

Business Studies Specification A

General Certificate of Secondary Education **GCSE 1951**

General Certificate of Secondary Education (Short Course) **GCSE 1051**

Report on the Components

June 2006

1951/1051/MS/R/06

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

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General Certificate of Secondary Education Business Studies A (1951)

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SPECIFICATION 1051

General Introduction

The performance of candidates this year was generally in line with expectations. Within the written papers candidates reacted well to the scenarios set, and in coursework there were more examples of very good work which at times would not have been out of place in the full course.

In some instances on the written papers, candidates did not always answer within the context of the question, giving a more generic response which would lose marks at the higher level. The old requisite of reading the question carefully should also be reinforced as there was rather more evidence this year of candidates not responding to the question which was set.

Problem areas within the specification identified in marking included pricing strategy, sources of finance, payment systems and accounting. It may be beneficial for candidates to be given greater exposure to different scenarios in these areas of Business Studies.

Coursework was of a good standard once again, with some very creditable assignments being produced. Candidates are putting more emphasis on analysis and *interpretation* within their work which is enabling higher marks to be achieved on criterion 5 and providing a sounder base for recommendations in criterion 6.

Report for Publication to Centres

Business Studies Short Course 1051/1 June 2006 Foundation Paper

General Comments

Candidates responded well to the scenario set and seemed to be identify with some of the problems of running an expanding business. Better candidates were able to handle the context of the paper and to apply their answers to the scenario. However this continues to present a problem to the majority of the candidates.

It is important that centres encourage their candidates to use the context of the question and to read the stem of the question carefully. Failure to do this resulted in problems with Questions 2e and 4d in particular. There were many instances of failure to read the question. This means that candidates find it difficult to keep in mind the scenario with which they have been presented. Those candidates who clearly understood the Level of Response marking system were able to achieve higher marks by applying their answers and coming to a conclusion.

There were fewer candidates who failed to complete the paper although there were many examples of gaps in knowledge and there was evidence that papers had been rushed. Centres should continue to encourage their candidates to attempt all questions in order to gain as many marks as possible.

The candidates were able to attempt most of paper this year and there were very few questions which had not been addressed by the centres. Accounting and finance remain the most challenging areas for most candidates and hence questions 4bi, ii and iii were poorly done.

The standard of written communication remains a concern. Candidates should be encouraged to use paragraphs and punctuation in order to structure their answers. Spelling and sentence construction continues to be weak and the use of note or text form is becoming more common with misspellings of words such as no and know, were and where and there and their. Much more attention should be paid to the presentation of the work overall.

Comments on individual questions

- 1 (a) (i) This was poorly answered. Many candidates simply did not know the meaning of market segment with many giving the stated segments, methods of advertising or objectives. The best answers focused on the older age groups or families.
- (ii) Most candidates scored some marks with general statements such as 'better advertising'. This was an area with which candidates should have been familiar but the majority failed to apply their answers to the web and therefore lost marks. The best answers gave examples of booking online, virtual tours, discounts for online booking, email facilities; all of which would increase sales.
- (b) (i) Generally well done. Candidates must remember to use the £ sign to achieve all the marks.
- (ii) Very few candidates were able to answer this correctly. Pricing strategy remains a problem for many candidates. The favourite answer was B.
- (iii) Poorly answered. The tertiary sector is a fundamental part of the specification and it was disappointing to note how few candidates knew the answer. Some managed to give an example to gain the mark.
- (c) (i) (ii) (iii) Generally well done. Once again it is important for candidates to remember to include a £ sign in their answer.

