

**Oxford Cambridge and RSA Examinations**



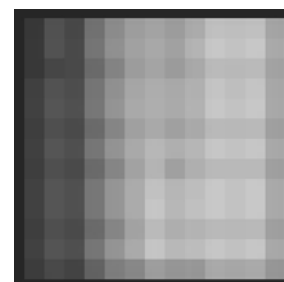
**ADVANCED GCE  
ADVANCED SUBSIDIARY GCE**

**A2 7811  
AS 3811**

# **BUSINESS STUDIES**

**COMBINED MARK SCHEME  
AND REPORT FOR THE UNITS  
JANUARY 2005**

**AS/A2**



3811/7811/MS/R/05J

OCR (Oxford, Cambridge and RSA Examinations) is a unitary awarding body, established by the University of Cambridge Local Examinations Syndicate and the RSA Examinations Board in January 1998. OCR provides a full range of GCSE, A level, GNVQ, Key Skills and other qualifications for schools and colleges in the United Kingdom, including those previously provided by MEG and OCEAC. It is also responsible for developing new syllabuses to meet national requirements and the needs of students and teachers.

The mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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

Mark schemes and Reports should be read in conjunction with the published question papers.

OCR will not enter into any discussion or correspondence in connection with this mark scheme or report.

© OCR 2005

Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annersley  
NOTTINGHAM  
NG15 0DL

Telephone: 0870 870 6622  
Facsimile: 0870 870 6621  
E-mail: [publications@ocr.org.uk](mailto:publications@ocr.org.uk)

## CONTENTS

### Advanced GCE Business Studies (7811)

### Advanced Subsidiary GCE Business Studies (3811)

#### MARK SCHEME ON THE UNITS

<b>Unit</b>	<b>Content</b>	<b>Page</b>
2871	Business, Their Objectives and Environment	1
2872	Business Decisions	9
2873	Business Behaviour	15
2874	Further Marketing	23
2875	Further Accounting and Finance	29
2876	Further People in Organisations	35
2877	Further Operations Management	45
2879	Business Thematic Enquiry	53
2880	Business Strategy	61

**Advanced GCE Business Studies (7811)**

**Advanced Subsidiary GCE Business Studies (3811)**

**REPORT ON THE UNITS**

<b>Unit</b>	<b>Content</b>	<b>Page</b>
*	Chief Examiner's Report	70
2871	Business, Their Objectives and Environment	71
2872	Business Decisions	76
2873	Business Behaviour	80
2874	Further Marketing	83
2875	Further Accounting and Finance	85
2876	Further People in Organisations	87
2877	Further Operations Management	91
2878	Business Project	94
2879	Business Thematic Enquiry	99
2880	Business Strategy	104
*	Grade Thresholds	107





---

RECOGNISING ACHIEVEMENT

Mark Scheme 2871  
January 2005

**Subject-specific Instructions**

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

**1 Describe two changes in the data shown in Figure 1.****[4]**

*Level 2: Any reference to change supported by reference to dates and figures (or scale of change).*

*OR "From 1994 to 2004 the number of people willing to pay a higher price for ethical products went up dramatically/a lot/ steadily".*

*Level 1: Simple statement(s) e.g. "those prepared to pay a premium has gone up (a lot)"/ "over time ethics have become more important".*

Level 2	Changes in the data outlined.	(4-3)
Level 1	Statement(s) about the data.	(2-1)



2 'An ethical approach to business would mean major benefits for this company.'  
(Line 57) To what extent do you agree with Anna Pritchard's view? [14]

There are several ways in which an ethical approach may help with the diversification and/or other aspects of ST.

*Ensuring that its suppliers from the third world actually pay better wages and have better conditions would mean that the very poor in the developing world would be treated more like 'stakeholders' in the true sense of the word. This may engender loyalty/ commitment so that quality is upheld. In addition: (even if being used cynically) there is the ability to use 'an ethical approach' - especially to Third World suppliers - as a marketing tool.*

*Adverse publicity associated with an unethical stance could be avoided and positive publicity generated. Examples of ethical/unethical business practice now spread very fast via the Internet. Positive images of as an ethical company could help achieve their objectives through (say) increased sales.*

*"Offering the same sort of employment package as our competitors" (Lines 66-67) may not be enough. A more ethical approach to business may help and attract management trainees. With the greater awareness of ethics and a growth in ethical concerns, an ethical approach might be the deciding factor in whether a new graduate chooses to work/stay with ST or not.*

*Paying more than 'slightly above' the minimum wage when 'the company can easily afford it' (lines 71-72) may also make it easier to attract and retain front line employees and so lower recruitment and training costs (an in depth knowledge is not required) – this would be helpful; there is an opportunity cost to this money.*

*Reference could well be made to Figure 1 which indicates that the percentage of consumers taking account of a business' ethics has grown from 5% to 45% although the percentage prepared to pay a price premium is not so great (20%). How representative is this data for sports equipment and /or health clubs anyway?*

*However an ethical approach on its own is unlikely to be sufficient for ST to reach its strategic objective (of profit maximisation). Apart from ethics, the first part of the specification may form the basis of the answer i.e. 'What businesses need'; sources of finance, labour, customers, organisation, co-ordination of activities etc. Candidates are not expected to be able to discuss these in depth on 2871; so accept references to "adequate financing", "good marketing" "organised managers" etc. Reference could also be made to issues such as planning and/or meeting stakeholder needs. Candidates could also argue that there will be some benefit(s) but not major one(s).*

Level 4	Some evaluation of the benefit(s) to ST of an ethical approach.	(14-11)
Level 3	Some analysis of the benefit(s) to ST of an ethical approach.	(10-7)
Level 2	Some application/understanding of the issues.	(6-4)
Level 1	Knowledge of ethics and/or 'what businesses need'.	(3-1)

- 3 'This diversification could be a major step on the road to achieving our objective of profit maximisation.' (Lines 50 – 51) Analyse how diversification could help ST achieve this objective. [9]

The spreading of risk. Not all sectors of the economy grow (or shrink) at the same rate. Operating in more than one market will enable ST to continue to get revenue/profit even if one of the sectors it operates within experiences a recession. Hopefully the risk of the diversification itself would not be too great because "this would enable the company to diversify into a separate, but related, area by capitalising on its brand name". (Line 28)

Diversification will allow ST to grow. "Growth today = profit tomorrow", hopefully! By moving into an expanding market (adding 'another string to its bow') and it should benefit from the growth in that market. "Data gathered by Anna Pritchard, the Marketing Director, indicates that this is a growing market that would be potentially very successful". (Line 27) Thus, if successful, diversification can help increase profit through these two factors.

The market for health clubs may be saturated. "Competition has intensified both from other sporting activities and other leisure pursuits." (line 23) NB in depth knowledge is not required on 2871 so accept references to 'demand may have peaked'/'people are not joining health clubs so much' etc and so diversification is the only way forward for a growth in ST's profits.

'Steady state' operation ("ST doing what its always done") could lead to complacency and lack of dynamism and a level of profit lower than ST's potential. If employees are able to move from one area of operations in ST to another, this may help the issue of retention, as there is more scope for personal development. This would increase motivation and so lead (albeit indirectly) to more profit in the long run.

Level 3	Some analysis of ST's diversification in context of its objective.	(9-8)
Level 2	Some application/understanding of issue(s) of diversification or objectives.	(7-4)
Level 1	Knowledge of diversification or/and objectives.	(3-1)

- 4 State two ways that Ali Zaman could assess the state of the economy. [2]

*ARA!*

- *The rate of interest/monetary policy*
- *The rate of inflation*
- *Tax rates/tax revenue*
- *Government spending/fiscal policy*
- *National/local employment levels*
- *National/local spending levels*
- *National/local output levels*
- *Trends in gym membership*
- *Sales from ST (or other if the data is available) gym shops*
- *Professional journals/reviews*
- *(Anecdotes from) other (local/national) businesses about the state of their business*
- *National/local news/newspaper reports about the state of the economy*

*Allow reference to economic trends but not the term "economic indicators".*

*Level 1: 2 x 1 Mark (2)*

**5 Evaluate how a change in interest rates might affect ST.****[14]**

Allow references to rate rises or/and falls. Do not penalise if there is no explicit reference to a change in rates.

There are several routes into the question: If mortgages and loans cost more to service, candidates could consider the effect on customers' AND/OR ST's debt repayments. There is also the effect on the proposed diversification.

Candidates may well argue that a rate change may have little effect if it is expected to only be only short term and/or if the change is small – and vice versa.

For ST, if interest rates rise either profit margins will fall OR prices could rise to maintain margins or/and some other costs may have to fall. N.B. 'detailed knowledge is not expected on this module so accept references to "making less profit", "have to cut costs" etc. How should ST react?

For consumers, servicing their loan debts will be more expensive. Could this impact on gym membership; to what extent is going to the gym 'an essential purchase'? Are those who pay to join this sort of sports club 'immune'?

Any new borrowing for the diversification would become more expensive than anticipated and so would lower returns (in the short run at least) from an investment using loaned money. Will this change the way finance is raised for the project? Would a rights issue (accept "issuing more shares") be a better way?

NB unless the rate rise is large or the whole diversification highly 'marginal' (no evidence of this) then the diversification is almost certain to go ahead.

The company thus may be 'hit' by more expensive borrowing costs and lower consumer demand.

There is also the effect on the exchange rate. ST does not export, but does import products from abroad to sell in its health clubs. Ceteris Paribus interest rate rises will raise the value of the currency and make imports cheaper. What will the effect of this be? 'Pass on' cost savings? Take higher profits? Order more?

If ST has any funds in a deposit account then the interest it earns will rise. More able candidates may point out that unless ST has large 'idle' balances (that are not usually 'a good thing') any increase in rates is unlikely to generate a huge extra return.

Vice versa for the above if the interest rate falls.

Level 4	Some evaluation of the likely effect(s) on ST.	(14-11)
Level 3	Some analysis of likely effect(s) on ST.	(10-7)
Level 2	Some application/understanding of the issues.	(6-4)
Level 1	Knowledge of interest rates and/or their effects.	(3-1)

## Specification Grid

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



Mark Scheme 2872  
January 2005

**Subject-specific Instructions**

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

- 1 a) Outline two channels of distribution that Argos uses. [4 marks]

*Any relevant explanation e.g.*

*Producer – RDC – retailer – consumer*

*Direct selling – via mail order/via catalogue/via internet*

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

- b) Argos uses varied channels of distribution. Analyse the implications of this for its stock control. [7 marks]

*Consideration of the costs of holding stock against the costs of running out of stock. If bulk buying and holding stocks, then will it be able to gain purchasing economies of scale– generating even larger discounts from suppliers that will allow it to reduce prices to offset the stockholding cost? For example, Argos operates in a highly competitive budget furniture market where low prices may help improve market share (examples may come from any of Argos’s markets).*

*Can the firm meet seasonal demands? The expansion seems geared up to this as the firm is investing in its distribution centres and in the staffing needed to run them. As direct selling is becoming an increasingly important part of the business there needs an efficient distribution system covering the whole country to service this. Consideration of issues such as re-order levels and buffer stock levels. Also the use of IT to monitor stock levels  
Any other relevant answer.*

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



**2) Discuss how the wide product portfolio of Argos will influence the way in which it carries out its promotional activities. [8 marks]**

*Understanding of the implications of the business having a wide product portfolio and operating in many different markets. Use of product life cycle to show how the stages that different products might be at in their life cycle may influence the promotional activities undertaken. Possible use of the Boston Matrix to analyse the different products and their markets linked to implications for the use of different promotional techniques and use of promotional media.*

*Use of catalogue and the website as a marketing tool to reach many markets simultaneously Also the importance of the Argos brand to reach these diverse markets. The fact that the stores' location is so close to so many of the population may mean that promotional activities via the stores themselves have a wide reach to customers. The TV advertising is also an example of the success of the brand in reaching a wide audience.*

*Some indication that the company is not afraid to take on new markets such as the growing homeware market and use its advantages such as its distribution network and reputation as a business selling a diverse range of products to develop the new products and markets.*

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

**3) a) Argos was successful in its campaign to recruit extra staff for Christmas 2003.**

**Calculate the percentage increase in the total number of people employed by Argos following the recruitment drive. [3 marks]**

$$\begin{array}{l} \text{Number of employees recruited in Christmas Campaign} = \underline{21,000} \quad [1] \\ \text{Total number of employees before the campaign} \quad \quad \quad 23,000 \quad [1] \end{array}$$

$$[N.B Use of OFR applies] \quad \quad \quad = 91\% \text{ increase } [1]$$

- b) Discuss the workforce planning issues that arise from the seasonal nature of demand faced by Argos. [12 marks]

*Argos is already a large employer with many stores. It is also expanding. Workforce planning helps to ensure that the HRM function's objectives are in line with the whole business objectives. Consideration of the need to identify where the business needs staffing and the type of expertise that it requires e.g. retail staff, technical staff, warehouse staff etc. The business has to consider the implications for staffing of the nature of its seasonal demand and the changing nature of the market in which it operates. The company will almost double its workforce over the Christmas period – e.g. costs of recruitment weighed up against the extra sales in this period. Costs of training, uniforms etc. Recruitment, selection and training issues - examples in the text:*

- *The need for staff for the new warehouse –.*
- *The need for staff for the new stores*
- *Converting good part time staff into full time positions.*
- *Cost of recruitment will be cheaper if this policy is successful*

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

- 4) With reference to Figure 1 evaluate the extent to which Argos' stakeholders would find the information in the final accounts useful for decision making. [9 marks]

*External stakeholders: shareholders have an interest in the profits in terms of the amount available to pay the dividends and will use the accounts to determine whether the business is a sound investment. Will create confidence in the business – easier to go to banks etc to get money for expansion if needed. May also reveal that the business is making enough profits to finance the expansion for themselves. Able to track performance of the business over time. Creditors may be interested in the ability to pay off loans and pay the loan interest. The government may be interested in the amount of profits liable for taxation.*

*However the process of putting together the report and accounts provides information that is used by internal stakeholders for decision making. This may be more important than the published accounts themselves. The managers are likely to be more interested in cash flows and budgets. Employees may be more interested in the details of salaries and pay.*

*Role of accounting information for the business – published annual report required by law. Can be useful to compare Argos's figures over time to assess the performance of the business. Possible use of calculations to assess how well Argos is performing over time and in comparison with the other parts of the group (n.b. ratio analysis is not on the AS specification).*

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

Question	A01 Knowledge	A02 Application	A03 Analysis	A04 Evaluation	TOTAL
1 a	2	2			4
b	2	2	3		7
2	2	2	2	2	8
3 a	2	1			3
b	3	3	3	3	12
5	2	2	2	3	9
Total	13	12	10	8	43
QWC					2
PAPER TOTAL					45



---

RECOGNISING ACHIEVEMENT

Mark Scheme 2873  
January 2005

**Subject-specific Instructions**

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

- 1 (a) (i) Calculate the percentage growth in SKI's target market between 1998 and 2003. [2]

$$\text{Market growth} = \frac{\pounds 8,500,000}{\pounds 10,000,000} * 100 = 85\%$$

(1 mark for correct numbers + 1 for correct answer)

- (ii) Calculate the percentage change in SKI's market share between 1998 and 2003. [4]

$$1998 - \text{Market share} = \frac{\pounds 704,665}{\pounds 10,000,000} = 7.05\% \quad (1)$$

$$2003 - \text{Market share} = \frac{\pounds 1,099,671}{\pounds 18,500,000} = 5.94\% \quad (1)$$

$$\text{Change in market share} = 1.11 \quad (1)$$

$$\text{Percentage change in market share} = \frac{1.11}{7.05} * 100 = 15.7\% (16\%) \quad (1)$$

[4 marks for correct answer of 16%]  
OFR

**(b) Discuss how SKI might increase its market share.****[10]**

*With the introduction of new products SKI must recognise that different groups of customers will exist for each of these products (although there will always be some overlap). Although Graham and Evelyn do not appear to have considered it, even Kathryn has raised the fact that different promotional and pricing policies will be needed.*

*Examples of issues that may lead to suggestions for changes drawn from Appendix 1 may include:*

- *Price appears to be a much more important factor when purchasing study conversions, maybe because of the degree of necessity of the product. This may mean that SKI cannot expect such a large premium-end sector of the market, so determining a different pricing strategy (more competition-based than for kitchens). Allied this to the evidence that quality is less of an issue for study conversions may mean that SKI offer a less upmarket range of services for this segment.*
- *Quality is a much bigger factor for loft conversions. Emphasis of this will be important in their promotional literature and the high degree of recommendation by friends and family may lead to a promotional campaign amongst past customers who know of the quality levels of SKI.*
- *Time taken for completion is far less important for study conversions compared to lofts and bedrooms (for obvious reasons!). If labour is in short supply then study jobs should be delayed to allow other work to be completed first.*
- *It does not appear to be as important to offer such a wide range of styles for the new products compared to kitchens. This will help reduce costs and planning problems in the short run.*

*Given the increased competition stated in the case study and greater willingness to shop around by customers, it is vital that SKI target their different markets accordingly. Given the nature of the market it is highly unlikely that an undifferentiated strategy will work. It is surprising that Evelyn has not considered these issues given that the diversification of SKI has been planned for the last two years.*

