination. The case study did highlight the role of R and D in lines 19-26 and most candidates used this material wisely, with the better candidates discussing possible implications for NC, such as the impact on costs, sales and revenues, or the possibility of gaining a competitive edge over rivals if new innovative processes or products were to be discovered by NC. A few candidates incorrectly saw the gathering of market research information as a key role of the R and D department, whereas this is a marketing function.
- (c) Although questions similar to this have been set on previous papers there were some rather disappointing responses. The focus of the question was on "methods NC might use to ensure it sells products of the highest quality". A lot of candidates produced answers that were answering a question such as how could NC improve quality (or improve efficiency or production). Also, a further disappointment was those candidates who clearly had learned the methods, e.g. TQM, quality assurance, bench marking, etc. and then wrote very general answers with little reference to the business and whether the methods could be appropriately used in that business. Some good candidates discussed NC's actual methods of quality control (lines 14 – 18), offering their opinions and judgements on whether other methods could improve on what NC currently does.

Teacher's Tip: - Remind your candidates of The Golden Rule of Examinations – always answer the question set, not the question you would like to be set!!

2878: Business Project (Coursework)

General Comments

As usual, a large proportion of the entry to this unit was from candidates submitting work for the second time. Whilst there were still some that were weak, most candidates had entered improved work.

Moderators reported that the standard of marking was excellent and most Centres did not require any adjustment to the marks awarded. Where adjustment was necessary it was most often in larger Centres where more than one teacher had moderated or in a Centre where the teacher was marking either for the first time or after a period of time not doing it.

Application of Criteria

Teachers do not find it a simple task to apply the criteria to the work of their own candidates. It is very difficult to divorce the work the work a candidate is known to have done from the contents of the report. Marks must only be awarded for what is written.

Work we have seen this time sometimes needed mark adjustment for the reasons given below.

- **Overall**

Because, in some Centres internal moderation was necessary but had not been carried out effectively enough. The sharing of marking, though both understandable, and good INSET for everyone, does carry with it the need for one team leading examiner to ensure, by sampling, that the marking is all of the same standard.

Because the general principle is that marks are awarded, for all criteria, on the project as a whole and not solely for specific aspects of it. For example, analysis and evaluation can be found at any stage in a report and should be rewarded wherever they are found.

Because certain clear weaknesses or strengths were rewarded or penalised too heavily or on more than one occasion. For example:

a candidate who has collected flawed or insufficient evidence cannot analyse or evaluate with any degree of skill, accuracy or conviction. However, the analytical or evaluative skills demonstrated should be assessed in the light of the evidence now available to the candidate and not in the light of the evidence that could, or even should, have been there. This is nothing more than the application of the commonly accepted practice of proceeding at all points from candidates' answer.

- **Specific Projects**

There are some projects which it is difficult for even the most experienced marker to assess because of their content and the fact that what is written is open to more than one legitimate interpretation.

Marking should be a positive process and any interpretation the candidate places upon data, which is valid and within the framework of the subject, should be rewarded equally with any other acceptable interpretation.

The context within which a problem is tackled can be any situation in which a business related decision or problem is being discussed. The context itself is not the issue. The important feature of assessment is the extent to which the work meets the nine criteria in the specification.

Teacher's Tip: The nine criteria should be given to the candidates and discussed with them so that they understand them, know what they have to do, and what will earn them marks.

Comments on Individual Criteria

Criterion 1

Decisions cannot be effectively made or problems solved if their nature is not fully understood. Even then the discussion has to be within a business context with clear business requirements. Furthermore, it has to be a problem that, for good business reasons, needs to be solved in the context of the organisation chosen for study.

Five marks are awardable but the value of meeting this criterion is immense in terms of the subsequent work. If this is done properly many difficult or impossible projects are avoided or cut down to size before it is too late and a good framework is laid for the report.

Sometimes the mark has been changed by moderators where full use of the 1-5 range has not been made and a standard mark has been given (usually 3) in all or most cases.

