

Business Studies

Advanced GCE **A2 7811**

Advanced Subsidiary GCE **AS 3811**

Report on the Units

January 2007

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Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 870 6622
Facsimile: 0870 870 6621
E-mail: publications@ocr.org.uk

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Advanced Subsidiary GCE Business Studies (3811)

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Chief Examiner's Report

When setting examinations, senior examiners seek to ensure that they set question papers which are both fair and accessible. Further, across a range of examination series each paper has to contribute to the assessment of the entire specification. As a result, there will be times when what might be the slightly more obscure aspects of the specifications are assessed. Colleagues preparing candidates for examinations need to be mindful of this. The only certain way of not having ones candidates caught unable to answer any question is to teach the entire specification. When candidates from a Centre are unable to make a decent attempt at the same question, the implication is that they have not been taught. Regrettably this series, there was. once again, evidence of overly selective preparation.

As before, a major discriminator seen this series was candidates' reluctance to engage with the case material in any meaningful way. This weakness is particularly apparent on the 'unseen' components (2872, and 2874 – 7). A key to high marks is candidates synthesizing their subject knowledge and the context given to them by the examiner. One preparation strategy to minimise this weakness is to use the by now large number of past papers and, in particular, working through them under timed conditions. A candidate who ignores the context is almost certainly going to find they are demonstrating, at most, application, i.e. Level 2 answers. On average, such answers lead only to D/E grades.

Failure to answer the question actually set remains a problem. Clearly, it is not unreasonable to work through pre-seen material in the immediate run up to the examination. However, an overly narrowly focus on anticipated, 'spotted', questions can, and does, lead to answers which are not directly relevant to the actual question. By all means do try to spot issues. Doing this, looking at issues not questions, can equip candidates to be able to respond to whatever is the actual question.

With the approach of a new round of subject development, and with it the attendant changes to both content and assessment, colleagues are encouraged to attend the series of INSET meetings which OCR will be running in the autumn. These meetings will be excellent preparation for the new specification which is for first teaching in September 2008 and, hence, first assessment in January 2009. Details of the dates and venues of these courses will be posted on the OCR website.

2871 - Businesses, their Objectives and Environment

General

There was no evidence of time pressure and the paper proved accessible to candidates at all levels; it was extremely rare to see a candidate not attempt a question. Spelling was marginally better than last June but certain words still cause problems; a large number of candidates could not spell 'interest', 'lose', or (once again) 'a lot'. Those candidates who used paragraphs were usually those whose answers were clearly structured and coherent. One, or even two, page 'stream of conscience' answers tend not to score well.

Careless use of business terminology was often evident. On question 2, for example, an old 'bete noire' appeared; there was often a confusion of 'Steve's costs' and 'Steve's prices' which led to inaccurate answers and a lower mark than if the two had not been used as if they were synonymous. Also, whilst it is true that in general usage the word 'money' can be used to mean 'capital', 'revenue' or 'profit' on an AS Business Studies paper, candidates should make it absolutely clear which of these they are talking about.

On questions 3 and 5 it was encouraging to see some solid analysis of the issues but less so to see candidates then simply stop in their tracks. A large number of candidates could have scored higher marks, and in all likelihood a higher grade, if they had evaluated the material. This is a point that has been made before and remains an issue for many centres and candidates.

Comments on Individual Questions

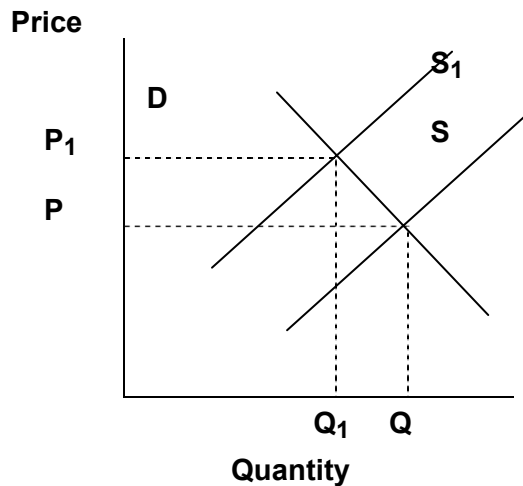
- 1 "Technology" could be approached from either a general ("a computer") or specific ("a new fish fryer") perspective but had to be linked to an effect on Steve's business in order to access Level 2 of the mark scheme. Technology brings benefits and disadvantages and a candidate could have answered this question from either perspective.

Technology as an external influence on a business has not been tested very much on this unit before and so it was pleasing to see a very large number of candidates pick up all of the available marks.

- 2 Some candidates approached the question as if a total ban on cod fishing were being introduced, others discussed the effect of a reduction in the cod quota; either method was perfectly acceptable.

There were some very good answers to this question and the overwhelming majority of candidates reached at least Level 2 of the mark scheme via a treatment of the effect on Steve's costs. For analysis, a causal link between the rise in cod costs and the subsequent effect on the business needed to be considered eg Steve may therefore make less profit unless he can pass on the increase or/and he may have to (try to) sell other fish instead if customers will not pay an increased price for cod or/and he may have to (try to) cut other costs to make the same amount of profit.

A 'standard' diagram showing a leftward shift of the supply curve would have been an obvious route into the question but was by no means essential. Those who chose to draw one usually got it right. There was not so much confusion over which curve was which or whether the shift was to the left or the right - as there has been when similar diagrams have been drawn in the past. This is encouraging; it has been obvious that in the past some centres have shied away from using simple concepts to help to analyse how a change in an economic variable might affect a business.



- 3 The specification makes reference to “the state as a consumer, provider, supporter and source of constraints” and so candidates could make reference to these in any form. Possibilities therefore were:

Law As ever, candidates were not expected to have a detailed knowledge of the legislation but *were* expected to discuss the effect on Steve and his business. Any of the ‘standard’ Acts were quite acceptable.

Taxation Although many candidates referred to this, answers were often weakened by a reference to ‘tax’ without making it clear which tax was being referred to. “A rise in tax is likely to be bad for Steve” was valid but is not rewardable at the same level as a response that mentioned a specific tax *and the way it affects Steve’s business*. Different taxes affect businesses in different way. Changes in income tax for example, will affect Steve personally since this is the tax that a sole trader pays and it will also affect consumers’ disposable income - whereas VAT will impact upon the business in a different way. More able candidates explained the implications of an income tax change in terms of less finance for reinvestment/expansion or of Steve meeting his objective of providing security for his family. Another sensible approach was discussing the extent to which purchases of fish and chips might be affected if consumers’ incomes changed.

A healthy eating campaign This was often mentioned and the ability to apply ‘real world’ knowledge to the case was very encouraging and is something that centres are actively encouraged to do. A route to gaining higher marks was discussing the extent to which purchases of fish might vary at Steve’s shop because they are ‘healthy’ (due to say any Omega 3 content) or are ‘unhealthy’ due to the fat used in frying.

Effects of local government Local government planning permission for an estate was mentioned. Candidates rightly pointed out that by not allowing (or possibly in future allowing) expansion of housing development in a certain area this directly affect Steve’s revenue, profits, and growth.

It was a shame to see many candidates offer some excellent analysis and then stop without any form of evaluative comment, which would have taken them into the highest level of the mark scheme.

