

Business Studies

Advanced GCE **A2 7811**

Advanced Subsidiary GCE **AS 3811**

Report on the Units

June 2006

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The reports on the Examinations provide information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the syllabus content, of the operation of the scheme of assessment and of the application of assessment criteria.

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Chief Examiner's Report

In the following set of Principal Examiners Reports, each senior examiner comments upon the performance of candidates within their individual unit. It is recommended that colleagues preparing candidates for future examinations read those reports which are relevant to the units they take. With the structure of the examinations and the responsible personnel being consistent for the foreseeable future, each report will have valuable feedback. An additional source of feedback is through the INSET courses that run in the autumn, and these are commended to colleagues. One observation that is almost certain to be made is that many candidates still seem not to have access to a calculator.

There are ten units which comprise the OCR Business Studies, GCE. Three of these must be taken for at AS whilst at A2 there is a large element of choice in addition to the compulsory synoptic unit. Hence there are ten units being sat, marked and graded each session. Given this one might reasonably expect the performance on papers to be consistent year on year; a strong performance on unit 1, for example, being off set by a relatively less good performance on unit 3, and so on. However, something odd happened this summer, June 2006. In all but two instances the mean unit mark achieved was down when compared to June 2005. The two exceptions were the Business Project and the synoptic unit, Business Strategy. This pattern of changes in the average mark could be a reflection of harder papers, weaker candidates or less thorough preparation, or a combination of the three. Regrettably there was considerable evidence to suggest the root cause was inconsistent preparation. For example, on unit 2871, many candidates were unable to identify government macro economic objectives. Similarly, the concept of elasticity was a mystery to many candidates on unit 2873. Likewise, questions about value analysis and work study (2877) exposed selective preparation by a worryingly large number of candidates. If candidates are not prepared to answer questions on the full range of the specification, they cannot offer answers to the questions set, and hence the mean mark drops.

The aim of the senior examiners writing the question papers and managing a team of examiners is to provide a paper which is a fair test and one that differentiates. Their aim is not to catch candidates out, trying to be clever by posing unduly challenging and obscure questions. Rather, across a relatively small number of papers, they have to ask questions which test the entire width of their relative specifications. As a result anything that is on a unit specification must, and will be, assessed from time to time. The only certain way of ensuring that candidates are fully prepared is to teach the whole specification; seeking to second guess what topics will be examined is a very high risk approach and one that simply cannot be recommended.

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

General Comments

There were quite a large number of candidates who answered questions 2, 3, and 5 from a textbook perspective rather than that of GS Employment. There was also a considerable gulf on questions 3 and 5 between those candidates who were able to build up an argument and make a judgment (thus accessing the marks for, respectively, analysis and evaluation) and those who could not.

There was a marked difference in those who used paragraphs to express their ideas and those who provided a lengthy (sometimes over a page) 'stream of consciousness', which was often difficult to follow. In some cases spelling was, frankly, atrocious with many candidates unable to spell basic business terms such as 'interest', 'paid' or 'liability' correctly.

Comments on the Individual Questions

1. At the start of Section 5 of the Notes for Guidance it states "candidates should be able to demonstrate awareness of the major macro-economic objectives a government might pursue". It was, therefore, disappointing to see that a very large number of candidates had no idea at all as to what these objectives might be. This does not bode well for their understanding of the nature of economic policy – which, as has been stressed at INSET meetings, is not a topic that should be taught in a vacuum – and its effect on businesses.

Candidates could have gained both marks here by writing, literally, a few words, for example:

'Growth'. Examiners also accepted statements such as "a better standard of living/rise in GDP/"more goods and services".

'A balance of payments equilibrium'. Examiners also accepted "a good balance of payments/a good balance of trade/more exports than imports" or any notion that the UK must 'pay its way' internationally.

'A low/stable rate of inflation'. Examiners also accepted "keep price rises down". Simply stating 'inflation' (as some did) was not valid.

'A fairer distribution of income/wealth' was also accepted, even if this objective might nowadays be considered as less significant than the others.

2. References to both tactical or/and strategic objectives were quite acceptable. There was no necessity to answer in the 'SMART' framework, although many candidates found it helpful to do so.

A large number of candidates got no further than making brief observations such as "clear objectives will help them to sort themselves out" or "clear objectives will give them something to aim for". These were valid but needed developing. Such answers were very generic and did not focus on GSE. These could still score quite well but a solid context was necessary to access the highest levels of the mark scheme.

More able candidates pointed out precisely how a clear set of objectives would assist GSE, for example, in obtaining the bank loan. Their analysis was along the lines that the bank would now see the business as more organised and therefore less of a risk and would, therefore, be more likely to grant it. They also saw that obtaining the loan was crucial to Ellie becoming more organised, thus enabling her to keep track of the commission owed to GSE - and so making the business more profitable.

As has been noted before with regard to a nine mark question asking for analysis, one clearly analysed benefit will gain the full nine marks. A lengthy list of possible benefits can only score at Level 2 - which has a maximum of seven marks.

3. The answer could have been approached from a variety of perspectives and any reasonable answer in the context of Sections 1 (What businesses need) &/or 5 &/or 6 (external and other influences) of the specification was acceptable. Needless to say the better responses actually answered the question that had been set. Those candidates who considered which influences might affect *the success of GSE* performed better than those who provided a list of generic influences on a UK business.

On a question such as this, the use of a PEST or a SLEPT analysis can be useful, especially for less able candidates, but there are dangers in applying it too rigidly. Comments such as “technology might change and a machine could be made that replaces all the GSE builders” is not likely to score highly. More straightforward and realistic examples - such as the effect that interest rates might have on the building of houses/offices and the subsequent effect on GSE’s success or the amount of commission charged by GSE compared to other agencies - were always going to attract more credit.

There were some very good analytical answers to this question but far too many stopped short of an evaluation of, for example, the most significant influence. This problem clearly remains an issue for many Centres.

4. This question had been set before and was answered rather poorly. It was, therefore, felt important to set it again in this session. Answers, once again, tended to be polarized between those who could easily outline two differences to gain full marks and those who made the standard mistakes, i.e. confusing public *ownership* with being a public company or stating that ‘private companies have unlimited liability whereas public companies have limited liability’. The distinction between the two types of company is one that candidates, at this level, ought to be able to make.

A common misconception was that “private companies don’t have to produce accounts” or that “private companies don’t have to let the public see their accounts”. Whilst it is true that the accounting requirements of a private company are less onerous than those of a public company (which would have been a valid point), these candidates did not recognise that *all* company accounts have to be on open access at Companies House.

5. It was very disappointing to see a huge number of candidates use the word ‘company’ as if it were synonymous with ‘business’. This was an error; obviously not all businesses are companies, and indeed GSE was not (yet) a company. Others did the same with the words ‘partnership’ and ‘company’. As has been pointed out in a previous report, the use of these terms as if they meant the same thing is a fundamental mistake. Candidates must realise that a company is not the same as a partnership: there are significant differences between the two that impact upon the way the business operates.

Another confusion was between the words ‘liability’ and ‘reliability’. Examiners do try to give the benefit of the doubt, but when an answer begins with a statement such as “Barry and Mick make should not set their company up as a partnership because then it will have unlimited reliability...”, it becomes difficult to award the credit that could have been given if the correct terminology had been used.

Some candidates thought that the formation of a company would automatically necessitate the introduction of a new tier of management - “which would be expensive”, or that setting up a company would mean that Barry, Mick and Ellie would have to seek out a number of other shareholders - “which would dilute their control”. Others seemed

not to appreciate that statements such as “in a partnership there could be disagreements”, “they might have limited office space” or that “they might have trouble raising money” could be equally applicable if Barry, Mick and Ellie formed a private company.