Teaching Tip: This stage of homing in on a topic is crucial and must be a genuine feature of the chosen organisation. It is wise to choose an organisation in plenty of time. Then the problem can be researched and considered well before commitment to it.

Criterion 2

A report should be written with a clear structure. The objectives a candidate sets should be a clear indication of that structure.

This criterion was most commonly under-rewarded where there was no statement of objectives or where the objectives stated were not objectives at all. In effect candidates often showed an objective approach even when they had not stated them and this was sometimes ignored. By contrast some candidates who stated very good objectives but then did not use them were over-rewarded.

Teacher's Tip: The setting of objectives is the basis of a good approach and can be undertaken as an initial exercise. Once this is done the candidate is ready to send an outline proposal to the Board for advice. This is not a requirement but it is helpful if completed and sent well in advance. The practice of writing and discussing this outline is strongly recommended, even if it is not sent for advice.

Criterion 3

This criterion measures the quality of the information gathering processes and the appropriateness to the information required.

This was normally well rewarded and where this was not the case it was because some of the theory involved was over-rewarded, just because it was there and well explained. Flaws like samples that were too small, or, response modes which could not be aggregated were sometimes given too many marks.

Teaching Tip: The strengths or weaknesses of a project are often rooted in the quality of the questionnaire. This is often in the appropriateness of questions, such as gender and age, which may be either crucial or unnecessary depending on the subject investigated. Often it lies in the response mode. In most cases the data will need to be measurable and aggregated. This means that subjective modes like “often” or “regularly” should be avoided and measurable ones like “twice a month” or “once a week” should be used.

Criterion 4.

How well the information is understood as shown by the way the candidate presents and uses it. Many candidates go over the top here with too many ways of presenting data and with highly skilled computerised presentations which are difficult or impossible to interpret. Easy and effective visualisation is what we seek rather than a high level of computer skill. Sometimes candidates were over-rewarded here.

Teaching Tip: Secondary research is often useful as an indicator of questions to be asked or as a comparator with local information. Too few candidates seek such information yet its use is clear and its value considerable. It is readily available in reference books or on the Internet.

Criterion 5

We reward the use of theory, concept and technique where it is appropriate to an aspect of the problem being investigated. We do not reward the mere presentation of knowledge. Candidate favourites are whole and discrete chapters on such topics as SWOT, questionnaire design, ratio analysis, and motivation theory.

Candidates are sometimes over-rewarded when they produce such data and under-rewarded when they show knowledge through accurate and effective use of theory in an appropriate context.

Teaching Tip: Understanding of theory, which is appropriate to a topic of discussion, is crucial to success. It is not shown by chapters about theory. Where a brief explanation or a critical appreciation is necessary it should be at the point of use in the project and not in a discrete chapter or section.

Criterion 6

Analysis requires some way in which the data collected has been turned into relevant evidence relating to the problem being solved. It is not sufficient, even when it is done well, to say in words what has already been demonstrated visually by an appropriate graphic.

Concepts, theories, techniques, patterning of evidence, ordering of data and reasoning about it are all analytical in nature and should be rewarded by reference to their relevance and quality in the process of understanding, interpreting and solving the problem.

It is the skill we seek to identify and reward and not the success with which the problem is being solved. Candidates often show substantial and relevant skills which are under-rewarded because the evidence is insufficient or flawed. But those weaknesses have already been addressed in applying Criteria 3 and 4.

Teacher's Tip: Information collected is mere data and some of it will not be useful. It should be discarded, but with a reason for doing so. The centre of good analysis is the questionnaire or the observations made and very often crucial aspects are ignored. In profiling potential customers, age and gender may be crucial. In analysis of labour turnover, how long the leaver has worked there, or the department may be critical. Good profiling often gives an excellent basis for deciding what the problem really is and what solutions are best.