Particular mention must be made of the interest rate. A large number of candidates wrote about the government controlling this. This is wrong. Candidates should know that the Monetary Policy Committee of The Bank of England sets the rate not the government. They should also know and understand the reason for the independence – the temptation to use the rate as a political tool at an inappropriate stage of the economic cycle.

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- 4 The overwhelming majority of candidates scored both marks on this very straightforward question. They could have chosen from; Steve himself, his wife/family, his customers, “the local community”, his employees, his suppliers, central/local government.

Gerry Evans was not a stakeholder – he had not benefited from the survival of Steve’s business.

On a question with the ‘trigger’ word “state” a sentence - or in the case of this question two words! - is all that is necessary. Candidates who wrote a paragraph for each stakeholder merely wasted valuable time.

- 5 Candidates undoubtedly found this the most difficult question. Many answers lost their way because although most centres correctly surmised that a question involving Gerry’s shop was going to be asked, many assumed it would be “Evaluate whether Steve should purchase Gerry’s shop”. Those who answered this question did so at a tangent to what had actually been asked. This meant that the central issue of whether the objective of *achieving growth* via the purchase was appropriate was not addressed.

Examiners do try to give the benefit of the doubt but can only mark what is in front of them, and all too often analysis or evaluation of the objective’s appropriateness was not present. A general treatment of the issues (eg “He can make money as repeat business is growing”, the ‘local monopoly’ on fish and chips, Gerry’s shop being £40,000 less than the business’ true value etc) could only score marks at a maximum of Level 2.

Candidates could have approached this question in a variety of ways:

- by concentrating on one objective and discussing appropriateness;
- contrasting the two objectives and discussing appropriateness;
- State other objective(s) and discuss its/their appropriateness – eg some candidates argued that if Steve wants to grow he could so at his present shop - and in doing so also break even.

There was no requirement to answer within the ‘SMART’ framework but many candidates (at all levels of ability) found it useful to do so. It certainly provided a series of ‘prompts’ for candidates to offer comment as to whether the objective was appropriate or not.

One fact that did emerge from this question is that a large number of candidates need to learn how to write an effective (ie evaluative) conclusion. Ending by repeating earlier material or saying “breaking even is a good thing for Steve to do” or “buying Gerry’s shop is a brilliant idea” simply did not answer the question that had been set which was on the appropriateness of the objective.

2872 - Business Decisions

General Comments

While on the whole candidates coped well with this paper it is also the case that there are key issues that arise yet again. Basic knowledge is letting some candidates down. It is very surprising that some candidates seemed to find the terminology of some of the questions difficult despite the fact that these are areas within the specification for this paper. They should be confident with the language of the subject and not struggle with concepts such as market share and human resource management.

Weaker scripts tend to have very general answers that failed to make use of the context of the business within the answers provided. Candidates need to be reminded that application is more than merely using the name of the business. They must really use the information provided to show their understanding of the situation that the organisation is in. Just lifting sections from the data is not sufficient and the information needs to be used to make a point.

Lack of analysis is also a common feature of weaker papers. Candidates really must make better use of the data provided. Too many answers fail to look at the context that the business is operating in or consider the implications of the points that they have made. Evaluation also continues to be rarely seen. Candidates do need to be reminded that evaluation is not just a matter of saying 'in the long term' and 'in the short term'. It is absolutely vital that the evaluative comments are supported by some underpinning analysis in order to reach the higher levels of marks. Candidates also need to make use of other ways of being evaluative that are included within the teachers guidance notes and that have been referred to in previous version of this report.

Comments on Individual Questions

- 1 This was a straightforward question with most candidates able to identify two different ways that the business achieved its cost reduction programme. Better answers then went on to explain how these ways allowed/led to a reduction in costs. Failure to gain all the marks available was usually due to the lack of such development or explanation. A small number of candidates wrote far too much detail for the amount of marks available thus compromising the time available for the following questions.
- 2 (a) This question asked for candidates to calculate the amount of the increase in sales which MFI could expect. However, many candidates calculated the percentage change in the total market. This was somewhat ironic as past questions requiring a percentage change calculation have often been poorly answered. This does reinforce the importance of reading the question properly and making sure that the answer provided meets the requirements. Many candidates did not even get that far and merely calculated the change in the kitchen market without going on to work out what MFI's share of that would be. As usual a number of candidates clearly did not have a calculator with them which was not helpful. There remains a small minority of candidates determined to miss out on process marks due their refusal to show their workings in calculation questions.

(b) Yet again candidates tended to make poor use of the calculation which they had just carried out. The numerical questions are created to allow candidates to make use of them in the following question. Making good use of the results that they have obtained is an effective way of moving up the mark levels into analysis.

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Many candidates failed to recognise how much influence MFI has in the market. Good answers identified that operating at nearly 26% share of the kitchen market gave MFI a substantial amount of power. Better answers were able to comment on the extent to which its size allows it to achieve economies of scale which may not be available to its rivals. Good responses mentioned aspects such as marketing and purchasing economies of scale and linked them into the issue of market share.

The main problem with many of the weaker answers was that they did not answer the question which was set. They simply went through a series of suggestions about the marketing mix, mainly in relation to making sales with some answers looking at the impact on revenue and profits. Such responses provided little reference to issues relating to market share. While it is true that this type of business will be continually looking at ways of expanding sales such comments need to be within the framework of keeping ahead of the competition.

Weaker answers did not seem to appreciate that changes in external factors such as new home building would impact on all businesses in the kitchen market. However, the size and scale of the different businesses in the market would influence the extent of that impact and the response of a particular business.

Some candidates identified that for most consumers kitchens are not purchased that frequently and there may be some degree of brand loyalty to a very well known retailer. Better answers identified that individual sales were very competitive and acknowledged the possibilities created by scale of MFI's operations in working with developers in the new home building market.

- 3 Weaker candidates were clearly confused by the terminology of the question and did not seem to be aware of the role of the human resource management function within a business. They focused on the impact of the closure on customers with answers which tended to concentrate on improving customer service and refunds. The impact of making staff redundant on sales was another approach which was generally not linked to human resource implications and so failed to address the issue of the question.

Better answers were able to look at human resource management issues such as redundancies, redeployment, recruitment and motivation. Some candidates still want to answer the 'write all you know about a motivational theory of your choice' question which never actually appears on an AS level paper and so remained at the lowest level of marks.

Those candidates who referred to the four hundred staff who would lose their jobs and to the problems of managing the three month transitional period were able to access higher levels of marks. Suggestions such as compensation, redeployment and retraining were made with some analysis as to how this would happen. A minority of candidates considered the impact of change. Very few were evaluative in their answers but consideration of the impact of time by looking at the short and long-term issues was the most popular approach.

- 4 The key to this question was to evaluate the decision that MFI had made to implement the new stock control system. Weaker candidates wrote about stock control theory including issues such as Just In Time even though there was no evidence or data in the text to support much of what they were writing about.

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Candidates who used the costs and benefits structure of the question provided better answers. Balancing the short terms costs of implementing the system including the problems incurred with the long term benefits tended to be a successful approach. Thoughtful answers pondered the extent to which the disruption to the home delivery service would have a long term impact given the fact kitchens are not purchased very frequently and balanced this against damage to the reputation of the business.

