

Business Studies

Advanced GCE A2 7811

Advanced Subsidiary GCE AS 3811

Report on the Units

June 2008

3811/7811/MS/R/08

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Reports should be read in conjunction with the published question papers and mark schemes for the Examination.

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Chief Examiner's Report

Few colleagues will have the time, or the inclination, to read all of these Principal Examiner's Reports. Understandably, the focus will be on the units taken by the Centre rather than the entire suite.

With first teaching of the new specifications imminent (September 2008) now might be a good time to consider two key issues. Firstly, the entry pattern adopted for assessing AS candidates, ie. whether to sit the two units together or separately. With the reduction from three units to two, and the accompanying rationalisation to a single pre-seen case study, it might be that the need to utilise the January session is less pressing.

The second issue is A2; might now not be a good time to reconsider which of the optional units are offered in Centre? At present, Further Marketing and Further People in Organisations are the two most popular units. However, with a common question format (including the amount of emphasis placed on explicit calculation), the other two units (Accounting and Business Production), are worthy of consideration.

Centres will, I am sure, realise that within the new specification, coursework (The Business Project), and the Thematic Enquiry alternative cease to form part of the schedule of assessment.

The common themes within these Reports continue to be use of case evidence and specification coverage. To exemplify the later point, the Principal Examiner for Business Decisions (2872) was struck by how few candidates seemed to have even the most basic grasp of both contribution and work force planning. If key specification content is not taught it is nigh on impossible for candidates to score well in the examination. The need to cover the entire specification cannot be over emphasised. At the risk of repetition, with the imminent arrival of the new specifications, it would be myopic not to check the content which remains in, the content which has gone and the content which has moved.

An extremely efficient way of learning what differentiates a generic answer from a contextual answer, and so gaining many more marks, is to become involved in the marking process. One reward from examining is financial. However, and possibly more importantly, it is a very good way of learning what makes a 'good' answer in a way which cannot be achieved simply by looking at mark schemes.

2871: Businesses, their Objectives and Environment

General Comments

Most candidates attempted every question and there were some excellent scripts. Unfortunately, once again, there were also some very poorly written and presented ones as well. Some candidates still have no concept of paragraphing. Whilst this might not matter on the two and four mark questions, it certainly does on those worth 14 marks. As was noted in January's Report, long 'stream of consciousness' answers do not tend to score well. Clear paragraphs really do make a difference to the examiner's understanding of the candidate's argument.

There was no evidence of time problems; in fact most candidates wrote at greater length than has previously been the case, suggesting that they felt confident about the case study.

Many candidates still ignore the command word in the question; a few words are all that is necessary on a 'state' question and a couple of sentences are sufficient for an 'outline'. The appropriate use of time will be important on the new F291 paper where there are eight questions to be answered in an hour.

Comments on Individual Questions

- 1 Any reasonable answers (eg a sole trader "makes all the decisions"; "may get overworked"; "is easy to set up"; "keeps all the profit") were acceptable on this very straightforward question.

Where a candidate did not achieve both marks it was usually down to a silly mistake. These included "they have limited liability" or, more worryingly, confusion over the nature of this type of business organisation – "they are the only shareholder".

Answers did not need to be in the context of Sophie Lewington and it was no surprise to see the overwhelming majority of candidates pick up both marks here.

- 2 This question seemed to have been widely anticipated and was generally well answered. A wide variety of possibilities were available. As a sole trader Sophie is, legally, the same as her business and, therefore, references to the implications for both her and/or HH were quite acceptable.

A detailed knowledge of IT was not necessary but candidates did need to mention what the nature of it was likely to be, eg reference to a computer or a spreadsheet to access Level 2.

Issues, therefore, included the cost (financial and/or 'opportunity') of buying a new computer, the use of the new computer/some software to help run her HH eg with bookings (thus avoiding inconvenient 'double bookings'), helping with stock control (thus saving money - so avoiding 'emergency trips to the supplier'), the construction and use of a website which would mean that she could introduce online booking, etc.

- 3 As the case implied that Sophie might start to sell the 'hedgehog houses', a reference to these as well as to the boarding of pets was legitimate. Indeed, the factors are likely to be similar for both. Candidates who understood the determinants of demand and who could put them into context picked up relatively straight forward marks here.

The sorts of issues which could have been considered included the following: Price; a detailed knowledge of how elastic demand might be was not required. Price of substitutes (the term did not have to be used), ie prices charged by competitors. Changes in income/spending power. Will changes in income or spending (eg due to a change in the rate of interest or income tax) affect the demand for holidays and so for boarding animals? Other determinants included the quality of service. The case stated that Sophie works hard to provide a quality service which is something of a USP and which could well affect demand.

There was also Sophie's ability to market HH. Her lack of business skills does not seem to be hampering her much at the moment during *holiday periods*. However, the case study also said that "demand is largely seasonal" and so she has unused capacity (detailed knowledge again was not required) and some candidates picked up on this fact and stated that demand was not as great as it might have been because she did not market the business properly.

Weaker candidates simply produced a list of possible determinants of demand. Some candidates simply listed promotional possibilities ("board one board one free", "10% off next boarding" etc.) and whilst these were obviously awarded credit, simple statements and lists of any kind are only able to score at Level 2 and, therefore, gain a maximum of six marks.

A significant number of candidates answered as if the question had asked "Discuss the factors which might influence the operation of HH". This sort of question has certainly been asked previously on 2871 *but this question was explicitly concerned with demand*. Therefore, references to issues such as "extending the premises", "the cost of animal food", and "whether her sister Emma can help out" were not valid as they dealt with supply. Demand and supply are *not* synonymous, and candidates need to recognise this. Whilst macroeconomic issues will disappear from the new AS specification (and will now appear at A2), 'the market' ie the interaction of demand and supply will still be assessed within the new F291 paper. Candidates can, therefore, expect questions on either or both of these concepts and so it will be important to understand their determinants and the difference between them.

The age old problem of a lack of evaluation was again present; having analysed a number of the factors, candidates all too often stopped short of a judgement on the most significant one(s).

- 4 There was certainly, in the main, a sound knowledge demonstrated of the nature and purpose of business objectives. As a sole trader, Sophie is 'the business' and so (as with Question 2) references to benefits to her and/or HH were allowed. The examining team all reported that very frequently candidates offered a generic answer rather than one with a contextual reference. Although these candidates managed to offer some likely benefits to a business of having objectives, a failure to offer examples specific to HH precluded them from the higher levels and subsequently higher marks.

There were many statements such as "helping to get more organised", "increasing efficiency", "running the business better", "being clearer as to what she's doing". Whilst these were valid so far as they went, they were, as observed above, generic and without any clear link to an actual objective. Therefore, a very large number of answers got stuck in Level 2. Whilst this still enabled candidates to gain seven out of the available nine marks, many missed out on the two top marks.

The key to accessing Level 3 was to state a clear objective which HH or Sophie should adopt and then make a link to the resulting benefits that might follow from it. The link did not have to be complex. For instance, many candidates said that Sophie should make her (strategic) objective "having enough money to retire on". They then went on to say how she could then set tactical objectives such as "holding the right amount of stock". This would mean the benefit of not wasting money on trips to the supplier and/or on holding too much which might perish and have to be thrown away. The money saved would, therefore, help her reach her objective.

This sort of analysis was often only a few lines long but was quite sufficient - and far better than a page or more of generic explanation of the nature of SMART objectives and their importance.