Criterion 7

Evaluation is a judgemental process. To be recognised as such it must have sufficient reasoning to support the point being made and have within it some appreciation of business realism. Candidates must be aware that any recommendation, however reasonable it sounds and, however well argued, must be realistic in business terms. No business will want to solve problems in ways which mean that the costs of solution (both money costs and other costs), are greater than the benefits.

Argument which shows this understanding is sometimes under-rewarded. Recommendations which conflict with each other or are likely to be unrealistic and are presented without comment, are often over-rewarded.

Evaluation which reflects, post experience, on what the candidate has done is not rewardable. To be rewarded, such comments must be within the body of the report and we need to be able to see at least one way in which the comments made have influenced the recommendations.

An example: "I think the sample was too small and that I should have been more careful about who I asked."

This is clearly a highly relevant statement if its truth is obvious in the report. It should be reflected in the caution with which the candidate makes recommendations. Then it becomes very rewardable.

Teacher's Tip: Evaluation must reflect the evidence which has been analysed and not conflict with it or ignore it. Evidence which conflicts with an intended recommendation has to be part of the process of evaluation.

Criteria 8 and 9

The only concerns here were:

1. a tendency to be middle of the road and to award a constant 3/5 for each criterion except in very poorest or the very best circumstances.
2. not enough factors were taken into account when deciding the mark for presentation in criterion 8. For example, this is where we take into account the appropriateness or otherwise of the candidate's title to the report.
3. in assessing criterion 9, the candidate's knowledge and correct use of the language of the subject should be given consideration. Where they are comfortably and correctly using subject language reward should be given. Where language such as the words "company" or "random" or "productivity" are mis-used this should be reflected in the mark given.

Administrative Matters

The moderation process inevitably requires a number of administrative tasks which ease the process considerably, when they are completed, but which can pose problems when things go wrong. In most instances things run smoothly and the moderators are immensely grateful to all those teachers who help them in that way.

Teacher's Tip: Poor titles are common. Candidates should be aware that titles can and should be changed when they no longer reflect what the report is about. One of the last questions candidates should ask is "Is the title the best reflection of the work done?" Where this is not the case the title should be changed.

In the assessment process we mark what the report is about and not what the title says it is about. A poor title is regarded as a presentational weakness and this is reflected in the mark for criterion 8.

The big problem is time because every occasion on which things go wrong requires contact with Centres to rectify matters and that can be a slow process. In particular please:

- ensure that copies of the mark sheet are clear and complete so that all candidates and the teacher who marked the work can be identified without error.
- where a sample is to be taken rather than all the scripts, please send the copy of the mark sheet to the Moderator as soon as possible.
- when the sample request is received please send the work of the candidates concerned and do not make any substitutes. Do this as quickly as you can.
- in Centres where more than one teacher has marked please ensure that internal moderation has been completed.
- please check all transfers of marks and all totals to ensure there is no error. Errors can only be corrected at the centre and, therefore, require that work be returned to the centre.
- please ensure that one copy of the Centre authentication sheet accompanies the projects when sent.
- please do not write anything directly onto the projects themselves.
- the front sheet gives ample space for comment and Moderators find the comments made there are very helpful.

Projects are returned to Centres as soon as the process is complete. Some may be retained for awarding, training or archive purposes but these are photocopied and returned at a later date.

As usual the whole process ran smoothly and Moderators are grateful for the co-operation of Centres in ensuring this is the case.

2879: Business Thematic Enquiry (Written Examination)

General Comments

Like the Business Project, for which it is an alternative, the Theme has a set structure and is assessed by nine criteria. Unlike the Project it is an examination strictly limited by time in the examination room and based on an unseen situation. So, the criteria are interpreted slightly differently when applying them to this paper. Nevertheless, the same skills are sought. It is the demonstration of those skills in the context of the case which is the real requirement. The solution arrived at, or the strategy developed, are not important as long as there is evidence from the case, from theory and from external preparation to support the decision made.