The standard of written communication remains consistent, with similar issues to those identified in previous sessions. There was slightly less bullet point listing in this session but where evident seemed to be linked to time constraints. Candidates must plan the time they spend on each question carefully.

Yet again, 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

Once again, the entry numbers for this examination in January were low, with most entries being retake candidates from June 2006. However, in contrast to what is usually found at this time of year, the performance was generally good. There were relatively few very weak scripts and little evidence of candidates simply taking the examination without having read the case beforehand.

The context of the case material was easily accessible to candidates and almost all found it possible to reach Level 2, and many Level 3, in discursive questions. There was also a higher number than normal of Level 4 responses, although they were rarely found in Questions 2 and 4. This was often based around an inability to identify relevant and appropriate context on which to base analysis and evaluation.

There was no evidence of candidates suffering from time problems, other than those which were self-inflicted by spending far too much time writing overly long descriptive answers to Question 2.

The quality of language was a little better than in the past, although still disappointingly poor.

Comments on Individual Questions

- 1 (a) (i) Well answered, although a significant number gave the general answer of 3 years, rather than the specific 2 years 6 months, so failing to pick up one of the two marks.
- (ii) Almost all candidates attempted this question and a pleasing number were awarded full marks through the two alternative methods. It should be noted that some candidates are still providing an incorrect answer with no workings and are often missing out on up to 3 marks by doing this. Some candidates failed to realise that the correct answer for ARR is a percentage, coming up with a figure of 0.45 or 45.
- (b) Investment Appraisal was clearly flagged up in the case study and the majority of candidates showed some understanding of the techniques to gain at least Level 2 marks. Whilst there was plenty of evidence of candidates understanding the limitations of the techniques, they often struggled to apply this to the context of the business.

Those that did achieve Level 3 generally did so by considering that the changing face of social attitudes and Government policy for healthy eating with school children would not be accounted for by the investment appraisal techniques or that using ARR to calculate returns over 6 months may not be appropriate as schools may only want short-term contracts.

Better answers also commented that the figure for ARR was well above the target set by ECV, and that this was favourable. They also made a sound link with payback, realising that the business would begin to make a profit on its initial investment at this time. These candidates were also able to realise that these figures were merely estimates and that there were other important factors that might make these figures unrealistic or difficult to achieve.

Some seemingly good answers that recognised other factors that ECV should have taken into account before making a final decision were restricted by the fact that they did not demonstrate understanding of the topic, namely investment appraisal, and therefore limited themselves to Level 2 at best.

- 2 Once again, most answers to the marketing-based question were generally disappointing and simplistic. Many candidates launched into this question without great thought, writing very long, descriptive answers about different types of market research that were not applied to ECV. Many candidates wrote at length on sampling methods without any attempt to link them to the discussion of research methods. Even more worryingly, a large number of candidates spent much of their answers talking about market segmentation as a research method.

Even those candidates who were able to discuss correct market research methods were side-tracked into writing about schools, instead of thinking clearly about how ECV might determine patterns of demand among its client firms, such as past records, interviewing staff or conducting questionnaires among the client businesses, which would be limited by the difficulties of individually approaching the end customers.

The relatively small number of good answers to this question tended to consider that ECV's customers may not have been prepared to have their workers distracted by interviewers and/or observations, or that secondary research may be insufficiently specific or up to date for this business with its changing tastes and trends.

- 3 Despite this question being the least obvious one from the case study, it was easily the best answered. Most candidates achieved Level 3 through considering that the bonus may not work as some accidents were still bound to happen and that staff may choose not to report accidents to get the bonus. Many other approaches such as training, improved discipline and a smaller span of control for Stephanie were well argued as ways of improving the accident rate.

There were a pleasingly high number of Level 4 responses which argued that the bonus scheme was clearly not going to reduce accidents as workers lacked the training to be able to avoid them. The very best answers considered that whilst accidents, such as the fire extinguisher fight and tools left about the place, could be avoided by incentives, as workers could change their behaviour to gain their bonus, other accidents were clearly due to poor training such as the bad back caused by poor lifting technique.

Weaker candidates tended to write on the relevant motivational theories at great length. Some became rather sidetracked and discussed the impact bonuses might have on motivation generally, rather than on reducing accidents, and so lost the point of the question.

- 4 It was not clear that most candidates knew what is meant by operational efficiency. At best, many wrote vaguely using previously mentioned methods such as using bonuses or doing training, or wrote about the causes of poor operational efficiency. Most failed to realise that the engineers were in fact already 'highly skilled' and that training of these people would not, therefore, be effective. Where problems in the layout of the assembly line or of the offices, workshop etc. were identified, the solution provided was often merely to move the assembly line or move the entrance, rather than analysing specifically what the problem was, and then going on to analyse how that could be solved by specific improvements.

Better candidates were able to recognise that employing more staff to repair machines might reduce repair times but would add to costs and might not improve efficiency overall.

Summary

- The general level of performance was a lot better than previous January sittings, with better knowledge of the pre-issued material.
- Most candidates seemed to have sufficient time to complete the paper; any problems were usually caused by excessively long descriptive answers to Question 2.
- It is important that the focus of the question is the focus of the answer. This was particularly true in Question 1(b) and Question 3.
- There was excellent contextual use of the case material in many answers to Question 3, which was not always the case with the other questions.
- Question 4 was least well answered, with few candidates having a convincing understanding of what operational efficiency is.
- Some good Level 3 answers still lacked the judgement necessary to move them into Level 4 answers.

The general standard of written communication remains generally poor.

2874 - Further Marketing

General Comments

This paper proved to be a good test for many candidates with the average mark gained by candidates a little higher than in recent sessions. The context was considered to be accessible and there was a feeling amongst the examining team that it was being used a little better by more candidates.

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

Candidates generally seemed to have enough time for the paper and allocated time appropriately for the marks available. A few candidates did not attempt question 2(a). The numerical question posed little difficulty and over 90% of candidates scored maximum marks, showing working to support their final answer. The 16 mark questions were again disappointing and very few candidates achieved Level 4 responses on any question. There were, however, only a few candidates who showed little evidence of knowledge and/or understanding of specification topics, though many reiterated textbook type answers to questions.

The quality of written communication was good; nearly all candidates gained two marks, though there were some spelling errors. The use of grammar was generally sound and concepts and arguments were conveyed clearly, though not often in depth nor concisely and clearly. Many scripts contained lists eg of pricing methods, market research methods and promotional methods. Question 2(c) produced a minority of candidates who knew what a marketing plan was and there were still many answers that barely referred to the situation in the case study. There were many others which drew on the information given and developed an analytical application of appropriate concepts or methods. Some responses failed to address the question set, particularly in questions 2(a), 2(c) and to a lesser extent 2(b). Few candidates produced good responses to all questions and many scored highly on perhaps two, much less well on the others and thus restricted their overall mark. There is again an impression that more candidates understood the skill of analysis, but evaluative responses were rarely presented.

All questions seemed fair, given the specification. Candidates could temper their responses to their interests and understanding and the mark scheme allowed for this. Many answers, which showed good understanding of theory, were unable to be credited beyond Level 2 as they failed to use the material provided within the case. This was a real pity, as it would have significantly increased raw marks for many candidates. There were also, however, instances of sophisticated arguments, showing a real understanding of the way theory can inform and impact on business decision making.

