

Business Studies

Advanced GCE **A2 7811**

Advanced Subsidiary GCE **AS 3811**

Report on the Units

June 2009

3811/7811/MS/R/09

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of pupils of all ages and abilities. OCR qualifications include AS/A Levels, GCSEs, OCR Nationals, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new syllabuses to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support which keep pace with the changing needs of today's society.

This 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.

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

OCR will not enter into any discussion or correspondence in connection with this Report.

© OCR 2009

Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

CONTENTS

Advanced GCE Business Studies (7811)

Advanced Subsidiary GCE Business Studies (3811)

REPORTS ON THE UNITS

Unit/Content	Page
Chief Examiner's Report	1
2871: Businesses, their Objectives and Environment	2
2872: Business Decisions	4
2873: Business Behaviour	6
2874: Further Marketing	8
2875: Further Accounting and Finance	10
2876: Further People in Organisations	12
2877: Further Operations Management	14
2878: Business Project	16
2879: The Business Thematic Enquiry	17
2880: Business Strategy	19
Grade Thresholds	23

Chief Examiner's Report

There can, hopefully, be no one still unaware of the demise of 3811/ 7811. However, provision has been made for Yr 14 candidates who wish to re-sit the A2 part of the specification. Although it is expected that the take up of these papers will be very modest, the assessment process will continue to be as robust as ever.

Although this 'legacy' specification is all but over, these reports are still worth digesting and as such are commended to colleagues. As was stated in January the underlying philosophy within OCR Business Studies will continue. Further, with some papers being set by the same personnel, their thoughts in these reports will have an inescapable bearing as they set papers for future sessions. Indeed, the experience of this summer whereby the legacy A2 was run alongside the new AS suggests there has been no seismic shift in the nature of the candidates. Consequently, whilst it is sad to see the end of the legacy specification, one looks forward to the arrival of its replacement.

2871: Businesses, their Objectives and Environment

General Comments

There was no evidence of time pressures and the questions discriminated well. Unfortunately, on the higher mark questions, and as has often been reported previously, many candidates produced some good analysis and then stopped short of any form of evaluation.

Comments on Individual Questions

- 1 This was the first time a question about leasing as a method of finance had been set but most candidates had no trouble answering it. Any reasonable answer was acceptable eg payment for the use of the item is in installments, leasing 'can help avoid cash flow problems', items leased are never owned by the lessee, the lessee might end up paying more than if they had bought the item 'at the start' etc.
- 2 Candidates did not need to answer this question in the context of TGT and the majority reached Level 2. As ever on this sort of question, those who remained in Level 1 of the mark scheme were there not because of a lack of knowledge but because of a failure to respond to the trigger word 'outline'. Where the feature was stated ie "partners have unlimited liability" this answer could not reach Level 2. However, the addition of "so they could lose all personal possessions to pay off the debts of the firm" was sufficient for the extra marks.
- 3 This was very much a 'standard' question on business objectives but some candidates still had difficulty tackling it and there was often a lack of context which obviously restricted the marks that could be awarded. Candidates could have made reference to any period of time (ie short/medium/long term) for TGT – and to either (or both) tactical and strategic objectives.

Candidates could have answered from either or both of the following perspectives; changes in the Tony and Gina's/TGT's 'position' (eg an objective has been achieved so another one is selected) or changes in the external environment (such as having to relocate). The two are, of course, interlinked and a candidate recognising this link received appropriate credit.

Essentially, the key achieving analysis was to identify, and then explain, a reason for a change in objectives and then analyse what new objective for TGT was likely to result from it.

- 4 There was widespread misinterpretation that the question was asking for the effects on TGT itself but this was not what was required. A very large number of candidates had clearly been prepared in advance for this and on seeing a reference to "Tony's attitude" and "ethics" dived straight in with a prepared response. The dangers of this have been stated before. The question was about the effects on TGT's stakeholders.

There were plenty of issues to consider; there are those stakeholders who are 'doing well' and/or are not bothered by Tony's attitude and those who are not.

Many candidates rightly pointed out that the treatment of employees was not always good. They may earn more than the minimum wage but “Tony is short tempered, often blames others for his mistakes, and they have no job security”. Behaving in this unethical manner will have very negative effects on a key group of stakeholders; primarily that they will not be motivated and this will negatively impact on customers – which, to some extent, is already the case. Another group of stakeholders negatively affected are the suppliers’ whose position is not very secure and whose cash flow will be suffering – Gina has expressed some surprise that they have not reacted to this already.

For customers, on the other hand, it could be argued that Tony’s attitude to providing ‘unhealthy food’ is in fact exactly what they want and that changing the menu ‘because of ethical responsibility’ would alter – and possibly destroy – the whole basis of the café’s success! This would affect all of its stakeholders. The owners, Tony and Gina, have made “loads of money” from running the business so they as owners have benefited.

The key to achieving high marks here was to analyse the effect on, for example, two or three stakeholders and then make an evaluative comment on the extent to which the effects overall were positive or negative and/or which stakeholder(s) are most likely to be affected.

- 5** This was a very open question and candidates could answer from sections 5 & 6 of the specification (economic & other influences) and/or section 1 (What businesses need).

Some possibilities, therefore, included a clear business plan, the co-operation and enthusiasm of employees, the state of the (local/national) economy, competitors, what measures TGT should take to market itself and establish a new customer base, whether ‘old’ customers would stay loyal etc.