Teacher's Tip: In selecting data to use as evidence the main source should be the case itself. The selection, interpretation and use of this evidence should be supported by theory and techniques appropriately used. In addition, the good report contains some outside evidence which is equally well used to support points being made.

The work presented this time showed a good grasp of theory, but often, it was included to show that it was known, rather than to use it appropriately. Commonly, Ansoff's matrix, The Boston Matrix, pay back period, SWOT, annual average rate of return and a host of human relations theories were written about. This was often in far too much detail and not really used as well as it could have been.

In some scripts the skateboarding pastime/sport and the industry behind it were so much commented upon that it became the framework within which the whole problem was addressed, rather than a support for case related evidence.

The message that a report is expected is still not getting through to all candidates. What this means is a clear report structure throughout and not a few preparatory stages to start with, after which an essay is written and the report structure forgotten. On the other hand, some candidates over-did the report structure at the beginning, spending far too much time on terms of reference, sources of evidence and procedure.

The main message of this session has been, get the balance right, focus, largely but not exclusively, on the case, on extracting data from it and on using the data as evidence to answer the question set.

The Preparation Material

A booklet which gives some information about the overall theme and its setting, together with some support advice for preparation, is issued each year. The reference to the case for June contained an error. The word "skateboard" wrongly replaced the word "surfboard" in the brief description of what the business was currently producing. There were concerns expressed by some Centres as to the effect of this error on candidate performance.

The problem was discussed fully at standardisation and, bearing in mind that the assessment is about skills the candidates demonstrate rather than the content, a strategy was developed for dealing with any scripts where evidence of being misled was present. All examiners were asked to mark the scripts and then send every one where they had concerns to the Principal Examiner.

All examiners reported that they had not found a single instance of concern. In fact, the awareness of the skateboard context which candidates had, appears to have meant that they researched that

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product and market and were able to use outside research more effectively than they might otherwise have done.

The Plan

The plan clearly requires four separate responses which set out:

- the nature of the problem
- the context in which solution is sought
- the report based objectives
- assumptions being made

Of the 10 marks awarded for this five come from Criterion 1 and five from Criterion 2. There were many different ways in which candidates failed to earn these marks.

- In many instances one or more of the four sections were not answered. Sometimes the problem and its context were written about together and this often meant that insufficient attention was given to each element.
- In defining the problem, some candidates wrote instead about the causes of it and ignored “falling net profit” entirely. Some assumed or stated that this then meant that the firm was making losses.
- A significant number of candidates failed to state objectives at all and others wrote about the objectives that the firm must or should pursue.
- Many candidates continued to state pointless assumptions or to state ones which were matters of fact from the case

All of these are weaknesses which have been commented upon in all previous reports but there was another which was common this time. This was writing far too much detail or even argument in the plan itself. Many plans were far too long and had clearly taken far too much time.

Argument which was valid was rewarded as part of the report as a whole but far too often, it was repeated in the report itself. In some instances candidates even made decisions in the plan without any evidence to support them.

Teacher’s Tip: Candidates are strongly advised to keep their plan to the four separate elements required and to make the plan a skeleton of the issues involved. Decisions must be supported by argument to be of value. They, and the argument, should always be left to the body of the report. There is no need to re-state, in the report itself, things which have been clearly stated in the plan. Once the plan has been written the expectation is that it will be followed.

Requirements of the Report

The report task is always expressed in the form of a question. In past instances this has normally been a choice between different solutions to the problem and many candidates automatically assumed that this was the requirement. Just like questions in any other unit, or tasks devised for the Project, the focus of a report task can vary. Virtually all candidates wrote out the question asked, often they did this twice, and yet many of them did not appreciate that they were asked what strategy the firm should pursue and not what choice should be made.

Asking for a strategy leaves open the possibility that the firm could or should include both the solution of the personnel problem and the diversification in one strategy. It was also possible to argue that one of these elements, or both, should not be pursued and even, that alternative lines of action should be explored.