There were some candidates who suggested forming a public limited company. This was not only at odds with the question but was not a sensible suggestion at all in the light of the nature and current state of the business. Others suggested that Barry, Mick and Ellie should operate as a sole trader!

The question was intended to be very straightforward and to prompt candidates to make a choice based on their perception of the advantages and disadvantages of each type of business structure to Barry, Mick and Ellie. Those who did this scored well. Nevertheless, some candidates seemed determined to willfully throw away the marks which were available!

2872: Business Decisions

General Comments

It is fair to say that many candidates found this paper challenging. In some cases they did not get to grips with the notion of a chain of hotels aimed at the budget end of the market. However, for many a basic lack of subject knowledge was a clear hindrance to their success. The scope of this paper covers all of Section 5.2 of the specification (pages 23-26). Candidates must ensure that they cover the entire content of this part of the specification in their preparation for the examination.

Candidates restricted themselves to the lower ends of the mark ranges for several reasons:

- A clear lack of knowledge of key areas of theory as outlined above. It is virtually impossible to do well on this paper if the fundamental basic theory is not clearly understood and then used appropriately in an answer.
- Provision of very general answers which failed to use the context of the business within the answer. There is always sufficient material in the data to enable candidates to demonstrate the skill of application. Businesses do not operate in a theoretical vacuum and candidates must realise that their answers must show how the business in the question would make use of the theories and concepts which they have studied to help aid decision making. Application, however, is more than merely using the name of the business. Candidates must really use the information provided to show their understanding of the situation that the organisation is in.
- Lack of analysis is also a common feature of weaker papers. Analysis must take place in the context of the organisation and the issues that it is facing. Use of the data, its manipulation, synthesis or interpretation and consideration of the implications of a course of action or situation are all ways in which analysis can be shown.
- Yet again there is little evidence of evaluation to be seen. Previous examiners' reports, and the teachers' guidance notes for this specification as available on the OCR website, indicate the variety of ways in which candidates can show evaluation in their answers. Too many candidates seem to believe that providing a comment in the format 'in the short term..... in the long term.....' is evaluative. This will only be the case if the comments are backed up with some analysis which is in context and that informs the judgements being made.

Candidates would benefit greatly from the use of the back catalogue of past papers to give themselves the opportunity to practice answering questions within the time allowed in order to ensure that they are able to develop these skills more effectively.

Comments on Individual Questions

- 1) Candidates needed to show some understanding of how the newly merged and larger business would be able to achieve a reduction in its unit costs. The most common responses were around the issues of bulk purchasing, with a variety of useful examples provided. Many also looked at the ability of the larger business to raise finance more cheaply, to achieve savings on marketing costs, to reduce risk or identified potential managerial efficiencies as examples of economies of scale. It was very disappointing to note the significant number of candidates who clearly did not know the term at all.
- 2 (a) Most candidates made a good attempt at this question. One of the most common mistakes included taking the wrong number of rooms as a starting point. The use of the own figure rule meant that they only sacrificed one mark for this error. In addition, many candidates did not recognise that there were two components to the initial investment itself. The variety of number of days in a year was also very interesting to note. Yet again it was

clear that a significant number of candidates made this part of the question undoubtedly harder by not bringing calculator with them.

- (b) Having just worked out the payback period many candidates failed to make any use of this calculation. Those who did and were able to consider whether this was a suitable payback period were often able to show analysis in their answer. Many discussed ARR as an alternative to payback but few linked this with the 10% return quoted in the data provided. Many answers looked at the limitations of these techniques but a lack of any context to these comments restricted them to the lower mark levels in many cases. Again, it was clear that a number of candidates had not prepared this aspect of the specification and so produced answers that failed to actually answer the question set.
- 3) (a) This was a fairly straightforward calculation with the majority of candidates able to gain both marks.
(b) Again, this was a straightforward question clearly asking how the newly formed organisation should undertake promotion. Examples of weaker responses included those which wrote about pricing policies or provided general answers about above and below the line techniques in a purely theoretical fashion. While many candidates were able to suggest appropriate methods which the hotel could use, only the better responses were able to show any selectivity or comparison of judgment about which would be the most effective. This was clearly a question where recognition of the context of a large chain of budget hotels would help candidates both identify the target market and identify that such a business would probably have a reasonably large budget available for promotional activities. Good answers, therefore, starting from this point were able to go on to compare the effectiveness of a variety of above and below the line promotion methods.
- 4) There were very many weak answers which completely ignored the instruction in the question to make use of motivational theories and so restricted themselves to the lowest end of the mark range. In fact, candidates only really needed to choose one theorist and apply the motivation methods used by the hotel in terms of the chosen theory. Consideration of the implications or results of these motivational techniques would have demonstrated the analysis required to reach the highest level of marks for this question. Many candidates muddled up their theories and, for example, wrote about Herzberg's hierarchy of needs or Mayo's hygiene factors. It is also very frustrating to note the number of candidates quoting McGregor's Theory X and Y which is, of course, a theory of leadership and management not a motivation theory.

QWC Listing was still very evident, albeit within a paragraph rather than as bullet points. This was not always due to time constraints but, perhaps, showed a lack of confidence in developing analysis within the answer.

It remains disappointing to see the number of candidates who cannot write in paragraphs, who cannot write the names of the businesses as given in the data correctly and who continue to make the same spelling errors commented on regularly in this report

2873: Business Behaviour (Written Examination)

General Comments

Although the paper was highly accessible, with all questions clearly signposted in the pre-issued material, many candidates failed to engage sufficiently with the context to produce suitably analytical answers. There was no evidence of any time pressures on candidates, although many answers were too brief and superficial to gain higher order marks.

There was a full range of marks confirming that the paper provided differentiation. There were some very weak candidates with gaping holes in business studies knowledge and/or little engagement with the case. There was a fair amount of evidence of misguided preparation with candidates answering rehearsed questions, rather than the question that was set. Better candidates showed a good grasp of key concepts and business terminology, much of which was applied in a clear and appropriate way. The context of the case material was easily accessible to candidates and many candidates found it easy to reach Level 2 and low Level 3 in discursive questions.

However, there were few examples of good Level 3 and Level 4 answers. This was often based around an inability to identify relevant and appropriate context on which to base analysis and evaluation. The seaside café was a classic business organisation for not fitting into some of the traditional values which might be expected in ordinary firms - candidates could have made more of this when discussing stock (were the stock levels really that bad for this type of business?), labour turnover (the figures for Café Nervosa were actually very low for this type of business) and recruitment and selection (this type of business is not going to spend a great deal of time and energy on recruitment and selection). Very few candidates really grasped the nature of the business and few made impressive evaluative comments.

The quality of language has not significantly improved and many candidates struggled with the calculative question as they did not have a calculator with them.

Comments on Individual Questions

1) (a) i) Almost all candidates managed to achieve two marks by calculating the total revenue for each of the two months. Many then went on to gain full marks but there is still a worrying number of candidates who seem unable to calculate a percentage change, despite the fact that such a calculation has appeared in many of the 2873 papers set in the past. Centres should note that this type of question can be expected as a basis for examining numeracy in the future.

ii) It was likely that Price Elasticity of Demand was going to be the numeracy question, as it was clearly signposted in the case, so it is disappointing that many candidates did not perform well on this part of the question. This was very Centre specific. Common mistakes included “change” rather than “percentage change” or getting the formula upside down. Too many candidates did not think about what they were trying to do and what elasticity measures.

(b) There were a lot of very disappointing answers to this part of the question which talked generally about factors affecting price rather than specifically price elasticity of demand. Many gave a general explanation of demand or supply factors but failed to link this with

price sensitivity. Lots of candidates talked about seasonality but did not really link it with the fact that PED might change at different times of the year.

Candidates sometimes wrongly stated that a negative PED was inelastic, but most often they demonstrated their lack of understanding of elasticity as a measure of the relative proportionality of change.