The overwhelming majority tackled it confidently but once again there were those who produced a long list of possible factors with no analysis which meant that the answer was stuck in Level 2 at best, and also those who analysed well but then stopped short of an evaluation. These approaches to answering questions have remained a perennial problem on 2871 and it is always disappointing to see candidates underachieve because of poor examination technique.

Finally

It is intended that there is as much continuity between the 2871 examination and the new F291 papers as the specification allows. Thus, many of the comments made in this report (and indeed in previous ones) about paying attention to the trigger word in the question, the use of context, and the need to evaluate on a question that carries a high number of marks remain important if candidates are to achieve their potential.

2872: Business Decisions

General Comments

There were fewer good scripts in this series considering the familiarity of the scenario and the number of re-sit candidates. Many of the candidates only achieved Level 2 responses and failed to analyse the implications of the business methods used by the business. Once again lack of use of the context was an issue. There was also little evidence of evaluation - either in terms of a comparison of issues or in respect of their relative importance. This was particularly true of question 3 where candidates, once again, failed to use the calculations made in 3(a) to aid the analysis in 3(b). This was an area where candidates struggled with the concept of market share many confusing it with market segment.

There was little evidence of candidates being unable to complete the paper in the time provided and, on the whole, language skills were better than in previous sessions. On the whole candidates performed well on Question 2, many identifying the strengths and weaknesses of the recruitment strategy. This question also elicited some good judgements about the strategy and its shortcomings.

It is important with a paper of this length that candidates read the questions carefully and really take account of the command word. Even though time is short pressure is eased if a few minutes is given to thinking about the answer and how to construct it.

Comments on Individual Questions

- 1 This question was reasonably well answered with most candidates able to identify at least one factor which affects budgeting. Best answers identified issues such as sources of finance, investment appraisal, cash flow and costs. However, reward was limited if the only issue identified was, for example, a list of different costs.
- 2 This question was reasonably well answered with many candidates using the recruitment methods in the case study to explain the advantages and disadvantages of each to the business. However, many candidates failed to develop arguments in terms of the implications of these methods and made simple comments about family and friends and loyal customers. The best answers identified the problem of such a blanket approach to gaining possible recruits and the work that would be involved in the selection process. Others emphasised the positive aspects of using internal recruitment methods in terms of time and cost. In this case many of the candidates achieved context marks and, encouragingly, much of the analysis was relevant to the business. There was, however, less evidence of evaluation; candidates could have achieved Level 4 by looking at the relative importance of each recruitment method in terms of the business.
- 3
 - (a)
 - (i) Most candidates correctly calculated the market share for 2001. It was encouraging to see a greater number of candidates showing their working. This enabled candidates to gain more marks than has been the case in previous series.
 - (ii) Candidates found this calculation much more difficult. Percentage change calculations remain a problem with many candidates confusing a variety of methods in an attempt to achieve the answer.

- (b) Overall the candidates did not respond well to this question. The idea of market share was inaccessible to many candidates. Answers were littered with misuse of terms such as market segmentation and market share. Market share is a fundamental topic in Business Studies. In this case, candidates needed to identify that the business already had an extremely successful product portfolio shown by the calculation in 3(a). Therefore, the business is obviously using its products well. The best answers identified this and went on to discuss the way forward for the customers, for example, diversification or extension strategies for existing products such as Smoothies for Kids.

Judgement was achieved by a few in terms of prioritising some of the ways in which Innocent might continue to increase its market share. The important issue in the failure of many to answer this question remains a lack of proper use of the material in the case and a failure to take advantage of the calculation made in Question 3(a).

- 4 Many candidates managed to achieve at least Level 2 on this question but then failed to take it a step further and look at the implications to the business of maintaining a high quality of products. It was surprising that some candidates did not really identify this as a food product and, therefore, had difficulty isolating issues in terms of quality. There was much repetition of the data in the case especially the complaint about the exploding bottles. Better answers identified the perishable nature of the product, seasonal factors and food safety. These answers analysed each in terms of the implications to the business and evaluated ways in which these issues might be addressed such as departmental liaison, quality systems, stock control and quality assurance processes.

2873: Business Behaviour

General Comments

This was the very last session for this unit and, hence, the entry of just under 1000 was almost completely made up of Year 13 re-sits. The examining team felt that the case study was clear and accessible. The majority of candidates achieved at least Level 2 on all questions, with questions 1(b) and 2 seeing the best evidence of analytical, Level 3 answers. There was no indication of candidates being short of time.

Candidates who scored well made good use of the case study and used appropriate context to create a non-generic answer. Good use was often made of the numerical data in the case study, although Table 4 was largely ignored.

Too often, candidates with a sound grasp of theory failed to access the Levels 3 and 4 due to lack of application of the stimulus material in their responses – this was particularly true of Question 4.

There was, again, evidence of candidates not taking a calculator into the examination, which caused problems with Question 1.

Comments on Individual Questions

- 1 (a) This question highlighted candidates' uncertainty about the concept of 'contribution'. Too many still confuse this with profit and a small number appeared to have little idea how to carry out the calculation. A good proportion did get the correct answer of £15, by either method, and many others made only minor mistakes in their workings and so, thanks to the own figure rule, were able to score four or five marks.