*[It is important that candidates concentrate their answers on how to improve SKI's market share, rather than just increasing sales. This will mean some focus on ways in which SKI can sell more business, relative to that of their competitors. Therefore, any reference to strategies by SKI to improve their price, promotion or product relative to other businesses should be rewarded.]*

**ARA**

Level 4	Evaluation shown by supporting any judgement shown, highlighting any problems, weighting of arguments and/or consideration of long- and short-term issues.	(10-9)
Level 3	Some analysis of the possible ways of increasing SKI's market share, with some use of the qualitative or quantitative data in the case study in support	(8-6)
Level 2	Some understanding shown of ways in which market share can be increased	(5-4)
Level 1	Some knowledge of market share and/or how to increase it	(3-1)

**2 Assess possible changes to Graham's leadership style that would benefit SKI. [16]**

*Graham appears, from the limited information available, to be a rather 'hands-on' manager. He appears to not trust the fitters and believes them to be not motivated. One could categorise him as a 'Theory X' manager. He has the view that because they are not supervised then the fitters will not be as efficient as when they are supervised. He also gives the impression of 'always knowing best'. There is no evidence to suggest that he has ever fitted a kitchen and so why should he know how long they take to just because he designs them. His leadership style may be regarded as autocratic. This is a rather traditional, and generally out-of-favour style nowadays.*

*Given that the fitters are said to be skilled workers, they will therefore expect more independence in their work. They will not and, according to Evelyn, do not appreciate Graham's lack of trust and interference. Another factor to consider is that the impending expansion of the firm into other areas of interior design will need the complete support of the workforce. SKI cannot afford to lose skilled and experienced fitters at a time that more business is expected. The fact that Kathryn Elliott has identified Graham's leadership style as a problem in the short time she will have spent with the company is significant.*

*Will Graham have the time to keep checking-up on the fitters as business increases? Is there a danger he neglects that part of the business for which he is responsible- namely getting customers to sign contracts. Without this there is no business.*

*Generally, Graham needs to take a more 'hands-off' approach to management. The business seems to be doing well. If Kathryn is right and a Works Manager is needed then Graham will need to pass on the responsibility to him/her in any case. A more democratic or laissez-faire style would be more appropriate.*

*Candidates may suggest that a different style of leadership would be appropriate for the sub-contracted teams that SKI sometimes use. They may need closer monitoring as they will have less of a stake in the success of a particular job.*

*It could be extremely significant that Graham refers to the company as 'his' when he is talking to Evelyn about the bank enquiring about the overdraft.*

*Ultimately, Graham needs to be more trusting of his workers, if the business is to succeed in its expansion plans in a highly competitive market. However, it may be difficult for Graham to change a personal characteristic, especially given the structure of the firm and the length of time he has operated in this way.*

**ARA**

Level 4	Evaluation shown by questioning the need for change in style, possibly in relation to proposed changes in the future of SKI's business activities, weighting of arguments and/or consideration of long- and short-term issues.	(16-13)
Level 3	Some analysis of the consequences for SKI of changes in Graham's leadership style. May include consequences of not changing style.	(12-9)
Level 2	Some understanding shown of the current and/or potential leadership styles used.	(8-5)
Level 1	Some knowledge of management and/or leadership styles.	(4-1)



**3 Evaluate ways in which SKI's cash flow may be improved.****[16]**

Cash flow can be improved either by increasing the inflow of receipts or reducing the outflow of payments:

Receipts

- *SKI only receive 10% of the price on order. However, the cost of raw materials is incurred within 30 days at best. Bearing in mind that jobs are not usually completed, and the rest of the money received, until 2 months after the contract is signed this is having a detrimental effect on SKI's cash flow. The obvious solution is to ask for a larger deposit from the customer. But, will this affect the chances of the customer signing the contract in the first place? What do their competitors do?*
- *The electrical items that SKI sell as part of the kitchen are only sold at cost price. If SKI sold them with a small profit margin this would increase cash coming into the firm, although the customer would still be getting the appliances at less than retail price.*

Payments

- *Can SKI increase the trade credit on wood and sinks? 30 days is a rather short period of time, especially for a company as well established as SKI. Their ability to increase the credit period may be determined by their relative importance to the suppliers and their past payment record. For example, poor attention to paying bills on time in the past may lead to suppliers being less trusting of them now.*
- *Cash on delivery for electrical products seems a poor deal for SKI. If the current suppliers are not willing to offer credit terms maybe SKI should consider finding different suppliers.*
- *Do SKI really need to purchase a new van in February? This is going to have a significant effect on a worsening cash flow situation in 2005 because of the expansion. But if the van is needed because of the extra business or because a current van is unlikely to last longer then not purchasing the van will have an adverse effect on business. Could the van be purchased on hire purchase or leased to reduce the payments in the short-term?*
- *Looking at the forecast figures for 2005, the planned expansion is expected to create a loss in the short-run. SKI should maybe consider a loan secured on their property or some other form of investment to reduce the overdraft. This will reduce the interest costs significantly.*

*The problem faced by SKI is that the bank is already asking questions about the need for an overdraft. There is some evidence that this is a natural seasonal problem (people tend not to have home improvements carried out in the middle of winter or summer). However, with this in the background it is dangerous for Graham and Evelyn to go ahead with the proposals for 2005 without some agreement from the bank.*

*Given all the factors above it should be recognised that the two most important are the timing of payments by customers and to suppliers and the needs of the expansion. Any other suggestions will have a negligible impact on cash flow.*

**ARA**

Level 4	Evaluation shown by questioning the likelihood of success for proposals made, possibly in relation to the changes in the future of SKI's business activities, weighting of arguments and/or consideration of long- and short-term issues.	(16-13)
Level 3	Some analysis of the consequences for SKI of proposed changes, maybe including consequences of inaction.	(12-9)
Level 2	Some understanding shown of the ways in which proposed changes will affect cash flow.	(8-5)
Level 1	Some knowledge of cash flow and its components.	(4-1)

**4 Discuss how economies of scale might be achieved through SKI's expansion. [10]**

*Economies of scale occur in the long-run due to an increase in operational size of a firm (internal) or industry (external). There are a number of ways in which SKI may benefit from internal economies:*

*Technical- As the company grows it should be able to produce more output relative to inputs for technical reasons. The increased output that SKI expects from diversification will not necessarily lead to an equivalent increase in input. For example, a doubling of production in the workshop should be possible without doubling the number of machines and/or workers. There may also be less times when there is insufficient work to keep all three fitting teams busy. As they are salaried some increase in output will be possible without extra costs being incurred.*

*Bulk-buying- Extra supplies of wood and fittings will be necessary as the expansion into other markets occurs that may enable SKI to get a better deal of buying raw materials.*

*Marketing- It may be possible to promote SKI's new markets without a significant increase in costs in the long-run. Evidence from Table 1 shows a planned four-fold increase in promotional costs, but it is unlikely that this will be necessary after the initial introduction phase of the new products.*

*Managerial- The increase in business for SKI may allow them to employ a Works Manager who may be a better (more qualified and skilled) manager than Graham who is a trained architect not manager.*

**ARA**

Level 4	Evaluation shown by supporting any judgement shown, weighting of arguments and/or consideration of long- and short-term issues.	(10-9)
Level 3	Some analysis of the benefits and/or problems for SKI of achieving economies of scale.	(8-6)
Level 2	Some understanding shown of the factors that will lead to economies of scale.	(5-4)
Level 1	Some knowledge of different economies of scale. (e.g. just naming different categories).	(3-1)

**2873- GRID FOR EXAMINATION SESSION JANUARY 2005**

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



RECOGNISING ACHIEVEMENT

Mark Scheme 2874  
January 2005

**Subject-specific Instructions**

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

- 1 (a) Analyse the possible marketing objectives that BTL may have. [6]

*Many possible answers. Increased sales value, sales volume, market share, establish new markets, improved image etc. (NOT general objectives of the firm)  
One objective will normally result in a mark at the bottom of the level.*

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

- (b) A customer living 20 miles away purchasing items with an order value of £180. Using Appendix 1, calculate the percentage change in the final price which would be charged to the customer if the new method of calculating delivery charges is implemented. [4]

*Calculation:*

*Current cost--£180 + £20 = £200 (1)*

*New cost--£180 + £10 = £190 (1)*

*Percentage decrease =  $\frac{10}{200} \times 100 = 5\%$  (1) lower (1 mark for recognising decrease)*

- (c) With consideration of both the UK and overseas markets, discuss the factors that BTL should consider in developing an effective distribution strategy. [16]

*An effective distribution strategy considers the location of the production/ warehouse facilities; transport and the physical distribution/ movement of the goods; and distribution channels. The cost of the distribution may be a factor. Better answers are likely to consider the differences that might exist between domestic and overseas markets. The case considers the use of an agent and the mix of products sold (some quite bulky!). The impact on cost, control of the marketing/selling function, and other logistics based issues ought to be considered.*

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

**2 (a) Using the Boston Matrix, analyse the current product mix of BTL. [6]**

*The Boston Matrix is a product based analytical tool, which considers the position of the products in terms of the market share and market growth. Better candidates will do much more than simply label products in the current product range. The interrelation of those products will also be considered.*

Level 3	Analysis of the product mix using the Boston Matrix.	(6-5)
Level 2	Application of the product mix and/or Boston Matrix.	(4-3)
Level 1	Knowledge of product mix and/or Boston Matrix.	(2-1)

**(b) Discuss how knowledge of Ansoff's Matrix might assist BTL in consideration of the options available. [10]**

*Ansoff's Matrix is a marketing model, which considers the product-market scope for new growth opportunities. The model can be used to describe the current situation and give guidance as to the direction and the capabilities needed to pursue one strategy over another. From the case materials itself there are a number of options, which could fit the Ansoff's framework. Better answers may focus on the Matrix from the perspective of the sporting, overseas, finding new markets etc.*

Level 4	Evaluation of the assistance to Bowen Toys Ltd. by the use of Ansoff's Matrix.	(10-9)
Level 3	Analysis of the use of Ansoff's Matrix in the context.	(8-6)
Level 2	Application/understanding of Ansoff's Matrix or some consideration of the options available.	(5-3)
Level 1	Some knowledge of Ansoff's Matrix.	(2-1)

**(c) Advise BTL on the strategy needed to gather appropriate market research data in consideration of the options available. [16]**

*Discussion should centre on the actual information needed and the means of getting it. Consideration of both secondary and primary data in line with field and desk research could be a good starting point. Issues to consider are: What to ask? Who to ask? When to ask? How to ask? etc. There is evidence in the text about what might be needed but suggestions about other appropriate information would be credited. Discussion about sampling, sampling error, cost and benefits, questionnaire design etc. could also be covered. There is much to consider.*

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

## Assessment Grid

Question	AO1	AO2	AO3	AO4	Total
1(a)	2	2	2	-	6
1(b)	2	2	-	-	4
1(c)	2	3	4	7	16
2(a)	2	2	2	-	6
2(b)	2	3	3	2	10
2(c)	2	3	4	7	16
<b>Sub-Total</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>58</b>
<b>Q of WC</b>					<b>2</b>
<b>Total</b>					<b>60</b>







RECOGNISING ACHIEVEMENT

Mark Scheme 2875  
January 2005

**Subject-specific Instructions**

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

- 1 (a) Calculate the total annual depreciation on the 10 vehicles owned by the company. [4]

*Depreciation = £15000 per vehicle [2]  
 Thus p.a. =£3,000 [1] [3 in total]  
 Therefore for 10 vehicles =£30,000 [1] [4 for correct answer]  
 1 for meaningful attempt but errors in interpretation.  
 1 for formulae.*

- (b) (i) Analyse the performance of an investment in the shares of DSS plc from the view of a shareholder buying 2000 shares at £3.05 in January 2004. [6]

*Investment was 2000 shares bought at £3.05 value = £6100  
 Present value of shares is £1.85 [accept any value in the £1.70 to £2.00 range]  
 Therefore investment worth = £3700 on paper  
 Dividend per share of 6p gives income of £120  
 Capital loss = £2400  
 If invested in average share then rise in FTSE equivalent to 19%.  
 Therefore £6100 might have risen to £7259  
 Therefore performance unsatisfactory on all account:*

- low income yield
- capital loss on paper
- under performing against the index

Level 3	Analytical comments	(6 – 5)
Level 2	Understanding application	(4 – 3)
Level 1	Knowledge	(2 – 1)

- (ii) Evaluate the success of DSS plc in the financial year ending December 2004 from different stakeholders points of view. [16]

*Evaluation of success requires identification of appropriate indicators plus ability to use, apply and comment upon company's results from standpoint of different stakeholders. Investors and analysts would look at financial performance figures that might include the following - Profits related to capital employed and turnover. Efficiency ratios of turnover to assets. Then results analysed. Data suggests the following:*

	2003	2004
net profit/capital %	25.6%	9.5%
profit / Sales %	6.5%	2.32%
sales / capital	3.9 times	41 times

*Company achieved its profit target for 2003 but fell well short in 2004. Sales turnover grew by £3.638m in 2004 which represented an increase of 25.6% well in excess of target. Employees would be pleased to see the growth in outlets representing employment opportunities and possibly promotional prospects. Suppliers would also be pleased with the growth in sales representing an expanding market for them. Customers also might be well pleased with lower prices brought about by price discounting. Thus the groups might well see the success of the business very differently.*

Level 4	Evaluative judgements	(16 – 10)
Level 3	Analysis of data using approp. criteria	(9 – 6)
Level 2	Understanding application	(5 – 3)
Level 1	Knowledge	(2 – 1)

- (c) Calculate the net present value of the Newcastle store and with reference to Table 4 advise the management of DSS plc whether to proceed with either store. [10]

*Net cash flow for Newcastle is £300,000. Pay back in 3 years. ARR is 13.3% ; Wolverhampton net cash flow is £225000. Pay back is under 3 years. ARR is 20.9%. However the discounted figures give the following PDV at 14% Newcastle = + £129,600 and Wolverhampton = + £222000. Investment decisions not made solely on basis of financial returns. Other factors like company objectives and strategies need to be considered. Both options meet minimum criteria. Calculation of NPV for Newcastle likely to look as follows*

Year	net casf flow	D.F.	D.C.F.(£'000's)
0	(900)	1	(900)
1	300	0.877	263.1
2	300	0.769	230.7
3	300	0.675	202.5
4	300	0.592	177.6
5	300	0.519	155.7

*Thus NPV = 1209.6 – 900 = £129.6(000's)*

Level 4	Evaluative judgement	10 – 9
Level 3	Analysis using financial and non financial information	8 – 6
Level 2	Understanding application	5 – 3
Level 1	Knowledge	2 – 1

- 2 (a) Analyse why stock might be valued at the lower of cost or net realisable value on the balance sheet of DSS plc. [6]

*Awareness of principle of balance sheet valuation/prudence/ conservatism/true and fair view/historic cost/net realisable value/circumstances when value of assets [net realisable value] below historic cost. In this context likely occurrence could be when stock is very fashion orientated and hence because of age has lost its appeal to its customers. Valuation of stock has implications for declared profits as well as balance sheet values.*

Level 3	Analytical comments	(6-5)
Level 2	Understanding application	(4-3)
Level 1	Knowledge	(2-1)

- (b) Should Adam introduce the new reporting system to help monitor stock turnover? Justify your view. [16]**

*Concept of budgets/targets/variances/positive and negative/stock turnover figures for 2003 and 2004. Concept of monitoring and control. Stock build ups result in cash flow problems and represent a misuse of resources [opportunity cost of funds]. Problems of misreading sales trends and need to shift stock with price reductions. Profit margins on the accounts indicate scale of problems. Judgement on performance using data from accounts plus trial system/aid to decision making/effective use of cash resources. Stock turnover rates calculated as follows 2003 - 5.66 times ; 2004 - 4.75 times [calculated as Sales/stock].*

*Variance analysis would show negative vaiances for all catagories except for accessories. (+6000 or 31.6%)*

Level 4	Evaluative comments based upon evidence	(16 – 10)
Level 3	Analytical comments using data	(9 - 6)
Level 2	Understanding application	(5 -3)
Level 1	Knowledge	(2 -1)

## Assessment Grid

Question	AO1	AO2	AO3	AO4	Total
1 (a)	2	2			4
(b)(i)	2	2	2		6
(b)(ii)	2	3	4	7	16
(c)	2	3	3	2	10
2 (a)	2	2	2		6
(b)	2	3	4	7	16
<b>Totals</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>58</b>

Plus QWC = 2

***Total paper marks [60]***



RECOGNISING ACHIEVEMENT

Mark Scheme 2876  
January 2005



**Subject – Specific instructions**

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

- 1 (a) Using Table 1 and Table 2, calculate the percentage change in average weekly wages for violin makers between 2003 and 2004.