A significant minority of candidates answered a completely different question about the pros and cons of setting a constant price for the chocolate drink, which in most cases gained no marks. Another regular problem was candidates moving on to a discussion of other factors which are 'more important' than PED, without first of all showing any understanding of what PED actually was.

There were, however, a pleasing number of very good answers to this part of the question. Typically, a candidate would point out that, from the evidence in the previous question, the demand for the product was price inelastic and so this would allow RNG to increase the price, whilst at the same time seeing an increase in revenue. However, the fact that we only have data for six months, especially as the product is seasonal as well as being new, seriously limits the reliability of any decisions made.

- 2) This question saw candidates come up with a variety of ways of approaching the answer. Many took the expected route of considering operations-based solutions. However, a significant number approached the solution from a marketing (improved research of customer wants) or HRM (training of the workforce) perspective. There were also plenty of inappropriate, unrealistic or banal suggestions. For example, a focus on special offers which would not eliminate the waste per se but rather dealt with the consequences; training the staff so they can cut the correct size of slices or ensure that sandwiches have the same amount of fillings; ice-cream melts so it needs to be kept in the freezer; and comments on recycling which would not address the actual production of waste.

Many candidates wasted time restating what the waste problems were rather than focusing on solving them. It was also noticeable how often examiners were having to write 'Why?' or 'How?' on answers, as candidates were failing to show understanding of the suggestions being made.

Many answers overlooked the fact that TQM had been ruled out, continuing blindly to show how it could be applied at RNG. However, better candidates questioned Ruth's point of view and successfully challenged her rejection of TQM. These answers usually gained a Level 4 mark.

Better candidates mainly achieved Level 3 by considering contextual limitations of JIT, benchmarking, training and Kaizen, linking them back to waste reduction. It was also good to see some candidates using the table in the case, although all too often it was ignored. Better answers did achieve Level 4 by arguing that internal benchmarking was the best approach as it was easier to manage given RNG's circumstances or that training would not be very effective if the high labour turnover continued.

Generally, this question would have been answered much better by more candidates if they had considered the appropriateness of their suggestions for a business which is relatively small, seasonal and in the service sector.

- 3) It was clear that many candidates had prepared an answer for a question relating to discipline/dismissal/contracts of employment, and others to reducing labour turnover. Few of these candidates referred to recruitment in any way other than in passing. Once again it is imperative that candidates answer the actual question that is set; otherwise they run the risk of picking up very few marks for their answer. Again, too many

candidates spent too much time restating the problems and too little time on how to improve them. Also, many candidates talked at length about training and motivation, which are not part of the recruitment and selection process.

Most of the weaker answers were too generic and so could have equally applied to Tesco as well as RNG. Too few candidates grasped the real context of the case and the fact that for such seasonal and unskilled work you may not be 'busting a gut' over recruitment and selection - too many gave rather expensive or inappropriate solutions. These candidates also talked about "formalising the recruitment process" without spelling out what this meant.

Those candidates who achieved Level 3 usually did so by considering the costs and time associated with recruitment for a small business run by two very busy owners. There was also good discussion of how easy it may be to centralise and standardise the recruitment and selection process at RNG when the evidence is that Ruth and Nick have so far had a fairly 'hands-off' approach. How would this change fit into the current business culture?

The best answers ultimately questioned whether RNG really had a problem with recruitment and selection. Its labour turnover, although increasing, is very low for this sector of industry. Maybe the Jessica and Amelia incident is a rare occurrence and one which could be easily prevented in the future with minor administrative changes.

- 4) This question produced lots of answers which reached half marks as candidates limited themselves to describing reasons for the budget variances rather than analysing them. Although many candidates recognised reasons why the budget might be different from the actual, few related these differences to the actual components of the budget. Indeed some candidates made incorrect statements like "higher wastage will affect revenues" when they meant direct costs. There was also some confusion between direct and indirect costs.

Candidates rarely attempted to consider whether one cause of the variance was more likely than another and some made no reference to the data in Table 4. Better answers identified that the changing price of the chocolate drink might be responsible for some variance in the revenue budget but that this could not account for it all and went on to justify that waste was likely to be the major cause of adverse variances.

This question suffered more than the others from candidates answering a different question. A significant minority scored less than four marks because they focussed on how to solve the variances in the future, rather than what had caused them in the past.

Summary

- Candidates made insufficient use of the context, which suggests poor use of the pre-issue period.
- Most candidates had sufficient time to complete the paper. However, many answers were too brief.
- Question 1 proved to be the major discriminator between candidates on the paper. Basic business concepts which are clearly 'flagged up' in the case material must be better understood by candidates.
- Questions 2, 3 and 4 suffered from a lack of focus on the actual question set.
- Question 4 saw far too many generic answers which did not make use of Table 4.
- Why can candidates not write in paragraphs? How many times does this comment have to appear in this report?
- An apparently minor point, but in fact one which says a lot about the business understanding of the candidate - RNG is not a company. It should, therefore, be referred

to as a business, firm or organisation. Most candidates referred to it consistently as a company.

- Level 4 is not about “overall” and then pure repetition of previous points. Examiners are looking for a justified judgement to facilitate entry into Level 4.
- On a lighter note, special mention should be made of the candidate who felt that all applicants for a job at RNG should possess a VC!

2874 Further Marketing

General Comments

This paper proved to be quite a challenge to a high number of candidates. The collective view of the examining team was that the context was fair and the case evidence was plentiful to allow good opportunities for candidates to provide evidence when answering questions. Unfortunately there was an all too familiar pattern of highly descriptive, theoretical responses presented by candidates.

The questions were all clearly central to the study of marketing at this level and with the exception of marketing plans the topics had been tested previously.

Overall, the average mark achieved by candidates decreased, as did the numbers gaining each grade. 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. An approach that may help is to encourage candidates to read the case carefully before putting pen to paper and to develop a ‘checklist’ of important issues/factors relevant to that case study. These may include:

- The nature of the business
- The size of the business
- Competition
- Objectives
- Age of the business
- The nature of the market—who does the business sell to?
- Does the business sell a product or provide a service?

In this case, for example, Ball Games sells to specific types of customers and is of a certain size. This must have an impact on the nature of the marketing activity. This factor was largely missed by candidates.

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. This was most evident in the product life cycle question. Without exaggeration, more candidates actually wrote about the Boston Matrix than the product life cycle. A typical first line tended to be “The product life cycle is used with the Boston Matrix.....” There was often no further discussion of the product life cycle!

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) This question proved to be a real issue with a large number of candidates. The topic itself had not been tested previously but many saw the question as an opportunity to get in their standard 4P’s answer. A simple consideration of planning in relation to objectives and strategy with some reference to Ball Games would have been sufficient to gain the marks. It was clear that many had not seen the significance of the word ‘plan’ in the question or had not prepared effectively for this topic area.
- (b) (i) Whenever time series analysis is tested, there is likely to be a difficulty for some candidates. It was evident that many simply had not been prepared for this topic

and a number of candidates strongly stated this on their scripts. The question itself required the location of four numbers in the case and three simple numerate adjustments as follows:

Quarter Three $£295,000 + £59,000 = £354,000$

Quarter Four $£300,000 - £75,000 = £225,000$

Final answer $£225,000 - £354,000 = - £129,000$

One or two who wrote down £129,000 failed to show the fall and were awarded three marks but a high proportion failed to get close. Candidates must appreciate that numerate topics form a strong basis for testing on this paper and they must all be studied effectively.