Unfortunately, a significant minority of candidates were unable to do any more than calculate the additional revenue. An interesting and relatively common mistake was to halve the unit costs, because the order was half the size! This showed a lack of familiarity with the case material and, more worryingly, the concept of unit costs.

This was by far the best answered question. Lots of very good answers discussed the potential long-term benefits of WPPS accepting the order, even though there was only a very small contribution from it. The best answers did this in context, although few of these actually went on to make a justified judgement, so were unable to score more than eight marks.

Weaker candidates only talked generally about the pros and cons of accepting a 'special order', without making reference to the specific issues facing WPPS.

- 2 Weaker candidates did not appear to appreciate what this question was asking and produced pre-prepared answers about whether WPPS should keep producing postcards. Centres and candidates need to remember that this is an AS paper and it, and its successor (F292), are not strategic and so will not ask this sort of question.

However, in the main, the question was answered fairly well. There were plenty of good answers that used the context available. In particular, that 85% of WPPS's current assets are stock and so any proposal to reduce stock levels would be significant, as well as the fact that 84% of WPPS's customers order in quantities of 2000 or less. Fewer candidates considered the operational problems for WPPS of making this change, given the organisational and personnel problems it is currently facing. It was disappointing that very few of these answers went beyond Level 3, due to a lack of any evaluation.

- 3 This question was answered much less well than Questions 1 and 2. The majority of candidates ignored the basic request in the question to look at how Jan Bradley needed to change her leadership style and how this would affect the success of WPPS. Many answers strayed off the issue of leadership style to consider the specifics of Jan's leadership delivery.

To achieve at least Level 3, some attempt needed to be made to link the success of WPPS to leadership style and then candidates had to be able to reason and weigh it up, not just describe the different styles available (autocratic, democratic, laissez-faire etc.)

- 4 As is regularly the case, the marketing question elicited a majority of answers that were completely generic. It was particularly annoying that those candidates, who had ignored the request to suggest changes in Question 3, strayed off the question of 'methods' of market research into corrective actions to be made! There was a general lack of answers that tried to look at just one or two methods of market research but in some way were relevant to a product in the holiday/leisure industry.

Centres must be reminded that candidates will gain more marks from an answer that analyses, in context, one or two methods of market research, as opposed to an answer that just lists and explains generically half a dozen different methods.

2874: Further Marketing

General Comments

It is disappointing to note that the difficulties highlighted in previous series still remain the key issues for comment.

Candidates generally seemed to have enough time for the paper and generally allocated time appropriately for the marks available. Unlike previous series, the numerical question was attempted by nearly all candidates and most were able to achieve some marks. It is again interesting to note, however, that very few candidates use the information from the numerical question in the question that follows. It is always the case that questions that test the numerical aspects of the specification are never set in isolation. If candidates are able to make use of their response in the following question, it is quite likely to be analytical.

The majority gained two marks, though there were some spelling errors. Use of grammar was generally sound and concepts and arguments were conveyed clearly, though not often in depth nor concisely and clearly. Question 1(a) produced a minority of answers which demonstrated little notion of what personal selling is while other answers failed to link it to the case material. There were many candidates whom drew on the information given and developed analytical application of appropriate concepts or methods. Some responses failed to address the question set, particularly in Questions 1(c) and 2(c). Very few candidates produced good responses to all questions and many scored highly on perhaps two, much less well on the others and this restricted their overall mark. Evaluative responses were rarely seen on a consistent basis.

The view of the examining team was that all questions were fair. Whilst overall performance was a little better than previous series, there remains an issue with candidates' use of context. The subject content for Further Marketing now appears to be well handled and there were very few answers that demonstrated a complete lack of subject knowledge. It is, therefore a real shame that responses fail to be enhanced by greater use of the case material.

Time was, again, not an issue for candidates in this paper.

Comments on Individual Questions

- 1 **(a)** Personal selling has been tested on previous papers and, as a form of promotion, it was disappointing to note how many candidates were unable to define it with precision. Those that were able to define the term struggled to relate it to the evidence in the case material.
- (b)** It was pleasing to see a number of correct answers to the numerical question with several good attempts that scored well. A small number of responses were poor with a number stated with little or no reasoning to justify it. Showing your working is always justified.

- (c) A 'pricing methods' question ought to have been relatively straight forward for most Further Marketing candidates. The reality, however, was quite different. Despite many comments made in previous reports there was still an "all I know about pricing" approach applied. It is never a good idea to simply write a little about every pricing method that candidates can recall; it is far better to target specific pricing methods to the material provided. Too many responses wrote about methods that were simply not appropriate in the context with "buy one, get one free" a very common answer.

Better answers made an attempt to split up the different services provided by RIR suggesting different pricing approaches in each case. Evaluation was rarely seen neither was the calculation covered in Question 1(b).

- 2 (a) This question was somewhat different from previous questions that had tested this area of the specification. The responses were generally fine with most candidates able to show good understanding of the use of open questions. Only a small number of candidates successfully related this to RIR allowing a mark in the highest level.
- (b) As with other questions, the issue here was the lack of context in the responses. It was relatively straight forward for most to give a method of primary research and to consider the advantages and disadvantages of each of them. Evaluation of the methods was achieved by many and those that were able to relate this to RIR scored well. A significant number of candidates tended to suggest secondary methods. This proved tricky to award highly when the question required "information from its customers".