[4]

$$2003 = 56 \text{ hours} \times \text{£}10 = \text{£}560 \quad 2004 = 50 \text{ hours} \times \text{£}12 = \text{£}600 \quad (1)$$

$$\text{Change} = \text{£}40 \quad (1)$$

$$\frac{40}{560} \times \frac{100}{1} \quad (1) = 7.1\% \quad (1)$$

*N.B. If correct answer is given award 4 marks.*

**1 (b) Discuss the advantages and disadvantages of Toni's policy of letting the workforce decide on the rates of pay for their department.**

**[16]**

*The case study indicates that the violin makers had been unhappy with their pay before Toni bought the business, and there was also some evidence of them lacking in motivation. Table 2 shows that they increased their level of pay when Toni let the workforce decide their own pay rate. It could therefore be argued that this would make them more motivated to work harder, producing more violins, and be more satisfied with their pay, making it easier to motivate them ( Herzberg argument ). This could lead to higher levels of output etc., and more / better violins for Toni to sell. However, examination of the tables shows that the violin makers are making no more violins than they were before the change in pay, the level of accidents in the department have not really gone down, and they also have not generated many new customers. It could be argued that all that has really happened is that they are less dis-satisfied, but not more highly motivated ( Herzberg )*

*The conclusion could possibly be that all that had happened as a result of the pay rise is an increase in costs to the business, with no real productivity gains. This may be because they are Theory X type workers, who are only too pleased to vote themselves more pay, but do not want to put in any more effort. Better candidates might argue that it might be more difficult to make violins than woodwind instruments, and even with more pay, it would be difficult for the violin makers to produce more instruments.*

*However, when the tables are looked at from a consideration of the performance of woodwind makers it could be argued that they are working 50% less hours, producing 100% more instruments, falling victim to considerably less accidents. This might suggest that the woodwind makers are more motivated, and as a result are more productive. It could be inferred by better candidates that the productivity of woodwind makers might also be higher because they also decided to buy more equipment to help them produce more instruments.*

An overall consideration could be that the decision worked with the woodwind makers, but did not work as well with the violin makers. Candidates do not have to use the tables; examiners should credit other relevant arguments at the appropriate level, subject to appropriate use of case evidence / assertions based on the scenario depicted.

Level 4	Candidate demonstrates evaluative skills when considering the advantages and/or disadvantages and drawbacks associated with the workers being allowed to decide pay levels.	(16-10)
Level 3	Candidate demonstrates analytical skills when considering the advantages and/or disadvantages associated with the workers being allowed to decide pay levels.	(9-6)
Level 2	Candidate demonstrates application of their knowledge/understanding of the advantages and disadvantages of workers being allowed to decide on their own rates of pay.	(5-3)
Level 1	Candidate offers knowledge of pay determination/methods of pay only.	(2-1)

N.B. If only advantages or disadvantages are considered in a one-sided answer award marks from the middle of the appropriate level downwards.

1 (c) Evaluate the likely impact of Toni's leadership style at II.

[16]

*Toni's style seems very different to that used by Pietro, before the business was sold to him. Toni seems to believe in empowering the workforce, which is shown by the changes he introduced as soon as he took over the business. This would suggest that his style is that of a democratic manager. Candidates could argue that there will / should be many benefits as a result of this. For example, there is evidence in the case study that both groups of workers had complaints about the way that Pietro managed them, and as a result their levels of morale and motivation were negatively affected.*

*Toni's leadership style, it could be argued, should overcome some of these problems. However, it would depend upon the type of workers involved - Theory X workers may have needed Pietro's style to make them achieve anything ( violin makers ? ), and may not have responded to Pietro's very autocratic - once again some reference could be made to the tables to support the argument or not.*

*Candidates could argue, and provide evidence from the tables, that Toni's style seems to have had a very positive impact on the woodwind makers. This could involve a contextual discussion of elements of Maslow's theory, and / or elements of Herzberg's theory.*

*Candidates could consider the wider issue of empowerment of the workforce by the changes introduced by Toni, with some consideration of imposed as opposed to consultative change. They could also explore the issue of major versus incremental change, provided that sufficient contextual links can be developed.*

Level 4	Candidate demonstrates evaluative skills when considering the likely impact of Toni's leadership style at II.	(16-10)
Level 3	Candidate demonstrates analytical skills when considering the likely impact of Toni's leadership style at II.	(9-6)
Level 2	Candidate demonstrates application of their knowledge and understanding of issues which might be affected by a manager's style of leadership.	(5-3)
Level 1	Candidate demonstrates knowledge of leadership styles.	(2-1)

- 2 (a) (i) **Intermezzo Instruments has traditionally only employed skilled craftsmen who are recruited from all over Europe. Analyse how this policy might have affected the methods of recruitment Intermezzo were able to use.**

[6]

*It will not be able to recruit workers locally using more common methods. Because of the geographical distance involved it is more likely to use specific types of magazines, published in various European countries, which are read by the target workforce. It may also use specific industry journals focusing on a similar type of audience.*

*It may also advertise in places where people are trained in the specific skills it is looking for. For example Newark & Sherwood College, in England, has a department which trains the type of craftsmen which Intermezzo needs and as a consequence attracts students from all over the world. It would need to advertise in similar college departments around Europe.*

*It may also have to employ the services of headhunters who have the specialised brief of finding and recruiting potential employees with specific skills.*

*All these factors are likely to mean that it is much more difficult for Intermezzo to find appropriate recruits, and that it will be a more costly and time consuming process. It may also mean that the firm may be unable to interview potential employees itself, and have to take on trust the recommendations of others.*

Level 3	Candidate demonstrates analytical skills when considering how Intermezzo's recruitment procedures may affect the methods they are able to use.	(6-5)
Level 2	Candidate demonstrates application of knowledge/understanding of factors which may affect recruitment methods at II.	(4-3)
Level 1	Candidate offers knowledge of recruitment methods/procedures only.	(2-1)

- 2 (a) (ii) **Recommend and justify a strategy Toni could have used to ensure that any changes needed to make the apprenticeship scheme successful were managed effectively.**

[10]

*The question specifically asks for a strategy. Toni had imposed all the changes announced and not consulted with any of the staff prior to his announcement. As a result candidates may argue that the first stage of any potential change process should involve consultation with the workforce to gauge their reactions and receive their views and opinions.*

*As the apprenticeship scheme is a departure from all previous methods it is possible to argue that another important step would have been to receive advice from external sources concerning how the scheme may need to be organised. For example, how would the apprentices be recruited, how would their training programme be organised, how would their progress be monitored and recorded?*

*Some consideration may also need to be given to the drawing up of an induction programme for the new apprentices, in order for them to acquaint themselves with the business, the people who work there, the craftsmen they will be responsible to etc.*

*The rate of pay they will receive will be another important consideration, as will the length of their training programme. Who will organise these things - Toni? OR might he need to promote someone to the role of training officer, or bring someone in to manage the process?*

Level 4	Candidate demonstrates evaluative skills in the formulation of a cohesive strategy.	(10-8)
Level 3	Candidate demonstrates analytical skills in the formulation of elements of a strategy.	(7-4)
Level 2	Candidate demonstrates application of knowledge/understanding of relevant issues which could form elements of a strategy.	(3-2)
Level 1	Candidate offers knowledge only about the process for managing change.	(1)

- 2 (b) Analyse, from a Human Resource point of view, why Toni wanted representatives from each department to meet new customers to discuss customer requirements.

[6]

*Levels of morale and motivation seemed to be very low in both departments when Toni took over the business. As a result he introduced a range of changes designed to empower the workforce, and improve levels of morale and motivation. Candidates could argue that this decision may allow the craftsmen to demonstrate their pride in the products which they had painstakingly made. This could enable them to receive recognition from Toni and the potential new customers for the skills they had utilised in making the high quality instruments. They would also be the best people to answer any questions from the customers as they had actually made the products, and so their explanations might be more convincing.*

*Toni may also have believed that this might boost the confidence of the craftsmen in question, as this responsibility would help them develop a new type of skill, one which may facilitate a feeling of job enrichment. It is also quite likely that Toni may have focused on the possibility that this would increase sales and profits for the business, and may go some way towards paying some of the increased costs which his changes would almost certainly incur.*

Level 3	Candidate demonstrates analytical skills to consider reasons why Toni asked his craftsmen to meet with potential new customers.	(6-5)
Level 2	Candidate demonstrates application of knowledge/understanding of why these meetings may have Human Resource benefits.	(4-3)
Level 1	Candidate offers knowledge of relevant issues only.	(2-1)

Assessment Grid:	AO1:	AO2:	AO3:	AO4:	Total:
1. (a)	2	2			4
(b)	2	3	4	7	16
(c)	2	3	4	7	16
2. (a)(i)	2	2	2		6
(a)(ii)	1	2	4	3	10
(b)	2	2	2		6
	11	14	16	17	58

+ 2 QWC = 60







RECOGNISING ACHIEVEMENT

Mark Scheme 2877  
January 2005

**Subject-specific Instructions**

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

- 1 (a) The table below shows the costs of Christmas Pudding ice cream made by GFF:

Ingredients	90p per pudding
Other (packaging, labels etc.)	20p per pudding
Direct labour	£2500
Special promotional materials	£1000

Calculate the contribution this product made to overheads and profits of the business. [4]

**The “total” approach**

Ingredients and packaging $£1.10 * 5000 =$	£5500	(1)
Direct labour and special promotional materials	£3500	(1)
Total	<u>£9000</u>	
Revenue $5000 * £3 =$	£15 000	(1)
Contribution	<b>£6000</b>	(1)

**The “per unit” approach**

Ingredients $£1.10 + 50p + 20p$	(1)
Total = £1.80	(1)
Contribution $£3 - £1.80 = £1.20$	(1)
Total Contribution $“1.20 * 5000 =$	<b>£6000</b> (1)

For the correct answer only = **4 marks**

- (b) Evaluate the operational implications for GFF of producing a wide range of products on a small scale. [16]

Possible areas for discussions may be

- Flexibility and able to react quickly to market changes – for example they need to have equipment that can be used for a variety of tasks; labour needs to be flexible etc.
- Innovative – can easily introduce new/seasonal products into their range
- Able to use its capital and labour resources efficiently if it has a wide range of products on the market/maintain a high level of capacity utilisation by selling a wide range of products
- Wider range of tasks for the workforce, so might motivate them, may need to be trained on all the equipment – a flexible workforce.
- A drawback may be the inability to gain operational economies of scale (e.g. technical, purchasing of materials, specialist labour)
- Requires carefully co-ordinated planning
- There are implications for stock ordering and stock holding e.g. should they hold buffer stocks of some materials?
- Downtime likely as some machines are switched from one product to another.
- Batch would be the most appropriate method of production for GFF

Level 4	For evaluating reasons why small-scale production of a wide range of products might be operationally beneficial.	(16 – 10)
Level 3	For analysing reasons why small-scale productions of a wide range of products might be operationally beneficial.	(9 – 6)
Level 2	For clearly demonstrating an understanding of why small-scale production of a wide range of products might be operationally beneficial. If the answer is not in context but shows a clear understanding of the problems that arise from producing a wide range of products on a small scale then award marks at the lower end of this level.	(5 – 3)
Level 1	For knowledge of the general benefits of operating production on a small scale.	(2 – 1)

**(c) Discuss the operational implications to GFF of purchasing its ingredients and other materials from a wide range of UK and Overseas suppliers. [16]**

*Benefits*

- *Can obtain the best quality materials for a high quality product*
- *Can obtain products at the most competitive prices*
- *Can choose suppliers will that meet their needs*
- *Not reliant on one supplier should there be interruptions in the supply chain*

*But*

- *Need to ensure delivery will be on time – could be a problem if sourcing from outside the UK*
- *There could be problems with overseas supplies if quality is not up to scratch*
- *Might need to hold large amounts of stock.*
- *May be difficult if GFF wants to move towards JIT*
- *Movements in exchange rates could affect costing and/or break-even positions.*
- *Not being able to order in bulk means their stock costs per unit will be higher (idea of purchasing discounts).*

Level 4	For evaluating the benefits and problems of purchasing ingredients and other materials from a wide range of UK and overseas suppliers.	(16 – 10)
Level 3	For analysing the benefits and problems of purchasing ingredients and other materials from a wide range of UK and overseas suppliers.	(9 – 6)
Level 2	For demonstrating a clear understanding of the operational implications of purchasing ingredients and other materials from a wide range of UK and overseas suppliers. If the answer is not in context but shows a clear understanding of the benefits or problems of sourcing raw materials from a wide range of suppliers, then award marks at the lower end of this level.	(5 – 3)
Level 1	For showing knowledge and understanding of the general operational implications of purchasing materials from a wide range of suppliers.	(2 – 1)

2 (a) Roy Mauditt is keen to diversify into manufacturing real fruit ice lollies (lines 46 – 47).

Analyse the impact on GFF's operating costs if this proposed investment goes ahead. [6]

*Fixed cost are likely to change due to*

- *The capital investment in the machine/the depreciation of the machine*
- *Interest charges if a loan is used to buy the machine*
- *The costs of promoting the new products*
- *Training needed on the new equipment*
- *Possibly new production space and storage space for materials and finished products will be needed.*
- *More maintenance will be needed*
- *Other costs such as insurance and depreciation will also change.*

*Variable and semi-variable costs will also change due to*

- *More materials needed*
- *More packaging will be needed*
- *More energy/power for the machines*
- *Labour costs (may fit into either category depending on payment methods)*

**Candidates do not need to use the terms overheads/fixed costs or direct/variable costs. They are likely to describe changes in particular costs without categorising them. This is an acceptable approach.**

**Marginal and Average** costs of production may change but this might depend on the level of output of the new product.

Candidates might also mention - **Social Costs** (noise, pollution, waste disposal etc) or **Opportunity Cost** - other ways the company could use the money or interest foregone on cash balances used to pay for venture.

Level 3	For analysing how different types of costs will change in the context of the GFF, or the implications of the changes in costs e.g. on budgets.	(6 – 5)
Level 2	For demonstrating application of knowledge of types of costs and how they will change in the context of GFF decision to invest in new machinery. If the answer is not in context but shows a clear understanding of the issues involved, then award marks at the lower end of this level.	(4 – 3)
Level 1	For showing a general knowledge and understanding of various types of costs.	(2 – 1)

**(b) Analyse the benefits to GFF of using Gantt charts to plan its production schedules. [6]**

*A Gantt chart is visual display to see how tasks might be sequenced over a period of time. (Level 1 – Knowledge).*

*Possible areas for discussion might include*

- *They show times when particular tasks and processes should start and finish*
- *They should ensure machines and workers are not idle for any significant period of time*
- *They enable firms to see when/whether new orders can be undertaken or when existing orders are likely to be completed*
- *Helps the firm to optimise/plan the use of resources e.g. labour – is extra needed or should it be switched from one job to another*

Level 3	For analysing the benefits to GFF of using Gantt charts to help plan the production of the business.	(6 – 5)
Level 2	For clearly demonstrating an understanding of the benefits to GFF of using Gantt charts to help plan the production of the business. If the answer is not in context but shows a clear understanding of the reasons why businesses use Gantt charts, award marks at the lower end of this level.	(4 – 3)
Level 1	For a general knowledge of the general benefits of using Gantt charts	(2 – 1)

**(c) Discuss how the law might impact on the operations of GFF. [10]**

*Issues for consideration:*

*Candidates might discuss **health and safety** issues*

*Many working days are lost due to workplace injury. This leads to a significant loss of output as well as adding to the costs of the health service and employers through sick pay schemes.*

*Costs to the firm:*

*Direct costs of installing safety requirements*

*Clothing, first aid equipment, fire prevention equipment etc.*

*Cost of disposing of food waste*

*Training costs for employees*

*Benefits to the firm:*

*Higher quality of products*

*A more productive labour force*

*May be recruitment benefits*

*Safer working environment means fewer working days lost so output could be higher*

*Less likelihood of prosecution*

*Ethical benefits*

*Or **legislation concerning food products**, e.g. The Food Safety Act, laws on food labelling, that protect consumers from unacceptable business activities. This may impact favourably on the sales of the firm's products.*

*It is an offence to*

- *Sell food that does not comply with regulations e.g. is harmful, or contaminated*
- *Sell food not of the quality stated*
- *Describe food in a way that misleads*

*There are regulations about how food products e.g. Ingredients can be stored.*

*There are regulations about how food can be labelled.*

*Possible costs of non-compliance e.g. fines, closure of firm, legal representation, effect on reputation of the business.*

*Candidates may also mention minimum wage legislation e.g. in the context of the large number of part-time workers that employed by GFF at seasonal demand peaks.*

Level 4	For evaluating the implications to GFF of laws on food production	(10 – 9)
Level 3	For analysing the costs and benefits to MFF of laws on food production	(8 – 6)
Level 2	For demonstrating application of knowledge of the costs and benefits to MFF of laws on food production. If the answer is not in context but shows a clear understanding of the issues involved, then award marks at the lower end of this level.	(5 – 3)
Level 1	For showing a general knowledge and understanding of the costs and benefits on food production.	(2 – 1)



### Assessment Grid

Question No.	AO1	AO2	AO3	AO4	Total
<b>1a</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>1b</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>16</b>
<b>3</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>16</b>
<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>		<b>6</b>
<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>		<b>6</b>
<b>6</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>10</b>
Sub Total	12	15	15	16	58
				QWC	2
				Total	60



RECOGNISING ACHIEVEMENT

Mark Scheme 2879  
January 2005

### Marking Strategy

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

In using the criteria:

- (a) **The whole work should be read before deciding on any level for any criterion.**  
It is possible to meet the requirements of each criterion at any point in the work and it is the total achievement which must be assessed.
- (b) The approach must be **positive** working from the top down in each case. The object is to define the highest statement which fits the work the candidate has presented.
- (c) It is sufficient that a given level is identified **once**. Any further demonstrations of that level simply serve to increase the mark awarded within the band.
- (d) There are no right conclusions to the report, what we look for is sufficient use of evidence in logical support of a stated conclusion, recommendation or strategy.
- (e) There are many routes through the report and it is sufficient that the route chosen could be supported by evidence in the case.
- (f) There are 90 marks available for the report and the plan together. These marks will be awarded by reference to the detailed criteria found on pages 37-41 of the OCR BS specification. These criteria enable distinct features of the whole work to be assessed.
- (g) All discussion and use of theory should be within the context of the case and in relation to the risk and reward problem posed. Candidates are expected to focus on their perceptions of the factor(s) which they see as most relevant to the question posed but their line of argument must lead to an answer to that question.