- (ii) This question was a follow on from (i) and produced a similar level of response. Many were able to focus on the importance of sales forecasting and gained some credit but a high proportion of candidates scored poorly by not being able to discuss time series analysis in any meaningful way. The context allowed some discussion of the likely peaks and troughs in demand and the use of Ben knowing this in respect of future planning. It was generally disappointing that few candidates had prepared effectively for this topic area.
- 2)
- (a) Quite a nice question for candidates to write effectively. Many were able to present a variety of factors that firms need to consider when looking to expand into Europe. Unfortunately, there was a reluctance to relate this closely enough to Ball Games. This meant that there were a number of responses that were too general. Overall this question proved to be the best answered on the whole paper. Better responses were able to appreciate the current location of Ball Games and the problems of the specific nature of certain games and other products provided by Ball Games in a European context.
 - (b) The answers to this question staggered the examining team. When the question was set, there was genuine concern that it would prove to be too easy at this level and there was a danger that candidates would be encouraged to write too much. What was meant to be a relatively straightforward question about the product life cycle often turned into a full discussion of the Boston Matrix, product portfolio analysis and others. The use of other business tools would have been appropriate and rewardable but not when the actual question posed about the product life cycle was being ignored. Needless to say, better responses were achieved by candidate who had simply read the question!
 - (c) The 'strategy' question, now a strong feature of this paper, again proved to be problematic in respect of the lack of contextual discussion demonstrated by candidates. The case material provided a number of opportunities for candidates to develop arguments in respect of the four P's and other strategic elements but many simply presented four standard paragraphs, one each about Product, Price, Promotion and Place in a very general way. This type of question will remain on this paper and candidates are encouraged to prepare for the writing of strategic answers in context. The same features that might make up the four P's for one business are likely to be quite different for the next. This needs to be practised for a range of businesses well before the examination.

2875: Further Accounting and Finance (Written Examination)

General Comments

The paper had a slightly different emphasis than in the past. There was less explicit need for candidates to carry out numerical calculations. Instead a significant number of financial ratio results were provided and candidates had to interpret them and draw valid inferences from them. In theory, this should have made the paper more accessible for more candidates.

The entry for the component showed a significant increase compared to last year. The quality of the candidates was similar to the recent past and there was some evidence that the number of inadequately prepared candidates continues to fall. The paper discriminated effectively across the full ability range. It provided all candidates with an opportunity to show what they knew, understood and could do, while at the same time presented better candidates with opportunities to analyse, interpret and evaluate. As always weaker candidates find financial issues a real challenge. Levels of interpretation for some candidates remain naïve and grossly oversimplified. Candidates would benefit from being reminded that:

- Questions need to be read with great care. Failure to do this will result in an incorrectly focused answer.
- Reference to the context of the case is essential if the higher order marks of analysis and evaluation are to be gained.
- Interpretation of data is a skill which needs practice. It is simply unsatisfactory to state that a figure is low or high without any criteria for justification. Likewise over simplistic judgements such as a business is about to go bankrupt if its current ratio is below 1 should be discouraged.
- Financial and accounting terminology is precise and specific and candidates need to acquire a more secure grasp of basic concepts, e.g. stock valuation.

Comments on Individual Questions

- 1 (a) These two explicit calculations caused substantial problems for many candidates. Half the marks available were awarded for simply stating the formula to carry out the calculation. This was often not done by many candidates, especially in part (ii).

In part (i) many candidates inexplicitly used the sales figure £400m in 2005 in their attempt to calculate the return on capital. The case indicated that the return on capital was 6% in 2005 and that this produced a net profit of £28m. Thus the capital employed was £466.67m, i.e. $\text{Net Profit/capital employed} = \text{rate of return}$. Better candidates successfully completed this calculation; some carried out mystifying attempts; others moved quickly on to the next question.

Part (ii) proved even more inaccessible for many candidates. The basic problem for a large number of candidates was that they failed to see the relevance of the stock turnover of 55 days. It implied that the stock shifted 6.6 times annually, i.e. $365/55$. Thus the value of average stock held = $£400\text{m}/6.6 = £60.274\text{m}$. Clearly, if candidates had worked on the basis of cost of sales rather than value of sales this would also have been accepted as correct. Few candidates successfully completed this part of the question.

- (b) Most candidates scored successfully on this question. Almost all were able to see the implications of the data in Table 2. Thus they were able to conclude that the liquidity of the business had worsened. Better candidates were able to go a step further and show why the data demonstrated that the liquidity had deteriorated. The most common mistake of those who made errors was to confuse debtors with company debts and hence they interpreted the significance of the data incorrectly.

- (c) The greatest weakness of many of the answers to this part of the question lay in an inability to distinguish between profit margins and profits. Candidates who made this error thus concluded that the fall in the margins was due solely to the fall in sales revenue, i.e. because the business sold less, its profit fell. Fortunately better candidates were able to observe that profit margins refer to the % of sales revenue which represents either gross or net profit. Thus gross profit reflects the profit per unit sale being the difference between sales and cost of sales expressed as a % of sales. They, then, were able to make effective use of the context of the case indicated a highly and increasingly competitive market where price discounting is used to maintain volume. Furthermore, in such market conditions it is difficult for a business to pass on increases in cost of stock to its customers in the form of higher prices. So once again there is pressure on gross margins. Better candidates were also able to refer to the reduction in overheads associated with the downsizing as the probable reason for the improvement in the net profit margin in 2005. Stronger candidates were able to demonstrate why the changes occurred. Weaker candidates tended to describe the changes or simply stated them.
- (d) Generally this part of the question was quite well handled by the majority of candidates. Almost all were able to identify and describe some of the likely consequences of downsizing. The better candidates were able to progress a little further and used the information to analyse why the changes occurred. The best candidates were able to make evaluative comments regarding the impact of the policy on the business. Effective assessment of performance required some criteria or yardstick to be established. This meant that assessment could be carried out more objectively by comparing outcomes with appropriate targets such as business objectives, profitability or efficiency. Weaker candidates often refer to such things but simply are unable to take their analysis any further. The best candidates also assessed the long term implications of downsizing as a strategy for survival and profitability. There were many sound and often good answers given to this question which showed strong appreciation of business issues.
- 2 (a) This specific accounting question proved a challenge for many candidates. Almost all recognised that it would have some damaging impact on the profits of the business, but many were unable to say much else. The question specifically asked for the impact on the financial accounts of the business to be analysed. Thus better candidates were able to refer to provisions to be made in the profit/loss account and a reduction in the valuation of current assets on the balance sheet. Weaker candidates ignored such complexities and assumed that the business was somehow fiddling the accounts. Better candidates often made reference to methods of stock valuation such as historic cost or net realisable value whichever is lower.
- (b) This relatively straight forward and standard type question allowed most candidates to write, often at great length, about what they felt could be gleaned from the final accounts of the business. Almost all were able to identify a number of appropriate stakeholders. However, there was a tendency to write answers of the "I'll tell you all I know" type. Many were generic answers of no specific relevance to the business BBP. Sometimes naïve answers such as the government would look at the published accounts to see how much tax is owed prevailed. Alternatively, simple ideas such as managers would look at the accounts to see how they have done. However, better candidates were able to be much more perceptive and were able to question the usefulness of these accounts to various stakeholders, especially if the accounts had been subject to change and manipulation. Certainly a year on comparison was going to prove more than usually difficult. Many candidates have a somewhat simplistic view that the accounts tell all stakeholders all they want to know.

Overall the examiners felt that the general standards were similar to those of previous years but there were still a significant minority of candidates who failed to demonstrate the skills and knowledge needed to achieve high marks in this component.

2876: Further People in Organisations: Written Examination

General comments:

Whilst it is obviously true to say that there were candidates who performed to a high standard, there were also many who did not. At first there was some debate about whether the context of the case study might have had some possible impact of the performance of the candidates as the organisation in question was (for the first time) a charity using the services of volunteers as opposed to a business per se. This was to a large extent discounted as there was a sufficient number of candidates who did not seem to be inconvenienced by this issue. Of greater significance was the fact that far too many candidates did not use the context of the case study particularly well in their answers, and often candidates chose to ignore the actual questions posed and answered what they would have been preferred to be set! Several of the questions contained key words such as reasons, implications, consequences, etc. which were there to help candidates, but turned out not to because candidates took no notice of them. The obvious message to be derived from this is a one which has been stated before, many times: that the candidates should read each question carefully in order to make sure that their answer is both focused and relevant.