The question asked for methods other than surveys. This was interpreted very generously with candidates writing about interviews, questionnaires, telephone, face-to-face, observation and consumer panels. Many candidates were able to present two methods. Too many wrote about more than two despite the question specifying two.

- (c) This question has been set a number of times before and has generally been well attempted. On this occasion there was too great a tendency to simply present the content points (language, currency, culture, etc.) in an unfocussed way. The content base of the answer is potentially quite wide ranging, but candidates need to be reminded of the need to relate the comments to the case scenario. There was material in the case that should have been developed and used, but very few actually used it. Evaluation was rarely seen with only a small number of responses able to prioritise or give a timescale for the way forward.

To give an example, very few candidates were able to consider how the current practices of RIR might impact on the future European expansion plans.

2875: Further Accounting and Finance

General Comments

The paper performed in a similar way to past series and discriminated effectively between candidates. Stronger candidates analysed the information provided and generated evaluative comments. Weaker candidates often produced answers that described the scenario given in the case and repeated information without much by way of comment. There is still a tendency for some candidates to write what they know rather than to apply their knowledge to the case. Thus, a reproduction of learned material occurs that is largely unrelated to the specific problem cited. A little more thought would make a great difference to the final outcome for some candidates. As always candidates might benefit from being reminded that:

- questions must always be read carefully;
- calculations should be done logically and with appropriate explanation;
- accounting terminology needs to be learned and understood properly. Imprecision here is simply not good enough;
- where appropriate, answers should generally finish with a conclusion or a recommendation.

Comments on Individual Questions

- 1 (a) The question caused unexpected difficulties for a surprising number of candidates. The most common error was to divide the annual turnover of £1.3m by 50 to arrive at £26,000. This is not what is meant by 50 days debtor days. The correct method was to see that one day's sales were equivalent to £3,561 and, hence, 50 days represented £178,082. Only the better candidates generated this answer. The lay out of numerical answers is often very careless with little or no attempt to explain the calculations being done. Method marks are available but cannot be awarded if there is no obvious method being followed.
- (b) A number of candidates saw this as an opportunity to write everything they knew about sources of funds for a business. These sources were often considered in a non-critical fashion with little thought being given to their appropriateness to the situation being faced by UWL. The examiners were hoping that candidates would see that the overdraft was needed because of the cash flow problems experienced by UWL. These stemmed largely from the poor cash control caused by slow stock turnover and increasing debtor collection periods. The situation was made worse by the speeding up of creditor payments. Better cash management would remove the need for the overdraft and this was the best way to deal with the demand for the limit to be reduced. Better candidates saw this and analysed the situation effectively and assessed the problems of implementing this kind of solution. Others wrote about issuing shares and taking out bank loans. The examiners were less impressed with this approach. A key factor in determining which sources to use is to focus on why the capital is needed. This is often not done by weaker candidates

- (c) The stronger candidates used the data to analyse the profit variance. It was caused by a combination of lower volume sales (adverse variance of 25%)/lower unit prices (adverse value variance of 11.1%)/higher unit costs (adverse variance of 6.6%). Many candidates adopted this kind of approach and gained high marks. However, some candidates just quoted the figures given and failed to explain why they had changed. So it was not unusual to see answers saying that gross profit was down from £18,000 to £7,200 (given in the Table) and suggesting that perhaps this was because competition had increased. Some candidates attempted answers without any mention of the data. It is disappointing to see candidates lacking in the confidence necessary to use numerical data to support their answer. The difference between stronger and weaker candidates is most notable in questions such as this one.
- (d) There were many very competent answers given to this question. The vast majority of candidates could write sensibly about the principles behind budgeting and went through the pros and cons of the technique. The distinguishing feature of the stronger answers was the focus of the value of the technique as an aid to decision making in UWL. Weaker answers failed to focus on the decision side of the method and just went through all its potential advantages in an uncritical fashion.
- 2 (a) The majority of candidates recognised that the situation before them would result in the creation of bad debts and this would reduce the profits of the business. The better candidates focused on the specific question that asked them to show how it would affect the accounts of the business. It would be shown as a provision on the profit and loss account. It also impacts on the balance sheet as debtors are reduced and hence assets fall. This is offset by a reduction in shareholders funds (reserves).
- (b) Most candidates produced often long and competent answers to this question. The majority calculated the rental costs of the warehouses and the purchase cost of one. They then considered how such costs might be funded. Most recommended the cheapest option perhaps hardly surprisingly. Better candidates looked much more critically at the whole logic of the expansion plans of the business. The whole premise for the expansion rested upon an assumption that if the capacity increased by 300% so would the turnover and the net profits. Yet the evidence showed a business that had falling sales and reduced stock turnover. It also was facing increasing liquidity problems. This hardly seems a promising basis from which to embark on expansion and increased debts. The stronger candidates recognised this and usually recommended a rationalisation strategy favoured by the company's accountant.

This question discriminated very effectively; the question required the candidate to think critically about a decision and better candidates rose to this challenge.

2876: Further People in Organisations

General Comments

The work of candidates suggested that the paper was at an appropriate level and there were no time issues. All the questions allowed for differentiation but candidates did not always avail themselves of the opportunities the questions offered. In particular, failure to accurately read and, therefore, answer the question set means that high level marks are impossible to achieve.