### Criterion 1: The skill with which the problem has been explained in context. (5 marks)

*This criterion requires the candidate to define, explain and discuss the problem and the choices available. Parameters within which the problem is presented and aspects of it measured, should be explained and justified. The candidate should show that there is a problem to be solved and present the context in which it needs solution. In this examination the context is risk and reward and the features of the present position of the business which might impinge upon the problem or the solution selected.*

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

### Assessing the Plan

The plan has four requirements and is capable of satisfying criterion 1 completely (5 marks available). The definition of the problem and aspects of its context which explain the need for solution satisfy this criterion.

If there is no plan at all or if it fails to address tasks 1(i) or 1(ii) then the mark awarded from criterion 1 should be **zero**. A plan which shows a clear perception of the problem and a context which is well explained should gain **five marks**.

#### **Criterion 2: The skill with which appropriate and realistic objectives have been set and used. (10 marks)**

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

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

The objectives have to relate to the answering of the question set as the title of the report. They should be listed in the plan together with any assumptions related to them and relevant to the work undertaken. If not in the plan objectives can be rewarded in the report itself. Objectives which are merely listed and play no further part in the report can **only satisfy level 2**. To reach higher levels there must be some use of the objectives in the body of the report and/or in the concluding stages of the work. The fact that there is no list of objectives does not preclude reward under this criterion provided that there is evidence in the report of an objective based approach.

Normally, it is expected that level 2 will have been satisfied in the plan and that higher levels will be evidenced in the report.

**Criterion 3: Evidence of appropriate Research Methods****(10 marks)**

*This criterion requires the candidate to give careful thought to the nature of the problem, the purpose of the research, the data available and the form in which it is best collated.*

*Candidates should refer to research undertaken and the methodology involved, where it is relevant to the problem and the choices being considered.*

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

Rewardable effort to meet this criterion is to be found in the way the candidate collates evidence. The majority of that evidence should come from the case itself and need not be fully spelt out provided it is being accurately and contextually presented. This criterion should be applied in the knowledge that candidates may sensibly adopt an approach or a focus which sees one or two aspects of the situation as more relevant than others. The extent to which candidates must use external information is not great but such use must be of value to the line of argument adopted and certainly more than mere presentation.

**Criterion 4: Evidence of Appropriate Primary and Secondary Research****(10 marks)**

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

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

We are most concerned with the appropriateness, quality, sufficiency and balance of the evidence used for the line of argument adopted. In judging sufficiency factors like critical awareness of the context and the evidence offered in the case should be rewarded. We should also bear in mind that the time constraint in the examination does not permit the treatment of a large amount of evidence.

**Criterion 5: Evidence of collection, understanding and use of appropriate Business Studies Knowledge. (15 marks)**

*This criterion requires that the candidate has selected from subject knowledge, concepts which are appropriate to risk and reward and to the choices available. Theories or techniques should be critically explained, justified in their selection and effectively used. This use may be in methodology, the collection, collation and presentation of evidence or in its analysis and evaluation. It is expected that the candidates will draw and use knowledge from across the specification and not limit themselves to highly specialised areas.*

**Knowledge which, though correctly explained or presented, has not been used, will not be rewarded.** *The knowledge used in compiling the report should relate to the case and the approach adopted.*

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

**Criterion 6: Selectivity, Analysis and Synthesis (15 marks)**

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

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

**Criterion 7: Evaluation, Recommendation or Strategy Development****(15 marks)**

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

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

**Criterion 8: Presentation****(5 marks)**

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

There is a specific demand for a report. Candidates should be aware of the structural nature of a report and be able to write in that format. Those who write in essay form are limited to a maximum mark of 2 and, in most instances, 1.

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

**Criterion 9: Written Communication Skills****(5 marks)**

*This criterion is concerned with the ability of candidates to use the English language effectively. It relates to clarity of expression, the structure and presentation of ideas, grammar, punctuation and spelling. **The standard required is not as demanding as that for the Business Project because the candidate is under the time and other pressures of a closed examination.***

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







RECOGNISING ACHIEVEMENT

Mark Scheme 2880  
January 2005

**Subject-specific Instructions**

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

Marks will be awarded as follows

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

**1 Evaluate which stakeholder group is likely to be most influential in SCL's achievement of its 2005-06 objectives. [18]**

*Stakeholders, any party with an interest in the business. Key stakeholders here are employees, especially the players, local authority/community, sponsors, owners and customers (supporters).*

*Owners will want a reasonable return on their investment (analysis of ROE etc). Given the nature of the business this return need not be solely financial, rather emotional reward may play a significant part of their positive disposition to the business. 2004 figure suggest ROCE of just 2.39% so owners may want the firm to cut costs and/or generate more income. This may mean a reduction in, or no increase in, wages. As owners, this group has the power to supply or withhold resources required for strategic actions. This means without their support the growth objectives are unlikely to be achieved (presumably, being a Ltd the owners have been heavily involved in the formulation of the objectives and so will be committed to them).*

*Employees are essentially two types. Players, given their short careers will want to maximise their income even if that jeopardises the long-term future of the business (they will have less interest in an on-going relationship). Hence, they may be willing to promote risky strategies because their skills will be in high demand and readily transportable. Clearly, without this key group sporting success cannot be achieved. However, they will have a less immediate impact upon securing the other three objectives. In contrast, managers/administrators may be more risk averse and be more aware of the long-term viability of the business (see mission statement). Their focus may be on growing the business and communicating its values. As manager/coaches etc they have the ability to select teams and as such influence directly the first objective. Likewise, without management efforts objective 2 will not be forthcoming. Managers set objectives and control allocation of resources so will have two significant influences.*

*Supporters represent a significant portion of income (expect analysis of P&L) and as such their continued attendance is a key in achieving objective 3. Might argue their reaction at matches as a crowd will influence players' behaviour/motivation/industry on the pitch and as such objective 1.*

*Community play a major role through facilitating the operation of the Club. Clear evidence that local authority have influenced the behaviour of the Club – cancelled closure of Gunthorpe Park – and as such they have a direct bearing on objective 2, long term financial security. If the Club is financially insecure it is less well placed to attract support from partner organisations and sponsorships.*

*The issue is not to pick the most influential, rather achieve a reasoned position.*

Level 4	Discussion is evaluative in balancing different possibilities.	(18-13)
Level 3	Case material is subject to analysis in considering stakeholders influence on objectives.	(12-8)
Level 2	Describes how stakeholders might affect SCL's ability to meet its objectives.	(7-4)
Level 1	Demonstrates knowledge of stakeholders and/or objectives.	(3-1)

- 2 David Rees says that, "There is no point worrying about the state of the economy and what goes on outside the Club; it'll happen anyway. It's what we do on the pitch that matters and determines whether we are successful."

To what extent might the state of the economy impact upon the strategic decisions taken by SCL? [19]

*Case specifically mentions a recession; a downturn in economic activity (two or more consecutive quarters of GDP growth below the long trend).*

*Can be argued that SCL is in the entertainment/leisure industry. Typically such businesses are income sensitive. As such a fall in incomes due to recession would cause a greater fall in demand. The data here is that demand has risen from 12,693 (64% of 19,833) to 14,280 (72% of 19,833), an increase of 12.5% when incomes have risen 8%, suggesting YED of +1.56. So possibly SCL's market is income sensitive. However, the change in demand has happened at a time when sporting success has also happened, so to what extent has the change in demand been caused by income or by an increased preference for rugby? That demand has risen 12.5% at a time when prices have risen 12% suggests that either rugby has a positive PED or that the changes in demand seen cannot be attributed to a single factor. Ticket sales represent 31.8% of income in 2004, projected to fall to 29.8% in 2007. So, may be a recession would not be too harmful regarding ticket sales as the Club is set to rely less on this source of income.*

*Impact upon strategy depends upon whether SCL is indeed in an income sensitive market. Note though that SCL also has income from non-ticket sources. Recession could cause a fall in sales of*

*Conference trade (7.9% of income in 2004 projected to be 6.5% in 2007)*

*Sponsorship (53.3% 2004 57.9% in 2007)*

*Merchandising (6.5% 2004 5.4% in 2007)*

*So, biggest source of income, and the one set to grow, is sponsorship. Thus, impact on SCL depends upon the nature of its sponsorship deals. If the sponsor is tied in, then little immediate impact on SCL. But, there might be a big impact when deal ends. So, can sponsors walk away if times get tough for them? Remember that SCL has non-core activities such as squash, cycling and fitness. Recession might cause an increase in demand for these forms of leisure, especially if membership is 12-month contract then the marginal cost is zero so at a time of falling/ static income these activities represent cheap leisure! So recession might mean greater demand for these activities, requiring additional re-sourcing.*

*Other issues; the nature of the recession, local or national? Anticipated or sudden? severe or mild?*

*Candidates should be able to link the external change with a change in strategic decisions such as ground development, moving into other markets etc.*

Level 4	A view of impact(s) is reasoned explicitly in context.	(19-14)
Level 3	Discussion of impact(s) is supported by analysis of case material.	(13-9)
Level 2	Describes possible impact(s) of the state of the economy.	(8-5)
Level 1	Identifies ways the state of the economy impact(s) on strategy, or shows knowledge of the economy.	(4-1)

**3 The summer break for rugby is 14 weeks. Recommend whether SCL should rebuild the Harborough Road stand for the 2006-2007 season. [19]**

*New stand increases capacity by 567 seats, just under 2.9%. Cost is £7.5m, seems like a lot of money for very little marginal revenue. Income from ticket sales rises from £3.5 m to £4.5m (£1.058m). These figures give a PBP of 7.1 years, and a ARR of 14.1% assuming no fall in incomes during construction.*

*However, Figure 1 shows that Harborough Road stand needs to be closed for 15 weeks of the season so really need to factor in the lost income during this time. 15 weeks means 11.25 games. Further 15 weeks from 38 playing weeks is 39.5%. Different assumptions could be used to show that average seat yields £178 pa, occupancy 72%. Harborough Road stand is 32% of capacity- its lost income during closure is £250. Makes PBP 7.3 years and ARR of 13.7%. Is ARR in excess of SCL's cost of capital? If not, then financially it's not worthwhile. Other financial issues include reduced insurance premiums, less risk of being sued for inadequate disabled access. Would replacing an 85 year old stand reduce maintenance costs?*

*How to pay for it? A Decision Tree suggests the best is a flotation; (EMVs of 6.08 v 5.90, so very close) but does the Club want to float at this time. Loss of autonomy/increased public scrutiny from the investment community if go public. Is the culture within the board appropriate for the rigours of PLC status? But, access to more capital and so could use this as a springboard to grow the club. If don't float then how secure is the capital used, could directors/public demand their capital back. NB. Public bond is accounted for as a current liability – what are the chances of all of the bondholders wanting their money back at one time?*

*Impact of new stand other than financial. Marketing, boost ticket process, and makes the ground more appealing. Bigger crowds more opportunities for associated sales of food and merchandise on match day. Also, better media centre and so more chance of income from this source. Also, improve employees place of work and so may reduce demotivation (Herzberg) and so boost output. New stand an opportunity to build specific facilities if SCL acquires LLAFC. How reliable is the critical path diagram? Close season is 14 weeks, phase 2 is 12 weeks, so little room for error. Further, phase 2 is critical so no slippage possible. If there is a construction snag where will SCL play its fixtures? Might they be subject to a penalty from the RFU?*

*Even to retain its current market position worn out assets need to be replaced. New stand says a lot about the club's confidence. Wouldn't embark on this idea if the board were not optimistic about the future, so big lift to the whole club, community and supporters. In a limited way the stand is an increase in capacity, but even more so it is important for what it says about the club.*

Level 4	Discussion is balanced in evaluating recommendation.	(19-14)
Level 3	Analyses case material in support of recommendation.	(13-9)
Level 2	Recommendation is supported by descriptive use of the material.	(8-5)
Level 1	Offers a view without support.	(4-1)

**4 Should SCL acquire Littleborough Ladies Association Football Club? Justify your view. [20]**

*Lots of issues to consider! Depends upon the price; book value is £100,000 in 1998, what is the current market value of LLAFC's only asset some 7 years later. Might there be an opportunity to asset strip? Buy the Club, wind it up and sell the land for a worthwhile capital gain? Is such an approach ethical and in line with SCL's mission statement? What is it that SCL is actually buying – unless there is some contractual link between the players and the club a football team has no real value. Share swap, so what are the real costs to SCL of the acquisition?*

*Operational costs – what does it cost to run the team, what level of liabilities is SCL letting itself in for? What income stream might SCL expect from the acquisition? Can normal business models of evaluating investments be used in this context? Indeed, does LLAFC generate any income, otherwise SCL is paying out for a net increase in costs! Would need some market research to estimate match attendances and other income streams.*

*Are the two organisational cultures compatible? There is an issue of “rigger buggers” v “mamby bamby soccer”, made worse by the gender issue! It is possible that SCL reputation may be impacted upon, affecting its ability to acquire top players, sponsors and crowds. Is SCL a rugby club, a leisure conglomerate? This might create a confused message to the outside world. Impact on staff morale/groundsmen. Arguably larger issues of work life balance in an expanded club. Also, SCL is talking takeover, LLAFC merger. Might this lack of consistency be an issue in seeking to integrate the two operations?*

*Expect reference to Ansoff; new market and new product – diversification? High risk, but SCL does acquire the expertise in the market, assuming LLAFC's staff stay, and as such reduces risk to some degree. Market is set to grow, arguably faster than core market of rugby. Easier to grow in a growing market than in a mature market – but is growth a major issue for SCL? How does SCL assess its performance? If it is in trophies then acquiring LLAFC might distract management attention away from the core business unless LLAFC is successful in its own right.*

*Is lure of better use of Gunthorpe Park real or illusory? Would LLAFC play at Gunthorpe Park or at The Vale? Can a stadium be used for both games on a consistent basis? If LLAFC play at The Vale what impact does this have on the training regime of SCL and the other activities there?*

*Are there any synergies here for both? It is challenging to see what is in it for SCL other than it fits in with its stated core values of being inclusive in a wide range of sports. Comes down to the central decision as to what SCL want to be.*

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

<b>Question</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>18</b>
<b>2</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>19</b>
<b>3</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>19</b>
<b>4</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>20</b>
<b>Total</b>	<b>14</b>	<b>17</b>	<b>21</b>	<b>24</b>	<b>76</b>
QWC					<b>4</b>
Paper Total					<b>80</b>







RECOGNISING ACHIEVEMENT

REPORT ON THE UNITS  
January 2005

## **Chief Examiner's Report**

As ever this set of Principal Examiner Reports are commended to those preparing candidates, as reports represent an important method of communication between those setting and marking papers and Centres. Although each report is specific to each unit, there are inevitable common themes.

At AS, each of the three units proved to be accessible. For the pre-seen cases, accessibility can be assumed by virtue of the ability to discuss vocabulary and content in classes prior to the examination. For 2872, great care is taken at paper setting to select a context with which candidates might be expected to have some prior familiarity.

One concern expressed by the AS examiners is that of the availability of calculators. Across the three units, there was script evidence that candidates didn't have access to a calculator in the examination. Whilst the question paper rubric does not currently explicitly make any statement about the use of calculators, it is assumed by those setting and marking AS/A-level Business Studies examinations that candidates both have and can use one. Please therefore ensure your Examinations Officer, Invigilators and candidates are aware of this assumption.

Within the A2 reports the common themes include focus on the question, use of the context, subject knowledge and strategic thinking. It is still too prevalent that candidates do not exercise enough care in reading and then answering the question set. Clearly this behaviour can only serve to lower marks. Similarly, the refusal to use the case evidence is still too common and results in the failure to score marks at the upper end of the range, and thus the lowering of overall marks.

Across the four option units, examiners have drawn attention to poor subject knowledge amongst some candidates. The suspicion is that these candidates enter an option unit, replying on their behavioural knowledge from AS. Each of the options had its own body of knowledge which examiners expect candidates to have learnt, and so can be questioned upon. Those candidates who do not bother to learn the content cannot expect to gain respectable marks.

Finally, on each of the option papers, there are questions which require a strategic response. All too often, candidates find it difficult to clearly reason. Rather, a view is given but it is largely unsupported. The marks arise through process, and if the process of decision making is absent, then the examiners cannot award the marks.

## 2871: Businesses, Their Objectives and Environment

### General Comments

Overall it is clear that the paper was accessible to all of those who sat it, but candidates must make use of the 'trigger' word in the question both as a guide to how much to write and how to frame their answer. It is also vital that they answer the question actually set, not the one for which they had been hoping (or had been prepared).

There was no evidence of time pressure on this paper and most candidates wrote an adequate amount on each question. Many candidates however wasted time by writing far more than was necessary on Questions 1 and 4.