It is important for candidates to draw breath and think carefully for a few moments about the requirements of the question before they tackle it. There will be two 'analyse' questions on the new F291 paper and, as was the case here, straightforward analytical comment, such as the above, will be all that is necessary for analysis marks in Level 3.

- 5 This question had been anticipated to an extent, although possibly in a slightly different form.

Candidates were essentially being asked to balance the potential advantages (eg Judith 'helping out' in a way which Sophie's sister does not seem to want to, both women being fairly likeminded and in a similar position, losses being shared, etc.) with the disadvantages (eg disagreements, the sharing of profits, etc.).

A large number of answers were along the lines of "the advantages of partnerships are", "the disadvantages are" with little reference to Sophie, HH or Judith. A sound knowledge base was often not placed in the context of the case study. A further criticism is that many candidates used the words 'business' and 'company' as synonymous - "a partnership would mean the company will grow faster". This has been referred to before in these Reports and this confusion is to be avoided.

Many candidates seemed to assume that Judith would willingly join Sophie in a partnership and, furthermore, would immediately be providing some much needed capital. More able candidates questioned this and stated that even if Judith did agree to form a partnership, funds may not be immediately forthcoming – especially for the reroofing of the cottage which has little to do with the business.

Others rightly pointed out that if they agree to form a partnership, a Deed of Partnership should certainly be drawn up. If not, there are likely to be problems sooner or later, eg over the share of profits, division of responsibilities, dissolving the partnership, etc. If they “fall out” and there is no deed, Sophie may lose some of the benefits that she had hoped to gain from the partnership.

Whether a candidate got to Level 4 depended, very often, on how good their last paragraph/conclusion was in terms of its analysis or evaluation. If all that occurred was a repetition of previously analysed points this was not ‘a conclusion’ and could not access Level 4. The same was true of a statement such as “so in conclusion the advantages outweigh the disadvantages so Sophie should go ahead and do it”. Evaluation means a *supported conclusion* and as guidance to centres some of these final paragraphs (that followed on from analysis) are given below.

“I would recommend forming a partnership as it would allow Sophie to continue to meet her goal of taking care of the animals while Judith runs the business side of HH, eg marketing. Sophie should also draw up a Deed of Partnership to ensure that there are no misunderstandings about responsibilities. Most importantly though Judith’s help and possibly finance will be very useful in helping make sure Sophie achieves her new objective of growing HH’s revenue.”

“Forming a partnership will benefit both Sophie and her business. Judith can provide cover if Sophie is ill or has to go on holiday. This is a major benefit to Sophie as she really cares about the animals and wants them well looked after. Judith will also bring the business experience that Sophie has not got. A partnership will help HH expand and grow which is what Sophie wants. But she must make sure that there is a deed of partnership so there is a legal document to protect her if they decide to end it after a few years”.

Finally, a more borderline Level 4 - “Forming a partnership with Judith is appropriate as it would benefit HH and Sophie in so many ways, such as the introduction of new technology which will help with the running and growth of the business. However, Judith will have to accept the offer before Sophie can see any of the benefits she might receive. Sophie cannot assume Judith will just join her!”

Evaluation remains a skill which many candidates need to master.

2872: Business Decisions

General Comments

Candidates need to remember that this is a Business Studies paper and that they are required to demonstrate their ability to use business theories, concepts and ideas to analyse and evaluate an issue within a business context. Many candidates let themselves down because they did not demonstrate business studies knowledge in their answers. Lack of underpinning understanding is somewhat like trying to climb a ladder with the bottom four or five rungs missing – what should be straightforward becomes virtually impossible. So a lack of basic knowledge of key areas continues to let candidates down and this was particularly evident in Questions 2(b) and 4. Too many weak answers were very descriptive and chatty in their nature and so did not provide opportunities for analysis and evaluation. Candidates must ensure that they revise all areas of the specification very carefully to give themselves the best chance of success in the examination.

Comments on Individual Questions

- 1 Most candidates were able to identify purchasing economies of scale and developed their answers by looking at discounts for bulk purchasing. Other popular approaches looked at transportation economies of scale with the products being delivered with other types of goods; marketing economies of scale due to the ease of including the new initiative in current forms of marketing and also risk bearing economies of scale. However, many candidates restricted the marks awarded by only identifying one economy of scale rather than two, giving two examples of the same economy of scale or by just listing the economy of scale and not providing any explanation or development.
- 2
 - (a) It was pleasing to see that many candidates were able to calculate contribution correctly. However, a significant number decided to present the variable cost figure of £7.20 as their answer rather than the correct figure of £4.80 thus, restricting their marks. Yet again, the importance of showing all working cannot be emphasised enough. This allows examiners to apply the own figure rule to award part marks for process to an incorrect final answer.
 - (b) Having correctly calculated contribution it was quite disappointing to note the number of candidates who did not have any real understanding of the concept or, indeed, its use. The Costs heading within the Accounting and Finance section of the specification clearly states that candidates should know 'Contribution, its calculation and uses'. Candidates must prepare themselves for the possibility that questions may draw from any section of the specification.

The weakest answers did not understand that contribution was a finance concept and so discussed the contribution of staff, marketing or even customers to the success of the scheme. Such answers missed the point of the question and so failed to gain any marks. Other poor answers focused on profit and profitability, which is not the same as contribution at all, or on pricing issues and so also failed to gain suitable reward for their efforts.

Good responses identified contribution as being the sales revenue less variable cost and that a positive answer meant that there was a contribution towards fixed costs and, therefore, the scheme was worth going ahead with. Better answers could analyse and evaluate the impact of the fixed price and changing variable costs of the boxes and consider how this might have an impact on the decisions made. Other useful comments then looked at the extent to which the business would rely on contribution alone and weighed up other factors that might impact on the decision to introduce the scheme. However, many candidates chose to go down this route in a descriptive and somewhat chatty manner, often concerning themselves with the desirability of organic produce and so failed to answer the question which was set.

Another potential approach was to look at the role of contribution in the break even calculation and how changes in contribution would have an effect on break even points.

- 3**
- (a)** The usual issues relating the inability of some candidates to cope with percentages were evident in some responses.
 - (b)** There were many very chatty and descriptive responses to this part of the question which focused on the nature of celebrity endorsement rather than using business studies knowledge to actually answer the question. Other less than successful approaches included looking at what the business should be doing as an excuse to write about all the other promotional techniques which they knew.

However, candidates which were able to identify and discuss the above and below the line promotional methods used by the business were much more successful and many were able to develop some analysis in their answers. Good answers referred to the context of the case in terms of the size of Sainsbury's and the availability of a large budget for such promotion. Other successful approaches attempted to identify and evaluate methods of promotion in terms of which part of the market the promotional technique would successfully target.

- 4** Workforce planning is a clearly defined section within the People in Organisations section of the specification for this paper. Under this subheading the areas of recruitment, selection, induction, training and severance (a knowledge of the principles of employment law and the rights and duties of employees and employers) are clearly defined. However, many candidates simply did not demonstrate any understanding of workforce planning at all. Therefore, most responses lacked any consideration of the current and future labour requirements of the business and the supply and demand for labour issues impacting upon it. Therefore, the potential to analyse and evaluate the impact of recruiting disabled staff was lost.

Often weak answers discussed morale and motivation but mainly focused on the impact on the existing (able bodied) staff. The comments tended to be human resource development issues rather than ones of workforce planning and, as such, tended to be descriptive. Comments concerning the impact of equality measures for disabled customers and the enhanced reputation of the business were also prevalent. However, these were mainly offered in a descriptive manner, thus lacking any analysis within the context of workforce planning issues.