Comments on Individual Questions

- 1 (a) Most candidates were able to make reference to the way that websites might operate to enhance the promotion of the business. Many responses were, unfortunately, descriptive in nature and too many were general in approach. Too many candidates just stated the obvious answers of pictures, email contacts and wider access to the public. Greater reference to TGS would have enhanced the response.

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- (b) (i) The vast majority of candidates scored full marks on this part of the question. This was particularly pleasing and made a welcome change from the previous 'numbers' questions set on these papers. Those candidates failing to score full marks often made the one error of applying the 20% mark up to labour **and** material costs.
- (ii) This question gave candidates many routes to Level 4. Most responses contained at least two pricing methods; a majority were explained, at least partially, although there was confusion over terminology. Noticeable numbers of candidates thought skimming was a low price, inelastic meant a large quantity change for a given price change, contribution costing was a percentage mark up on all costs, etc., although in these cases most responses showed an understanding of the method explained. Some scripts were descriptive, with no detail and no real understanding of the implications of the methods. Many listed methods, whether they applied to the case or not eg penetration pricing for new products or firms new to the market. These could be credited at Level 2 but as there was no context in relation to the case study, no higher. Some excellent responses contained two possibilities, well explained, with the implications for TGS clearly spelt out and obtained Level 3. Some weighed up these and gained Level 4. Other scripts considered several methods in a similar manner. There were a minority of scripts which dealt in generalities, such as setting a price by the "length of the garden" or by the hour. Candidates would be advised to be more precise on this topic, particularly in relation to "competitive pricing". They need to explain what this means – is it below, above or at the same level as the competition? By how much? There was a possible issue regarding the case study comments about price inelasticity and the fact that TGS lost contracts to lower priced competition but in practice this did not affect the way candidates approached the case, nor did it cause a problem for assessment. Candidates who pointed out a possible contradiction were usually well rewarded for their relevant comments. Those who dealt with one or both comments could also be well rewarded and there was no indication that this point detrimentally affected any candidate.
- 2 (a) There were many attempts at the sampling error question which clearly showed that the topic is still not being effectively covered in class. An increasing number of candidates did make a better attempt but these were still quite rare. A small number wrote about normal curves and standard deviation without any reference to sampling error. Others looked at data gathering methods, such as questionnaires. There were only a limited number of candidates who considered how representative was a particular sample. Some candidates failed to attempt this part of the question at all.
- (b) Most responses contained lists of research methods, many with no context at all and many with no real attempt to organise the content. Most candidates appreciated the distinction between primary and secondary methods. Strategic thinking was not often found and when parts of a strategy were mentioned they were not often linked together eg objectives were cited, then not referred to in the list of methods which followed. There were some good responses which considered objectives in relation to methods, resources and the role that research might play in overall thinking. Very few candidates attempted evaluation by way of comments about likely success, the impingement of constraints or requirements for success. A number of responses ignored the question and wrote about whether the proposed TGS/BG link was a good idea.

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- (c) Only a minority of candidates appeared to understand what a marketing plan might be. Those who did, generally scored at least analysis marks as they linked the various components and provided some justification and argument for the proposals, though reference to reviewing success was not always present. Some answers had no context. Many candidates either produced an attempt at a strategy answer, often in general terms or gave a list of promotion methods as if the question was about promotion alone. Another set of candidates wrote about the marketing mix and proposals, with or without context. In these three instances credit was given where possible for “aspects of a marketing plan” at Level 2 or Level 3.

2875 - Further Accounting and Finance

General Comments

The paper differentiated effectively across the full ability range. It provided all candidates with an opportunity to demonstrate what they knew and could do, while at the same time allowed the more able candidates the facility to analyse and evaluate. The quality of work was similar to previous sessions although the examiners were pleased to note that the number of poorly prepared candidates appeared to be less than in previous years. Teachers might like to draw the attention of their candidates to the following points:

- Numerical calculations need to be set out in a logical manner;
- It is essential that candidates state what these figures represent eg turnover or profit margin. It is insufficient to simply write down figures with no indication as to what they mean;
- To gain high marks, skills of analysis and evaluation have to be demonstrated;
- Analysis means interpreting or manipulating information so that evidence emerges that can be used to support a line of argument;
- Evaluation implies making a judgement or a considered and reasoned outcome. To be valid this must rest upon some analysis of the information provided;
- Read carefully the command word in the question;
- The case study contains all the contextual reference that you need. Use it to underpin your answers.

Comments on Individual Questions

- 1 (a) (i) This question posed real problems for some candidates. The budgeted occupancy rate for the hotel was 40%. This would produce revenue of £1920 per day. Therefore, over a 12 week period the budgeted turnover was £161280. The budgeted gross profit margin was 45%. So the budgeted profit target was £72576. The most common error was to calculate the gross profit as being 45% of the actual turnover. Half the marks were available for method with the other half for numerical accuracy.
- (ii) Most candidates were able to see that the shortfall in gross profit was due either to revenue falling below target or for direct costs exceeding target. Better candidates were able to analyse the data given to demonstrate this. Possible reasons to explain these negative variances were also often provided and were rewarded by the examiners. A common error was to discuss overheads. These have no impact on gross profit levels.
- (b) There were many very competent answers given to this question. Almost all candidates could demonstrate knowledge and some understanding of the concept of a profit centre. However, although the majority of answers went through the pros and cons of the technique relatively few attempted evaluative comments beyond a generalised remark like "this technique will prove of great benefit to the management". Candidates needed to consider how and why the management of the business would be improved by the method used and the extent that this would happen.
- (c) This question was quite well attempted by almost all candidates. The examiners were pleased to see the attempt to use the numerical data to help analyse the potential profit of the venture along with a willingness to calculate the break even number of customers needed. There was also a good discussion of qualitative information in a large number of answers. However, all too often the analysis fell short and little by way of a conclusion emerged. Candidates need to be reminded

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of the need to structure their answer so that a recommendation or a judgement emerges. The distinguishing feature of the high scoring answer was an ability to use the arguments developed to justify the conclusion that the venture should / or should not go ahead.

- 2 (a) This question was the least well done on the whole paper. Profit is an accounting surplus that remains after all allocated costs are deducted from declared sales. These costs may be imputed such as depreciation and hence are to an extent subjective. Likewise, when sales are declared can be an issue of debate. Thus, there is an element of guess work. However, there are accounting rules or conventions that have to be followed which reduce the level of subjectivity or guess work. Cash is a tangible current asset. Cash, however, is not the same as sales revenue. It is a fact when it is received. This question gave candidates an opportunity to analyse accounting conventions. Only the better candidates were able to do this. The majority interpreted the question as being about the risks associated with pursuing profit and this lack of certainty resulting in estimation or guess work. The examiners gave some credit for this line of thinking.
- (b) Most candidates were aware of the concepts of management by objectives and the role of targets. Hence, almost all were able to gain marks for knowledge and understanding. However, the focus of a number of answers was wrong. There was a tendency not to look at the process from the viewpoint of the management of Head Office but from the perspective of the management of the Dreamwater Hotel. Most answers went through the pros and cons of target setting and often did this well. Better candidates addressed the real issue of the question namely the value of the technique to Head Office management. If the method is to be of value then the candidate must demonstrate why this is likely to be the case. How will it aid Head Office in achieving its objectives? Is it a panacea to all its problems or does the technique have limitations and if so what? Issues like this are characteristic of the Level 4 grade A type of answer.