Report on the Components taken in June 2006

- (d) (i) There were some very good answers to this question. The best answers used the context of sandwiches to explain the advantages of batch production over job production in terms of making sandwiches with a variety of fillings for an ever-changing but large and hungry market. However, there were far too many responses such as 'it is easier, faster, it makes more'. These answers could just as well described flow production. This was a very accessible question to those who had read the stem and even easier if applied to sandwiches.
 - (ii) Reasonably well done. Candidates should remember that a relevant example is always rewardable.
- 2
- (a) (i) (ii) Both parts were well done with many candidates understanding the problems of working in Europe and the qualities required in a person specification.
 - (b) (i) (ii) Most, but by no means all candidates answered (i) correctly, hence some answers to (ii) lacked any understanding of either salary or wages as a payment system. Candidates must be aware that the 'trigger' list is an aid, not the answer to the question. Too many candidates simply wrote why each was important rather than why a manager would have been paid a salary and the staff wages. The best answers concentrated on the fact that seasonal and temporary workers would be paid per hour due to the flexible nature of their employment, whereas the manager, due to the permanence of the job and the responsibility undertaken, would be paid a fixed amount on a monthly basis.
 - (c) (i) This was poorly answered with many candidates not reading the question and therefore failing to explain why their choices would be costly to the business.
 - (ii) When the candidates chose from the correct list, the explanations about the benefit to TAC plc were slightly better but many still lacked the understanding of the context to answer these questions.
 - (d) Well answered.
 - (e) Generally well answered with many candidates achieving 3-4 marks. The best answers explained the extent to which the choices would motivate John to stay and why he would be motivated by these choices.
- 3
- (a) (i) (ii) (iii) Generally well done. It was encouraging to see how many candidates understood the meaning of limited liability. A number did, however, confuse liability with loans.
 - (iv) Very well done. Most candidates could give a business objective and explain it in terms of the business. Many achieved full marks.
 - (b) There was some confusion due to a failure to read the question set. Some candidates suggested that customers would be holidaying in the UK rather than France. The best candidates selected reasons such as language problems with advertising, currency problems in terms of pricing and demand for holidays from residents of the UK.
 - (c) (i) (ii) There were some good answers to both parts of the question with the best candidates giving a relevant example to gain the extra mark. There was some confusion with primary and secondary production.
 - (d) Answers to this question were weak. Most candidates managed to explain why promotion was important but with little application to the holiday company. Many gave little explanation about the product itself in terms of its importance to marketing. The best answers identified that holidays were highly competitive and, therefore, both the product and its promotion were important. Very few candidates mentioned price and place.

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- 4 (a) (i) (ii) Generally well answered. Weaker candidates mentioned loans which could be used by both a plc and sole trader.
- (b) (i) Disappointing. Few candidates calculated the correct answer.
(ii) Encouragingly, there were quite a few correct answers to this part of the question.
(iii) Very few candidates could explain the meaning of variable costs. Candidates should try to give an example to gain a mark.
- (c) (i) (ii) Most candidates gave a relevant answer to this question e.g. loan, leasing, hire purchase, debenture and were able to give features of this type of finance.
- (d) Very well answered with the majority of candidates explaining why specialised training was needed, with most giving an idea of the repercussions of not investing in it.
- (e) Most candidates ignored the word 'advertising' in the question and, therefore, their explanations lacked the application required to achieve the best marks. This is another example of the importance of reading the question.

Report for Publication to Centres

Business Studies Short Course 1051/2 June 2006 Higher Paper

General Comments

All the candidates taking this examination paper were able to identify with the scenario set and to use it in their responses. Where centres had prepared the whole specification and explained the Level of Response marking system, the candidates were able to analyse and evaluate in order to achieve the higher marks. However, there were examples of gaps in knowledge, specifically market segmentation, pricing strategy, payment systems, sources of finance and accounting. Most candidates were entered for the correct tier and there were few scripts which were incomplete.

There is still evidence that candidates are not reading the questions and, therefore, hampering their ability to apply in context. This was particularly true of question 1c, 2a(ii) and 3c. The stem of the question often gives a clue as to what is required in the answer and candidates should be encouraged to use this to help them. The command word in the question or the format of the question is also important on this paper. Questions which start with or contain the word/s discuss or 'to what extent' or 'which is the most important' will require the higher level skills of analysis or evaluation. Candidates should be encouraged to identify these requirements.

The majority of candidates completed the paper but overall the standard of communication skills, in particular, spelling and paragraph construction, were weaker than in previous sessions. There was unfortunately a greater incidence of the use of 'text' language such a 'u' instead of 'you' and 'no' instead of 'know'. This should be discouraged.