As usual there were some quality answers, which achieved high marks, but examiners were disappointed with the number of missed opportunities. In most cases (but not all) theory was well understood, but used on its own this was never going to reach the upper levels of the mark scheme. In too many cases candidates answered out of context and/or failed to properly address the actual question; the use of names (FFL and Patrick, for instance) are unlikely to constitute meaningful context and without this Level 3 and Level 4 cannot be reached.

A significant number of candidates failed to use good business studies terminology and, thereby, lessened the impact of their answers. A good example of this was constant reference to FFL as a company. Candidates gave the impression that they regard the words *company* and *business* as totally interchangeable. Misspelling of business terms was too common for an examination at this level. This was particularly true of '*personal*' for '*personnel*' (in spite of the word appearing in the question) and '*moral*' for '*morale*'.

Comments on Individual Questions

- 1 (a) Whilst a significant number of candidates scored full marks in this question, far too many failed to work out the bonus and, therefore, achieved only one or two marks. This was disappointing as the question was very much in line with previous papers and similar disappointment had been expressed previously. It would seem that some candidates misinterpreted the question and offered the % bonus achieved rather than the amount of money that a worker would receive.
- (b) Some candidates failed to make a clear connection between the necessary rise in turnover and the proposed bonus when considering the cost of the scheme. Better candidates achieved Level 3 but it was disappointing to see the number of candidates who missed the opportunity to use the information they had gathered in the previous question to strengthen their answers.

Quite a lot of 'lists' of consequences were offered, which were not very strong on evaluation. There were quite a few candidates who took the opportunity to write excessively about motivation theories.

- (c) This question (and Question 2(a)) were good examples of the failure to set answers in the context of the case. Whilst most candidates were conversant with the theory of barriers to communication, many did not even use the name of the firm in their answers.

Most responses were at Level 2; body language, face to face preferable, lack of visual aids, poor method to discuss figures or important issues and, the old favourite, 'de-motivating for managers' were amongst the most popular inclusions. Better candidates looked at the costs in time (must speak to each manager individually) and money (the opportunity cost of other neglected work) that the practice might incur.

Although this question was worth only six marks many candidates wrote longer answers than for the 16 mark questions.

- 2 (a) Many candidates failed to show any clear understanding of ACAS in spite of its inclusion in several previous papers. For example, some candidates referred to it as a Trade Union. Weaker candidates were clearly guessing the role of ACAS and their answers were vague although there were some attempts to tie very weak/incorrect answers to the case study. Very few candidates, even those well informed on the functions of ACAS, managed to score top marks because of their failure to link the theory to the case.

- (b) Better candidates scored well in this question by linking diverse consequences both to the case and to each other. Many candidates incorporated the concepts of *long* and *short term* very convincingly into their answers. However, with weaker candidates it would appear that although they had been taught to include *long and short term*, but they showed little real understanding of the concepts.

Sometimes there was an over emphasis on motivation and associated theories and a tendency to get bogged down in types of training. Where either of these happened the context tended to get lost or forgotten. Where a candidate loses focus on the actual question set, attempts at evaluation are unsuccessful because they fail to answer the question set.

This question and Question 2(c) suffered most from lack of context. It is hard to understand why a candidate would write about a *product* when the product is a known quantity and use of *flowers/floral services* would strengthen any answer.

Reference to waste and machinery would be more convincing if related to floristry as would all reference to health and safety, which were based on retail outlets.

- (c) Some candidates were able to demonstrate that they knew what personnel policy would consist of. However, there were a number of candidates who clearly had no idea of the scope of the policies and a significant number who could not get beyond "recruitment policies". Quite a few answers simply talked about "personnel policies" giving the impression that they did not know what these might be. They were not able to make references to the types of policies that shop managers would want to have control over and what the implications would be for the company. Weaker candidates focussed on motivation where candidates habitually write overlong and not well-directed answers. However, there were some good answers to this question with a significant minority getting into Level 4.

2877: Further Operations Management

General Comments

The paper generally proved accessible to the vast majority of candidates. It was based on two, smaller, businesses that operated in different segments of the premium furniture market. These businesses then merged in 2005. One firm, Sofa World, manufactured its products locally and the other, Perfect Finish, outsourced production to a variety of specialist businesses around the world. Candidates appeared to grasp this situation and although there were perceptive answers that showed a real appreciation of the structure of the organisation PFSW, a number of candidates failed to use the material in the case study to good effect. This was particularly evident when candidates were analysing points made or, indeed, evaluating their responses. Another particular weakness evident was candidates tendency to only develop one issue. This was especially true of Question 1(c), where candidates focussed solely on purchasing economies, and also on Question 2(b) when only one factor influencing stock levels was often discussed. In general, candidates scored higher marks on Question 2 than Question 1.

It was also felt that, again, the standard of handwriting was poor. Candidates do themselves no favours if examiners have to spend time pondering over the meaning of words or sentences or if the script is littered with crossings out and asterisks which refer to sections later in the script. If candidates do have problems then schools might avail themselves of the opportunity to use personal computers so candidates can word process their scripts. A number of centres already do this and many others could adopt a similar strategy with candidates whose handwriting borders on illegibility.

Finally, it is pleasing to report that there seemed to be very few candidates who failed to finish the paper.