The quality of written communication was marginally worse than the last couple of sessions. Spelling is of particular concern. Examiners are getting rather tired of two particular mistakes; 'a lot' being spelt 'alot' and 'paid' spelt 'payed'. It was even more dismaying to see that some candidates could not spell "business". The two marks that are available can often make the difference between one grade and another.

### Comments on Individual Questions

- 1) It was obvious that Figure 1 appeared in the case in order to be used. Virtually all candidates scored at least two marks from making simple statements, e.g. "those prepared to pay a price premium has gone up" or "over time ethics have become more important".

Whilst these were not wrong, for Level 2 of the mark scheme the reference to the change(s) needed to be supported by reference to both dates *and* figures (or alternatively to the scale of the change). This approach has been emphasized at INSET meetings.

The most common error was to incorrectly calculate the percentage increase and to give the absolute change - a rise from 10% to 20% in the number of people prepared to pay a price premium for ethically produced goods is not a 10% increase! This lack of understanding does not bode well for those candidates wishing to continue on to take the subject at A2 level.

- 2) A question on ethics had been expected and so had been prepared for by most centres. Nevertheless it discriminated well.

Weaker candidates simply repeated the case material or wrote vague responses such as 'being ethical could affect ST's sales' without specifying the direction. More able candidates clearly identified (and analysed) the ways in which an ethical approach may help ST: there would be the ability to use 'an ethical approach' as a marketing tool, adverse publicity associated with an unethical stance could be avoided and positive publicity generated, a more ethical approach to business may help and attract management trainees - it may also make it easier to attract and retain 'front line' employees and so lower recruitment and training costs.

Candidates offered some good analysis on this question but it was often one-sided. Stronger candidates realised that 'being ethical' may bring little benefit if competitors did likewise. They also questioned how valid the data in Figure 1 actually was to ST.

Many candidates wrote a conclusion but instead of offering an evaluation they simply repeated in summary form what they had already written. This will not access Level 4 on the mark scheme! The best answers clearly weighed up the costs and benefits to ST of an ethical approach.

3) The question discriminated quite well.

The weakest candidates performed very badly here. Many scored zero because they had no idea what 'diversification' meant – not a few candidly wrote just that; ("I don't know what this means") and missed out the whole question. Others interpreted it as "an ethical approach to business" and so wrote out virtually the same answer that they had just written for Question 2. This lack of understanding of a basic, but important, term is one that some centres need to address.

Another cause of poor marks here was that a large number of candidates approached the question (presumably because they had been coached for it) as if it had read "Evaluate whether ST should diversify" or "What actions should ST take to ensure a successful diversification?"

In the former case, unless there was an explicit mention of ST's objective, this was going to be answered - at best - at a tangent to the question actually asked and candidates were, therefore, unlikely to score well. In the case of the latter whilst it may have been possible to award some credit at Level 1 for material from Section 1 of the specification ('what businesses need') candidates were never going to get beyond three marks because they were simply not answering the question.

Responses like this demonstrate that the age old problem of question spotting by Centres has not gone away.

There were several routes into the question and those candidates who knew what it was related diversification to the spreading of risk, expansion (via capitalising on the brand name and the expanding market) and also, therefore, the possibility of achieving economies of scale – although the actual term did not have to be used and detailed knowledge was not required. Another likely benefit that was picked up on was the benefits to be achieved from the cross-selling of ST's products. Thus, if successful, diversification could help achieve the objective of profit maximisation in these ways.

The majority of candidates were able to explain these but there was often a failure to link the benefits to the business' stated objective. This meant cutting themselves off from the highest level in the mark scheme. This was a pity because, *one* single benefit analysed clearly would have scored the full nine marks. On this type of question, glorified lists are not the best way to answer.

4) Any reasonable answer would have gained both marks here. For example, mention of national/local employment levels, national/local spending levels, national/local output levels, trends in gym membership, (trends in) interest rates, inflation, unemployment etc. would all have been perfectly acceptable.

It was *not* acceptable to answer by saying "he needs to do an economic survey" or "he must survey where the economy is on the economic cycle". Examiners needed to know *what data* Ali would need to use in his surveys.

A number of candidates wrote far too much here because they ignored the trigger word - *state*. A simple statement like "He could look at interest rates and the rate of inflation" would have gained both marks. There was no necessity to launch into a lengthy description of, say, the economic cycle.

- 5) *Given the importance of interest rates in the business environment this question ought to have been answered better.*

*There were several routes into the question. Suppose rates rose:*

- *For ST, either profit margins will fall OR prices could rise to maintain margins or/and some other costs may have to fall. Any new borrowing for the diversification would become more expensive than anticipated and so would lower returns (in the short run at least) from investment using loaned money.*
- For consumers, servicing their loan debts will be more expensive. Could this impact on gym membership; to what extent is going to the gym 'an essential purchase'? Are those who pay to join this sort of sports club 'immune'?
- There was also the effect on the exchange rate. ST does not export, but does import products to sell in its health clubs. Interest rate rises will usually raise the value of the currency and make imports cheaper. Would ST be likely to 'pass on' cost savings? Take higher profits? Order more?

The reverse would apply if rates fell.

The most able candidates considered all of these. Many candidates managed to consider (usually) the first two. As ever, a large number of these stopped short of an evaluation, but it was nevertheless pleasing to see a very large number of candidates scoring nine or ten marks for good analysis.

Evaluation could have been achieved in several ways:

- By weighing up the relative importance of these effects on ST, especially in the light of the proposed diversification.
- By making a decision on how significant the impact would be given ST's customer base - mention was made of "middle and higher income groups" in line 5.
- By arguing that a rate change (either up or down) might have little effect (on ST and/or consumers) if it was expected to only be only short term and/or if the change is small – and vice versa.

The weaker candidates had trouble with this question. A significant number wrote about *exchange* rates with no link to the question at all, and some actually thought it meant "the amount of interest consumers take in ST's products"!

A huge number of candidates understood that a rise in the rate of interest will cause consumer spending to fall (and vice versa) but had only a hazy notion as to why. The most usual 'explanation' was via the effect on saving.

This was not an economics paper but nevertheless candidates should be able to appreciate that millions of people have mortgages (and/or other loans, credit card debts, etc) as well as savings accounts. All too often there was little understanding of the effect of a rate rise on the 'average household' with a couple of thousand pounds in savings and a mortgage of, say, £70,000.

Candidates really should be able to say more than "if interest rates rise people save more, so their spending falls". This type of answer was not 'wrong' but candidates might like to reflect on who these 'people' are and where the income for the extra saving will come from. *Some* may save more (and so provide increased spending power after a time), but for literally millions of people this is unlikely to be possible. The much greater negative effect on spending power because of increased interest repayments on the mortgage (and any other loans) was all too often ignored.

Although the final outcome of these effects is theoretically the same ("spending in the economy will fall") candidates who understood the nature of the relationship between interest rates and consumer demand in detail were able to offer some analysis of the issue and, therefore, scored much better. This issue is one that many Centres need to address.



## 2872: Business Decisions

### General Comments

The text provided was accessible to most candidates who were comfortable in responding to the questions in context. Thus most candidates were able to lift themselves into the Level 2 section of the mark allocation with some ease. However, there are still a considerable number who do not wish to answer the question as it is set and these candidates will restrict themselves to the lowest section of the mark range.

Weaker responses did not even consider the implications of the points that were being made. It is very disappointing to report that although stronger candidates did demonstrate skills of analysis, there was scant evidence of evaluation to be seen. Evaluation can be demonstrated in a variety of ways:

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

Candidates do seem to be getting better at the way that they allocate their time. There was less evidence of candidates spending a long time on the questions with smaller mark allocations. However, there were still some whose response to the final question was clearly rushed.

### Comments on Individual Questions

- 1)
  - (a) While most candidates were able to identify and effectively outline different channels of distribution, poor answers did little more than state two channels of distribution without relating them to the context of Argos. Weaker responses emphasised 'purchasing' methods rather than distribution and delivery. Some answers were repetitive in that candidates identified two different methods of ordering goods; for example, using the Internet or texting, but the distribution in both methods was via collection from the stores. Home delivery was often usefully discussed and the concept of RDCs was well understood in many answers.
  - (b) Weaker responses to this question revealed a fundamental lack of understanding of the different stock control issues for a business involved in manufacturing and one involved in retailing. There were many answers that included inappropriate comments concerning just in time as a method of stock control. For example, a common misconception centred on the notion that the call and collect stores run just in time stock control. Many candidates failed to understand that the issue is not whether stock is held but where it is held and as

such did not really understand the role of the RDC in managing stock for a retail business such Argos.

Other poor responses failed to assess the implications of the different channels of distribution for stock control at Argos and simply discussed what the different stock problems would be in general terms. Candidates must remember to read the question carefully and answer the one that was set.

Simplistic answers focused on manual stock control methods and failed to recognise how ICT may be used to aid stock control. It was surprising how little discussion there was of the role of ICT in managing stock for Argos. Good answers considered that the website and texting allowed customers access into the electronic system to order goods with the result that stock records would be more accurate. There was little consideration, however, that this would facilitate better prediction of stock levels allowing faster replenishment of stock, but some candidates did take into account the costs and benefits of implementing and maintaining ICT based systems.

Good answers considered the need for large storage facilities at the stores in order to carry the levels of stock required to ensure customers get their goods and the costs this involved. There were also some suggestions that this may make it easier for the company to locate stores on retail parks rather than the high street. This was compared with the use of the RDCs for web based orders. Also, some candidates considered that the distribution centres would create economies of scale, e.g. cutting wage costs and other fixed costs.

The implications of failing to control stocks was generally understood and applied in good answers often focusing on poor customer service and lower repeat custom.

- 2) There were a number of answers which did not address the question at all but discussed issues such as pricing strategies or market research methods and ignored promotion activities. Weaker answers also paid little attention to the context of the question. Such responses focused mainly on different types of promotions and went into too much detail, unapplied, on above and below the line methods without giving relevant examples for Argos. Better answers identified factors such as seasonality, segmentation, research and competition as constraints upon the promotion technique.

There was little evidence of candidates picking up on the product portfolio as mentioned in the question and developing their answers within the framework of the Boston Matrix or the product life cycle. Those candidates who did use the Boston Matrix to explain how different promotional products would be targeted were able to give examples of how different products would be positioned and the impact of this on how promotional budgets could be allocated. The product life cycle was rarely discussed but, when it was candidates often did not distinguish between the different products, merely explaining how different promotional tactics can be applied depending on which stage in the product life cycle the individual product was at, arguing, for example, that extension strategies require extra promotional budgeting.

Good responses identified how the use of a catalogue covered a variety of target markets and recognised that promoting the firm 'Argos' rather than individual products was more effective. Argos as a brand itself was discussed

and stronger candidates recognised that although TV advertising was expensive at peak times, it would reach a mass market and could target lots of products rather than just a few.

- 3) (a) Most candidates were able to answer this question effectively. Where candidates did not reach the correct answer those who showed all stages in their calculation were able to benefit from the own figure rule to gain some of the marks.
- (b) The lack of knowledge and understanding of workforce planning and its effect on the human resource strategy of the business was disappointing in many answers. Many candidates were reluctant to consider the idea of a proactive workforce plan on the part of Argos. There was far too much lifting directly from the text provided without any use made of the data to address the question. Some candidates were able to identify the problems of recruiting and employing the extra workforce but then provided very little real application to the business. There was also very little reference to the calculation made in part (a). However some did calculate the number of new employees per store and commented on the impact of that number of new staff in the individual store.

Better answers identified supply and demand factors, the increase in wage costs due to the doubling of the workforce and problems with skill identification, training and motivation for both the permanent and temporary staff. However, weaker candidates focused excessively on motivational issues in their answers with general discussions of theories which were not even linked to Argos. Simplistic answers also failed to show understanding of the nature of temporary contracts and so talked about redundancy costs after the Christmas period.

Good answers weighed up the opportunity costs of having more staff in less busy periods with the cost of recruitment and training temporary staff for Christmas. Evaluative comments recognised that the short term cost of the recruitment may be offset in the long term by the increase in sales over the period. Thus better responses used the case study information to discuss where the workforce planning needed to be emphasised. The allocation of such large numbers was underestimated by many candidates who talked about on the job training and good customer service in terms of the stores, but with no overview for the company in terms of RDCs and warehousing staff. Costs were discussed, wages and uniforms being noted as a significant cost but most candidates realised that this seasonal increase in demand for Argos would reward it with higher revenues.

- 4) This should have been a very accessible question as the concept of stakeholders is so fundamental to the study of business. The specification clearly states that this question paper assumes candidates' knowledge of module 2871. Many candidates did not show an understanding of who or what stakeholders are and gave no indication that they understood the significance of the term. They simply ignored the notion that the question could be answered from the viewpoint of a variety of different stakeholders. Poor responses also confused stakeholders with shareholders and assumed that they were the same thing. In addition, many candidates failed to use the information to which they were directed in the question.

There was some general discussion about the accounts but with little or no

reference to the question. Hence, a large number of candidates restricted themselves to the lower end of the mark range. There was also much evidence of a listing approach in the work of those candidates who did identify different stakeholders.

Good responses weighed up the extent to which the accounts were useful for the different stakeholders. Some candidates recognised that the accounts were, in fact, limited in their use for a variety of reasons, such as them being based on historical figures, or that they did not provide enough past years data to identify longer term trends or that they did not allow for comparisons with other firms or that there were qualitative issues that could not be reflected in the accounts.

**QWC**

While there was less evidence of the use of bullet point lists in this session the papers written by a significant number of candidates were poor in terms of the quality of written communication. While examiners do take into account the impact of the time constraints of this paper there are still a significant number of candidates who are not using paragraphs. Such answers often lack structure and are rambling in their approach to the question. Candidates do, therefore, need to be reminded that the use of paragraphs will help them to present their work clearly and concisely. Common spelling errors still include 'payed' for paid, 'loose' for 'lose' and, as has been noted before, 'business' spelt in an alarming variety of ways.

## 2873: Business Behaviour

### General Comments

The paper was straightforward and this was reflected in the reduced number of very weak scripts. The questions were accessible to all ability groups and, given the pre-issued nature of the paper, were well signposted in the text. The written responses did show a reasonable knowledge of marketing, management theory and cash flow techniques, although as usual there was a lack of sufficient context in many answers.

There were few examples of Level 4 answers in Questions 2, 3 & 4. This was often based around an inability to identify relevant and appropriate context on which to base analysis and ultimately evaluation. There was a disappointing lack of familiarity with the context, in particular for Question 1(b).

There was no evidence of candidates suffering from undue time pressure. Although many did not attempt Question 4, this was more because of a lack of knowledge rather than a lack of time. The quality of language seems to be continuing on its slippery downwards slope.

### Comments on Individual Questions

1) (a) (i) A surprisingly high number of candidates found this question difficult with between a third and a half of them failing to achieve any marks. As ever, too few candidates seem able to work out the most simple of percentages. This is all the more surprising given the pre-issued nature of the case. The commonest mathematical mistake was dividing by the new target market size rather than the original target market. Equally worrying was the evidence that many candidates had not taken a calculator into the examination room

(ii) This part of the calculation, although on the surface appearing to be harder than the first part, was actually answered better, with about half of the candidates gaining three out of the four marks. However, only a handful of candidates managed to get full marks as most were unable to convert the change in percentage share into a percentage change, as requested in the question.

(b) This was surprisingly badly answered, with many candidates not correctly understanding the concept of market share. Too many candidates focused on the issue of diversification without explaining how this would result in an increase in market share. Too few recognised that there were different markets involved and often the answer given was little more than, 'by selling lofts and studios the company will sell more and market share will increase'. A majority of candidates were actually answering a question about "How SKI could increase sales", rather than focussing on market share.

There were some unjustifiably long answers to this question given the number of marks involved. There were a lot of fairly general answers (everything the candidate knew about the marketing mix), where candidates spent too much time describing the advantages and disadvantages of various promotional techniques without reference to the context.

The better answers made use of the detailed research in the case study, but often failed to fully comprehend the implications of this data – 11% of customers chose SKI because of advertising was mostly seen as an opportunity to increase spending on advertising rather than an indication that the target market is not heavily influenced by media advertising. However, better candidates did recognise that, given the nature of the product, trying to compete on price was unlikely to be hugely successful.

- 2) This question was mostly anticipated and often attracted the longest answers. Most candidates showed good knowledge and understanding of leadership styles but many were seduced by the temptation to write detailed answers on motivational theories.

Weaker candidates turned this into a question on motivation, making it very difficult for the Examiners to reward the answer higher than Level 2. This approach often led to vague, impressionistic answers. Candidates also spent too long describing the current situation and/or lifted huge chunks of text from the case study.

Good candidates talked how meeting with employees to discuss problems can have a positive impact on the business, with specific examples from the context. Some talked about the effects of employing a specialised manager on Graham and the business. The better answers, of which there were a pleasingly high number, achieved Level 3 by considering that Graham's leadership style was likely to lead to increased labour turnover which might have serious implications at the time when SKI was planning to diversify. A few candidates scored highly by linking the fact that the fitters were skilled workers to more democratic leadership styles.

Evaluation was seen in a few scripts, usually where candidates questioned the likelihood of Graham changing his leadership style given the evidence presented in the case study, in particular as he frequently refers to SKI as 'his' company when in fact it is not and appearing to think he knows best when he has no direct experience of actually fitting the kitchens.