Comments on individual questions:

- 1 (a) It was pleasing to note that the number of candidates successfully answering the numerical questions continues to increase. Candidates for future examinations in this unit will still need to focus on their ability to cope with these mandatory aspects of the paper. The best way to do this is by attempting the past paper questions.
- (b) This question required candidates to discuss possible reasons for differing absence rates among volunteers. As previously mentioned the focus should have been on reasons and candidates should also have recognised that evaluative skills were required. Too many candidates offered reasons which were rather general and could apply to any business anywhere, as opposed to specific reasons relating to the context of the case study. This type of response would invariably be unable to progress beyond Level 2. Better candidates, who had invested some time in getting to grips with the case study scenario, invariably drew comparisons between the different type of tasks the volunteers would be carrying out, and came to the conclusion that train driving would be much more interesting and potentially high profile than clearing the tracks of weeds, particularly in less clement weather. Many good candidates also considered the fact that Piers posted out proposed rotas with a tear-off slip for replies and cited various reasons why this method might be responsible for absent volunteers. This part of the question discriminated well across the range of candidates but many did not help their cause by not evaluating the reasons offered and as a result only achieved Level 3 marks for analysis. Only the very best candidates actually tried to articulate which reason may have the most effect on absences at SDRS.
- (c) This part of the question required candidates to consider possible consequences to the organisation of the way in which Piers chooses to communicate with volunteers. Alarmingly a great many candidates decided to write answers which purely focused on the ways they thought he should communicate. Invariably this meant that they did not answer the question at all or, sometimes more by luck than judgement, stumbled across potential consequences. Better candidates honed in on the fact that many absences could have been caused by the inappropriate/ineffective methods Piers chose to use, and concluded that this would lead to cancelled trains, lost revenue and dissatisfied customers. Weaker candidates were totally unable to make such connections, some even suggesting that people would use other competing forms of transport to get to work!

- (d) This question required candidates to evaluate the potential Human Resource implications of Piers deciding to advertise for paid maintenance staff. Weaker candidates totally ignored the need to focus on HR issues and did themselves no favours at all in the process. However, many better candidates recognised that Piers would have to go through a time consuming and costly process of recruitment and selection, would probably face a lot of hostility from his unpaid volunteers, and would probably find that even more volunteers might absent themselves as a result. Good candidates also considered the potentially negative outcomes of any conflict between Piers and aggrieved volunteers, or conflict between aggrieved volunteers and the newly appointed paid workers, managing to make good use of various motivation theories in the process. What should have been a very candidate friendly question was made much more difficult by candidates who either did not read the question carefully and/or had an insufficient grasp of the issues in the case study.
- 2 (a) This question, albeit not carrying many marks, proved to discriminate across the range of candidates quite well. Clearly many did not have much knowledge of the Data Protection Act within the context of Human Resource management or could not apply the knowledge to the context of SDRS and the consequences to Piers, the volunteers or the prospective new paid employees. Often candidates stumbled across the odd mark or two, but coherent well reasoned answers were in the minority. As with ACAS on the January examination, there seems to be a lack of focus on what might be deemed to be the more obscure aspects of the specification, which are actually areas of considerable significance in the study of this unit, and legitimate aspects to set questions about.
- (b) This was the best answered question on the whole paper. Candidates, in general, had clearly been taught about training, and training in relation to health and safety issues. Many candidates had a reasonable grasp of the concept of “duty of care”. However, it has to be noted that a significant number of candidates decided to write all they knew about on/off the job training and how Piers could incorporate these activities at SDRS. These types of answers clearly ignored the word consequences in the stem of the question and totally ignored any sort of focus on the likely outcomes of Piers’ decision to stop all training. Better candidates latched onto the fact that one of Piers’ justifications for stopping training was that he thought it common sense and posed a variety of reasons why this would not be the case, sometimes offering relatively graphic descriptions of the type of accidents which might be suffered by someone engaged in the activities of a railway. Perhaps the most regular shortcoming in candidates’ responses was the inability to demonstrate evaluative skills in context, whereas there was often very sound evidence of analytical skills in context.

2877: Further Operations Management (Written Examination)

General Comments

This case study was of a small company, based in Manchester, which manufactured ladies' and men's hats and men's caps at three different factory locations in the UK, as well as outsourcing some production to China. It was again disappointing to see that many candidates failed to frame their responses in the context of the case study and so did not build on their generally sound knowledge and understanding of the operational areas of business. Repeating what was said in the January report, it is not sufficient simply to name the business used in the case study when answering questions. It is vital that candidates draw on specific references from within the case study to help illustrate or support the points they are making. This was particularly true for the higher mark questions 1(c) and 2(c). It is crucial for teachers to get across to their candidates that, in order to gain good marks, we expect candidates to be thinking about how appropriate their ideas are in the context of the particular business in the case study when they are writing their answers.

On a more positive note, it was again encouraging to see candidates appropriately managing their time, although there was still some evidence of excessively long responses to the lower mark questions, 2(a) and 2(b), which disadvantages candidates when it comes to the longer questions (on this paper 1(c) and 2(c)), both of which carried the highest maximum tariff of 16 marks. In particular the final question suffers from being rushed. A further point to note is that a small number of candidates write out the question before proceeding to their answers - this is a complete waste of time and should be discouraged by teachers.

The quality of written communication was again generally very good, with many candidates gaining the full two marks. Candidates must avoid writing their responses as one long paragraph or using bullet points, particularly on the longer questions – by doing this candidates clearly fail to structure their answers.

It was particularly disappointing to note the poor performance on the work study question, 1(b), the value analysis question, 2 (a), and the seasonal demand question, 2 (b). These were, for the most part, badly done, yet they are all topic areas that have been tested in the past. Again to emphasis a point made in the January report, Further Operations Management is not a long and challenging specification and all topics need to be covered!

Teacher's Tip <u>Further</u> Reminder: Make sure all topics on the specification are covered, e.g. value analysis! It is not a major topic, and can be taught probably in one lesson!

Comments on Individual Questions

Q No)

- 1 (a) The calculation question was generally well done with most of the candidates calculating the correct answers of 9.09%. However, a small minority of candidates calculated the fall in production as opposed to productivity. Another error seen was to use the 2004-2005 figure as the base for the change. What is worrying is the rounding up or down of answers (e.g. 9% or 10%), which suggests that many candidates do not take a calculator into examination.

Teacher's Tip – Encourage your candidates to show all their working clearly when answering calculation questions. Marks can be gained even if the final answer is incorrect and remind them to take a calculator into the examination!

- (b) Very few answers were worthy of full marks to this question. Only a few candidates knew what was meant by the term work study and could then apply a number of their ideas to the question. Better candidates mentioned both method study and time measurement and then applied these concepts to either the process of hat manufacture, or suggested ways of improving the productivity of the workforce, e.g. by financial incentives such as performance related bonuses based on production targets set by using work measurement. A few candidates produced very vague responses, e.g. "it is when managers watch employees to see they are doing the job right". It was also not uncommon to read that work study is when workers go to college to study about the business! Some candidates simply ignored the work study element of the question and wrote about "improving productivity".