Better answers did consider the recruitment and selection process within the context of a supermarket trying to implement equality policies for this particular group of potential employees and any need for adjustments and monitoring of this process. Another more successful approach was to consider the issues relating to the short term work experience placements as a method of introducing disabled staff into the workforce and the best responses looked at the view of both the employee and the business. However, very many candidates focused on the training issues or the cost of specialised equipment but in a descriptive manner and so failed to provide any development into analysis and evaluation.

Very few candidates considered that such a policy might benefit the business from an increased pool of potential staff or that employing people with disability may enhance the business. Therefore, the opportunity to evaluate in terms of weighing up costs and benefits was missed. There also seemed to be a very narrow focus on disability with the common response that disabled people would not be suitable for shop floor roles somewhat ignoring the wide variation on types and degree of disability and the wide variety of job roles available within a large retailing business. Such answers suffered from the reduced potential to analyse and evaluate the relative impact that dealing with different types of disability and the associated issues would have on the workforce planning of the business.

Candidates must be reminded of the need to structure their answers to aid the the reader. Lack of use of paragraphs, use of inappropriate listing and bullet points and basic spelling errors continue to be the main reasons that candidates fail to gain all the available marks for the **Quality of Written Communication**.

2873: Business Behaviour

General Comments

In comparison with last June, there was a general decline in performance by candidates this year. In the main this was caused by a significant lack of contextual analysis in the answers. It was generally felt by the examining team that the use of the case study evidence did not appear to be as good as in previous years. Most candidates attempted all questions and there was no evidence of any time pressures, although there was evidence of time not having always been allocated wisely across the questions.

The questions themselves were considered to be fair by the examining team and appropriate for an AS examination. When comparing the case study material to previous years, it was apparent that many candidates found the slightly greater volume of evidence less easy to deal with. It was clear that candidates found it difficult to relate the evidence to the question, for example, in Question 3 when referring to flexible methods of working, Appendix 3 was almost completely ignored by a majority of candidates.

The paper did differentiate, but Questions 3 and 4 proved to be least well done. Question 3 because of the struggle to engage with the case evidence and so generic answers were common; Question 4 due to candidates struggling to focus on monitoring rather than improving quality. It is worth noting that many candidates, who appeared quite able in terms of knowledge and understanding, found their mark limited as they did not cope with the context. Many of the answers showed very good understanding but were generic in focus. Ultimately, there were fewer candidates than normal achieving Level 4 evaluation. This was often based around an inability to identify relevant and appropriate context on which to base analysis and evaluation.

The Quality of Written Communication has not significantly changed, although more candidates did write in paragraphs. However, the standard of handwriting is getting worse and worse with many scripts difficult to read.

Comments on Individual Questions

- 1 (a) This part of the question was generally well done. Most candidates scored either five or six marks. The reason behind the loss of the mark was entering 1000, 500 or 0.5 rather than 1 for 'New Equipment' and following this through, although the 'own figure rule' was applied.

In terms of examining candidates understanding of the process of producing a cash flow forecast, this was good. Most candidates clearly knew how to transfer the opening/closing balance and how to calculate the net cash flow for the month.

As ever, it was enlightening to see the numerous creative ways that some candidates found to get the wrong answer. These included candidates who did not transpose the figures correctly, failed to add up all the overheads and made numerous errors when trying to cope with adding negative numbers. These candidates scored four marks or less.

- (b) Given that the previous part of the question was answered relatively well, the number of good answers was disappointing. Many candidates looked at the question from a marketing angle without relating the answer back to cash flow. Few candidates actually used the data which was in the case in terms of the payment terms, even when this had been identified as an issue. There were plenty of responses with the identification of labour costs and/or lengthy credit given to debtors as the most popular reasons for cash flow difficulties. However, the solution was to reduce these! Most candidates failed to talk about immediate short term solutions and focussed more on long term ideas, such as increasing marketing. Many talked about increasing sales without focussing on the cash element of them. Evaluative credit was hard to obtain because the recommendations did not move back into cash flow consequences.

Better answers managed to consider that the very high cost of equipment expenditure was having a significant impact on the cash flow and, therefore, using hire purchase, leasing or a loan specifically for this would have the most impact, though all methods of reducing the outflows would help.

Ultimately, few candidates scored above six or seven marks due to an inability to recognise the difference between cash flow and revenue/profit. Many suggestions, although they may have improved sales revenue, would have had minimal impact on CLN's cash flow.

- 2 This question was answered reasonably well. Many candidates were able to understand the implications of the data and the reasons behind the changes in the market shares. Many scored well into Level 2. The common route into analysis and, hence, Level 3 included:

- the need to spend money on training to deal with increased private sector work and how this may be an issue, taking into account the cash flow implications;
- the need to be more competitive through making greater use of its awards in marketing to develop more customer awareness;
- debating whether or not internet sales was an avenue to be exploited, especially as more people had access to internet shopping and it was, therefore, a good vehicle to stimulate further sales.

The best candidates recognised the serious issue of the decline in commercial work - the vast majority of sales are from this sector. When Level 4 was found, it came via one of two ways; either candidates recognised that quality had to be sorted out and then linked this to the two complaints (given that private sector work was increasing) or, alternatively, by bringing in a sense of reality, ie the credit crunch and the uncertain economy, meaning that forecasts are not wholly reliable and that CLN needed to be aware of these changes in light of its plans. Other good answers recognised that changes in sales did not necessarily follow changes in market share – the size of the market might change as well. The best answers managed to give a reasoned overview by considering the wider impact of changing CLN's portfolio in the long term.

Unfortunately, many weaker answers focussed on merely identifying the market share changes, rather than discussing the 'implications' of these changes. There was also a common acceptance by candidates of the decline in CLN's commercial work, with very few suggesting that it might rise to the challenge and actually try to reverse the trend (at a cost).

- 3 This question was very disappointingly answered with very many highly generic responses. The examining team was amazed that around half of the candidates failed to use Appendix 3 and those who did often came up with dubious statements about how the changes might impact upon the staff. Many answers also lapsed into an analysis of which would be the best method of payment rather than looking at the impact on motivation.

Candidates did partially understand flexible working in terms of being able to demonstrate the meaning and some aspects of it but most lost focus on the issues in the case study. It was common to find long answers which either re-wrote sections of the case study or gave paragraph after paragraph describing Holly's proposals in a descriptive rather than analytical way. Very few candidates actually grasped the point that CLN were trying to save money and, therefore, were unlikely to be doing its workers a favour. In this case, the flexible working was at the behest of the employer rather than the more usual flexitime which is largely at the discretion of the employee. Too many candidates saw flexible working as a generous gift of the company to provide staff with more free time and assumed that all would be delighted with it.

It is clear that flexible working is an area of the specification that centres need to revisit when preparing candidates for examinations.

Many weak answers spoke about how the workers would take over CLN and this would upset Paul - oblivious to the fact that he is unlikely to give up anywhere near 51% of his business. In the same vein, it was worrying to find a large number of candidates thought that by giving employees shares in CLN it meant that they would all become managers of the business!

When Level 3 was accessed it was through analysing the implications for some of the workers, such as Sheila White. Most candidates thought these workers would suffer as they needed structure and routine in their working week in order to address their family commitments.

The best answers considered the urgency and importance of the need to make changes to reduce costs and balanced this with the significant impact of flexitime on specific workers with care responsibilities, the likelihood of long serving employees not finding this acceptable and the reality that the loss of overtime pay would need to be made up by some sort of profit related bonus. Some candidates considered that CLN might even pay out as much in profit bonuses as it would save from the loss of overtime, but would get improved efficiency, quality and happier customers leading to more business!