- 3) This was undoubtedly the best answered question on the paper, although there was some confusion between cash and profit. Many candidates recognised the most significant factors of the customer payment system and the purchase of the van. It discriminated well in that the better candidates made use of the cash flow information from the case and the weaker ones discussed the points in more general terms.

A number of candidates discussed the use of a secured loan to clear the overdraft, but very few suggested it could be used to finance the expansion of the business.

Some candidates thought that SKI could lease the van to other companies and thus raise revenue in this way. An odd and not particularly realistic suggestion, which caused some candidates to get into somewhat of a muddle. Another erroneous approach taken by a minority of candidates, was to assess the cash flow forecast itself on the basis of many items being missed off which should have been included for the diversification.

- 4) This question was poorly answered, with few candidates able to progress beyond Level 2. Many candidates appeared to know nothing about economies of scale despite the question being flagged up in the case study as operational efficiency - the phrasing used in the specification. This was usually a Centre specific issue and consequently these candidates struggled to achieve any marks at all on this question. A significant number of candidates made no attempt at all to answer the question.

Good answers involved describing various economies of scale which can be gained with specific reference to the case study. For example, economies can be gained through bulk-buying because wood would be needed as a resource to make lofts, studies and kitchens.

It was pleasing to see a good number of better answers which discussed the likelihood of this happening - given that SKI produced bespoke kitchens and so economies of scale were unlikely to be significant. This generally led to nine or ten marks out of ten being awarded.

### **Summary**

- The main need is for candidates to make specific use of the context. This was often lacking, even by candidates who seemed to have a good grasp of the subject.
- Most candidates seemed to have sufficient time to complete the paper; omissions were usually as a result of a lack of knowledge and understanding rather than time constraints.
- A number of candidates did not have a calculator and left notes to that effect for the Examiner!
- Candidates in general spent too long on Question 1(b) and to a lesser extent Question 2.
- Question 3 was answered very well, whereas Question 4 was omitted by many candidates.
- Graham was variously described as 'arocratic', 'aristocratic' and 'autographic', when he should have been clearly 'demographic'!

## 2874: Further Marketing

### General Comments

This unit remains a very popular option choice. The examining team felt that the paper this session was accessible with the questions set well within the scope of the specification. Many issues from previous papers still remain, with a great tendency to provide straightforward discussions of theory with little or no attempt to fully apply, analyse or evaluate at the level required for A2. Candidates must be fully encouraged to read and make use of the case material. Many are choosing to look at the question and then go searching for the answer in the case. Better candidates are able to consider the issues in the case (type of firm, competition, size of the market, stakeholders, etc.) when they first read the text and are then able to bring in these factors when dealing with the specific questions set.

The examination is meant to test aspects of marketing knowledge. Unfortunately, there was some evidence to suggest that many candidates are still not prepared for all aspects of the specification. This paper had questions on both The Boston Matrix and Ansoff's Matrix. There were several candidates who were unable to demonstrate thorough understanding of both. This limited the marks that were available to them.

Candidates are also reminded of the need to carefully read the question set. A slight misread of the question can lead to problems in giving the required answer. This was particularly true with Question 1(c), where careful consideration of the words used made reference to both 'UK and overseas' as well as the 'factors' rather than the methods of distribution. The actual question set is no more of a challenge but it is important to be aware of what is actually required!

The final 'strategic' question also proved to be a problem for many candidates with a general unwillingness to provide any sort of strategic approach.

Time was not an issue and the quality of written communication was pretty good. The lack of a time problem further highlights the advice to use more of the available time really reading the case material and the specific wording in the questions.

### Comments on Individual Questions

- 1 (a) Marketing objectives tended to be understood by most candidates and there were some reasonable attempts to apply them to BTL. Most candidates failed to reach the highest level due to their inability to analyse as required. A number just presented very general objectives with little or no further discussion.
- (b) All Further Marketing papers will have a numerate based question and this aspect of the subject often causes great problems for many candidates. On this occasion, the attempts were better than normal. The data was unambiguous and most candidates were able to achieve some credit. It remains depressing to observe some candidates who still struggle with calculating percentage change. Others also failed to gain the mark for recognising the fall in price.



- (c) There were several approaches used in the answering of this question with a large number opting for the 'all I know about place' or even a '4P's' type of answer. This question needed careful reading and those candidates who had taken the time to determine exactly what was required tended to score highly. The focus ought to have been on consideration of both the UK **and** overseas and on the **factors**. Many chose to consider the problems of overseas marketing and/or wrote at length about the actual strategy. There was much consideration of channels of distribution and the physical distribution of goods. Whilst this has a place in the answer, it is not the basis for the whole answer. There were a worrying number of candidates who had little idea of what distribution was. Many chose to ignore the context and missed out on particular problems in distributing the type of product(s) covered in the case.
- 2 (a) This question tended to be well answered by those who had covered Boston Matrix in their learning and very poorly by those who had not. There was the inevitable confusion between Boston and Ansoff's but most did get them the right way round! This was an opportunity to draw and label the diagram and many did this effectively. Candidates who were able to apply the labels in terms of the products in the text easily reached Level 2. A further development of this tended to push them higher. As expected, there were a number of amusing interpretations of the labels in the matrix with a whole variety of 'dogs'—'sleeping'; 'dead'; 'walking'; and 'cash' being among those 'species' used.
- (b) The Ansoff's Matrix question was less well done with more candidates having less knowledge of the topic area. When the knowledge was there it tended to be better developed than the Boston Matrix question. Candidates tended to try to fit the 'options' into the four quadrants of the matrix with very little commentary on them. There was very little attempt by many candidates to actually do anything with the matrix and the concepts of risk and possible reward were rarely considered. The actual question asked candidates to assess how the theory might help the decision making and this aspect was often ignored. There was a strong focus on diversification and this was quite well rewarded.
- (c) The inclusion of a broader 'strategy' based question has been a feature of marketing papers at A2 for some time. Most candidates understand issues and factors related to market research. Unfortunately, there was an over reliance on the knowledge base of market research with very little evidence that strategic thinking formed a part of the response. Better answers tended to consider the requirements of BTL with clear focus on the information that would be needed. The strategic approach linked the proposals to this information requirement and developed a plan of action. Using the context made this question quite straight forward but many candidates chose to ignore this. Secondary research was hardly mentioned and many candidates could have enhanced their mark by using this as a starting point. Some candidates were expecting a question on sampling and/or sampling error. They often wrote in a theoretical way with little reference to the case.

## 2875: Further Accounting and Finance

### General Comments

The paper proved accessible to the vast majority of candidates. Furthermore it discriminated very effectively between candidates producing a very wide range of marks. There was some evidence that more candidates had been better prepared for this paper than in past sessions. However, for the weaker candidates financial issues represent a real challenge. There was no evidence of time related problems. Candidates need to be reminded of the following:

- Reference to the case scenario is essential if contextual and analytical marks are to be awarded. The data provided in the case must be referred to if high marks are going to be awarded.
- Numerical questions require answers that are clearly and systematically presented.
- Often calculations form the basis for some kind of assessment and judgement. For too many candidates they seem to be an answer in themselves. More emphasis needs to be placed upon the interpretation of a calculation such as a ratio. Greater sophistication in interpretation would also be beneficial. It is simply not good enough to calculate, for example, a return on capital and then to say this is low without reference to any criteria.
- A clear focus on the specific question asked is essential if high marks are to be gained. Thus a question that asks for advice to be offered demands that the answer produces a recommendation that rests solidly upon analysis of the information provided. Evaluative judgement requires justification if it is to be of value.

### Comments on Individual Questions

- 1)
  - (a) The better prepared candidates were able to successfully calculate that the annual depreciation per vehicle was £3,000 and thus for the fleet of 10 vehicles was £30,000. However, a surprising number of candidates failed to generate the correct answer. The most common errors were a failure to take into account the residual value and confusion between the fleet of vehicles and a single vehicle. Thus a number of candidates calculated that the total investment in vehicles was £200,000 and incorrectly stated that the residual value was £5,000. A few somewhat mystifyingly thought that the discount factor in Table 5 should be used to calculate the depreciation.
  - (b)(i) This question discriminated very effectively between candidates. Most recognised that the share price had fallen over the course of the year and, hence, this was clearly bad news for a shareholder. Better candidates calculated the loss on paper associated with this fall. The stronger candidates noted that both the earnings and dividend per share had also fallen and calculated the dividend income. Many candidates failed to make correct reference to the significance of the movement in the FTSE. Indeed there was much confusion regarding what this meant. Some thought that this was a price in pence of shares in another company.

- (b)(ii) This question generated a great diversity of answers. Almost all candidates were aware of the concept of stakeholders although some answers focused almost entirely on one - often the shareholders or the management. The majority of candidates recognised that some analysis of the financial data was required and consequently calculated many ratios, sometimes of dubious relevance. Only the better candidates recognised that evaluation of success required identification of appropriate indicators and what was required was a consideration of performance against such yardsticks. For example the management of the business had set itself targets regarding the rate of return on capital and turnover growth. Better candidates assessed how the company had performed against such criteria and, hence, were able to make some evaluative judgement regarding success from the viewpoint of the management. Too many candidates calculated a range of liquidity ratios with little real purpose in mind. Surprisingly few candidates considered the success of the business from the perspective of stakeholders such as the employees or suppliers.
  - (c) The calculation of net present value proved challenging for many candidates. Many simply did not attempt the calculation. The most common error of those who did was to confuse cash inflow with net cash flow. Better candidates used the data to help generate an argument that formed the basis of their advice in favour of the Wolverhampton location. Some looked at the data and saw that Wolverhampton had a shorter pay back and entailed a lower capital outlay and yet still argued that Newcastle was the better choice because the annual net cash flow was greater. The significance of net present value is unclear to many candidates. This question was another excellent discriminator.
- 2)
  - (a) Generally well answered by the majority of candidates. Most answers showed knowledge of the term 'net realisable value' and many made reference to accounting concepts such as prudence. Better candidates made good contextual reference to the nature of a fashion retailer and the problems of stock valuation.
  - (b) Many answers here were of a purely generic nature. They demonstrated good knowledge and understanding of the concept of reporting systems. However, there was often little or no attempt made to link this to the context of the case. Better candidates undertook variance analysis of the data contained in Table 3. They also calculated stock turnover rates and, hence, were able to substantiate their view that the business had serious problems shifting its stock. Thus a monitoring system might well help in dealing with cash flow problems and the misuse of funds associated with present policies. Too many answers were of a descriptive kind and lacked analysis and properly based evaluation. This limited them to a Level 2 level of response mark. Without doubt this lack of examination technique continues to cost many candidates dearly.

## **2876: Further People in Organisations**

### **General Comments**

The case study and questions for the January 2005 sitting of this unit were of a comparable standard and level of demand to those used in previous sittings. To paraphrase a well-known football cliché the examination paper was a paper of two halves – i.e. question 1 was answered much better than question 2. This was not a function of the questions, but rather a reflection on the differing degrees of specification knowledge demonstrated by candidates. There is an expectation that candidates should be able to perform at A2 level, and be able to demonstrate specific knowledge and understanding of specialist theories and concepts in their chosen specialist module, certainly beyond concepts studied at AS level.

Whilst many candidates were clearly able to achieve these requirements in Question 1 there were clear indications that this was not the case with Question 2.

Question 1 revealed sound knowledge and understanding of payment methods/methods of remuneration within the context of the organisation in the case study. The new owner of the business had chosen to allow the workforce in two different departments to vote for their own determination of pay levels in their respective departments, subject to overall budgetary constraints. Candidates, in the main, were able to discuss the advantages and disadvantages of such a policy, and often used case study evidence to support their views.

Furthermore, candidates seemed well versed in theories and concepts relating to management and leadership styles. This was often used to some effect when considering the potential impact of the management style of the new owner of the business in the case study, the changes he had introduced, and the contrast with the management style of the former owner of the business.

Question 2, however, revealed serious gaps in the knowledge and understanding of appropriate concepts required to answer all three parts of this question. Firstly, it is not unreasonable to expect that candidates, of what is essentially Human Resource Management, should be able to demonstrate a reasonable grasp of methods and techniques relating to recruitment. This, however, proved not to be the case, and as a result far too many candidates were unable to make a meaningful attempt at a question which required them to apply theories and concepts of recruitment methods to an organisation which needed to recruit specialist craftspeople from “all over Europe“.

The second part of this question required candidates to have some knowledge and understanding of apprenticeships as a means of acquiring and developing potential skilled workers. Inherent in the question was also a need to be able to articulate ideas as part of a cohesive strategy to improve an apprenticeship scheme that was not generating the expected benefits. Too many candidates did not seem to understand what was meant by the word strategy, and seemed to have no idea about the need for a strategy to cohesively draw together the various elements offered. There was little appreciation of the need to prioritise elements of any suggested strategy, nor was there much evidence of the need to consider a relevant time-scale.

Finally, the third part of this question required candidates to be able to demonstrate some knowledge and understanding of theories and concepts relating to empowerment and motivation in particular. Once again it would be expected that this should be “meat and drink“ to a candidate of a specialised Human Resource Management unit. Despite

the fact that the stem of the question clearly indicated that the response required should be from a Human Resource point of view countless numbers of candidates totally ignored this, and proceeded to write answers which were almost exclusively from a Marketing point of view, or exclusively from an Operations Management slant, or a combination of both. The examining team reported that they have seldom marked a question on this unit, since January 2002, and given so many zero marks to answers. This was despite candidates clearly being instructed to formulate answers from a human resource point of view.

As a result it was often the case that candidates were able to accumulate sound marks for question 1, but then proceeded to only acquire single figure marks for the whole of question 2. The moral to this tale is that candidates must ensure that they have a sound knowledge base across the whole of the specification for this unit, and must read the questions on the examination paper carefully to ensure that they are actually answering the question(s) set.

### **Comments on Individual Questions**

- 1 (a) As mentioned in previous Principal Examiner reports for this unit the candidates should be aware of the requirement to be able to demonstrate numerical skills of an appropriate order in relation to various fundamental Human Resource Management issues. Candidates may well underestimate the importance of this, and as a result fail to acquire marks which could amount to the loss of one whole grade. Reference has been made to poor levels of performance on this aspect of the examination paper in almost every previous Principal Examiner report. Thankfully the message seems to have got across. It was pleasing to see that many more candidates were able to select appropriate data and then carry out accurate calculations to arrive at the right answer. Hopefully this is a trend that will be repeated in future examinations. However, it must be reiterated that in order to prepare themselves for this obligatory aspect of the examination paper candidates must focus on developing their numerical skills. The best way to do this is to access past examination case studies and questions for this unit and do them !

- (b) Better candidates made full use of the text and tables in the case study. This enabled them to draw upon relevant evidence to fully consider the advantages and disadvantages of Toni's policy to let the workforce in the two respective departments decide upon their wages (albeit within a pre-determined budget) and then articulate an evaluation of the policy. Weaker candidates, however, often offered opinions, supported or unsupported by case study material, which could have applied to any business anywhere. All too often weaker candidates chose to ignore data given in the various tables, which after some appropriate number-crunching could have given them an analytical base for any contextual argument they wanted to offer for and/or against Toni's policy. A common failing, even amongst relatively sound candidates, was the inability to evaluate following sound analysis. Bearing in mind that the question had a Level 4 band of seven marks this will have cost some candidates dearly.
- 1) (c) The key word in this question was **impact**. Candidates who had not read the question carefully compared and contrasted Toni's style (the new owner) with that of Pietro (the previous owner) and quite rightly identified Toni as democratic and Pietro as autocratic, they then went on to consider how this related to theories and concepts they had obviously studied, but at no point did they consider any form of impact in contextual terms. This sort of approach, unfortunately for this type of candidate, condemned them to Level 2. Better candidates moved on beyond this theoretical consideration, drew upon the text and/or tables in the case study, to argue both for and against Toni's style, and the best candidates then provided some form of evaluation concerning the likely impact. The most common failing with answers to this question came from candidates who only offered a one-sided view (usually all positive) and, therefore, did not offer a balanced overview.