Comments on Individual Questions

Question 1

- 1 (a) (i) Very few candidates knew the meaning of market segment in this context. Many just repeated segments that were already targeted; others simply stated advertising methods such as leaflets. The best answers concentrated on older people, families, businesses, etc.
- (ii) This part of the question was well done, with most candidates applying the idea of selling over the web in the context of TAC plc. The best answers concentrated on bookings, reservations, ease of access and email facilities.
- (b) (i) This was generally done well. Some candidates failed to add a £ sign and, therefore, lost a mark.
- (ii) There were 5 marks to be gained here and many candidates achieved at least 3 marks through partial calculation and the own figure rule (OFR). It is important for centres to emphasise to candidates that showing working is often reawardable.
- (iii) This was disappointing. Very few candidates could name different pricing strategies such as price discrimination, price skimming, price penetration, cost plus pricing or competitive pricing. The majority could explain how price discrimination might be applied and therefore gained some marks but many explained two types of price discrimination rather than two pricing strategies.

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- (c) Most candidates gave good explanations/analysis of primary and secondary research methods but failed to apply their answers to the scenario. Evaluation requires that research is looked at specifically in terms of who TAC plc is targeting and the best methods of achieving this. The best candidates attempted to create a balance between the types of research and make a judgement as to which both would be better for the business. Centres should emphasise to their candidates the importance of reading the stem carefully in order to focus their responses appropriately.
- 2 (a) (i) Well done with the majority of candidates identifying a relevant disadvantage to TAC plc of employing local workers.
(ii) It was encouraging to note that the majority of candidates understood a person specification. Most candidates identified relevant qualities which a supervisor would require and explained the circumstances in which they would be useful.
- (b) (i) Almost all candidates answered this correctly.
(ii) There were some excellent answers to this question, with some candidates understanding and explaining in context why a manager is paid a salary and the staff a wage in terms of hours worked and the consequent fixed or flexible nature of the payments. However, once again there were far too many answers which simply went through the 'crib' list and explained why they were important without actually answering the question. Some answers gave the examiner no indication that the candidate actually knew the difference between wages and salaries, only that they knew what a manager and the rest of the staff did for TAC plc.
- (c) The candidates made a variety of choices as to which would be the most likely to motivate John Carter but, in many cases, found it difficult to justify their choices in the context of the question. The better candidates attempted to analyse why these factors were more important than the others in terms of John remaining with the company and achieving his ambition. Evaluation in this case required that the candidate came to a conclusion as to which factors would be the most likely to affect the decision.
- 3 (a) (i) Generally well done with most candidates identifying an appropriate objective for each stakeholder.
(ii) The majority of candidates knew the meaning of a dividend but some found it difficult to explain. Full marks were awarded when there was a reference to profit.
(iii) There were some good answers to this question and it was encouraging to note that the majority of candidates could give at least one example of how TAC plc could add value to holidays. Explanations of the effects of the suggestions tended to omit lowered cost or increased revenue but, on the whole, the responses were much more encouraging than in previous years.
- (b) Well answered, with many candidates giving excellent explanations in context. The idea of different types and varieties of sandwiches for a large market with a clear demand were identified and comparisons made with job production.
- (c) Once again this question required that a judgement be made by the candidate. The word 'most' in the stem is the trigger for the candidate to identify that this is an evaluative question. Most candidates did not recognise this and, therefore, could not achieve the full marks available. Many candidates did, however, give an excellent justification for promotion and product being important to TAC plc. The best answers identified that TAC plc is operating in a highly competitive market and, therefore, both promotion of the holidays and the holidays themselves must be different from

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the competition. Very few explained why this was more important than price or place.

- 4 (a) (i) Well answered, with most candidates understanding that a plc could sell shares and a sole trader had to use their own savings or other sources of money. Some candidates simply stated loan as an option for both, which gained no marks.
- (ii) Well answered. Most candidates stated that a plc had to share profits with shareholders and a sole trader could keep all the profits for themselves.
- (b) (i) This was well answered.
- (ii) Very few candidates showed an understanding of the purpose of a Profit and Loss Account. There were some general references to expansion and reducing costs but no specific idea of how the account might help TAC plc in the future. Candidates continue to confuse revenue with profit.
- (c) Very few candidates could explain the difference. Some candidates understood that an asset was something the business owned and a liability was something a business owed. However, there was little understanding of the word 'current' and examples given were often 'fixed' or 'long term'.
- (d) Some candidates identified bank loan or leasing as the most appropriate long-term source of finance for the purchase of the quad bikes. However, most candidates failed to explain why they had made the choice in the context of the bikes. The best answers analysed the type of purchase, length of time, risk and repayments in terms of long and short term finance. However, the majority of candidates simply made superficial statements about finance and far too many confused long term and short term sources. This was a question where candidates needed to think through the answer and to use paragraphs to structure their response.
- (e) Most candidates achieved at least 3 marks. There were some excellent analytical answers in terms of specialised training. The majority concentrated on the need for such training due to Health and Safety requirements and the legal implications of any failure to meet this legislation.