- 4 This was another disappointing question. 'Improving' rather than 'monitoring' quality was the bedrock of most of the answers, even though it was the latter which was clearly flagged in the last line of the case study. Likewise, there was a tirade of everything quality - kaizen (often incorrectly explained), benchmarking, Total Quality Management, quality control, quality assurance, etc. However, in many cases the context of CLN was ignored and candidates talked about quality monitoring as if it were in a car plant or any other factory.

Some candidates appeared confused by TQM and how it is achieved whereas others spoke about having Team Leaders to inspect quality, oblivious to the fact that they already exist at CLN. Very few candidates discussed the option of developing the skills of the people who were already on board.

Report on the Units taken in June 2008

The most common suggestions made by candidates which could be rewarded contextually were the making of site inspections by Jonathan or Paul and questionnaires/surveys of previous 'jobs' to gauge whether customers were happy.

Analysis was less commonplace but came from the impact of suggestions on costs and financing suggested ideas.

Summary

- As in many previous series, there was a reluctance to use the case study - this is rather a limiting factor in an examination based on a pre-issued case!
- There was a generally weak understanding of the difference between cash flow and profit.
- Too many answers identified relevant pieces of context, but then failed to take that necessary extra step to do something with it. For example, telling us what the changes in market share were, rather than actually considering the implications of those changes.
- Once again, centres must be reminded to continually emphasise the mantra 'answer the question set'. In Question 3 too many candidates answered a question about which was the best method of payment/working for CLN and Question 4 far too many candidates looked at how to improve quality rather than the monitoring of quality.
- Many answers contained lots of good business knowledge which was not then applied to the business in question.
- Candidates need to be 'schooled' in the expectation of demonstrating judgement of the relative importance of the points being made in their answers, e.g. implications, changes, suitability, advantages and disadvantages.
- Many candidates are still spending as much time producing a ten mark answer as they are on a 16 mark answer.

2874: Further Marketing

General Comments:

The June 2008 paper is the fourteenth time that Further Marketing has been examined and, as might be expected, there is very little which could be described as 'new' which can be assessed.

Candidates generally seemed to have enough time for the paper and, given the marks available, allocated time to questions appropriately. Unlike previous series, the numerical question was attempted by nearly all candidates and most were able to achieve some marks.

Quality of Written Communication was good; nearly all candidates gained two marks. The use of grammar was generally sound and concepts and arguments were conveyed clearly, though not often in depth nor concisely and clearly. Some responses failed to address the question set, particularly in Question 1(b). Very few candidates produced good responses to all questions - many scored highly on, perhaps, two and then much less well on the others - this restricted their overall mark. Again, there is an impression that more candidates understand and can demonstrate the skill of analysis. Few candidates, however, were consistently able to offer evaluative responses.

In the view of the examining team, all questions seemed fair. The subject content for Further Marketing now appears to be well handled and there were very few answers which demonstrated a complete lack of subject knowledge. It is, therefore, a real pity that responses fail to be enhanced by greater use of the case material.

Overall, the questions were felt to be a little tougher than in comparison to recent sessions. In the case of Question 2(c), for example, there is always a tendency to assume that it is relatively straightforward. As the final question on the paper, it left candidates with too much to write about to perform well.

Comments on Individual Questions

- 1 (a) Better candidates used the idea that cooperation between marketing and finance and/or marketing and production would lead to more successful outcomes for the company. Poorer answers just mentioned that any firm needs its departments to work together.
 - (b) Many candidates thought that the sampling method was the questionnaire. Most were able to pick out from the case study that an advantage was the ease of getting data and a disadvantage was bias. Very few candidates were able to take this question to the analysis level.
 - (c) A common misconception was that Option 1 involved ODW moving to another country, to which candidates then discussed researching cultural differences. Also some candidates thought that Option 3 involved merging with other companies. Some candidates described marketing theories which were not relevant.
- 2 (a) This part of the question was answered particularly well. The vast majority of candidates were able to calculate the mark up and then many calculated the correct total price.

- (b)** Although there was sometimes confusion about which box went where, all but a very few candidates were able to show some knowledge of Ansoff's Matrix. The knowledge that it helps to show the level of risk enabled the better candidates to analyse the Matrix in the context of ODW. However, it was rare to see any effective evaluation. Most candidates were able to apply the Matrix to one or two of the options but then went no further. It appeared that a few candidates thought Ansoff's Matrix was the Boston Matrix, or the Product Life Cycle, or a product portfolio or...
- (c)** This part of the question was answered in a mixed way. There was a temptation to try and put everything else related to marketing into this question and this meant, for some candidates, that their answers appeared in the form of a list. Once the 4 P's had been recognised, candidates were able, in context, to describe how they would implement each option. Better answers tried to analyse how each option would be treated differently or even how a combined approach could be effective. Pricing strategies such as penetration and skimming were applied well; although there was a common misunderstanding about the difference between above and below the line promotion. There was also a standard response at the end of this answer along the lines "if I had more time I could write a fuller strategy and if I had more information about ODW's budget I could make more appropriate decisions about my marketing strategy". An evaluation of chosen strategies was not often seen.

2875: Further Accounting and Finance

General Comments

The paper differentiated effectively. Stronger candidates handled and interpreted data with confidence; weaker candidates often ignored the information provided and discussed issues in a very general manner. Typically they referred to a company “doing well”, without reference to any specific information to support their statements. Better candidates analysed the data and generated outcomes which allowed them to support their arguments and conclusions. Many candidates struggled to make evaluative comments, yet these are essential to access Level 4.

The examiners were pleased to note that an increasing number of candidates showed a willingness to manipulate data and to use accounting and financial techniques in generating their answers. The layout of numerical calculations remains a problem. Too frequently figures were used without reference as to what they represented. Consequently, without a specific method an incorrect answer gained little credit.

A number of candidates continued to write answers of an essentially generic nature. This was often the case when a question asked for an assessment of the value of a technique in the decision making process of a specific company. Candidates must be encouraged to relate their knowledge to the context of the case, if they are to score highly.

Comments on Individual Questions

- 1 (a) (i) Figure 1 showed a linear break even chart. This meant that the selling price was constant. Thus, the unit selling price could be calculated by dividing the total revenue by a given number of units. Therefore, at 2000 units the revenue was £48,000. Thus, unit selling price was $£48,000/2000 = £24$. The majority of candidates correctly calculated this.
- (ii) The variable cost per unit could be calculated by determining the total variable cost and dividing this by the number of units. The chart showed fixed costs of £8000 and, hence, total variable costs were £40,000 ($£48,000 - £8000$) at 2000 units. Therefore, the unit variable cost was $£40,000/2000 = £20$ (as the total cost line is linear, this means that the unit variable cost is constant).

This calculation caused problems for many candidates. A frequent mistake was to assume that the total variable cost was £8000 and this then produced an answer of £4 ($£8000/2000$). The examiners were surprised by the inability of many candidates to differentiate between fixed and variable costs in a break even chart. The question proved an effective discriminator.

- (b) Most candidates were able to demonstrate knowledge and some understanding of the concept of break even charts. However, relatively few answers attempted to interpret the Figure 2 non-linear chart. The major weaknesses of a significant number of answers were:
- generic comments about break even charts;
 - little or no reference to WWP;
 - unwillingness to analyse Figure 2;
 - a lack of focus on the usefulness of the technique as a decision making tool.

Candidates need to use their knowledge to answer the question.