The very best candidates, and there were some excellent ones, rose to this challenge and developed very reasonable strategies which left little of the evidence out of consideration.

Teacher's Tip: Candidates should read the question carefully and decide what is really required before attempting to write the plan.

Structure of the Report

Although the requirement is that a report should be written, this does not mean that there is one rigid structure that must be followed or that too much time must be devoted to that structure. Some candidates wrote as much as two or more full pages about features of structure and this robbed them of time to focus on the development of an appropriate strategy. All that is really required is that there is a clear framework with an objective led purpose. The features of a good report, in this context are:

- that the objectives are followed in a logical order and not merely stated.
- that, whatever structure is selected, there are clearly separated and labelled stages for it.
- that attempts at analysis and evaluation are clearly shown.
- that, where appropriate visuals or listing is adopted.
- that there is a clear attempt to answer the question set.

Using the Case Material

Section four of the plan is an opportunity to make assumptions which will limit the focus of the enquiry. Acceptable assumptions for this case would have been:

- that the firm has the capacity to take on the new market;
- that the necessary funds are available.

Many candidates did not distinguish between facts which were stated in the case and situations about which an assumption might be helpful. Some made assumptions which were of little value. The commonest of these was that the facts in the case were correct. There is never any point in arguing with the facts as given so such an assumption is not necessary.

What good assumptions do is to free the candidate from the necessity to consider all of the data in the case from every perspective. Most candidates did extract evidence well but some did not read the case carefully enough before writing. The most obvious example of this was rushing straight into the need to solve the human relations problem without asking the question:

“why are the workers demotivated”?

The biggest clue was the statement that workers feared that they might lose their jobs because the firm would not survive. Most saw that, but did not use it. It should have been clear that a successful diversification would, in itself, go a long way to solving the motivational problems and reducing the lateness, etc. which followed from it.

Where this link was appreciated some very good strategies, which largely avoided the appointment of a Personnel Manager and the £110,000 per annum associated with it, were developed.

A further difficulty, which should not have been experienced, came from writing off the whole of the cost of the machinery from the profits of the first year, despite being told, in the case, that the machinery had an expected life of five years.

The age old problem of amounts of money also raised its head. Many candidates commented on £30,000 as a ‘huge amount’.

On the other hand, there were some good discussions about whether the movement into the skateboard market was a diversification or product development within the same market. In fact,

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the marketing issues in the case were largely well discussed, showing a good grasp of both the nature of the skateboard market and of marketing ideas.

A few candidates ignored the Personnel Manager issue entirely and one or two made an assumption that this could be done in the plan. Most tackled the issue arguing that it must be solved first. There was massive support from HR theory from many candidates, although it rarely amounted to more than descriptive presentation of theories or of solutions like job rotation and team approaches.

Teacher's Tip: To earn marks any theory, evidence or prior research must be used to illustrate or enrich the argument the candidate is using.

Pre-Research Evidence

Most candidates produced substantial evidence from the skateboarding industry and from the market. Most of it was far too detailed, but many produced convincing arguments using it. Some were able to use examples of diversification from a range of different industries and many candidates pointed out the opportunities for wider product development, once the firm was successfully in the new market. Many warned of the difficulties of entering the market and of the oligopolistic nature of it.

Preparing for the Examination

There was evidence of pre-structuring which was not always successful. At the extreme there were a small number of candidates who wrote pre-structured generic answers with little or no reference to the case at all. There were many others for whom pre-structuring was strongly evident in one or more of four elements of the paper.

- In the plan objectives had been remembered and produced by rote. They were often useful and relevant but they were not in any way contextual and clearly did not arise from the reading of the case.
- The early part of the report was pre-structured with standardised approaches which again showed no reference to the case itself.
- The theory and/or external evidence was stated discretely in isolated sections, and, in some cases, none of it was actually used.
- The evidence from the case was presented all on its own and often in case order rather than related to a line of argument.