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

- (c) It had been anticipated that this part of the question would be quite well done by candidates, given the information in the case study. A fairly flexible approach was adopted to marking the question where it was accepted that the production cells could either be responsible for completing a whole hat or alternatively part of the process and the semi-finished products would then be passed on to another cell for further processing. Many candidates mentioned the motivational gains that ought to arise from cell production. It was also encouraging to see many candidates comparing the merits of cell production with other forms, such as job, batch or flow. However, many answers went off on discussions of mechanisation, which were inappropriate given the information in the case study (line 25), or back to thinking of ways to improve productivity in general so missing the point of the question.
- 2 (a) Many candidates failed to score any marks at all on this part of the question. Candidates wrote about "value added" or "value for money" rather than value analysis being "a process that evaluates a product to remove any unnecessary complexities in the design or production of the product" – e.g. are the linings on the hats too thick, etc. Some candidates scored good marks, however, focussing on the benefit of value analysis to customers, e.g. it might reduce cost and, therefore, price.

- (b) A topic tested previously, and it was anticipated that there would be some good answers to this question given the information the case study (lines 28-30). However, many candidates had failed to read the case study properly and incorrectly assumed that the factories could simply switch between men's and ladies hats in the different seasons, rather than thinking about the clear operational issues which needed to be addressed at all three production centres at different times of the year. Most candidates who scored marks wrote about either stock issues or labour issues. Some incorrectly discussed either financial or marketing implications – this is an operations paper and question!

- (c) This part of the question was generally well done. There was a great deal of information given in the case study which candidates could use for discussion purposes and it was encouraging to see many do this. For example, the information on wages, recruitment, shipping costs, the current use of outsourcing, etc. were frequently used to present arguments for or against moving hat manufacturing operations abroad. Candidates also brought other factors into their answers such as exchange rates, ethics or trade restrictions, such as quotas. Answers which suggested either that WHC outsource all production or move its entire production operations abroad, were accepted as valid approaches and credited equally. Many Level 3 or 4 responses were seen to this part of the question.

2878: Businesses Project (Coursework)

General Comments

New centres do not tend to choose the coursework option and some centres, particularly the larger ones, have transferred to the Business Thematic Enquiry. Those who moderate are now a very experienced team. The combined result is that the moderating process is easier and there are fewer problems encountered. Most that are encountered are about the achievement of the candidates and not about the moderating process.

The Candidates' Work

Teachers can only award what they see in the work and it is the weaknesses in the approach to the work or in the manner of its execution, which lead to poorer performances. The criteria are clear and outline the path which leads to success if only the candidates would start carefully and with plenty of time and then just ensure they do what is asked of them.

Step 1: A topic area which is of interest and which can be handled reasonably well should be chosen. Effort should be made to find an organisation, preferably a small or medium sized one, in which there is a decision relating to the chosen area of the specification to be made. It will need discussion at school, at home and in the organisation, and the development of a working title.

Step 2 Devise a basic plan in which is considered:

- why the decision needs to be made;
- how the decision might be made;
- what solutions are possible, and which are best;
- what evidence, secondary and primary, and subject based, might be needed;
- how information is to be collected and from what sources.

Step 3 Now it is sensible to write up a proposal and send it to OCR to be commented upon. If the idea is not going to work there is time to think again. If it is acceptable this gives confidence to proceed.

Top Tip: These three stages are the key to success. They need to be completed carefully and in plenty of time. Successfully completed they ensure a sensible project, a good working title and a framework for the whole report.

Success is now a matter of a good blend, of sufficient, appropriate information, the blending in and using of understood theory, and showing skills of analysis and evaluation.

The Moderation Process

The Marking

Marking the work of candidates taught is not easy. We are aware of too much that the candidate has done, or in some cases has not done. All that can be awarded is what the candidate has written.

Top tip: Candidates tend to write only conclusions. Ensure that thinking, the argument, the theory and the primary evidence is used in a logical argument and/or a technique so that the conclusion arrived at is fully supported. Encourage and reward appropriate secondary research.

Candidates cannot be rewarded simply because we know they have done the work, nor can they receive much reward if the calculation necessary to a conclusion has been avoided. A wrong calculation is better than nothing. At least the attempt has been made.

Moderating Adjustments

Were often unnecessary but where they occurred the main reasons were:

1. Criterion 1 is in many ways the crucial one since it shows what is required to start effectively. A high mark on this criterion not only requires a definition of the problem but also an argument to show what it is, and why it needs to be solved. Some projects were given 4 or 5 on this because the problem had been well defined despite the fact that no attempt to show why it needed solution had been made.

Examples: A project on improving motivation may well be a good one but it gets off to a bad start if (a) understanding of what motivation is (b) some evidence that it is poor and the organisation *needs* to improve it, is offered.

A project on increasing net market revenue is very popular and may well be an excellent one but there is a need to (a) show why such an increase is sought (b) show understanding that such an increase will need to be net of the costs of getting it (c) set a target, preferably a short term one and a long term one.

2. Criterion 2 is about the objectives the candidate has set in writing the report. It is not about methods, it is not about the objectives the organisation either has or ought to have. It is about the candidate's own intended outcomes in writing the report. The mere listing of good objectives was sometimes over-assessed whilst the absence of stated objectives or vagueness of them was often under-assessed.

Top Tip: The Project is assessed as a whole and any criterion may be satisfied at any point in the project. Good objectives may well be inferred from what is written and how the work is structured. On the other hand good objectives which are stated but not used are not worth more than 4 or 5 marks.

To get to level four there must be evidence of the candidates awareness of the extent to which objectives have been achieved and the effects of any inability to achieve them on the validity or recommendations.

3. Criterion 3 Normally well assessed. Most projects finish up with far too much information. Much of this should be summarised or rejected. Where there were weaknesses and over marking it was usually because the questionnaire
 - had weaknesses,
 - was presented to a wrong population,

- used too small a sample,
- asked for answers in forms which could not be aggregated and used.

The meticulous process is obviously worth some marks but this is a practical criterion and the real marks should go to those who have engendered sufficient, accurate and appropriate data.

Top Tip: A questionnaire needs to elicit the information needed and only that, it needs to ask for it in a measurable form. The population should be carefully considered and suited to the question being asked. This usually suggests a stratified random sample. The sampling should be statistically random and, where the population is large of 50 respondents. Fewer weakens the evidence and more is simply time consuming. To ensure a good questionnaire it should be piloted and amended if appropriate. Masses of theory about questionnaire design or sampling theory is not necessary, just theoretical and practical justification of the process. Secondary evidence often helps in this stage.

4. Criterion 4: Is often given the same mark as criterion 3 rather than being assessed on its own requirements. Having collected the evidence candidates have to show that they understand what it is saying and how it may be useful to their purposes. This is well be shown in how they collate and focus it on the specific problem and its solution Work here is sometimes over assessed because the graphics are neat and show computing expertise. The real purpose of visualisation is to show the direction of thinking and the pattern of the responses. A simply sketched bar chart will often be clearer than a beautiful three dimensional one in which its real message is unclear. Reward the focus and usefulness of the display and not its computer skills.
5. Criterion 5: Often the most over-assessed criterion although it says quite clearly that knowledge is only rewarded if it is used. It must not be rewarded just because it is correct and well understood or even because it could have been used. It is the actual use that is rewarded.

Top Tip: Many projects suffer from the inclusion of independent chapters of theory which are never used. Often they have no direct use. To avoid this it is best that they include theories, concepts and techniques only at the point(s) of use in the report. Theory only needs explanation of the bit that is being used. For level four this should show critical understanding before and/or after use.

6. Criterion 6 and 7: Test the higher skills. At this point the candidate has normally assembled all the evidence and the assessment from this point is of the candidate's ability to analyse and evaluate that evidence. Any weaknesses in the evidence have already been assessed in criteria 1-5 Candidates are perfectly capable of making a poor effort at analysis and evaluation of very good evidence. They should not be rewarded highly on these criteria just because the evidence is good. Equally candidates with poor or insufficient evidence at this point can, demonstrate a high level of ability to analyse and evaluate what they have got. If this is achieved, and it is not suggested that this will be a common occurrence, high marks are justified.
- 7 Criteria 8 and 9: Too often candidates are given a 3 on each of these criteria which fails to differentiate. Please use the full 0-5 range. Criterion 8 is about how well the report reads as a report and should be assessed on factors such as:
 - the quality and accuracy of the title;
 - whether it has the framework of a report - no particular style;
 - whether there are page numbers and sections appropriate to the report;
 - whether the candidate has sourced any outside evidence or quotation;
 - whether diagrams are correct and properly labeled;
 - in general, whether things have been made easy for the reader.