- (c) This part of the question was often answered well. Many candidates were able to generate analytical answers by the effective use of the data. Most recognised that costs exceeding budgets generated adverse variances and that this meant that profits would be less than had been budgeted for. Many correctly calculated the budgeted profit as being £38,000 (£150,000 - £112,000). The material cost overspend was 20% over budget and this added an additional £3200 to costs (excluding additional labour costs). Thus, actual profits on the MM Sports' order were likely to be £34,800 at most.

Almost all candidates made a meaningful attempt at this question and many accessed Level 3 by making effective use of the costing data.

- (d) There were many competent answers to this part of the question but relatively few strong responses. Most candidates had some knowledge and understanding of the process of budgeting. Many answers went through the pros and cons of the technique. Others discussed the way budgets might be constructed by reference to concepts such as zero budgeting and incremental budgeting. However, relatively few candidates put the focus of their answer on the usefulness of the technique as a decision making tool at WWP. Many answers said that "they were not very useful if they were inaccurate". Given that the previous question had highlighted problems of overspending the examiners were surprised that few answers made reference to the use of variance analysis as a means of identifying problems and allowing the management to attempt to correct them (a control tool). Few candidates made reference to the distinction between volume and value variances or the use of flexed budgets. Thus, there were many discursive answers but a disappointing number of analytical and evaluative ones.

- 2 (a) There were many good answers to this part of the question. Most candidates were able to calculate the initial investment cost (£21,000) and that by the end of 2007 the paper value was £34,250. Furthermore, the dividend income represented £3300 over the three years. Stronger candidates were able to go further and to analyse these outcomes.

Candidates made reference to the dividend yield of 5.23% (£1100/£21,000) in the first year. They also calculated that the £13,250 increase in the total share value represented a 63% growth over three years or annualised at 21%. The best candidates were able to make evaluative judgements by making reference to the performance of these shares compared to the performance of the FTSE over the same period. Some made reference to opportunity cost comparisons with interest bearing accounts in banks. The general standard of answers was high.

Some candidates did, however, struggle with interpreting the information. Some seemed to think that this investment was the reason why the shareholder's funds in the accounts had increased. Others thought that the FTSE was a measure of inflation - presumably confusing it with the retail price index. A few candidates attempted some kind of investment appraisal but usually abandoned such an approach.

- (b)** Again, the general standard of answers given was encouraging. Most candidates seemed aware that an assessment of performance entails some analysis of the accounts of the business. Many attempted to calculate the return on capital (with varying degrees of success) and profit margins (gross and net). Gearing ratios and liquidity ratios were often calculated. Only a minority of candidates wrote in a general way about the company “doing well as shown by its increased profits”. The disappointment is that after undertaking ratio analysis comments were often bland and lacking in real perception and insight. Evaluation implies making a considered judgement on where the company stands and how it has done. This was often sadly lacking. Candidates need to be encouraged to be more reflective in their answers. Nevertheless, there were many commendable answers.

2876: Further People in Organisations

General Comments

The overall performance of many candidates was disappointing in comparison to recent series where the trend had been towards noticeably higher marks.

One noteworthy and re-occurring issue impacted upon many candidates' performance. This was an inability to extract numerical data from the text/tables within the case study and to then calculate an appropriate outcome. In this particular instance, many candidates forfeited the opportunity to gain what should have been a relatively straightforward four marks; although the examining team acknowledge that the second calculation was slightly more difficult than the first.

Another particular issue was a noticeable inability of many candidates to use the context of the case study within their answers and, as a result, candidates offered answers which could apply to any business anywhere. Candidates who scored well did so because they avoided the aforementioned mistakes. Overall, this examination revealed that many candidates had sound knowledge of relevant theories and concepts, but all too often poor examination technique - insufficient use of the case study proved to be their undoing. However, there were also a lot of candidates who did not appear to know much about ACAS, how to prepare/deliver effective presentations or, indeed, group norms – the complete specification must be covered appropriately.

Comments on Individual Questions

1 (a) (i) & (ii)

Too many candidates failed to get any marks at all for these parts of the question. Those who did invariably completed the whole calculation correctly and arrived at the answer of £500,000. Some candidates would have been well advised to check their final calculation. This is particularly true when offering an answer which suggested that the cost per hotel would be an 'unrealistic' amount.

The second part of this question proved to be more difficult for more candidates - not because of the complexity of the question, but primarily due to the fact that too often candidates did not extract the appropriate information from the case study.

- (b) There was one very important word in this part of the question – 'consequences'. Whilst this question was often quite well answered, many candidates unfortunately chose to ignore this and either wrote about what industrial relations are, or what should be done to improve them. 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 used the calculation from Question 1a(i) as part of their reasoning, indicating that it would probably be more cost-effective and less problematical to give the workers the 8% pay rise, rather than have all the possible industrial relations problems which might ensue if the business refused to budge from 4.5%.

- (c) To some candidates ACAS seemed to be somewhat of a mystery. Suggestions as to its function ranged from a trade union to a private company offering consultancy/advice to businesses having problems! However, there were many more candidates who had plenty of knowledge about the 'services' ACAS could offer. However, too often they could not then build on this knowledge to provide any relevant contextual analysis. Consequently, a lot of candidates were unable to move beyond Level 2. All too often weaker candidates insisted that ACAS could tell the trade union and FHP what they must do!
- 2 (a) The key word in this part of the question was 'evaluate'. Candidates who did not waste the opportunity to access Level 4 marks and 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 various methods of recruitment together with some contextual judgement. More common was the ability to demonstrate some analytical skills but not to progress any further. The most common candidate error was to respond to the question they were hoping for – "write all you know about methods of recruitment". This approach tended to ignore Stanley's obvious time constraints, the fact that it was a senior management post and the fact that he did not think that there were any appropriate candidates currently working for FHP. Weaker candidates seemed to think that it might be possible to promote someone working in a lower position in the business to the manager of the new 'flagship' hotel – a waiter perhaps!
- (b) Many candidates chose to ignore the fact that the focus of this part of the question should have been on how Stanley could deliver/prepare an **effective** presentation. A lot of candidates concentrated on the mechanics of the process. This could relate to anybody, in any business, delivering a presentation. Whilst these points are relevant, a mere recital of such features could not progress candidates beyond Level 1. Better candidates realised that the presentation was likely to be about team working and recognised that the managers attending the presentation had received no previous team working training. They also highlighted that in some instances managers were antagonistic towards the introduction and used these factors when considering how he might make an effective presentation. These candidates, unfortunately, were in the minority.
- (c) Once again the keyword in this part of the 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 'all I know about motivation of workers' but actually required a focus on changing group norms, when team working clearly was not working. Case study evidence suggested that this might be due to management styles, personality clashes and the type of tasks being carried out. A lot of answers adopted a 'scattergun' approach, theoretically suggesting a variety of methods to enhance motivation without any particular focus on any case study issues/evidence. Consequently, there was a preponderance of Level 2 type answers. Better candidates used the case study material and offered relevant ideas such as team-building activities, empowerment, job rotation in context.

Hints on improving candidate performance

- 1 Practice developing examination technique through the use of previous 2876 case studies, questions and mark schemes.
- 2 Teach candidates the skills hierarchy being tested.
- 3 Focus on ensuring that candidates can cope with any type of question requiring calculations based on human resource concepts.
- 4 Make sure that the specification has been covered thoroughly, not selectively.