2876 - Further People in Organisations

General comments

The overall performance of many candidates was quite disappointing when compared to performance in previous series. The trend had been noticeably towards higher marks across the range of candidates sitting this module. As previously mentioned in other reports, one noteworthy issue affecting many candidates performance was their inability to offer correct answers to the question testing their ability to extract numerical data from the text/tables in the case study and calculate an appropriate outcome. In this particular instance many candidates forfeited the opportunity to gain what should have been a relatively straightforward four marks. Another particular issue in this examination was the inability of many candidates to use the context of the case study in their answers and as a result offered answers which could apply to any business anywhere, rather than issues specific to F.K. Crackers. Candidates who scored well did so because they did not make the aforementioned mistakes. Overall, this examination revealed that a great many candidates had sound knowledge of relevant theories and concepts, but all too often poor examination technique and insufficient use of the case study proved to be the undoing of too many of them.

Comments on Individual Questions

- 1 (a) (i) Many candidates failed to get any marks at all for this question. Those that did invariably completed the whole calculation correctly and arrived at the answer of £0.05 per cracker. Some candidates would have been well advised to check their final calculation when offering answers such as £24 per cracker!!!
- (ii) There were three very important words in this question – ‘Human Resource implications’. Unfortunately, many candidates chose to ignore them, and either alluded vaguely to possible HR issues, or offered more general implications. Candidates who used the context of the case study and actually answered the question invariably scored high Level 2 or Level 3 marks. Better candidates focused on motivational and recruitment issues and the likelihood of high levels of labour turnover.
- (b) The key word in this question was ‘evaluate’. Candidates who did not wasted the opportunity to access any of the seven marks allocated to this skill. For many this turned out to be an expensive omission. However, there were a few better candidates who were able to consider the pros and cons of ceasing to use the industrial unit and using outworkers with some judgement which clearly used case study evidence/justification. More common was the ability to demonstrate some analytical skills of a relevant nature, but not to progress any further, therefore leaving their answer somewhere in the Level three band.
- (c) Many candidates struggled with the concept of specialisation, and were, therefore, unable to get to grips with how this might affect the levels of motivation of the outworkers. Those that understood the concept of specialisation were often able to explain how it might affect workers in general but were unable to link it to the repetitive nature of the outworkers tasks, and how this might positively and/or negatively affect them. Better candidates used the case study material well and looked at positive/negative effects, and made a judgement as to how this might affect motivation of the outworkers. These candidates were, however, very much in the minority.

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- 2 (a) Many candidates chose to ignore the words 'potential impact', and chose to describe how training might be carried out for the outworkers often giving quite detailed descriptions of on and off the job training. Better candidates recognised that it might be difficult to organise training for outworkers who would be working from home, and that it would be expensive and difficult to organise training in the required skills, either on an individual basis, or even on a collective basis at some appropriate venue.
- (b) Once again, the keyword in this question was 'evaluate'. This skill was not evident in many of the answers. Furthermore, many candidates failed to identify the fact that the question was not just focused on the outworkers, but could/should consider the van driver and/or the two warehousing staff at the industrial unit as well as the outworkers. A lot of answers identified methods which could be used to enhance performance/motivation theoretically, without any particular focus on employees especially at F.K. Crackers, and therefore only managed to achieve a mark in Level two. Better candidates used the case study material well, offered relevant ideas relating to methods of payment, ways of organising tasks, and methods of communication.

Hints on improving candidate performance in future examinations:

1. Practice developing exam technique by using previous 2876 case studies, questions and mark schemes;
2. Teach students in more detail about the different levels of skills being tested;
3. Focus on ensuring that candidates can cope with any type of question requiring calculations based on Human Resource concepts.

2877 - Further Operations Management

General Comments

This case study was of a small clock assembly company, based in Derbyshire, which was considering a number of options for the future including outsourcing its production to the Far East. Once again there was evidence that candidates from some centres had not been prepared for some of the more peripheral topics in the specification. The topics candidates seemed to have little knowledge of were team working and work-study. Again I would like to emphasise a point made in my June report that Further Operations Management is not a long and challenging specification and that **all topics need to be covered!**

On the other questions candidates often displayed a generally sound knowledge and understanding of the operational areas of business. However, on a small number of scripts there was a tendency for candidates to answer questions which were not set on the paper but which they presumably had prepared for in class. For example, question 2(c) on the problem of holding large quantities of stock, candidates seemed to wish this was a question on stock control methods and just-in-time! A further issue continues to be the failure to answer questions within the context of the case study. This is such a crucial weakness for a significant number of students who believe it is sufficient simply to name the business used in the case study in their answers. Just using the initials NCC isn't enough – the answer must specifically use the data from the case study drawing on evidence to help illustrate or support points they are making. This again was particularly true for the higher mark questions 1(c) and 2(c). This is a point that we have strongly emphasised at the support meetings over recent years when we feedback on performances in previous examinations. Teachers **must** get across to their students 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 writing answers to the questions that have been set.

It was again encouraging to see candidates managing their time well. There was less evidence of excessively long responses to the lower mark questions, 1(a) and 2(a).

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. Unfortunately a small number continue to present their responses in this way and by doing this candidates clearly fail to structure their answers.

Comments on Individual Questions

- 1 (a) Answers to this question were generally very poor with little knowledge evident of what team working was as an operations technique. Many answers were very vague. It is surprising that few candidates seemed to know about cell production or the problems associated with this method of producing assembled manufactured goods. The most common responses to gain credit discussed possible hindrances to efficiency that might arise.
- (b) The calculation question was not as well done as on previous papers. Although many candidates calculated the correct answer of £36000, a significant number stopped at the monthly figure of £3000 or forgot to take into account the indirect overheads which would also have to be paid monthly.

<p>Teacher's Tip – Encourage your students to show all their working clearly when answering calculation questions. Marks can always be gained if some elements of correct working are shown on the script.</p>

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- (c) I had anticipated that this question would be quite well done by candidates. Similar issues had been explored on recent previous papers on this option and also on other options at AS and A2. However, it was disappointing to read scripts where students believed sub-contracting involved moving production to China and setting up a new factory there! Many candidates gained credit by discussing the issues flagged up in the case study such as the possible redundancies, exchange rate fluctuations or the savings in production costs that could be made (using their responses from Q1(b)). Many also mentioned possible problems related to quality, the lead times between ordering goods and delivery, transport costs, using a “wide range of small businesses” and communications. All these factors were valid. In answers to these longer questions it is important for candidates to produce a balanced response pointing out the benefits and drawbacks from subcontracting.
- 2 (a) Again, only a few candidates knew what was meant by the term work-study. A few good candidates mentioned both method study and time measurement and then applied these concepts to either the process of clock assembly pointing out the advantages of using the technique (to increase productivity, reduce resource usage etc) or the negative implications (such as the impact on worker motivation of “regular” investigations or the false measurements from observations of workers operating in non-normal conditions).
- (b) The majority of candidates who scored good marks on this question pointed out how NCC could produce unique products which might give the company a competitive advantage, or the shorter lead times having an in-house design team gives when trying to produce clocks for say, forthcoming films or TV programmes. The commonest disadvantages discussed were cost, or the fact that designs might not sell – as hinted at in lines 39 and 40. Some candidates wrote about market research whilst other thought that NCC were thinking about hiring a new design team missing the information in the case study – clear evidence that they hadn’t read the case carefully enough.
- (c) Answers to this question were generally disappointing although some candidates wrote very good responses. It was clear that many wanted a question on methods of stock control and were desperate to bring in just-in-time. However, the emphasis was on the problems of holding large quantities of stock. Those who focussed on the question set wrote about cost issues or problems of demand failing to materialise and then balanced this against the implications of holding too little stock and disappointing customers. Answers that discussed stock levels in the context of raw materials or finished goods were perfectly acceptable.