Business Studies (Short Course) Case Study 1051/3

General Comments

As usual there was a variable response to the questions set on the case study. Some candidates had obviously studied the case study material and produced answers of some worth to all the questions. Others presented sketchy answers with very little mention of the context of the case study. There were many opportunities to score easy marks and so few candidates scored very low marks. As always, there were some candidates who should have been entered for the Higher Tier.

One of the main faults across the entry was the failure to interpret Resource Sheet 4 correctly. Candidates often confused Other Revenue with Total Revenue. Candidates also confused Revenue with Profit.

Most candidates scored some marks for Quality of Written Communication. Most were able to gain some marks for the numerical questions. Time pressures were not an issue.

Comments on individual questions

- 1 Part (a) was usually well answered. Part (b) produced some bizarre answers totally unrelated to business. Those who understood the concept of a sole trader were able to offer developed answers, usually about unlimited liability and easy decision making. Few understood the concept of a stakeholder in (c), confusing the term with shareholder. Answers to (d) were disappointing. Some candidates did not understand the question and just mentioned computers. Some candidates were able to show how the Internet would help clients. Most candidates were able to offer some comment in (e) but answers were not usually well enough developed for high marks. Most concentrated on the Internet but others appreciated the need to advertise locally.
- 2 Part (a), a cross over question, posed few problems for candidates who often scored full marks. Some candidates selected people based on marital status and age – these answers were not rewarded. One candidate selected Sam Tang ‘because he knew the hot spots in Tyegreen’. Part (b) was often well answered with the difficulties clearly identified and plausible solutions offered. Many candidates thought that an obvious solution was to sack members of staff, particularly Paul Jenks, rather than carry out disciplinary procedures.
- 3 Part (a) was often accurately calculated but many candidates failed to add the two figures. Part (b) offered the opportunity to gain some straightforward marks but too often in (iii) the wrong set of figures was used. Candidates were usually able to score marks in (iv) with the figures for residential properties usually being offered.
- 4 Part (a) served to differentiate candidates. There were many misconceptions – cut down the number of days open, reduce wages, sell off some of the offices. Some answers related to Jane herself rather than to the business as a whole. Part (b) was a cross over question. Most candidates agreed with Jane’s decision not to accept the offer but did not present very convincing arguments as to why not. Many answers lacked any reference to the case material and often concentrated on the personal advantages associated with being a sole trader – self fulfilment and on gaining a large sum of money. Some candidates, did, however, produce thoughtful, well reasoned answers drawing on the case material.

Business Studies (Short Course) Case Study 1051/4

General Comments

There was a substantial reduction in entries for the Higher Tier Case Study paper. The standard of the work was generally high with candidates often presenting well developed answers to many of the questions. Answers to Question 4 (b) were, perhaps, rather disappointing with often a lack of context.

The standard of Quality of Written Communication was variable. The standard of presentation of the work was generally good.

Many candidates had been well prepared for the examination and there were very few poor scripts.