- 2) (a) (i) This should have been a relatively straightforward question in which candidates could demonstrate their knowledge and understanding of various recruitment methods/techniques and procedures within the context of a business requiring skilled craftspeople, who they normally recruit from all over Europe. As mentioned in the general comments section of this report, far too many candidates either did not have the necessary knowledge and/or could not apply that knowledge within the required context of the business in the case study. Weaker candidates did not focus on any methods or a European dimension, and generally demonstrated an inability to write anything which could be seen as remotely relevant. A disturbing number of candidates fitted this category. Average answers demonstrated some basic knowledge of recruitment methods, but with no real understanding of the specific type of worker required, or the potentially inhibiting factor of “overseas recruitment“. Better candidates brought up issues such as linguistic difficulties, the logistics of interviewing someone from a long way away, and the specific mediums which might be required to make people with the necessary skills aware of the vacancies. This type of answer was definitely in the minority.
- (a) (ii) As mentioned in the general comments section of this report this question specifically asked candidates for a **strategy**. In a great many answers the main thing that was lacking was any real understanding of what is a strategy. In most cases weaker candidates were only able to focus on what might be seen as one element, marginally better candidates could only offer vague contributions as to what might form the elements of a strategy. Better candidates identified that one particular consideration might be the fact that any change would need to be managed appropriately, that consultation with the skilled craftspeople and actual/potential apprentices might be important, and that appointing someone to oversee the scheme (either from an internal or external source) might be the way forward. There is obviously not a right answer to a question like this, but one would expect that candidates should know what apprentices are, and should be aware that any strategy should be contextually justifiable, and cohesive in terms of constituent elements.
- (b) A great many candidates chose to ignore the fact that in the stem of the question was the requirement to answer in context and from a **Human Resource point of view**. Candidates who had read the question carefully, and had a sound grasp of the case study scenario, went to town on the question. Better candidates were able to identify, and argue that this was another example of Toni’s desire to empower the workforce at Intermezzo Instruments. Using this as a starting point they then focused (quite correctly) on the fact that this would be likely to enhance the motivation of the representatives, and why that would happen, often linking their reasons to aspects of Maslow (self actualisation) or Herzberg (job enrichment). Weak candidates ignored the Human Resource aspect altogether, focusing erroneously on Marketing, Operations Management or financial reasons. The examining team can only mark what is there to mark. We all wondered why such a straightforward question should have generated such a vast quantity of zero marks, or a plethora of candidates unable to go beyond Level 1 (two marks at best).

## 2877: Further Operations Management

### General Comments

It is pleasing to report that candidates were generally well prepared for the topics that were set in the January 2005 paper, although it was evident that some Centres were not anticipating a question on Gantt charts and a number of candidates would have preferred to write about critical path analysis!

The case study in this examination was a family run ice cream manufacturing business, which had expanded steadily over the last 15 years. It was encouraging to note that the majority of candidates framed their responses in the context of the case study. This continues to build on the improvement seen in examinations sat over recent years, and candidates' marks have improved accordingly. This is particularly evident at the lower end of the mark scale and as a result few candidates now score less than 20 marks on the paper. Nonetheless, a small number of weaker candidates' answers still could have referred to any business and, for example in questions 2(b) and 2(c) it was not uncommon just to see the name of the business referred to rather than some of the specific aspects or activities relating to Greenfield Farm, preferably drawn from the text.

It was very encouraging to see candidates appropriately managing their time. although there was still some evidence of excessively long responses to low mark questions 2(a) and 2(b). Candidates continue to disadvantage themselves with answers that are overly long and must spend proportionately more time on those questions - on this paper 1(b) and 1(c) - which carry the highest mark tariffs.

The quality of communication was usually very good with many candidates gaining the full two marks, although a small number continue to write their responses as one long paragraph or use bullet points, so failing to demonstrate that they can structure and present their ideas clearly.

#### **Teacher's Tip Reminder:**

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

### Comments on Individual Questions

- 1 (a) The calculation question was generally well done with many candidates calculating the correct answer of £6,000. However, some candidates made the error of only including the direct costs of ingredients and labour forgetting that this was a "*special product*" and, therefore, all costs directly related to this product must be included to calculate the contribution. A few candidates calculated the contribution of one Christmas Pudding forgetting to calculate the **total** contribution.



- (b) This was the most disappointingly done question on the paper. Too many candidates seemed to set their own question, writing about the possible expansion of the business or investment in the machine to produce ice lollies, rather than focussing on what was set, i.e. the problems that face a small firm 'producing a wide range of products on a small scale'. Better candidates discussed issues such as the benefits of flexibility, the appropriateness of the current set-up of the business given its small very specific target market and then balanced these benefits with a discussion of the problems such as downtime as batches are changed, stock control issues, high costs of materials, etc.

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

- (c) This question was generally well done, with many candidates picking up evidence from the case study of the variety of suppliers used by Greenfield Farm Foods (GFF). Candidates discussed the distances for delivery of the materials (therefore the long lead times), potential transport problems, exchange rates, the implications for stock control (such as should GFF hold a buffer stock) and possible problems with quality. Beneficial aspects written about included the opportunity for GFF to look for the best quality ingredients or the most competitive prices. Many candidates suggested that GFF should look for a sole supplier of all materials, preferably in the UK, without thinking whether this would be feasible or even possible given the wide range of materials used from strawberries to chocolate buttons to ice creams tubs! Many candidates scored marks in the higher levels on this question.

**Teacher's Tip:** To gain the highest marks within the levels it is advisable to discuss more than one issue or to balance a benefit with a drawback. Otherwise an answer can appear one-sided, and is only likely to score marks at the lower end of the level.

- 2 (a) This is the first time a question has been set on types of costs as opposed to costing methods. Disappointingly very few candidates wrote about the types of cost (e.g. direct, overheads, marginal, average, etc.) that might change as a result of the planned diversification by GFF often limiting themselves to specific assets (e.g. 'the cost of purchasing the machine') or activities (e.g. 'having to train the workers so this would add to costs'). Analysing the impact on GFF's operating costs proved very problematic – good candidates wrote about the short-term impact on overheads against the longer term implications for direct costs or (more frequently) the opportunity cost in terms of say the need to invest in a new cold store.
- (b) Given this topic was included in the specification recent modifications and this was the first time a question had been set on this topic many candidates managed to score some marks, principally by using the data provided in Fig. 1. However, again it was the better candidates who **analysed** the benefits to GFF, such as using the Gantt chart to allocate resources so as to minimise costs, or for planning production and delivery schedules which would be of benefit to its customers.

- (c) Questions similar to this have been set on previous papers and it is pleasing to report that most candidates were able to think about laws in the context of the business. The vast majority of candidates wrote about laws that not only would relate to any business's operations (e.g. Health and Safety), but also those that specifically related to a food producer (e.g. the Food Safety Act). Many candidates also gained Level 3 marks by discussing the implications to GFF of non-compliance with these laws. Occasionally candidate's answers strayed into other functional areas, e.g. Trade Description Act which is not really appropriate given this is a paper about business operations.

## 2878: Business Project

### General Comments

There are two aspects of the successful moderation of this module, both important in their own way. Ensuring that the administration is smooth and efficient is the first of these. In the majority of centres this presents Moderators with no problems but there are occasions when a disproportionate amount of time has to be devoted to getting things right before moderation can begin. The moderating team would appreciate your attention to the following:

- Please ensure that the marks on the carbon copy sent to moderators are clear and accurate. Several have been unclear and in one case the carbon had no marks at all.
- Please check that the mark awarded is correctly added and transferred to the mark sheet. Only centres can alter marks and where this becomes necessary valuable time is lost.
- Please include one completed centre authentication sheet with the work sent to moderators
- Where no work is submitted please show the candidate as absent (A) on the mark sheet and do not enter a mark of "0"
- Where the centre is sufficiently large to require a sample rather than all of the projects please send the mark sheet to the moderator as quickly as possible. When responding please send the work of the candidates listed and not substitutes at the same mark.
- Where more than one teacher has marked the work please ensure that the marker's initials are against each candidate's name in the column provided on the mark sheet. Please also ensure that the marking of all teachers involved has been internally moderated before it entered on the mark sheet.
- Please do not write any comments or marks on the work itself but Moderators find comments written on the front sheet very helpful.

Thank you for your attention to these matters. It will be a massive help in the whole process.

### The Nature of the Work

How ever well teachers mark and moderators check, candidates cannot get good marks unless it is warranted by the work itself. Often candidates under-perform because they do not know, do not understand or do not follow the requirements of the nine criteria. Often, the main weaknesses lie in an inappropriate title or insufficient attention to showing that a problem exists and that it must be solved in the context in which it has been found (Criterion 1). This criterion deserves great care and attention to detail. It should be clear that there is a problem to be solved and finding appropriate solutions to discuss is very difficult if there is no real understanding of what the problem is. It is not reasonable to assume the problem is there and then to try and solve irrespective of its nature and context.

<p><b>Teaching Tip:</b> Ensure that candidates begin their investigation in plenty of time and examine fully whether the problem which interests them is there, what it is, why it is a problem and why it would be best to find a solution.</p>
--

Another common weakness is that the report, when finished, lacks polish and structure. Computer spell checks and/or grammar checks are not enough. The work has to look like a report, to use business language correctly and in the right context. It has to show attention to all the presentational aspects of a good report and to use the English language and its structures well.

**Teaching Tip:** To find the mistakes and poor features of your own work is not easy. Encourage candidates to check for poor use of subject language and to have the work proof read to pick up the linguistic weaknesses. A high mark on criteria 8 and 9 requires conscientious attention to these details.

### **The Marking Process**

It is appreciated that marking work from your own candidates is not an easy task. The golden rule is that marks must be given for what is there on the paper and for nothing else. It is difficult to ignore what is known about a candidate's overall efforts and about the thinking and research which may have gone into the work but it can only be rewarded if it is in the report to be assessed. The rest of this report is focused on each of the nine criteria with comments on the things the moderating team have found.

#### **Criterion 1:**

Usually this was well assessed and changes were rarely necessary except where the candidate had not explained why the problem needed solution. In general it is problems about labour turnover, absenteeism, lateness, motivation and communication where there is insufficient attempt to prove the problem exists or to explain its context.

**Teaching Tip:** Very often candidates who do not take the time and care to meet the requirements of this criterion find that there is no real problem when they are well into the investigation. Then they have little to write about and produce a poor result.

#### **Criterion 2:**

Objectives are virtually always stated by candidates, although some of them either state the objectives of the business or confuse objectives with methods. But this is only the starting point. To reach Level 2, the objectives must be realistic and measurable. To reach Level 3, they must have been used in framing the report and for Level 4, the candidate must show some critical awareness of the extent to which the intended outcomes have been achieved.

**Teaching Tip:** Objectives are statements of intended outcomes and for this reason they must be realistic and measurable. With many projects it helps to achieve this if the intended outcome has a target, e.g. Can absenteeism be reduced by 10%.

#### **Criterion 3:**

Many projects contain long theoretical explanations in pursuit of this criterion. The approach taken does have to be justified. This is better achieved by good questions with measurable response frames and by a sample taken sensibly of a sufficient number of respondents. It does not require long chapters on questionnaire design but it does require the questions to be ones which need to be asked. It does not require the superficial use of techniques like ratios and SWOT. It does require a foundation for the approach which is often best found in appropriate secondary research.

**Teaching Tip:** Secondary research often tells the candidate what questions need to be asked. It often provides national evidence against which local primary evidence can be tested. It provides a basis for comparison which allows reasons to be found and good expression of higher skills to be awarded.

**Criterion 4:**

Evidence can often be collected and displayed without being understood. Questions that are asked often provide answers which are not useful. In Criterion 4 we look primarily for the quality of the evidence and the candidate's awareness of how it can be effectively used to define, analyse or solve the problem. The clue to that understanding is often seen in the ways which are selected to display the evidence.

**Teaching Tip:** Candidates often display information in ways which are not suitable either to the information itself or to the intended use. They are often most interested in displaying computer skills which are not rewardable. The value of visualisation is that it makes aspects of the information which are usable, clearer to the analyst.

**Criterion 5:**

This is an A2 module and there are no marks for the mere presentation of knowledge. It is true that such knowledge may be necessary to the Project and that candidate may well show excellent understanding of it, but these things alone are not rewardable. Knowledge gains reward only when it is appropriately *used* within the report at any stage. It may be used to define the problem, to show why it needs solution or to decide what alternative solutions are worth discussing. It may be used in seeking or presenting information and will always be used in analysing and making judgements. Moderators often see a tendency to over-reward candidates because they have shown knowledge. There are often instances where quite good candidates are under-rewarded because they do not "write up" the knowledge they use. We have to remember that good understanding is always shown when we use a technique, a concept or a theory correctly in the context of the problem and its solution.

**Teaching Tip:** Persuade candidates not to write specific chapters or sections on theory or concepts or techniques. It is much better if the knowledge they use is inserted into the report at the point of use and is limited to that use. For Level 4 the candidate needs to show awareness of the strengths and limitations of the idea used in the context of its use.

**Criterion 6:**

Analysis is easy to recognise because it is any approach which takes collected or known data and turns it into evidence with which the objectives of the report can be pursued. Sometimes candidates are under-rewarded because they have not chosen the bit of information the marker thinks appropriate. Sometimes mere presentation or description of data is over-rewarded merely because the presentation has been well done.

There are projects in which numerate information is vital, others in which it distinguishes the better work and yet others in which it is not at all necessary to the problem. It is necessary to be certain that correct use of number is not over-assessed. It is also necessary to ensure that all those projects in which some discussion of costs, revenues and benefits is necessary, are not over-assessed when they contain no measurable reference to costs and revenues.

**Teaching Tip:** Candidates should be encouraged to acknowledge that all business activity has costs and some has either benefits or revenues. A business test of whether the solution of a problem is acceptable is whether benefits and revenues exceed costs. Some attempt to test realism in this way should be a part of most projects and vague references to costs like "it will cost a lot" or "the business will need to increase its revenue" should be avoided.

**Criterion 7:**

The crux of this criterion is not that solutions are found, but that any recommendations made are logically argued and supported. Often this is under rewarded. On the other hand, markers often over-reward suggestions which are incomplete. A common example is when a list of recommendations is given and each is made and argued but some are inconsistent with the others.

Many projects set out to find a strategy e.g. "How can .....increase its net revenue"? This requires the presentation and justification of a strategy and not just a list of ideas that might be tried. Some projects are essentially about costs and benefits e.g. an investment appraisal. Others are looking for a plan of action. These do not need to be fully costed but the evaluation should at least include a realisation that the organisation would need to do further research before following the recommendation. It should also, clearly and correctly influence the decision made.

**Teaching Tip:** Evaluation may be shown anywhere in a Project but is most likely when presenting and justifying solutions. To be evaluation it must contain sufficient logical argument to justify or reject a solution and must have a clear effect on the chosen action. Evaluative statements which come after the work is concluded and reflect on the work may be of value to the candidate but are not rewardable if they have not influenced the decision. For example, a candidate agrees a given solution but then admits in post project evaluation that the sampling was not good enough and the evidence is not really sufficient to support the action recommended.

**Criterion 8/9:**

Too many markers are easily satisfied on these criteria and award 5/5 whilst others do not use the whole mark range being satisfied to give most candidates 3 marks on each. The requirement of this module is that a report is written and that everything is done to improve its readability. Presentational skills are looked for here and this begins with a title which reflects what the candidate has set out to achieve. No particular report style is required but that it has set out to be a report should be obvious.

There is time and opportunity to get the language and linguistic structure of the report correct and therefore the standard required is high. This is particularly important when misuse of business language is evident. Some examples which occur far too often:

Company:

Regularly and incorrectly applied to any business. Far too many candidates in this exam referred to the organisation as a company and even suggested that the business could get more shareholders when it was clearly a sole ownership or a partnership.

Price:

Confused with and frequently interchanged with the word cost.

Productivity:

Confused with production as if it meant the same as total output.

Market Share:

Confused with total sales.

Percentages:

Many did not know how to calculate a percentage. More frequent was the inability to work out percentage change correctly. Commonly it was calculated as the difference between the two e.g. a 10% reduction from 80% was calculated to produce 70% or a fall from 60% to 45% was calculated as a 15% fall.

Place:

The most popular project was one on increasing total sales. The approach to a strategy was often based on the four "p" model and about 20% of those who used this approach thought the fourth "p" meant place which in turn meant location. This might be avoided if the fourth "p" was referred to as "placement".

### **Final Comments**

The standard of the best projects continues to improve but the poorest are often well below A level standard and are correctly marked as such. Virtually all are written by candidates clearly capable of a much better effort. They look like efforts which have been ill-considered and hastily written or, alternatively are nothing more than descriptive. A descriptive report can gain a few marks on criteria 1-3 and on 8-9 which between them account for 25 out of the 90 marks. They will score little or no marks on criteria 4-7 which account 55 out of the 90 marks. Better titles and more time and care in the production could enable even these projects to gain a grade E or better.

Two observations:

- There are INSET training courses provided for teachers which focus on both the candidate preparation elements of the Project and on the marking of it. Many experienced teachers have benefited from these courses and they are very useful for those preparing candidates or marking their work for the first time.
- It is of great value for teachers and candidates if candidates complete and return a project approval form well in advance of undertaking the Project. This should be well thought out and prepared so that the senior examiner considering it can give useful supportive advice. Submission ensures that work is done early on, and that the initial stages so crucial to a good Project, receive the attention they need. Even if the forms are not submitted, going through this initial exercise pays enormous dividends.

## 2879: The Thematic Enquiry

### Introduction

There were many signs in this paper of a greater understanding of exactly what is required and fewer signs of attempt to over-structure prior to the exam. There were also fewer instances of reports written without a report structure and more evidence of attempts to use outside evidence rather than just put it into the report. The nature of the industry – computing - also led to a greater attempt to find evidence from the world at large which might be helpful in writing the report. Unfortunately this was often in but not related to the report or was used in preference to the case evidence.

**Teaching Tip:** External evidence is useful and candidates are expected to have some in mind when they write the report but it must be supportive of an argument arising from the case evidence and then used appropriately in arriving at decisions.

### The Plan

The plan is an integral part of the examination. It accounts for 10/90 of the marks available. These come from 5 for meeting the requirements of criterion 1 and 5 for establishing sensible, realistic, report objectives. But a good plan is also an excellent foundation for the report and increases the ease with which marks can be gained from criteria 2-9.