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!!

2878 - Business Project

Principal Moderator's Report

Introduction

The movement of candidates across to the Theme continues but the Project still attracts a number of Centres from which good projects are regularly read. However, the twin weaknesses of poor titles and insufficient effective preparation are still the main weaknesses. The two most common titles are either about increasing turnover or about reducing labour turnover.

For the former, projects which focus on what the management plans to do or on what existing customers want are bound to be weak. Most new business which might bring about a revival of fortunes is likely to come from new markets, new segments of the market or new products and services. These should therefore, be the focus of investigation based on a target rather than just a vague expectation. It is also important to make clear whether the sought after growth is for survival or for expansion. For survival, a business will take almost any risk because the alternative is to go out of business. However, no business is going to pursue growth at the expense of survival and will be much more aware of the dangers associated with higher sales targets.

For labour turnover projects, candidates need to be very analytical at the start. What matters is not the fact that people are leaving but the reasons why they leave. To pursue labour turnover problems in those businesses which thrive on part time labour - usually students - is almost pointless because the high labour turnover is not a problem but a policy. Such projects centred, as they often are, on McDonalds or a supermarket are to be avoided. There are, however, many situations in which labour turnover, absenteeism or lateness are a genuine worry for businesses and are worth investigating. What will be investigated is not the numbers, but the causes. Without the cause the solution is very difficult to find.

- In some cases a significant number of people leave, start being absent or late, almost as soon as they are employed. In this case the problem is probably poor or unsuitable recruitment, poor induction or bad conditions of work.
- In some cases it is a gender problem and causes have to be sought which are associated with either male employees or female employees.
- In some cases the problem is confined to or largely within one department or section of the business. In this case the problem is likely to be associated with conditions of work or matters of leadership within the business.
- In all cases there is a need to take out of the figures all those who leave for good reasons which are a natural part of being in work and not a problem. These might be promotion elsewhere, membership of a family which is leaving the area, retirement, redundancy or dismissal.

Marking the Project

It is essential to good standards that projects are carefully marked in accordance with the criteria. I am delighted that the standard rises every year in this respect with most projects marked consistently and in accordance with the nine criteria. It is not easy to mark your own candidates work and this is clear in most of the cases where the Moderators have had to make adjustments.

There are really three requirements:

- **to remember that marks are given for what the candidate has produced in the report.** We must not reward what we, as teachers, may well be aware the candidate has done in preparing to write the report. We also need to remember that we are looking for skills as outlined in the criteria and not for right or preferred solutions to the problem.
- **to find the right level.** In most cases this happens. To those who find it difficult, I advise that the levels should be considered from the top downwards asking the question; is this statement an accurate reflection of what the candidate has done? If it is the level has been found. If not try the next one down.
- **to find the right mark within the level.** More often than should be the case the middle mark is selected. All that says is that the candidate has satisfactorily met the requirements of the criterion. The top of the range should be considered when the candidate has done all that might reasonably be expected. Notice that this is not perfection. Going below the middle simply reflects a realisation that there is some respect in which the criterion has not been met and right at the bottom of the level is the candidate who has shown a hint of evidence. This may be nothing more than a reasonable but unsuccessful attempt. The majority of the changes Moderators made were are because the appropriate mark within a level had not been awarded.

Marking to the Criteria

Where the Moderators recommended changes to marks awarded the main reasons were:

Criterion 1: To gain full marks on this criterion it is necessary to make the nature of the problem very clear and show that it needs solution. There must also be some explanation of the context in which the problem exists. Some markers were too ready to give the full five marks on this criterion whilst a smaller number did not credit dawning understanding of the problem as the structure of the report developed.

Criterion 2: Very little change was necessary here but where it occurred it was either because too much credence had been given to the fact that objectives had been stated. At the other extreme candidates were credited with a nine or even a ten marks in situations where there was little or no evidence of evaluation of the objectives which had been followed.

Criterion 3: This criterion is designed to reward the quality and appropriateness of the information gathering process. This was sometimes over-rewarded when it was technically correct or theoretically supported despite the fact that it was not particularly appropriate to the problem being solved.

Criterion 4: To be effective information must be both appropriately collected and well understood. This is often best done by comparison with secondary data or by the way in which the information was collated and presented for analysis. Where this criterion was over marked it was often because theory was correctly presented and understood. Favourite this year was SWOT closely followed by large presentations of human relations theory. These are not of any value in themselves and should not be rewarded. Candidates' explanations of what they were trying to achieve by asking particular questions, however, were often under rewarded.

Criterion 5: It was pleasing to note that most teachers have got across the message that marks for theory and concept or for understanding of a technique are only earned by using that knowledge to define, analyse or solve the problem under review. Some were too harsh here, seemingly reluctant to reward double figures or better.

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Criterion 6: The presentation of data in ways which stressed the computer literacy of candidates and the explanation of what a diagram showed was often rewarded highly as analysis when, in effect, it is merely descriptive. Candidates were often over-rewarded when decisions were well argued even when they needed numerate evidence and some calculation associated with it. It is not sufficient that candidates show they can analyse. The purpose of the exercise is to take the evidence collected and turn it into evidence which will help in the solution of the problem and provide the foundation for a solid judgement.

Criterion 7: Judgement is the key here. To make a decision is obviously a requirement but it must flow from the way in which the information has been analysed and from the objectives which the candidate has set. It must seem logical and reasonable in the light of the problem and the need the business has to solve the problem. What gains high marks is a clear structure which often amounts to a strategy for solving the problem. Associated with this must be some kind of balancing of the costs of the solution against the benefits which will be produced. Often solutions which were logical and possible but which either would not convince a business person or were too unreasonable or too costly to implement were highly rewarded.

Criteria 8 and 9: The main concern Moderators had here was failure to distinguish between candidates. Too often a bland three and three marks were given when the work called for a more discriminating use of the marks of one to five. The general language and structure of the reports was often worth five and five or five and four. The most common weakness was in the language of the subject. There were numerous instances when the language should have been used and was not used. There were also the usual misuses of language with the same instances as has been seen so often before. Worst among these was the general use of the word company for any business, and confusion between price and cost.

Finally, may I remind teachers that the marks for every criterion should be awarded on the work as a whole. Often excellent evaluation or analysis gets ignored because it has occurred in the definition of the problem or in the structuring of a questionnaire. Equally objectives may be well understood and used even though there is little or no statement of them at the beginning.