Comments on individual questions

- 1 Part (a), a cross over question, provided an opportunity to gain two straightforward marks but many candidates failed to gain the second mark restricting their answers to comment on provision of a service. Part (b) produced some thoughtful answers and a great deal of theoretical knowledge about sole traders. Often answers lacked context or failed to give an opinion. The spelling of outweigh was interesting – outway being popular – especially as the word was printed in the question. Most candidates could explain why James was a stakeholder in (c) but often omitted the easy point that he was an employee. Many responses to (d) concentrated on the use of the Internet. Answers that mentioned changes in the use of other media and the use of promotion methods usually gained high marks.
- 2 Part (a) presented no problems and most candidates gained full marks. In (b), a number of candidates gave lists of solutions rather than following the rubric of the question – recommend the most suitable course of action. In order to achieve full marks candidates should have been showing why they would take the course of action chosen. Often they omitted to do this. Too many candidates thought that sacking Paul Jenks was necessary, rather than taking disciplinary action.
- 3 Part (a) was often accurately calculated. Answers to (b) were disappointing with candidates giving little beyond one reason for their choice. Those who chose retained profit were able to score more easily. Negative comment on the two sources of finance not chosen was accepted. Some candidates were able to cope with the demands of percentage calculations in (c) but a frequent mistake in (c) (ii) was to take £600 000 and £480 000 as the basis of the percentage calculation rather than the difference between the two figures in relation to £480 000.
- 4 Part (a) proved demanding for many candidates. Often the problems were clearly identified but some very unrealistic solutions were frequently offered – charging people to view, having a fixed rate of commission, reducing wages, closing at weekends and making people redundant. Many candidates failed to develop worthwhile answers and so did not gain all the marks available. As referred to previously, many answers to (b) were disappointing with sweeping statements being made, e.g. she has achieved large amounts of revenue, she can expand her business, without any reference to the evidence presented in the case to substantiate the argument. Many answers also concentrated on personal factors about Becky – if she sold the business she would be bored, lose the sense of achievement and have no security, rather than looking at the information supplied in the case. Few candidates mentioned that the offer was less than the total revenue for the year. No-one mentioned that there is no information about expenses. A few mentioned all the opportunities for expansion, opening the Tyegreen office, opportunities for extending the rental business or the considered expansion into the sale of French and Spanish properties. There were many missed opportunities to gain high marks but time pressures did not seem to be a factor in this apart from for a very few candidates.

REPORT ON THE EXAMINATIONS 2006
BUSINESS STUDIES GCSE COURSEWORK
SHORT COURSE SPECIFICATION 1051/5

Introduction

The overall high standard of work within coursework was maintained this year, with some outstanding work being produced. It is a credit to both the candidates and the teaching staff that quality can be maintained in the restricted time available to complete the work.

Candidates and teaching staff should note that the length of the assignment should reflect the short course provision within the timetable. The specification advice is 1250 words, which should be seen as a guide as to the required length. A number of candidates are still producing work that goes well beyond this advice. Whilst it is difficult to bring an assignment to a premature end simply to keep it within advised limits, candidates should be advised on how to make precise judgements, and use the data gathered in a more selective manner.

The majority of candidates produced work based on the prescribed titles within the specification. A small number of centres chose to follow the T Mobile assignment supported by the Principal Moderator (details from OCR Birmingham office), with a minority of centres devising their own title after consulting the Principal Moderator for advice. Once again, the point of contact is the OCR Birmingham office.

With regard to administration, centres are reminded that when a candidate produces no coursework, a mark of 'A' (absent) should be entered.

Application of the Assessment Criteria

Criterion 1

Here the candidate should state the aim of the assignment clearly and then explain the strategy to be employed to achieve that aim. At times, centres gave full marks for what was at times a superficial bullet point list of intentions, rather than why a particular method was being used.

Criterion 2

In this criterion, candidates should collect sufficient information to achieve the aim of the work. Data should include both primary and secondary examples. Care should be taken when including published material, especially Internet based, without any comment from the candidate. A number of candidates would have benefited from advice on how to be more selective and what to include in a short course Business Studies GCSE assignment.

Criterion 3

For this criterion, candidates must present their work in a clear and logical way, which enables the reader to easily follow the arguments being presented.

A number of candidates used the full range of techniques, which included graphs, charts, photographs, diagrams and maps as appropriate. This can often help the problem of a high word count, as a photograph to illustrate location can give a clearer idea of the issues involved than a paragraph of words.

Clarity remains the key issue in this criterion. Candidates should select their method of presentation carefully, and ensure that the method chosen fits the purpose they require.

Criterion 4

Criterion 4 requires candidates to use business terms and techniques within their work. This does **not** mean simply presenting, for example, a list of pricing strategies taken from a text book. It must be remembered that knowledge cannot be rewarded within coursework. Using the above example, the pricing strategies *of a particular business* can be explained to establish the present marketing strategy. This approach can be rewarded.

More able candidates were able to use a full range of business related terms, which gave their assignment a more professional look. Weaker candidates were only able to use a limited range of terms within their work. Criterion 4 remains one of the differentiating criteria within the OCR specification.

Criterion 5

Here candidates are required to both analyse and interpret the results of the data they have gathered. Whilst the majority of candidates produced some level of analysis, many candidates failed to fully interpret the data. Interpretation should include why the results have worked out in a particular way and the importance of the results in the context of the study.