Criterion 9 is about the quality of written communication both within the language of the subject and the English language. The standard here is higher than it would be in an examination, because the candidate has the time to ensure there are no mistakes of this kind. It is not about the number of mistakes, it is about the extent to which the candidate shows carelessness or lack of knowledge in using subject vocabulary. It is also about the extent to which poor written communication makes reading and understanding of the report difficult.

Whilst the moderators have to ensure that the marking is fair and accurate and is in accordance with required standards, it is a positive process in which the moderators try to find reasons why they should agree with the marks given. It is enormously helpful to us, and best meets the needs of the candidates, if the comment sections on the front sheet are as carefully and completely filled as possible. You are also asked not to make any comments or marks on the project work itself.

Administration

We are grateful to all those centres whose administration is perfect and who often ensure that projects arrive with the moderator well presented and before the final date. However there have been a number of instances which have caused the team and Centres disproportionately annoying problems and they include:

- Poor binding of the projects. Some have arrived in bits and have taken a lot of time to re-assemble simply because they were secured only with a paper clip in a loosely wrapped parcel. The regulations call for projects to be securely bound.
- The copy of the mark sheet which moderators receive should be totally legible so that all elements of the entry but particularly the mark and the candidate number are clear.
- For larger Centres the bottom copy of the mark sheet must be sent off quickly so that a selection of the projects can be made. It must show which teachers have marked each project so that a representative sample can be requested. Centres must send the scripts requested and not substitutes on the same mark. If there are reasons why a candidate's work is not available for moderation, there is a procedure for informing OCR which must be followed.
- *Candidate* authentication sheets are not required by moderators but a *Centre authentication sheet* should be completed and sent with the scripts to the moderator.
- Arithmetic errors continue to occur and they cause unnecessary, time consuming communication between moderator and centre. Please check that the totals on the front sheet are correct and that they have been transferred correctly.

2879: Business Thematic Enquiry (Written Examination)

General Comments

The case for the examination in June 2006 seemed very accessible to candidates. Secondary evidence was the rule rather than the exception this time and it was almost always used in some way to enrich answers. Most of it clearly came from the exploration of the websites of stately homes and attractions like Alton Towers but there have also been some visits. In general, what most of the successful candidates did was to transfer what they regarded as best practice from their studies, to the case situation. It is hoped that this kind of effective use of secondary research will be repeated in examinations to come.

The Plan

As many are beginning to recognise, a well written plan can make a massive difference to the effectiveness of the report. There were a significant number who earned the full five marks from criterion one.

However many of the mistakes commented on in previous reports are still being made. The five marks from criterion one are earned by what is said in answer to tasks 1(i) and 1(ii) and many are still ignoring context or writing about it within their idea of what the problem is in an insufficient way. Others are writing about symptoms of the problem rather than the problem itself. Basic errors were also made in writing about the situation. Among these were:

- The statement that profits were falling or even that losses were being made when the case referred only to profits which had not grown for four years.
- Confusing costs with revenues

Top Tip: There are four sections to task one and each has its purpose within the unit. All four sections should be answered independently of the others.

- 1(i) There were two problem areas and the question asked for both to be addressed. Many candidates devoted too much time to one or the other. A reasonable prioritisation of one over the other was expected but virtual exclusion was often the case and this led to poor marks. On the human side the real problem was the unsettled workforce and its costs, on the marketing side it was the need to broaden the customer base and the revenue from it. The link between the two was the poor customer service.
- 1(ii) The context was that of the need to compete in an increasingly tough market and to find ways of reducing costs and generating revenue in order to ensure survival.

Too many candidates wrote argument, discussion and even solution ideas into the plan. These should appear in the context of the report using appropriate evidence and support. These two sections should be completed in a total time of seven minutes.

Top Tip: The plan is the place to outline the real nature of the problem(s) and then to show the general context, either inside the organisation, or outside it, within which these problems must be solved.

- 1(iii) Here is the opportunity to write about the intended outcomes which the candidate has in mind. This has nothing to do with the objectives Cedar House should pursue nor does it have anything to do with methods. It should be entirely concerned with the candidate's report writing objectives. This time a large number of candidates lost marks on criterion two because they did not do what was asked of them. Others lost marks because the objectives appeared to be generic i.e. something which was pre-learned and nothing to do with Cedar House and its problems. It is good sense to learn how to answer this part but the generic objective must become a specific one.

Example

"To analyse the problem"

This is generic and could apply to absolutely any problem situation

"To determine why absenteeism and lateness at Cedar House are high and rising."

This is specific.

- 1(v) There are no marks for the assumptions made. The section is there to enable a candidate to limit the extent of the problem or to provide a focus for it. Pointless assumptions include ones about the facts in the case. Valuable ones for Cedar House might have been:
- that any finance necessary for recommendations made will be available (clearly this cuts out the need to investigate the availability of, or sources of finance);
 - that there will be no significant change in external (or specific external) constraints (this prevents long debates about ways in which circumstances might change);
 - that the labour problems must be solved before any marketing effort is likely to work (this provides a strong case for dealing with the labour problems first and giving them priority).
- There is no point in making any assumptions unless they are going to provide a focus in this way.

The Report

Criterion 8 imposes the requirement to write a report. There many who wrote some very good arguments but in the form of an essay. This limited the mark to no more than 1. On the other hand some candidates went to the other extreme and provided lengthy paragraphs about terms of reference, procedures, sources of evidence and methodology which was an unnecessary waste of valuable time.

Top Tip: A report structure speaks for itself. Whichever style is adopted, and it may sensibly be varied from one part of the report to another, there is no time for candidates to write about what they are going to do, only time to do it.

The Problems

Good candidates wisely chose which problem to write about first and did not wander in an unorganised fashion from one to the other. The best tackled the labour problems first, rightly realising that until customer service improved new visitors were unlikely to be attracted or to return.

Most saw that employing students was inevitably going to lead to the kinds of problems outlined in the case. Some deemed it wisest not to employ students at all. Instead they wanted to employ the retired or working mums who would be happy with and maybe better at such work. Where this was proposed it was generally well argued. For others, mostly not so successful, the

cry was motivate and occasionally discipline. The weaknesses were either a lack of depth in the arguments about motivation with no theory involved, or a large amount of largely unused, often inaccurately remembered, theory.

Customer service allowed candidates both to write about training and to make a link between the labour problems and attracting customers. This was often well done. Most wrote about outsourcing. They understood the potential benefits but normally ignored the likely effect on revenue and the control problems which might arise.

Only a very few even noticed that there might be a management problem or that Claire Bracewell might be trained to do a better job. Over the years there have been many opportunities to discuss management or leadership problems but they have almost always been ignored.

Probably the strongest of the marketing issues was pricing and most candidates tackled that issue and looked for some way of developing a new pricing strategy. Many wrote about discriminating pricing but few either tackled or properly understood the price elasticity issue. Most of those who did understand it wrote long paragraphs about PED with diagrams but seem unable to turn the theory into a decision.

Promotion got a good airing and there were some excellent ideas but few developed strategies. The good candidates had a vision of what other businesses in the field had been doing and ignored the management view that there was nothing which could be done in the house and grounds. Others felt unnecessarily constrained by it. Out of the situation there often came some good arguments about segmenting the market, joint ventures, and opening either longer each day or for the whole year.