Administration

By its very nature this unit requires very good administration and the careful following of set down procedures. Most of the time this is to a very high standard but when something is not done it causes problems. In particular may I remind you that:

- the marks on the mark register must be an accurate repetition of the actual marks on the front sheet of the Project. Please help us by checking that this is the case;
- the course work authentication form is an essential document without which marks will not be declared for the unit. Please ensure that it is included with the work sent to the Moderator;
- where more than one marker is involved it is necessary that the marker of each individual project is identified on the mark sheet. It is of no help to know which set a candidate was in - who marked the work is the important issue,
- when more than one marker is involved one has to be the team leader and check the work of the other(s) so that it comes to the Moderator at a common standard;
- the Board requires that no comments appear on the work itself. The copy of each Project which is sent to the Moderator should be clean in this respect;
- the front sheet is provided for the marks and should always remain on the work. Against each criterion there is a space for comments. Moderators find these invaluable in helping to decide how teachers have arrived at the mark awarded. This helps Moderators both to make their judgement on each criterion and to produce a more helpful report in situations where they disagree.

2879 - Business Thematic Enquiry

Introduction

The case centred around the problems of a garden centre beset by problems of increasing competition and cash flow problems arising from the seasonal nature of its market. Long term survival depended upon some form of diversification or product development and the choice was between developing and serving a Christmas market or selling and erecting garden sheds.

The Plan

The plans which candidates developed were often excellent earning the full five marks on criterion 1. Most were short and well expressed and only a very small number of candidates earned less than two marks. The most common weakness was failing to write anything of merit on the context in which the problem needed solving. Some candidates made the mistake of stating that the business was making a loss.

There were very few candidates who wrote about the objectives of the business rather than their own objectives in writing the report. However, objectives were often generic with no relationship to the actual situation and often incomplete. Candidates were intending to analyse each option but often stopped at that point with no reference to decision making as an objective.

More and more candidates are beginning to understand the purpose of the assumptions and to state ones which are going to be helpful in their approach to the report. It is not, however, reasonable to make assumptions which allow matters crucial to the solution of the problem to be ignored. The most common error of this kind was to assume that sufficient funds would be available whatever option was selected. This was clearly unreasonable in a situation when borrowing might well be required.

Developing the Report

The early stages of many reports were often too long spoiling the balance of the report and often being unrelated to it in the sense that they had been pre-learnt with prepared terms of reference, and primary and secondary research methods. Structurally this is sound but what is written has to have some relationship to the actual problem and its solution and has to be used in that process. The better candidates focussed very quickly on making a choice between the alternative solutions.

Garden centres all have this seasonal variation pattern and most have found a solution to it. The key to competition with the big DIY firms often lies in the personalised service which garden centres can offer yet only a small number of candidates even made reference to this. Many had assumed that the case would be all about human relations and marketing and made too much of those aspects of this case. Others candidates welcomed the opportunity to deal with a finance based problem often to the extent that other issues were ignored.

Those candidates who recognised that cash management was part of the problem did very well but few went on to say that seasonality in itself is not a problem if total revenue for the year is sufficient and activity is based on a sound cash budget for the whole year. It should have been clear that a large revenue was available and that there must be some explanation for the difficulties of the firm. Where had the profits of the previous years gone? The two most likely explanations were that the three owners had taken too much out of the business for their personal dividends or that they had ploughed too much back into expansion over the last five years or so. The crucial and commonly unasked question should have been where has all the money gone?

Setting up the Argument

Crucial to this is the external research undertaken. The gardening provision industry is one of the fastest growing in the economy and many candidates had established this using Internet research. This was a good start but few Centres can be far from a garden centre and yet the number of candidates who had been near one and then used the information was far fewer than was anticipated. In this respect the case was very candidate friendly but, for the majority, the opportunity was missed.

It is of little value to list textual references or a number of web sites. There are no marks for what the candidate has done in this respect. Such research has to be positively used in the debate. There were even three or four candidates who wrote that they worked in a garden centre but then made no use whatsoever of that fact!

Developing the Argument

Crucial to this was some basic business studies theory. Ansoff's matrix was the most commonly used concept with some good discussion as to whether the solutions were product development or diversification. Too much use was often made of motivation theory based on rather stretched arguments about part time workers in the Christmas period or the possible redundancy of one person if the garden shed option was not taken. Too much was often made of training and market research issues associated with either option. But there were three fundamental issues in the development of many arguments:

- A confusion of capital and revenue expenditure which lumped the respective figures together, consequently referring to losses in situations which were not true.

Example: In the Christmas market the set up costs are totally covered by the new investment so the issue is how are the running costs to be covered? Nearly every candidate stated that a loan of £120,000 would be recovered without examining the extent to which weekly turnover would pay back the money. The real answer was an overdraft which would be reducing fast on a weekly basis. This could be even more improved by the care with which cash was managed in the period and bills paid.

- Constant reference to costs, which were clearly budgeted for in the case information, as if they were extra costs which must be borne.
- Poor calculation which often led candidates away from the correct analysis of the situation. These were treated in the same way as all such calculation and candidates answer was taken at each stage. Nevertheless such mistakes are easily avoided.

Balance in the Argument

The requirement was to make a choice and support it with logical argument. This was sometimes done very well indeed but in many reports there was a lack of balance. There were positive and negative things to write about both options and there was no expectation that one would normally be chosen over the other. But many clearly made their decision just from reading the case and then spent virtually all of the time writing about, and using evidence to support, the chosen one. That is poor selection of evidence which loses marks on criterion 3, poor understanding of the situation which endangers reward on criterion 4 and poor analysis and evaluation producing a reduced return on criteria 6 and 7.

Dealing with Uncertainties

The obvious uncertainty in the Christmas market choice was the extent to which the buildings might be used profitably from February to October. Very few ventured to suggest possible uses. It could have been a very big argument to support the choice of the Christmas market option but it rarely got much of a mention. For the shed market the real uncertainty was the revenue. Some made a mid-point assumption and argued from there. The better ones look at the stark choices at each of the two extremes and took it from there. It is through picking up the uncertainties and attempting to tackle them that the good candidates distinguish themselves.

Making the Decision

In reports of this kind the final requirement is to sum up the main points of the argument and make a choice. There are only two requirements here:

- Actually make a choice. One or two did not do so. Many made it very well indeed;
- The choice must be a consequence of the argument. Logically you cannot argue one way and then decide the other, but one or two did.

The wisest course is to decide between the two choices evident in the case and not to deny them and wander off into other choices. It may well be that there are better options available but what candidates are asked to do is to use the evidence in the case. There was nothing in the case to suggest anything but a simple choice or some combination of the two which might have a chance of working.

Structural Issues

It is hoped that the writing of a good plan and a well structured report remains at the standard and frequency observed in this examination series. There were few instances of weaknesses in these respects and long may that continue.

Quality of Language Issues

Candidates are reminded that writing is meant to be read and that unreadable writing may fail to communicate. However, the biggest weakness was failure to pick up on theoretical issues and use them. This may well have been because reading was not careful enough or the concept involved was not sufficiently understood. To do well in this unit it is not enough to solve the problem. Candidates must also show that they can research and can use what they have learnt from the subject in the process of defining, investigating and solving the problem.

2880 - Business Strategy

This paper was considered to be of an appropriate level of challenge. Further, the context, double glazing, was one that the vast majority of candidates seemed to find accessible. Taken together these features of the paper allowed the really good candidates to score very high marks. The over riding feature of really good answers is their ability to bring evidence of having studied, and hence acquired, the subject together with an appreciation of the context such that answer clearly and unambiguously related to DMW. In contrast, weak answers typically apply to any business.