Comments on Individual Questions

- 1 **(a)** Many candidates scored some marks on this question. The main reason why they failed to achieve the highest levels was because their answers were generic in nature and were not related to the case. To achieve Level 3 candidates needed to explain how having an in-house design team benefitted PFSW eg by saving costs because the business did not have to outsource, or by shortening lead times from design to delivery and so giving clients a first class service. This in turn enhances the reputation of PFSW and could attract more customers.
- (b)** Many candidates scored zero marks on this question or did not attempt an answer. Similar questions on the topic of value analysis have been set on previous papers and it is clearly in the specification. It is a fairly simple and straightforward concept and there are lots of good examples of its application.
- (c)** Most candidates were able to score marks on this question by displaying their knowledge and understanding of internal economies of scale. However, some confused the concept with the idea of rationalising the business after the merger in order to cut costs. The economy of scale most frequently mentioned was purchasing, followed by marketing and risk bearing. However, the crucial weakness of many candidates' responses was their failure to apply their answer to the case or focus on the question. A better answer might have appreciated that the two businesses were going to be run separately and that Perfect Finish outsourced production. Therefore, the scope for taking advantage of purchasing economies in respect of, for example, timber would be limited.

- 2 (a) This question was generally well answered with most candidates calculating the correct answer of 125. The most common error was to calculate the average level of stock by adding the totals at the start of each month, rather than the usage of stock which was required by the question.
- (b) Candidates often scored quite well on this question - clearly stock levels was a topic they felt they could get to grips with. There were some good answers written in the context of the business and the flags evident within the case were used effectively. Better answers highlighted the link between stock levels, demand for the product and the state of the economy. In particular, the housing market or changes in interest rates. Other points often made included the external factors that might affect stock, the costs of holding stock and lead time - with evidence being drawn from Fig 1 to support answers. Examiners were pleased with this approach; it is exactly what we are looking for candidates to do! Weaker answers often failed to draw the link between the factor and how stock levels were affected. A further weakness evident was that many candidates failed to realise that a "discuss" question demands an evaluative response – ie which of the factors are key to stock levels in this business.
- (c) This was the strategic question and required candidates to appreciate not only the operational implications but also how these operational changes might impact on the rest of the business. A balance was sought in candidates' responses to this question – clearly there are pros and cons, and, on balance, would this change in strategy benefit the company overall in the long term. This is how evaluation is demonstrated. Better answers demonstrated these skills and were rewarded with Level 4 marks. Weaker responses tended to be descriptive, demonstrating an understanding of how such a change might impact on the business eg outsourcing might lead to redundancies at the West Sussex workshop, but failing to develop the answer any further. A particularly good approach was to examine the implications for the range of sofas that the firm produces (Table 1) and conclude by stating that outsourcing might be appropriate for the simple and possibly, flexible choice ranges but not the ultimate choice, which was a unique custom built piece of furniture.

2878: Business Project

Introduction

There is very little that is new which can be said about the Project and little value in including in this report very much about how candidates might do a better job and gain higher grades. It has always been the case that the initial stages form the clue to a good result. It has also been true, throughout the long life of this module, in its various forms, that candidates pay less attention to the initial stages and to the title than they should.

This Assessment

The country is in the middle of a 'credit crunch', a downturn or a recession. Which ever word is chosen the message should have been clear. It would be difficult to solve the favourite problem which candidates present - how to increase sales. In the present situation finding a feasible strategy, particularly for an estate agent or a restaurant, was always going to be difficult if not impossible yet more candidates than ever before chose to do that. This may be, along with re-sits, the reason why there have been so many achieving only mediocre results.

The Marking

The overall picture has been of many centres within which good candidates appear to have earned marks a little too easily and poor candidates have been under-rewarded. Teachers have, more often than not, got the levels right in applying each criterion but then have been generous in deciding the mark for better candidates and tough in deciding it for the lower achievers.

Conclusion

My thanks to all centres who have stuck with the project, the oldest virtually unchanged unit of the whole subject at A level. It is a significant responsibility to mark your own candidate's work and to ensure that only what is written is rewarded. It has involved centres in an enormous time commitment and has been done with increasing expertise as time has gone on. A big thank you is also owed to all who have assessed it.

2879: The Business Thematic Enquiry

Introduction

The paper appears to have been accessible to all candidates. There were very few writing under pressure and even fewer who failed to finish. Where this was the case, undue time spent on the plan or in structuring the report were the reasons for it.

The paper was more accessible than some in recent time and virtually all candidates were able to develop a reasoned argument. There were a few who, largely or wholly, ignored the case and wrote in purely general terms or with reference to business techniques like Ansoff's matrix or break even without any direct link to the case information.

As usual there were some who shied away from the numbers and took refuge in such phrases as "a lot of" or a "huge amount". Some quoted the numbers but apart from some simple calculation of annual profit did not know what to do with them. At the top of the marking criteria, some good calculation of pay back or annual average rate of return strengthened the case the candidate was making.

The Plan

The requirements of task one have not changed over the years and are clearly stated on the paper. Nevertheless there were a number who ignored that and did their own thing. The most obvious example of this was ignoring 1(ii) or including within it precisely the same ideas as had been explained in 1(i).