2877: Further Operations Management

General Comments:

I am disappointed to report that, although the case study seemed accessible to the candidates, the use of evidence in support of points made was less frequent than it has been in recent series. It cannot be emphasised too strongly how important it is to read the case study carefully as it helps focus candidates' answers, giving them the opportunity to examine issues in context and so gaining Level 2 marks and above. Failure to do this will inevitably limit candidates to low marks. This is a major problem with the higher mark questions such as Question 1(b) and 1(c). To award marks in the higher levels candidates must clearly use the material from the case study.

Generally, candidates displayed a sound knowledge and understanding of the operational areas of business that were tested in this paper, with the exception of the question on contribution costing. Questions on this area of the specification are always badly done. Candidates know of the various costing methods but rarely can they demonstrate how they are calculated or demonstrate a clear understanding of the relevant strengths and weaknesses of each method.

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

The quality of written communication was again, generally, very good with most candidates gaining the full two marks. Handwriting was clearer in this sitting than in January which is pleasing to report. Yet again a small number of candidates continue to write their responses as one long paragraph or, more rarely, use bullet points. By doing this, candidates clearly fail to structure their answers and may lose Quality of Written Communication marks as a result.

Comments on Individual Questions

- 1 (a) This part of the question asked candidates to explore the implications to TBGC of employing only specialist staff in the business. The case study contained a number of hints for candidates to develop, such as the problems of finding specialist glassblowers. Good candidates linked their answers to the issue of quality or the fact that highly skilled workers would need to be well paid. Two faults, however, continually let candidates down. Firstly, some failed to relate their answer to the business and just produced a generic response. Secondly, a significant number of answers assumed the firm was employing more specialists and, in some cases, replacing the workers TBGC already had! Reading both the question and the case study is a necessary prerequisite for answering any question, particularly on business studies papers.
- (b) The success of TBGC is founded on the high quality of the glassware it produces. This was frequently mentioned in the case study. However, it had a problem with rejects - which it could sell as 'seconds' at a discounted price. The question asked the candidates to explore ways TBGC could improve quality. Many candidates went down the expected road and went through the various quality control methods such as TQM and quality assurance. Others suggested looking at materials, workers' skills, and equipment - all reasonable areas for discussion. However, it was again disappointing, as is often the case, that weaker candidates see a question like this as an opportunity to throw everything into their answer - work study, value analysis, kaizen, just-in-time, all appeared at some point. The key to a good mark was to relate the answer to the business - it only employed 10 people and the nature of the product and method of production meant some flawed goods were inevitable.

- (c) This part of the question was well done and rescued a number of otherwise poor scripts. There were many balanced answers which concluded that automation would go against the unique selling point of TBGC.

This would, many argued, have a negative impact on sales. Some candidates really put some thought into their answers and suggested partial automation in some areas, eg. the engraving machine.

- 2 (a) The calculation was generally well done and many candidates correctly worked out that the order from the university would contribute £1150 towards the fixed costs/profits of TBGC. The commonest error was to either ignore the indirect costs or to miss the point that production was over two weeks; therefore, the indirect overhead cost figures in the table needed to be doubled.
- (b) Questions on costing are inevitably poorly done despite the topic's prominence in the specification. Candidates seem to lack a precise knowledge of any costing methods, as we have seen on previous papers. Contribution should be the easiest of the costing methods to understand and, therefore, discuss in the context of the university order. Especially as concerns were flagged up as to the impact that this would have on other orders and the overtime the workers would need to do. Good candidates discussed the quality implications – although no mention was made of rejects in the calculation. It also baffles examiners when we set a calculation with a clear follow-up question and candidates just ignore their calculation answers. Candidates simply stating that "given the order would contribute £1150 towards the profits of TBGC" with some further relevant development or comment would be into Level 3!
- (c) This part of the question was generally well done. Many candidates discussed the health and safety implications of the employees working around furnaces and molten glass and the need for both training and protective clothing. They also considered the possible issues which might arise if the TBGC went ahead with its plans for a shop and gallery. However, again, a significant number of candidates failed to develop their answers beyond this simple contextual application and discuss how complying with health and safety regulations would impact on TBGC.

2878: Business Project

Introduction

Few real problems have emerged this series and most of those that did centred on communication difficulties with some centres and administrative problems surrounding the process and associated documentation.

Many of the projects, as is normal for June sessions, we re-submitted. As is often the case, many of the 'improvements' were 'add-ons' which added little to the worth of the projects but did, in some cases, make them less readable and less coherent.

It is not easy to improve a project just adding 'bits and pieces' here and there. In most cases a genuine re-write is necessary - if not of the entire project, then of major sections of it.

The Work Submitted

The topic areas covered were again largely from marketing with a significant number from human relations areas. There are very few candidates/centres who venture outside these general areas.

The problem areas are, by now, well known in centres from which projects have been submitted for many years. They stem largely from poorly determined investigation areas and from inappropriate titles.

A major additional problem is the failure to realise that in all business action it is necessary to demonstrate that there is a significant change which could be made. It is also crucial to accept that businesses will not make changes unless the benefits can be seen to be greater than the costs. To ensure this three things are required:

- a clear definition of the problem in context and the derivation of a strategy to solve it;
- a substantial argument based on both the nature of the problem and its solution and upon appropriate and well used business theory;
- the calculation of such costs and benefits as may arise and the use of these in making the decision. It is of little use to allude to costs and revenues in vague terms. It is necessary to use actual known figures or to make realistic estimates.

It is also necessary to see a project as a task which requires completion at A2 standard. This is particularly true of meeting criterion 5 - careful and accurate use of appropriate A2 knowledge of Business Studies. This must be within a framework of both analysis and evaluation which is of A2 standard.

The Moderation

Assessing work completed by one's own candidates is a very difficult and demanding task since it needs us to mark what has been achieved in the report and not what we know a candidate has done, or think should have been achieved.

Report on the Units taken in June 2008

Most centres get this right and provide an assessment which varies from what is required only within the tolerances used in moderating. It follows that comments about situations in which variations are outside tolerance apply only in a small number of cases. Nevertheless those comments are useful for us all.

Most changes centre around the points made about the projects above. The standard we seek is that of A2 and most over-rewarding tends to be within criteria 5, 6, and 7.

Under criterion 5, candidates can and do often produce a massive and impressive amount of knowledge of theories, of concepts and of techniques. It looks impressive and it is easy to over-reward. But reward under this criterion is about the use of knowledge and sadly many candidates are not as good at doing that and are often too generously treated.

However, because we do not see evidence of good knowledge it is equally easy to under-reward the very good candidate who spends little time writing about knowledge but uses it to great effect throughout the report.

Criteria 6 and 7 are concerned with what are often called the higher order skills - analysis and evaluation. Any candidate of more than average competence should have developed these skills to a high standard. This is what is required for high Level 3 and Level 4 under these criteria. Regular frequency of showing skills demanded for a lower level does not promote the candidate to a higher level. It is quality we seek and not quantity in these respects.

When problems occur under criteria 3 and 4 it is almost always because the procedures and processes the candidate has followed have both been rewarded too highly. What matters is the consequences of the research work undertaken. Questions which should go through our minds include:

- is the information obtained appropriate to the problem and the candidate's objectives?
- is it collected in a form which will make it usable in the light of the candidate's objectives?
- is the information reliable? This is a question of sources, methods of collection, sample sizes and the quality of the investigative processes;
- does the candidate understand the information collected in the light of its intended use?

Administrative Matters

Of necessity there are considerable and sometimes irritating administrative procedures which we must all follow if the process is to be smooth and completed in the time available. I refer below to some of the problems which are so easily avoidable.