All of these arguments were effectively illustrated from internet and other information. They were often compelling and imaginative but a major weakness was in trying to do too much so that the report became a bit of a list with many suggestions but no real argument. Where there was argument it was almost always the factors in favour with no real consideration of the costs.

Top Tip: There is always too much information in these cases. The better reports were written by candidates who had selected a small number of points and developed effective and supported arguments around them. Trying to get everything in produces a shallow report, or an unfinished one, and fails to earn higher level marks on criteria five to seven.

Structure and Time

In general too much time was spent on:

- The plan with far too much detail, occasionally long elements of discussion, and often far too many useless assumptions.
- Discussing the structural elements of the report and its intended contents.
- Describing in detail the evidence in the case, often copying out large chunks.
- Writing about theory, often correctly, but then making very little use of it (using PED, market segmentation, motivation theory, or outsourcing were all spot on). They did not require long textbook approaches to explaining the theory. Similarly SWOT has to be focused on the problems and used and not just undertaken.
- Long explanations of the evidence to be used, particularly from outside. Just use it in the heart of the argument.

For some these weaknesses imposed time pressure but there was no evidence of time pressure which was not self-inflicted in these ways.

The messages really are:

- Follow the instructions for the plan. Be brief.
- Write the report do not write about it.
- Present all evidence in context and use it.
- Select a small number of points and argue them on a cost/benefit basis.
- Strategy is the objective not mere suggestions.
- Don't argue with the evidence but don't be constrained by it either. The important requirement is to make your case. We saw many good ideas but not enough convincing justification for them.

2880: Business Strategy (Written Paper)

This paper was viewed by the examining team to be of appropriate difficulty for a final, synoptic, paper. The case itself provided enough evidence to assist analysis, whilst still being accessible in terms of length and context. As such, and together with the four questions posed, it discriminated well. There were few instances to suggest candidates suffered from a lack of time. However, there were many instances to suggest that candidates suffered from a lack of considered preparation. One such example was the often seen fundamental error in comprehension to suggest FES does not export or import. Similarly, far too many candidates confused the concept of “outsourcing” with relocation. Such errors are surprising, but may perhaps be explained by the “world cup effect”.

By the very nature of this paper, all of the questions have to be synoptic. This means the examiner is unable to force candidates use specific numerate analysis, concepts or even techniques. Regrettably, one consequence is that whole swathes of candidates seem to believe that numeracy plays no part in Business Studies, and so will gleefully avoid any reference to or use of quantitative evidence or manipulation. Hence where a swift calculation, or use of number, would serve to both provide evidence and context, far too many candidates write banal phrases such as “..and this would make alot (sic) of money for FES..”. Although not an immutable rule, the general case is that the top scoring candidates are those that can use and manipulate all of the evidence; graphical, accounting, numerate and verbal.

1. This type of question, how some given external change affects the business’ strategic behaviour, has been asked on every Business Strategy paper so far. As such, it really is disappointing that there continues to be considerable evidence of candidates being ill prepared. Far too many candidates write at length about the impact of the external change and fail to address how the business should strategically respond. As such, many candidates are able to show good analytical arguments in considering the nature of the impact but then find the upper reaches of the mark range, which require the strategic consequence, inaccessible because the entire question is not being addressed.

Top Tip

Tell candidates that the emphasis in their answers should be on what the firm decides to do in the light of the external change.

As might be expected there was evidence of confusion about exchange rates, with weakening and appreciating currencies having all manner of impacts. More worrying was the often lack of basic contextual comprehension, with some candidates seeming to believe the firm, FES, does not current trade internationally.

Top scoring candidate analysed the case material in looking at the pattern of imports/exports. Others considered the relative low value of imported components as a proportion of unit cost to argue that any change in exchange rates would have to be substantial before there was any material change. Similarly, given the added value of its products, and the substantial mark up enjoyed, FES might not need to respond in any way given. A common approach was to link changes in the value of sterling to the proposal to outsource. Whilst there were many good answers of this type, some candidates then offered what would have been a solid answer to Question 3 rather than focusing on Question 1. The need to answer the question set remains a key ingredient for examination success.

2. There were many excellent answers to this question and it tended to attract the highest mark on most scripts. The best answers weighed up the two conflicting arguments before offering a balanced view. Typically, this was by contrasting the anticipated profit with the risk of being caught acting illegally. Whilst quantifying the former is relatively easy, it did strike the examining team that too often candidates shied away from actually offering a

value. Rather, the text of the case was repeated to focus on the increase in sales revenue. This is application, Level 2, whereas calculation and use of profit is analysis, Level 3. Is it unreasonable to expect an A2 Business Studies candidate to be able to calculate profit?

Top Tip

Pick up that calculator.

Several candidates took an ethical route and argued that no matter how attractive the contract appears, the plain fact is that if a bribe is needed then it is simply morally wrong to accept it. Similarly, others argued that FES simply did not need the contract that badly given the four year pattern in sales volumes from Appendix 2 and the profitability of the company. In short, FES is doing well and need not compromise itself purely to gain more sales.

3. As this was a major issue facing the firm, it is no surprise that many candidates gave good answers. Again, a common approach was to contrast an apparent cost saving with the less readily quantified loss of market standing or damage to employee morale. That several candidates illuminated their answers with reference to “real” firms which have outsourced (GAP, Nike, BT) shows a pleasing awareness of the subject.

It is a pity that those candidates who held the cost saving to be £40 did not also include the labour saving if the component is outsourced. With this saving the value of the outsourcing is £115 per unit. Given FES produced 5,000 units, and assuming each unit has the same component; the potential saving is £575,000, or about 35% of 2006 turnover. So, it is well worth having! The issue for FES is whether continuing to manufacture internally delivers greater benefit than £575,000.

There were many issues surrounding outsourcing, ranging from quality through to redundancies. That few candidates sought to suggest a financial cost in making ten staff redundant was mildly disappointing given the data in the case and the detail in Appendix 1. Similarly, for many candidates a central issue was whether manufacturing is core or peripheral activity for FES. As this is a synoptic paper the better candidates see issues form a variety of perspectives.

Top Tip

Think strategically, think holistically.

- 4 This question was not done well by the majority of candidates. Although there was an almost universal argument that objectives are inherently a good thing, few sought to consider the notion of success. As such many answers simply demonstrated a really robust understanding of objectives, and hit the top of Level 2 in doing so.

The better answers analysed FES’ current performance to suggest that it was doing all right as it is, often using financial ratio analysis to support this view. This analysis then provided a contextual framework to suggest that whilst some indicators are positive, for example ROE (24.8%), others are wanting, for example the recent decline in productivity. Hence, whilst FES is successful by some measures, there are nonetheless areas through which improvements might be effected with specific objectives.

An alternative route to consider success might have been a stakeholder approach. Hence, from an employee’s view point, doing what is described as unskilled work, the pay and conditions offered are quite generous. As such, those on the factory floor may consider FES to be successful, even though it has no clear specific objectives. Similarly,

the local community would see FES as successful given its 17 year history, the fact it provides jobs and produces environmentally benign products.

Top Tip

Read the whole question; do not focus on only a part of it.

June 2006 Assessment Series

Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
2871	Raw	45	29	26	23	21	19	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	23	20	17	14	11	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	39	35	31	27	23	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	32	29	26	23	20	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	39	34	30	26	22	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	40	36	32	29	26	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	36	31	27	23	19	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	65	58	52	46	40	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	52	46	41	36	31	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	10.2	26.9	48.8	69.8	86.1	0	6880
7811	11.9	38.4	69.8	90.6	99.0	0	5818

Report on the Units taken in June 2006

For a description of how UMS marks are calculated see;
www.ocr.org.uk/OCR/WebSite/docroot/understand/ums.jsp

Statistics are correct at the time of publication

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