- Task(i) Asks that the problem be clearly stated. Many candidates rightly said that the partnership had both excess capacity and the need to grow. The problem was finding the best way of doing that. Some thought the option choice was the problem. The options are the solutions to the problem and not the problem itself.
- Task(ii) The context in which the problem exists was often ignored and commonly relatively poorly handled. The partnership is insecure, choosing any option may not work. The market is a highly competitive one. It is dominated, in sales terms, by large businesses.
- Task(iii) Objectives are statements of intended outcome. In this exam the statements should be about what the candidate is trying to achieve in writing the report and not about the objectives of the business. Many candidates did not seem to understand what an objective is and frequently wrote down statements of method rather than objectives. A few ignored this section all together. Some unnecessarily repeated the objectives at the start of the report.
- Task(iv) A few very sensibly wrote that they were making no assumptions. Some made sensible assumptions about the availability of finance or the stability of the economy. Some wasted their time on assumptions about the accuracy of the case evidence which they must always take as read.

Many plans were far too long and did not keep to the requirements of the plan. The plan is not the place to argue the options. Some had argued and dismissed at least one of the options, often at great length, before embarking on the report itself. Whilst it is sensible to limit the scope of the report it should be done on the basis of the case evidence and with logically argued support from the case itself. The best place for this is the report itself.



**Teaching Tip:** It is a good idea to give candidates practice in writing plans but it should be done in context to give opportunity to complete all four tasks in the plan. For this purpose any back paper in this module can be used. But it is equally possible to take any past paper from any module and choose one of the strategic questions from the paper as the basis for the plan. Alternatively, develop a question for the case yourself. It has far less value to train for the plan without a specific context because there is no basis for either a real problem, a specific context, context related objectives or sensible assumptions.

## The Report

Where do the marks come from? From the plan the candidate will have earned all of the marks that can be earned for criterion 1 and up to half of the marks available for criterion 2. Typically, in this exam, good candidates were awarded 8+ but weak ones had often earned as little as 2 out of the possible 10. In many cases this was simply because one or more of the four tasks had been omitted or they had not addressed the requirements of the plan at all. Practice along the lines indicated in the teaching tip above would have greatly improved on these low marks.

**Criterion 2:** Candidates who had not developed objectives in the plan, rarely used objectives as a framework for the report and did not relate the final outcome to them. They were lucky to get above Level 1. Most candidates do develop good or reasonable objectives and gain 6-8 marks but few review what they have achieved in the report in an evaluative way to gain Level 4 on this criterion.

**Teaching Tip:** Fulfilment of the declared objectives is the aim. One that is commonly stated but often ignored is to analyse and evaluate the possible solutions by reference to external evidence. The stating of external examples and of the intention to use them is not rewardable.

**Criterion 3:** The main way of achieving success on criterion three is to decide how evidence (mostly but not exclusively from the case) is to be selected and used. Low marks are often scored on this criterion simply because so much of the evidence which would be relevant to the approach the candidate is adopting is not taken from the case. There are three likely reasons for this:

- Too much reliance is placed on pre-learned and pre-researched ideas and the report is too completely based on those.
- One option is too readily discarded without argument. Whilst it is sensible to tailor the report to ensure the time is used wisely, there does have to be acceptable reasoning to completely reject an option. It does not have to be exhaustive but it does have to be there. Option 3 was often summarily rejected and Option 1 was occasionally treated in the same way.
- The case has not been read thoroughly enough. This often leads to lack of either awareness or misunderstanding of evidence that is in the case. This is particularly true of evidence of a numerate kind or evidence in tables and figures. Table 1 was ignored by many candidates.

**Teaching Tip:** 15 minutes is provided for careful reading of the case and many answers have demonstrated that failure to make full use of this time leads to the poor selection evidence and to further weaknesses as the report progresses. Practice in reading these cases and in distilling the appropriate evidence from them is a good preparation for this module.

**Criterion 4:**

Three kinds of evidence will be available to the candidate. The bulk of it should come from the case but there are many opportunities to support argument with both theory and outside evidence. This criterion measures the extent to which candidates have understood evidence, interpreted it correctly and seen how it could be used within the report. There was significant misinterpretation of case evidence, which probably indicates less than careful reading. Some examples:

- “No seasonal pattern” was often seen as a problem rather than an indication that production could be smooth throughout the year.
- The cashflow history was there to aid arguments that the same problem could occur again if risks accepted were too great. It was often treated as a continuing current problem.
- Figures often appeared wrongly read from the case e.g. 50,000 instead of 500,000 and £1m for Option 3, plus the shareholding instead of including it.
- Careful interpretation of the data for Option 3 might well have suggested that the offer was not a good one but too many automatically saw £1m as a very large amount of money and therefore good.

**Teaching Tip:** Again the best approach is to prepare students for this criterion by using past cases. Various bits of evidence can be selected from past papers and used to test candidates’ contextual understanding of them.

**Criterion 5:** This criterion tests the extent to which candidates use theory to support their arguments. A very large number used Ansoff’s matrix very well but some spent far too long explaining what it was. In discussing all options many candidates showed good knowledge of how a partnership works and how finance might be found. However, many showed conceptual weaknesses in referring to the business as a “company” and suggesting that the business could get “more shareholders”. Good candidates knew how the money in Option 3 might be shared between the partners but quite a number assumed that it would be divided equally.

Some made attempts to bring human relations ideas into the discussion and many saw the marketing implications of both developing the same market in Option 1 and diversifying in Option 2.

There were far too many candidates who used no theory at all. Some of them also wasted time by presenting theory and then not using it.

**Teaching Tip:** The temptation to just present theory will be resisted more easily if candidates are encouraged not to write theory sections anywhere in the report. They should present theory where it is used as part of argument or analysis in the report. They should also be aware that understanding is inferred from effective use. Example: It is not necessary to present the whole of the theory of a product life cycle if what is being suggested is an extension strategy. Nor is it necessary to present the whole of a human relations theory when only part of it is being used.

**Criterion 6:** This criterion measures the skill with which the three strands of data are brought together and translated into evidence for a particular and well presented argument. Candidates too often do little more than place a point of information beside a statement being satisfied that this is argument. Data has to be reasoned so that it clearly substantiates a view and not merely descriptively presented. Theory such as SWOT, Ansoff’s Matrix, sources of finance and business culture was often successfully used to turn data into evidence.

Many candidates dismissed one of the options with no consideration at all. This was most often Option 3 on the grounds that “it wasn’t fair”. They should be aware that in dismissing an option like that an opportunity to show analytical and evaluative skills is lost. There were good reasons to dismiss both Option 1 and Option 3 and these could have been expressed in one or two sentences.

It was very common that in-depth analysis was offered for the option selected but that more superficial analysis is given to the others. This does not make good evaluation nor does it read like a convincing report.

**Teaching Tip:** What candidates need to do to gain higher levels in this criterion is to use the selected evidence, external experience and appropriate theory in a sustained and logical argument. It does not matter which way that argument goes as long as both aspects of it are argued logically and on the basis of any assumptions made and stated.

**Criterion 7:** Primarily about evaluation, this criterion looks at the candidate’s ability, having presented the arguments for and against the available choices, to make and support a choice. Too often the choice was just made with an introductory sentence. Effectively candidates who did this expressed an opinion - they did not make a judgement because there was no supporting argument.

The general topic for the case was risk and reward and this was known in advance. Justification for choice should therefore have been presented in that context. Often this is a human problem since some people are happy to take risks and others want to avoid them. Some candidates made the point that the business the partnership is in is highly competitive and high risk. They argued that the fact that the partnership was already in this business marked the partners out as risk takers. This was good thinking.

A few supposed that current business would be lost if Option 2 was taken but there is nothing in the case to suggest that. Many argued that Option 2 was the best but needed further market research and the careful search for funding. They went on to say that Option 1 whilst preparation for Option 2 was made was the best approach again this represents good evaluation.

**Teaching Tip:** Practice in supporting decisions is crucial to reaching Level 4 on this module. It should come as part of the A2 approach but it can be related to this module by using group work and asking each group to support a different option from this case. The relative strength of each decision can then be debated.

**Criterion 8:** This criterion tests the extent to which the candidate has written a report rather than an essay. This time there were many fewer essays although for some the structure of the report was very flimsy. Others were very formal at the beginning and spent too much time on matters of formal address which are not necessary.

**Criterion 9:** The standard at which this criterion is applied is less than that for the Project since there is a very real time pressure and little or no time for reading and correction. There are spelling errors which could be avoided and careless structuring which often obscures what the candidate is trying to say. Proper paragraphing is rare but when it does occur greatly assists the readability of the report.

By far the greatest and least acceptable of weaknesses is the inability to use the language of the subject correctly. Misuse of the words “company” and “partnership” and confusion of cost with price were among the errors that simply should not occur. The correct use of language

makes Business Studies writing much more effective and many an argument more compelling. It also allows a conciseness of style which improves readability.

### **Conclusion**

The context of this paper was one with which most candidates were at ease and it seems to have led to much sensible preparation. If this preparation is to be worthwhile more candidates must learn to use the fruits of it to support their arguments. Another important lesson arising from the case is that most of the evidence for decisions made must come from the case itself and must not be imposed on the case from previous study.

## 2880: Business Strategy

### General Comments

In many respects this paper is similar to those previously set. This similarity centres upon the requirement for candidates to be able to respond to the stimulus material in a strategic manner. Regrettably it remains the case that for many candidates this essential requirement is a step too far. Most show the ability to assimilate the case material and to use it descriptively in support of answers. However, answers which merely repeat case material without any development or manipulation score poorly. An example can be taken from Question 3. Descriptively, candidates commented that the closure of the Harborough Road stand will cause a loss of ticket income. This comment is, however, less impressive than those candidates who manipulate the case material to suggest a 15 week closure could result in a £445,705 loss of income, and then use this figure to subsequently support a view. (Different assumptions about the use of the stand, number of games played and so on will yield different values for lost income. Because of this it is good examination technique for candidates to show how they arrive at values. Please encourage candidates to state assumptions, label figures and generally assist the examiner so that they can follow any quantitative analysis.)

The best candidates are those who can integrate the subject and the case, selectively drawing upon both subject knowledge and case evidence to build a coherent and correct argument to support their view. Examiners recognise that each answer has several possible outcomes, and so will happily award high marks to an answer which suggests a different position to one they may personally favour providing that the position arises from a supported argument. As ever, and similar with previous sittings, it is the process that yields the marks rather than the specific outcome recommended.

Aside from a reluctance to manipulate case material another disappointment in answers is the paucity of what one might regard as “theory”. The assumption is that candidates sitting this examination have been exposed to the entire AS specification and the content of the synoptic unit. Within this unit there are additional Business Studies tools, techniques and theory that should have been taught. All too often candidates appear unwilling to use this foundation. Hence, and purely as an example, the absence of the use of Ansoff’s Matrix in so many answers to Question 4 was striking. It is a worry that in the synoptic unit the examiner is so often at a loss to identify subject knowledge and vocabulary!

Finally, the examining team noted the sloppy use of subject vocabulary. Examples tend to centre on finance, with capital and revenue being used interchangeably – “...if SCL sold LLAFC’s ground it would give them extra revenue...” The examiner can only award what is written and cannot be expected to second guess candidates’ meaning when using specific vocabulary. The thoughts of one examiner can be taken to be representative of the team, “The biggest disappointment was the lack of sophistication in language, the lack of reference to business techniques and theories in what is a test of their all round knowledge”.

None of the questions proved to be inaccessible, with the majority of candidates being able to give full answers. Across a wide range of scripts, candidates scored their highest mark on different questions. However, for many Question 2 was the least well answered of the four (this was not a function of the question, rather a lack of rigour in actually doing what the question demanded).

## Comments on Individual Questions

- 1) This question reflects the central role of objectives and stakeholders in strategy. It was encouraging that the previous confusion between shareholders and stakeholders was largely absent. Most candidates were able to link the two subject concepts together to form a view of influence. As suggested earlier, those that chose to draw upon the evidence available were more highly rewarded. So, often candidates claimed fans were the most influential. However, better candidates developed this further to argue that as 31.8% of revenue comes from this stakeholder group they are less influential than sponsors and the media who contribute 53.4% and which is set to rise to 57.9% in 2007.

A typical weakness in answers which are descriptive is the failure to *use*, rather than repeat, the evidence. Similarly, there seems to be a widely held belief that rewriting the business' name puts the answer in context. Contextualisation is not merely writing SCL in alternative sentences, it is discussing a business which happens to be sports based.

It was rather surprising that the influence of managers did not feature more highly in candidates' minds. As one of the functions of management is the allocation and efficient use of business resources it can be argued that their role is achieving objectives is key. Possibly, those candidates who focused on fans and the community had not grasped that SCL is a business. Another surprise was the number of candidates who spent inappropriate amounts of time questioning the validity of the objectives given in Appendix 1, rather than focusing on the question set.

- 2) Answers to this question tended to conform to two types. The first was to focus on how an economic change would affect SCL. Often these answers contained much of merit and possibly reflected consideration during the pre-reading time. However, careful reading of the question shows the need to consider SCL's strategic decisions. As such, the consideration of the impact should have provided the foundation for a discussion of strategy. It is here that the first type of answer disappointed. The second type, more highly rewarded because it answered the whole question, went on to link the external change to strategy.

Understandably the majority of candidates used a recession as their chosen example of "...the state of the economy". Better answers clearly understood how this aspect of macro economics could influence strategy, typically opting to discuss the acquisition of LLAFC or the rebuilding of the Harborough Road stand. For most candidates the view was expanding during a recession is not a sensible thing to do. There was occasional discussion of the income sensitivity of the market, the time lag between recession and falling revenues possibility due to (evidenced from the Balance Sheet) pre-paid season tickets as well as the Socio Economic Group (SEG) most fans come from. Indeed, several times examiners were reading that rugby supporters are recession proof because they are from SEG AB.

- 3) When candidates scored poorly on this question this was primarily due to wanting to answer a different question. Rather than give a good reason for not rebuilding the stand too many simply said “no” because moving to the Vale was seen as a better idea. Given the absence of data to support this view it is difficult to assemble a convincing argument for it. Quite simply candidates chose to utterly ignore the issue of financing this major undertaking and dismissed planning problems by saying that the council would now allow it because their refusal was three years ago. That the Vale more than doubles capacity when existing capacity is still available was also overlooked.

Better answers used a variety of approaches to reach a view. Some employed investment appraisal techniques to consider the Pay Back Period and the Accounting Rate of Return. That candidates make the choice to use specification tools is encouraging, but the examiners would plead that candidates show their working given that the range for PBP spanned 59 to 80 years! Others took a financial route, comparing the financial stability of SCL (often through gearing) now and comparing it to the projected position if the development went ahead. Similarly, marketing benefits were to the fore in other candidates’ minds, using the projected improvement in non-ticket sales as being important in the decision. As has been commented upon before, the mark achieved reflects the candidate’s ability to use the data in a meaningful manner, not merely to repeat it. Hence, some said “yes” because it gives better disabled access but then did not develop why this might be an advantage to SCL. The text provides the evidence, it is for the candidates to select and develop that evidence analytically to support their reasoned view.

- 4) Given that culture is a key aspect of the specification it is surprising that this concept did not form part of more answers, especially so as SCL is very much a people business. Similarly, issues of change management and strategic focus tended to be given short shrift by too many candidates. It seemed to the examining team that this question was very much about what business SCL wants to be and seeking to identify any synergistic benefits that might accrue through the acquisition of LLAFC. Candidates were very good at making a choice but less well able to demonstrate a clear strategic line of argument in support of it.

As ever a significant number of candidates allowed themselves to be distracted in answers. Frequently this was unnecessarily long and personal attacks on the MD, Alistair Burnell! Aspects of better answers were the accurate use of Ansoff’s Matrix, strategic competence and how the acquisition might link to SCL’s mission statement. As ever the mark is determined not by the view but the reasoning which underpins it. Many of the most persuasive answers tended to suggest “no” simply because they could not see what LLAFC would be bringing to the relationship.

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

**Unit Threshold Marks**

Unit		Maximum Mark	a	b	c	d	e	u
2871	Raw	45	34	30	27	24	21	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	28	25	22	19	17	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	39	34	30	26	22	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	36	32	28	25	22	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	41	36	31	27	23	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	44	39	34	30	26	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	40	36	32	28	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	63	57	51	46	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	53	47	42	37	32	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
<b>3811</b>	300	240	210	180	150	120	0
<b>7811</b>	600	480	420	360	300	240	0



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

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>U</b>	<b>Total Number of Candidates</b>
<b>3811</b>	9.69	29.78	60.29	81.84	94.67	100	413
<b>7811</b>	4.76	25.40	57.14	85.71	100	100	63





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

**OCR Information Bureau**

**(General Qualifications)**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [helpdesk@ocr.org.uk](mailto:helpdesk@ocr.org.uk)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

**Oxford Cambridge and RSA Examinations**  
**is a Company Limited by Guarantee**  
**Registered in England**  
**Registered Office; 1 Hills Road, Cambridge, CB1 2EU**  
**Registered Company Number: 3484466**  
**OCR is an exempt Charity**

**OCR (Oxford Cambridge and RSA Examinations)**  
**Head office**  
**Telephone: 01223 552552**  
**Facsimile: 01223 552553**

© OCR 2005



INVESTOR IN PEOPLE