- The need to ensure that the copy of the mark sheet which is sent to the Moderator is readable with ease and certainty and contains all the information the Moderator needs. Often it is not complete - the initials of the marker of each project are not there, for example. Often it is too faint and this can lead to serious mistakes.
- The need to get that register off to the Moderator as soon as possible. It is not a requirement to wait until the final date. In smaller centres it will simply move with the work but in larger centres there is a time pressure because the Moderator has to select and communicate a request for a sample.
- The centre authentication sheet is a vital document and is best sent with the work. It is an essential document in the assessment process and yet failure to send it was the most common problem this series.
- The formal requirements specifically ask that no comments are made on the work itself. However, there have been many instances of quite detailed annotation of the work. The place for comment is the front sheet and Moderators are grateful for the helpful, and often detailed, comments that many centres make under each criterion.

Conclusion

The standard of the best projects continues to be very high indeed and they are a joy to read and a credit to their writers. I cannot say there are more projects of a particularly high standard but I can say that there are fewer very weak ones.

My thanks to all Centres for their contributions to the completion of the work this time. Particular thanks to those who have completed it for the first time.

2879: The Business Thematic Enquiry

Introduction

It is well to remember that this unit is an alternative to 2878 - the Business Project and that it is assessed using the same criteria. Obviously there have to be some modifications of interpretation since the two tasks are entirely different in terms of the time available and the degree of freedom given to the candidate.

We are well aware that the scope for prior research is limited by very limited knowledge of what is to be tested and in what specific context. In fact, I am usually impressed by the quantity and quality of prior research which many candidates are able to undertake. That they do it is self-evident, but sadly the use they make of it in the time available is not balanced. The majority make little or no use of it and thus render it pointless. Some candidates make so much use of it that they almost ignore the case evidence which should be the focus of most of their work.

We are also aware that there is a time constraint and that we cannot apply the rigorous requirements for careful proof reading which we apply to the Project.

Nevertheless, we do require a high standard of analysis and evaluation which is demonstrated within an effective report structure. We also expect that candidates will take the evidence in the case as they see it. The skill we look for is the skill of using that data effectively and not that of either arguing with the data or following an individual path which does not focus on the question set.

The Plan

The plan helps all those candidates who do exactly what it says in the rubric of the paper and keep to precisely that. This simply means that there should be distinct sections of the plan in which there are four required elements.

In Task 1 (i), we expect to see some indication of what the problem is thought to be. On this paper there were a wide range of perfectly acceptable ways of presenting it. But the crucial factor was that the business was a failing one because the market it was in was rapidly disappearing. Some candidates ignored this all together and wrote about what the partnership should do about it; others went to enormous detail about how the market was changing and robbed themselves of valuable time.

In Task 1 (ii), we expect to see something of the context in which this problem exists, and again there was ample choice and we expect enough rather than all of it. Choices ranged from the lack of capital, though the opportunity to increase this by incorporation to the features of the rapidly emerging gaming market. Many candidates did this well but a significant number chose either to ignore context altogether or to simply repeat what they had said about the problem.

In Task 1 (iii), candidates are asked to state their objectives in writing the report. It was pleasing that a much larger number knew what objectives were and did focus on report based objectives/but many were still generic and obviously pre-learned so they had no relationship to the stated problem at all. Others were very vague and often proved to be of little help in the subsequent report. A significant number of candidates completely repeated them in the early part of the report. This is a total waste of time which many later regretted and it was reflected in incomplete reports.

Report on the Units taken in June 2008

Task 1 (iv), is there to be of help because there are always aspects of any problem which there is no time to visit. Sensible assumptions will help to provide the focus the candidate needs. So, in this case, it would have been appropriate to make assumptions such as:

- the partners are prepared to take risks because they wish the business to survive;
- the partners would form a limited company in order to broaden the capital base and/or escape the problems of unlimited liability.

It would have been unreasonable to make an assumption that one of the options was not realistic and need not be discussed. Some candidates did that and made a good mark almost impossible to achieve.

Candidates would be well advised to follow precisely the requirements of Task 1. They should also realise that the plan is about the fundamentals of building a foundation for the report. It is not about debate or discussion of any of the issues. It should take less than the 15 minutes advised, rather than more. On the other hand if it is not treated seriously and with planned care it will be significantly more difficult to write a good report.

The Report

Criterion 8 does require the writing of a report. It was pleasing that fewer candidates wrote essays rather than reports or, indeed, forgot the necessity for a report structure. However, it is the report structure itself that matters and not long paragraphs about the process. There are many candidates who spend far too much time on this.

I suppose it was inevitable given the nature of the case that there would be a lot of informed writing about gaming. That there was some and that it was used in analysing Option 1 was good. However, for some it became the whole exercise and the very worst examples of this never got around to the case evidence at all.

The evidence in the case was ample for the purpose, covering a wide range of issues which might impinge on the decision. Only the very best candidates, and there was a pleasing number of these, used enough of it. Analytically the main weakness was in not seeing beyond the all pervading Ansoff's Matrix or a SWOT analysis and being content with a very descriptive basis for choice.

The focus of the case was long term survival, yet many candidates argued that there was no long term future for internet in the gaming market and yet finished up by choosing Option 1. The usual reason was that Option 2 was too risky. This failed to recognise that a business which is in danger of dying will, if it wishes to survive, take any risk.

The numbers continued to be a talking point, normally in the vaguest of terms but were used by many candidates to compare likely returns. Fewer followed through to estimated profit, and even fewer saw the opportunity to go on to compare the pay back period or annual average rate of return. Many candidates showed the usual unfamiliarity with large numbers, asserting, for example, that £20,000 per annum was a massive salary for an experienced chef. There were some good discussions of under £6 per hour and the effect it might have on motivation. Few candidates recognised that it was above the minimum wage.

Many reports were unbalanced. They often contained detailed and persuasive argument for one of the options and rapid and un-argued dismissal of the other. In general, Option 1 was usually more fully analysed than Option 2. Good candidates saw the long run potential of Option 2 but often saw problems with short term cash flow.

Report on the Units taken in June 2008

The standard of business language was not as good as it should have been; many candidates referred to the partnership as a company, to the potential limited company as a plc and to those who would comprise it as partners. There were also a significant number of candidates who confused break even with pay back period and who failed to deduct running expenses from annual income.

On balance the case gave rise to some very good answers and more poorer ones. In this respect it proved to be a good discriminator.

2880: Business Strategy

General Comments

The examining team all felt that this paper was set at the appropriate standard. There was very little evidence of candidates running out of time. Where there were time problems it was mainly due to poor time management by the specific candidate (for example spending too long on earlier answers to the detriment of the others). Rarely were questions omitted and, again, where this was seen it tended to be from candidates who struggled to offer anything meaningful for the questions they did attempt.

Many of the examiners were struck by the poor quality of candidates' handwriting. It has been suggested that this is because candidates now word process written assignments during the course. Consequently, they become unused to writing at length and so, when in the examination hall their writing rapidly deteriorates to become barely legible. The 'cost' to the candidate is their failure to achieve all of the marks for Quality of Written Communication because 'the clarity of the candidate's expression, or structure and presentation of ideas are such as to detract from the quality of the answer'. Given the closeness of grade boundaries the four marks available for Quality of Written Communication are simply too valuable to ignore.