Some candidates spent far too long on this task and included all kinds of discussion and argument which should have been in the report. Many objectives were generic, bearing no relationship to the case situation, although the majority did use an objective led format in the report itself. A very small number referred to the objectives of the business rather than their own. This year assumptions were not used as well as they have been in the past. Some made assumptions which simply repeated the facts of the case and others made assumptions which robbed them of opportunities for discussion in the report. The most common of these was "that the owners will have the capital for either option". This meant the candidate was passing up the opportunity to discuss how the money might be raised. A few went as far as rejecting option one within the plan. This meant they now had no opportunity to use much of the case data and little chance of a balanced argument.

The Report

Good to see that long statements about the terms of reference, the requests for the report and sources of information were far less common. Some went too far and wrote the report without any kind of introduction. It was common, however, for candidates to produce "alleged" evidence from outside sources without any indication of where they came from. Others produced it, referenced it well, but then made no use of it at all. The occasional report concentrated too much on this kind of evidence and made little or no use of the evidence in the case itself.

Structurally most reports were better than in previous series' and only a very few essay approaches were found. Some started well then drifted into an unstructured essay towards the end. The most common error was to produce theory and concept from the subject and then make either no use of it or use it in a way which was inappropriate to the problem. For many, it

was necessary to adopt the candidates' own figure rule because they knew the nature of pay back or ARR but were unable to complete the calculations correctly.

Most answered the question posed but, unusually there were few who could find a good argument to support Option 1. There were more candidates this time who saw only the financial aspects of the two options and wrote reports in which they ignored all other factors

Some of the arguments were too positively focussed. All the advantages of each option were compared and a decision made on that basis. The negative aspects that were chosen largely related to risk.

Many used knowledge of the 'credit crunch' very well. There was also strong understanding of EU CAP and grant giving policies which was often well used. A number also showed knowledge of ways in which the law would be a factor. The most common was planning permission but there were good references to 'health and safety', contract law and market licences.

Conclusion

On the whole this paper produced a better and more consistent pattern of work than has been shown on previous occasions. This may have been partly due to the nature of the case. However, in centre after centre, there was clear evidence of increasing experience of this kind of module and of how to ensure that candidates both prepared for it and then structured their answers effectively.

2880: Business Strategy

General Comments

For many centres, June 2009 will be their final 2880 paper. Although there will be 2880 cases for 2010 to accommodate Year 14 candidates, 2880 effectively ends this summer. As has been widely reported Business Strategy is replaced in the new specification, teaching of which started last September, by F297 Strategic Management. However, with a deliberately high level of continuity provided between 2880 and F297, this report still carries weight and as such is commended to colleagues preparing the current AS cohort as they get ready for the A2 phase of the GCE. Hopefully colleagues doing this will be aware that as 2880 metamorphoses into F297 the ability to explicitly demand the use of a specific content will arrive. In short this means that the question paper setter can, and will, ask a question which requires the use of a numerate technique. Candidates, therefore, must be able to analyse accounts, appraise investments, determine break-even, and use the decision making tools within the specification if they are to be successful.

Many of the negative comments made in previous reports continue to apply. In brief there is still reluctance to analyse numerate evidence and a tendency to merely quote it. Similarly, evaluation is still seen as a requirement to offer an opinion rather than a judgment being justified through synthesis of case and subject. In addition, the poor quality of written communication, and the continuing deterioration of hand writing remains an issue. Finally, and possibly a consequence of pre-seen case studies, answering a question anticipated instead of the one actually set.

Happily there are many positives to be able to report on. Firstly, candidates tendency to miss out an entire question is now quite rare. Secondly, time management is generally good, with very few candidates spending disproportionately long on one question at the expense of others.

There was some script evidence to suggest that candidates at the lower end of the ability range found aspects of the case confusing. This confusion was in relation to who ACE's customers were. Many at the lower end seemed to believe that ACE actually operates aircraft, thus making the flying public their customers. As an airport, ACE's direct customers are the airlines, although if a passenger does park at the airport, and so use ACE's facilities, then at this stage passengers do become customers. Hence, ACE operates in both the business to business market as well as the private household market.

Comments on Individual Questions

- 1 There were several routes to evaluation for this question which considered how an increase in UK interest rates would impact upon ACE's growth plans. These plans are to be achieved by 2016, so with UK interest rates being set every month there is the immediate possibility of short term changes impacting upon the long term time horizon that 2016 gives. Similarly, evaluation could be achieved by comparing and contrasting how different groups would themselves be affected if interest rates rise.

Typically, and rightly, many candidates argued that for net borrowers an increase in interest rates means a reduction in discretionary spending, so leading to a reduction in demand for air travel, and so jeopardising ACE's target of 11.4m passengers by 2106. Others contrasted this group with net savers and so came to the opposite view regarding demand. Thus, the extent to which demand will fall depends upon whether those using ACE are net savers or borrowers. There is also the possibility of considering income elasticity of demand and the fact that ACE's primary market is budget carriers. This logic allows for the possibility that even for net borrowers, reduced discretionary income, might mean trading down from full cost to budget carriers, so meaning ACE's passengers numbers may well be counter cyclical. Other factors considered included that flights are often booked well in advance, so meaning there could well be a time lag between interest rates rising and demand changing.