Pre-structuring may well be of help to weaker candidates, but it often inhibits and restricts the work of stronger ones.

Teacher's Tip: Candidates must get practice in all aspects of writing a report for this unit. It is best done by asking them to report on any past case. They should learn to present and use all the elements listed above in a contextual way which is clearly relevant to the issue under discussion.

2880: Business Strategy (Written Examination)

General Comments

One of the distinctive features of OCR Business Studies is its underlying decision making philosophy. Of all the units which make up the specification nowhere is this philosophy more to the fore than in Strategy. On this paper, as in all previous sessions, there were questions which require candidates to make decisions, to recommend a course of action, or to advise the business. It is against this background that, as in earlier sessions, the examining team was left disappointed in the work of too many candidates. For this session this disappointment was primarily in reading answers to Question 2 and Question 3. Far too many candidates seem to be unaware of the problem solving nature of Strategy, that it is almost by definition, forward looking. Rather than offer advice as to what the firm should do, the less good candidates overly focus on diagnosis of the business' position. Whilst this analysis may be good, it will be tangential to the question set given the philosophy of the paper.

All of the examining team felt the paper was of an appropriate standard and in line with previous papers. The questions and case material enabled the paper to effectively discriminate. Further, the context of the case was accessible and, in the main, few candidates seemed to have difficulty with it. The exception surrounded a few candidates, across Centres, who wrote their answers from the point of view that EEL already manufacture motorcycles. In those few instances where time seemed to be a problem it was largely self imposed; massive answers to the first two questions leaving inadequate time for the last two responses.

One issue that always exercises the examining team, but more this year than in previous years, is the quality of candidates' presentation. Written communication is still too often weak, with an absence of punctuation and paragraphs. Similarly, sentences are often needlessly complicated and long. Taken together, this makes the task of reading candidate answers needlessly troublesome. More worryingly for candidates is that poor presentation can only serve to detract from their ability to convey a lucid and coherent answer. Through written work presented in the Centre's teaching, colleagues will be giving feedback about subject progress. Possibly that feedback also needs to encompass the candidate's ability to communicate effectively. Two allied points emerge from this. First, the appalling quality of handwriting often means the reader has to make guesses as to what symbols on the page might mean. Second, the colour of writing implement used. This year there was a noticeable increase in the use of pastel shades which, whilst they may appear aesthetically pleasing to the writer, are often difficult for tired eyes to read!

Comments on Individual Questions

- 1) A question about objectives and/or stakeholders has been a feature of this unit since its creation. Consequently, the nature of Question 1 should not have been a surprise and candidates should have been well prepared for a question which focuses on these two vital aspects of strategy. Whilst based on a familiar theme this year there was a link to ethics, something clearly an issue from the case material. Weaker answers tended not to be able to discuss ethics and instead considered what different stakeholders want from EEL. Such an answer, in applying the concept of stakeholders tended to Level 2. Better answers had a clear understanding of ethics and could link this to stakeholders. Given that different stakeholders, whether within or between groups, will have different ethical views, the question invited evaluative responses. Happily, enough candidates took this invitation for the examining team to be confident the question was both fair and accessible.

One aspect of confusion was between ethics and legislation. Too often candidates used the two interchangeably, most often when considering pollution from either a diesel engines approach or the manufacturing process itself. Similarly, an ethical approach was widely seen to increase costs with no benefit to the firm.

- 2) Strategy cannot take place without a consideration of the business' external environment. This means this type of question will be a feature of this unit. Despite this predictability the weaknesses of previous years were once again in evidence. What the examining team wants to know is what EEL does or is likely to do in the face of a UK recession. Long answers which analysed the possible impacts are less well rewarded, simply because they do not explicitly address the question set. Here the decision making philosophy underpinning the specification is in evidence. Good answers argued that with domestic demand likely to fall a focus on exports would be appropriate. Suitable analysis of Table 3 could be used to suggest which markets would be prioritised. Similarly, a delay in the motorcycle project would be appropriate given the company's poor cash position.