As before, the differentiator is the skill exhibited by the candidate. As all of the four questions require evaluation, it is essential that candidates know what this means, and are able to demonstrate it when ever the question set requires it. At the risk of repetition across previous Reports, evaluation is simply a reasoned judgement. The reasoning arises through a combination of subject understanding and case evidence. Evaluation is not simply expressing an opinion; rather it is the chain of reasoning that leads to the view. The examiner may not necessarily share that view, but provided the reasoning is clearly set out, with any appropriate assumptions made, full marks can still be awarded. Given that many candidates are often able to demonstrate evaluation in at least one of their answers, the challenge, if the highest grade to be reached, is to be able to do so across each of the questions.

One of the considerable benefits of pre-release time is the ability to assimilate the case material. This particular case had a wealth of numerate evidence which could, and should, have been used in candidates' answers. It is a real pity (and a mystery) why so many candidates choose to ignore such evidence seemingly to prefer only to deal with data in a verbal form. Some straight forward arithmetic manipulation of the numerate data immediately contextualises the question as well as being an easy and efficient route into analysis. This analysis can then form the foundation for the required judgement.

A weakness of pre-release is that candidates become overly focused on pre-prepared answers. The case in point this session surrounded Question 4, with far too many candidates, within and across centres, seemingly expecting an altogether different question to the one set. By all means use the preparation time to discuss and tease out issues. However, question spotting is a very dangerous strategy and, if wrong, will adversely impact on the candidates' total mark.

Comments on Individual Questions

- 1 The notion of what constitutes 'success' lies at the very heart of the subject. Different people (stakeholders) will have different interpretations of success because they have different objectives for their relationship with the business. Hence, a sensible starting point in assessing success is to consider what it is each stakeholder group wants for the business. One key group are the owners (OAM), who have a stated objective of achieving 5% return on capital employed. Given the case evidence it is a simple matter to determine ACC currently have a ROCE of – 5.4%, and by this criteria OAM would regard ACC as

currently unsuccessful. The candidate who chose to calculate this essential ratio immediately found themselves knocking on the door of high marks.

What makes this unit challenging is that it is the candidates' decision to use number - there can be no requirement to do so because of the entirely synoptic nature of the unit. However, centres preparing candidates for January 2010, and beyond, need to be aware that as this unit metamorphoses into F297 (Strategic Management) the ability to explicitly demand the use of a specific content will arrive.

One route to evaluation is to 'compare and contrast'. So, in answer to Question 1, many candidates wrote about the employees as stakeholders and the different perspectives of the production and packaging workers. Again, where this was supported by clear use of the case, high marks could have been achieved. Similarly, the 'compare and contrast' could have been between two different stakeholder groups, for example customers and community. Better candidates will not make simple errors in use of vocabulary, so for example, will have recognised that, for ACC, its customers are not the same group as the consumers of the product.

- 2 Clearly the issue of the packaging plant was a central theme within the case. It is encouraging that so many candidates were able to offer very good answers to this question, many scoring their highest mark. Answers neatly demonstrate the difference between opinion and judgment. Most candidates had an opinion as to whether the plant should be sold. At the weaker end of the cohort they simply repeated the case material to say that selling it would cause profits to become £1.98m without any suggestion of any critical engagement with the case to consider whether this value might actually be achievable. An often seen view was that the packaging plant should be sold simply because it was causing too many problems!

At the upper end there was real evidence of having considered the advantages and disadvantages of the sale. Some focused upon whether this aspect of the business is a core activity, and so whether packaging is a suitable candidate for outsourcing. Others argued that the issue of poor capacity utilisation (which averages 73% per annum) is a consequence of seasonality. Thus, rather than outsource, ie sell, ACC should be looking to reduce seasonality by either boosting sales during the 'off season' or in-sourcing other work, possibly from other food producers who experience a counter seasonal pattern to their sales. Given that packaging costs average £1.27/kg (based on the given 50% allocation of overheads) a key consideration would be whether any external supplier could offer the same quality and reliability for less than this amount. Many advocates of retaining the plant argued that strategically the packaging operation is so central to what ACC do they should not sell, even if there were attractive short time financial gains. Here, recognition of the nature of OAM's objectives for ACC were both relevant and pertinent.

- 3 As above, the issue of energy costs was clear from the case material. Again, it is heartening to read so many good answers which considered the evidence in a critical manner in arriving at a reasoned judgment. Hopefully colleagues will be unsurprised to know that some case evidence is deliberately inserted to provide a route to answering a specific question. This was clearly the case here with the anticipated rise of 45%, OAM's financial hurdles and the energy costs in Table 1. An efficient way to answer this question was to calculate the anticipated return and pay back period of the £300,000 investment. At current energy costs the investment yields 6.7% and has a payback of 15 years. If costs rise by 45% then the values become 9.7% and 10.4 years. So, to invest or not depends on the probable rise in energy cost because the two returns neatly (deliberately!) straddle OAM's hurdle.

Many other candidates took the route that whilst a big percentage, the 45% rise in costs was not material because energy only accounts for some 3% of ACC's total costs. Therefore, managerial focus should be on making costs savings elsewhere, and principally milk. Engagement with the case evidence can show that the 45% increase in energy costs represents 2.8% of milk costs. Therefore, ACC should seek to squeeze their suppliers to pay for the cost increase. Alternatively, the increase in costs would be covered by a 1.3% increase in revenue. This means then that ACC should either seek to sell more Stilton, or to raise their price. The feasibility of a price increase could then be argued in the light of the nature of the industry they are in (an oligopoly with very high barriers to entry).

The possibility of using 'green' energy as a product differentiator was a notion that appealed to many. To be successful the candidates really did need to recognise the nature of both the product and the customer. With no mention of any branding in the case, the issue becomes whether the two supermarkets that buy 50% of output would be sufficiently attracted by the 'green' claim so as to pay slightly more for the product.

- 4 The absolute need to answer the question set is exemplified by this question. Far too many candidates did not address the issue of industrial action and instead seemed to want to discuss replacing indigenous workers with Polish immigrants. Inevitably, such tangential answers cannot score highly given the agreed mark scheme. Further, many of these answers contained a worrying amount of nonsense surrounding a UK firm's ability to dismiss employees. Although candidates are not expected to have a detailed knowledge of employment law they should at least recognise that businesses cannot simply 'sack' those employees it regards as lazy.

Those answers, of which there were many, that simply discussed motivational theory, in the abstract, attracted few marks. This is because such answers do not demonstrate understanding and application.

Possibly because they are intrinsically nice people, a significant number of candidates thought ACC should pay the 3.2% demanded. Regrettably, this view was not then supported by any analysis of the data to gauge whether the business could afford this increase in wages. Regrettably, few thought to consider whether a wage rise for the packaging staff might lead to a similar demand from the rest of the employees (Administration and Production).

Better answers focused on the immediate issue and the longer term relationship ACC has with its packaging staff. With data about production, packaging and stock levels from the case, it is possible to assess the extent to which any industrial would impact upon ACC's ability to continue to generate sales revenue. This position then forms a starting point for ACC's approach to any discussion; is the business in a strong enough position to 'play tough' and simply refuse to either meet or to grant a pay rise?

Grade Thresholds

Advanced GCE Business Studies (3811/7811)
June 2008 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
2871	Raw	45	35	32	29	27	25	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	24	21	18	15	13	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	37	33	29	26	23	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	35	31	28	25	22	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	42	38	34	30	26	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	37	33	29	26	23	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	37	33	30	27	24	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	69	62	55	49	43	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	52	46	40	35	30	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie 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	12.2	31.5	54.5	74.7	88.3	100.0	6847
7811	13.3	39.5	70.8	91.4	99.0	100.0	5270

5270 candidates aggregated this series

For a description of how UMS marks are calculated see:

http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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