Analysis of the balance sheet can show ACE's gearing to be 58.1% (this analysis is far, far, better than the bland statement that "...ACE is highly geared.."). Given this level of reliance on external funding ACE might well struggle to raise additional finance for any capital expenditure associated with its growth plans, for example the rail spur. Similarly, if its cargo customers are themselves indebted then increased interest rates would raise the opportunity cost of buying new, quieter, aircraft thus hampering ACE's plans to grow through more night flights.

The possible impact of increasing UK interest rates on the sterling exchange rate was also considered. For ACE this will impact on the leisure holiday market as well as the propensity for imports/ exports and so changes in cargo volumes.

The key for this type of question, whereby there is a change in an external influence, is not to be certain. Yes, rising interest rates will cause aggregate demand to fall and so demand for what ACE offers, but the extent to which it falls is highly dependent on other variables. Evaluation can therefore be accessed by a justified judgment which takes the textbook theory and synthesise that with the case evidence to show the impact on this distinct business.

- 2 This question proved to be a very good discriminator. At the lower end of the ability range candidates wrote all they knew about stakeholders. Often the requirement to consider success was overlooked. Such answers scored less than half marks because they are i) partial, ii) descriptive and iii) generic.

Better candidates focused on success and how each shareholder might gauge success. For shareholders a few quick ratios can show that with return on equity at 2.48% and return on capital employed at 1.04% ACE is not a financial success. However, with passenger and freight numbers rising ACE has the potential to be more successful in the future if its plans come to fruition. Similarly, the local community, whilst being subject to noise and nuisance, might judge ACE to be successful by the number of flights. Likewise customers could judge the success of ACE by their experience, so for budget carries the improved turn around time for aircraft would be a measure of success, whereas for cargo

carriers the ability to operate 24 hours a day (one of ACE's unique selling points) would mark them down as being successful.

As ever, marks are awarded for depth of reasoning, not the number of stakeholders that are considered. It is far better write about two stakeholders in depth, analyzing case evidence to support the view, than to write about several descriptively.

- 3 This 'decision style' question had clearly and unsurprisingly been widely anticipated. There were many very good answers to it and for most candidates it was their most well rewarded answer.

At its core this question sought to make candidates think about what market ACE had expertise in, which it could satisfy, and the impact any change might have had on existing customers. In assessing who had leverage in the relationship between ACE and the airlines, the notion of investment in the airlines' operations at ACE, and so their sunk cost should they have sought to move to a competitor airport, becomes a key consideration. If all Ryanair have at ACE is a check-in-desk then they can readily switch operation to Coventry should ACE have ceased to offer them what they demanded (contracts not with standing).

The issue of financial reward and capacity were two central themes. With regard to finance, the AE contract could be analysed to give the boost revenue and, allowing for some assumptions, this was typically thought to be £438,000. However, this is barely 1% of total revenue. As such one can argue either way. First, 'every little helps'. Alternatively, the increased revenue was not material. Similarly, the increase in passenger numbers was, in fact, a very modest 2.5%. Most candidates recognised that £400 per aircraft movement is better than the £150 the budget carrier pays. The better candidates, however, recognised that runway capacity was an issue given the times of day AE wish to move. On a per-minute of runway time AE offer £80 (£400/5) compared to the budget carriers' £75 (£150/2). Again, the 6.7% difference in financial benefit was not great so leading to the view that non-financial issues needed to be considered.

It is this need to look beyond one distinct business behaviour and so to consider the whole business which makes this a synoptic question. Centres can expect this style of decision question to be set on F297. The examiner will offer reward based on the quality of the argument, not the decision itself. In this instance, most candidates chose to reject AE's proposal despite the increase in both passengers and revenue it would offer. Typically they cited the risk of alienating, and so losing, their existing customers.

- 4 This question was not well answered. Too many candidates wrote about why the dispute needed to be settled rather than how this might be achieved. Even where resolution was considered there was too much generality such as "...they should compromise...". Better candidates offered some specific suggestions, often using Table 3 to support their ideas. The need to think (and write) strategically was often overlooked. If, for example, the solution was to agree to the Trade Union's demands then what message does that send to the other staff at ACE? Further, what impact would this have on ACE's cost? Far too often the outcome was to pay more, or hire more staff, with no regard or recognition of cost. Given that ACE operate in a competitive market any increase in its costs could well impact on their customers and, in the final analysis, possibly leave ACE with just the specialist cargo carrier who has invested in a £35m purpose built parcel and cargo distribution facility.

Management of change, and industrial relations, are important aspects of the specification. These may well bear being revisited in the medium term.

Grade Thresholds

Advanced GCE Business Studies (3811/7811)
June 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
2871	Raw	45	32	30	28	26	24	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	28	25	23	21	19	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	37	33	29	26	23	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	35	32	29	26	24	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	39	35	31	27	24	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	41	37	33	30	27	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	36	32	28	25	22	0
	UMS	90	72	63	54	45	36	0
2878	Raw	90	72	63	54	46	38	0
	UMS	90	72	63	54	45	36	0
2879	Raw	90	71	65	60	55	50	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	49	44	39	35	31	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

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

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

	A	B	C	D	E	U	Total Number of Candidates
3811	19.6	44.9	70.5	87.2	98.8	100.0	1253
7811	13.7	41.2	71.7	91.0	98.9	100	4835

4835 candidates aggregated this series

For a description of how UMS marks are calculated see:

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

Statistics are correct at the time of publication.

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

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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