A pleasing feature of this sitting was the increased willingness of candidates to engage in numerate analysis. In past PERs candidates' reluctance to use all of the data, and numerate data especially, has been commented upon. Whether it is a feature of the January cohort or this particular case study one cannot be sure. However, what is sure is that this behaviour is both applauded and encouraged.

- 1 Objectives form a key part of any study of strategy and so it is not surprising that often one of the four questions will take objectives as its theme. This time candidates had to consider how realistic the business' objectives were. Given that four of the explicitly identified objectives are financial it is not all unreasonable to expect candidates to use the financial data in the case to assess their realism. Indeed, this is what good candidates did, contrasting ROE and EPS objectives with those actually achieved in 2006 (9.18% and £2.56p respectively). Similarly, Rupert's objectives of 5% and 7.5% increase in sales and profits respectively can be assessed by a quick analysis of DMW's sales history. Between 1995 and 2000 (figure 1) sales grew 3.55% and 2000 and 2006 (figure 1 and Appendix 2) they grew at 2.00%. Combined, and given that DMW sales grew on average at 2.9% in the 11 years between 1995 and 2006, an objective of 5% might seem a tad unrealistic. As ever, some candidates contented themselves with bland phrases such as "...so Rupert's objectives are realistic". But without any supporting use of the case data such phrases are simply opinions, not reasoned judgments.

A feature of weak answers was the candidates' determination to answer a different question. Hence, many wrote, often at length, about how the objectives could be achieved. Similarly, and for reasons not always made clear to the examiner, many focused upon the possibility of acquiring C&G Builders rather than the objectives identified in the case study.

Top Tip

Answer the question set.

- 2 A now common feature of this unit is to question how a business' strategy changes in the light of its external environment. At this session the legal environment was selected in the question. As in previous sessions the emphasis is upon how the business needs to adapt to move forward rather than a detailed discussion of the impact on the business of the environment. Thus, answers that went beyond discussing how the change hits the business, typically in this case an increase in costs, to consider what the business now does differently, scored well. A common response was to exit any work at height, or at least the loss making soffits. Others argued that tighter regulation provide the catalyst to exit the market selling to households and move into the business and/or public sector market given competition from non-regulation compliant "cowboy" operators in the former market.

Top Tip

External environment change

Direction, not impact.

Top marks could have been gained had a candidate argued convincingly that DMW need not change their existing strategy. Indeed, a small number successfully managed to robustly support this view through analysis of the case data. Here, what determines the mark is the quality of the reasoning rather than the direction suggested.

- 3 As at previous sessions, this ‘decision making’ question proved to be the most highly rewarded on many candidates’ scripts. The issue of the LRPS contract had clearly been given considerable thought prior to the examination. As a result, good candidates were able to give answers that integrated case evidence and subject understanding in an evaluative manner. There were two popular approaches to the decision.

First, many adopted an operations approach to consider available resources. This frequently started with analysis of the network diagram (Figure 2) to determine the minimum project duration to be 29 days. This value was then contrasted with the 6 weeks available to DMW to complete the work, either 30 days or 42 days (depending on what assumptions were made about days in the week). Having established that there was sufficient time available many questioned the likelihood of overruns or indeed the objectivity of the data, especially given its source (Minesh). The decision, therefore, depends upon whether the data can be trusted and the possibility of overruns given the information about summer absenteeism and holidays. Those that opted for the assumption that 6 weeks is 30 working days, raised the issue of only having 1 day “spare”, and the looming spectre of £5,000 daily penalties if the contract did overrun.

The alternative approach started from a financial perspective, focusing on the profit margin available on the contract. These candidates analysed Table 1 to show that DMW’s 2006 gross profit margin was 22%, hence at 25% the LRPS contract is attractive. However, better candidates then went one stage further with a deeper breakdown of the same source to show that windows have a gpm of 29.8%. Hence, if the LRPS contract displaces window work then it becomes less attractive. Thus, the decision about the LRPS contract depends upon the opportunity cost of the foregone work when 60% of capacity is devoted to the LRPS contract. For example, if the contract displaces soffit work (6.4% gpm) then it becomes attractive. Allied to this financial focus was a consideration of efficiency. The LRPS contract offers a gp of £20,000 in 6 weeks, ie £3,333 per week. Whereas DMW’s 2006 gp of £245,192 equates to an average of £4,715 per week, thus suggesting that the contract is not as attractive as perhaps might be assumed.

Top Tip

Analyse the data in the case to support your view

Of course, some candidates incorporated both approaches. In contrast, at the weaker end of the mark range many did neither; seemingly content to describe the situation before coming to a largely unsupported view.

- 4 From reading the case it was apparent that DMW faced an issue of relocation. Better candidates took the time and trouble to carefully read the question set before starting to write. At the other end of the mark range were those that saw the term “relocation” in the question and immediately offered an answer. The peril with the later approach is that the answer does not address the question, and all too often the examiner was reading an answer that seemed better suited to a different question, typically, “To which site should DMW relocate?” It cannot be stressed too highly; read the question, answer the question. Candidates who do not answer the question set, for whatever reason, cannot expect to score highly.

Top Tip

Read → **Think** → **Plan** → **Write**

There were many disappointing answers to this final question, even from those who had bothered to read it. Too many simply trotted out a series of stakeholders, each often being given a paragraph of their own. Too often these answers simply applied an understanding of the stakeholder and described how each would be affected by any relocation. All too rarely was there discussion of how each stakeholder might be able to influence the decision, which is what the question asks. For example, whilst government is a relevant stakeholder their influence could be through the ability to grant, or withhold, planning permission for the existing site. Without planning permission the anticipated value of the existing site would be far lower, and hence there would be a reduced incentive for DMW to relocate. The influence of other stakeholders can be similarly considered.

As ever, the examining team did not have in mind a single most influential stakeholder; rather the mark awarded reflects the quality of the contextual argument. Thus, for example, better answers recognized the peculiarities of the business in that for the majority of the staff the site is not their place of work because they, fitters, work at customer's houses. Similarly, the nature of the double glazing industry is that the business (Minesh) travels to the customer's house, and as such one might reasonably argue that DMW's site is not a key factor for customers. That many candidates made no reference to Table 2 was both disappointing and surprising.

**Advanced GCE Business Studies
January 2007 Assessment Series**

Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
2871	Raw	45	34	31	28	25	23	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	27	24	22	20	18	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	40	36	32	29	26	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	36	33	30	27	24	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	40	36	32	28	24	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	39	35	32	29	26	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	37	33	29	25	22	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	68	62	57	52	47	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	58	52	47	42	37	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

Report on the Units taken in January 2007

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

	A	B	C	D	E	U	Total Number of Candidates
3811	6.7	28.5	53.2	79.0	96.3	100	282
7811	10.5	38.6	59.6	78.9	94.7	100	61

For a description of how UMS marks are calculated see;
http://www.ocr.org.uk/exam_system/understand_ums.html

Statistics are correct at the time of publication

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

(General Qualifications)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: helpdesk@ocr.org.uk

www.ocr.org.uk

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Head office
Telephone: 01223 552552
Facsimile: 01223 552553

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