What differentiates the candidates is not what advice they offer but rather the supporting argument for it. Clearly, those candidates who do not know what a recession is are ill placed to gain marks. Likewise, those candidates who wrote about recession in broad terms, such that the answer could be considering, for example, Tesco, score less well. The key, as ever, is a clear analysis of the case material blended with robust subject understanding.

- 3) This was possibly the least well answered question for two main reasons. First, too many candidates had clearly decided that "Should EEL sub-contract manufacture?" was going to be a question. Having invested time and energy considering this possibility they were hell-bent on giving a view regardless of the actual question. The need to answer the question set continues to be a key requirement for success.

The other weakness was the vague generality. Such answers fell into the 'WHAM' approach to management so familiar to colleagues; if in doubt We'll Hold A Meeting. Given that EEL has a full order book for the next three months, there are penalty clauses in supply contracts and it is making losses, it has an immediate and worrying short term problem if overtime is withdrawn. Many candidates recognised this and gave sensible answers. However, few recognised the underlying long term issue and addressed this. As strategy is essentially about the long term the failure to see the need for both an immediate and longer term solution is surprising and disappointing. Longer term solutions variously covered zero-hours contracts, a shift from hourly pay to salaries with compulsory overtime, marketing not taking orders unless there is capacity within normal operational hours, and so on. What the examiner is looking for in a top answer is a reasoned argument in context.

- 4) Clearly the motorcycle project was a major issue facing EEL and as such a question about it was widely anticipated. Indeed, for many this was the most well answered question on the script. A word of caution though needs to be sounded; it is essential candidates answer the question set. Again, many candidates gave good answers to a different question, something along the lines of "How should EEL enter the motorcycle market?" Although ostensibly similar, the second question presupposes EEL should, whereas the actual question actually addresses this fundamental point.

The best answers to this question analysed the case to arrive at sound arguments both for and against, and then suggested a recommendation. Arguments for included the potential financial benefits and calculated assumed profits, Pay Back and Accounting Rate of Return. In doing such calculations candidates should be encouraged to show their method and to state any assumptions they may feel the need to make. Without such the reader is often faced with an unanticipated number which, given the uncertainties in the case, is difficult to verify as correct. Other candidates focused on first mover competitive advantage whilst Ansoff's matrix was often employed as an analytical tool. The arguments against included the poor market research, the fact that some of the marketing data comes from

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manufacturing, how the capital was to be raised and so on. In short, there was a wealth of evidence to support either view. The task for candidates was to select from their reservoir of subject understanding the appropriate tools and concepts to answer the question.

As stated at the start of this report, the essence of this paper is decision making. Candidates can be thought of as playing the role of an external management consultant. The client business, EEL, has a variety of problems about which it wants advice. As a consultant what do you think EEL should be doing? In answering this question the client, EEL, will want to know the reasoning for your view. Candidates doing that consistently across all questions will clearly gain a top grade.

**Advanced Subsidiary Business Studies (3811) &
Advanced GCE Business Studies (7811)
June 2005 Assessment Session**

Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
2871	Raw	45	33	29	26	23	20	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	28	25	22	20	18	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	42	38	34	30	27	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	39	35	31	27	24	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	42	37	32	27	22	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	48	44	40	36	32	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	43	39	35	31	27	0
	UMS	90	72	63	54	45	36	0
2878	Raw	90	72	63	54	46	38	0
	UMS	90	72	63	54	45	36	0
2879	Raw	90	67	60	54	48	42	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	51	45	39	34	29	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
3811	300	240	210	180	150	120	0
7811	600	480	420	360	300	240	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
3811	11.1	31.2	56.6	77.7	89.9	100	7315
7811	12.1	36.3	66.7	89.8	98.4	100	5594

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