Whilst this remains one of the more difficult criterion to fulfil, candidates should be encouraged to go beyond simply repeating in words that which a clearly drawn graph has already shown.

Criterion 6

This criterion requires candidates to make recommendations based on the data gathered. At best this is illustrated by candidates who look back at the earlier analysis and interpretation, and then use the results, including selected figures, to justify the recommendations being made. Recommendations will fit the context of the assignment and the business being investigated.

Weaker candidates can be identified by making general statements which are often unrelated to the earlier analysis. Recommendations are not clearly thought through and do not fit the business being studied.

Centres should remember that, within the OCR Business Studies specification, the final evaluation is an evaluation of the data used to reach a judgement as to what recommendations should be made. A small number of centres are still wrongly rewarding their candidates for reviewing the methodology used within the assignment and how they would change such methods if doing the work again. This is not required within an assignment.

Prescribed Titles

Evaluate the marketing strategy of a familiar product or service, making recommendations on whether the market mix should be changed in any way.

This remains a popular choice for a Business Studies assignment, giving candidates the opportunity to investigate a business in which they had some connection or interest.

Problems arose when candidates fell into the 'descriptive trap', spending far too much time simply describing the product or service with the help of an overload of published material. Little analysis would follow, and the concept of *marketing strategy* would be lost.

Better assignments included a more balanced look at the 4 Ps as a basis for the present marketing strategy used by the chosen business. This was then followed by a well designed questionnaire aimed at examining whether the present strategy should be changed. This then produced data to be analysed and interpreted, which would naturally lead to recommendations being made on different aspects of the marketing mix.

Evaluate the recruitment methods used by different businesses, making recommendations on how they may be developed.

Very few centres adopted this title, which requires detailed information from different businesses to give the foundations for the investigation.

Where such information is available, the assignment works well, with candidates gaining a clearer insight into recruitment methods. It is important that the context of the business and the jobs which may be on offer is not lost. A sole trader and a plc will clearly have different recruitment methods which should be reflected in any recommendations being made.

With reference to the local area, would the opening of a fast food restaurant (or other business) make a sound business proposition?

This assignment was another popular choice for candidates where there was once again some personal interest in the subject being investigated.

For short course candidates in particular, it is vital that the study should not be too wide. A number of candidates became bogged down in a mass of numerical data looking at future profit and loss, break even, cash flow and balance sheets, much of which was based on rather unreliable data.

A rather more manageable approach is to look at the local area studying existing competition to establish a base line for the investigation. A detailed questionnaire can then be developed to fully examine the potential usage of the new business. This data can then be analysed and interpreted to give the basis for any recommendations being made.

Recommendations themselves may well be conditional, for example that the fast food restaurant is part of a well known chain, that it is sufficiently advertised, that it has a particular menu, charging certain prices etc.

Within the context of the short course in particular this is an acceptable approach which will help contain the final word count.

Supported study based on the marketing of T Mobile

A number of centres chose to follow the supported study which involves candidates joining a national enquiry using an identical questionnaire.

The data produced is sufficient to enable candidates to give precise recommendations to T Mobile on how it may develop its marketing mix.

Overall, the work produced by candidates was of a high standard with some perceptive use of the data and imaginative presentation of the study as a whole.

Weaker work had rather too much Internet based material showing all manner of phones and accessories with little or no connection being made to the marketing of T Mobile. Candidates should follow the candidate brief from the Principal Moderator. For those centres wanting to join the supported study, details are available from the Birmingham office.

General Introduction 1951

The examinations this year provided a variety of scenarios which proved accessible for all levels of candidates, and there were some creditable performances. In coursework, candidates continue to produce professional pieces of work investigating a variety of different business situations.

Specification areas which continued to prove difficult for candidates included limited liability, overdrafts, accounts on the core paper and the euro debate and exchange rates on the Business and Change option. Candidates could well benefit from more varied preparation in these areas in order for them to adapt their understanding to the context presented to them in the examination. It was pleasing to see an improvement in the responses to supply and demand questions on the Business Communication and Marketing option. In all areas, the *development* of answers was at times weak, especially on the Foundation tier papers. The use of aids such as writing frames may well prove beneficial in preparing candidates for longer answers which require elements of development and argument.

In the case study papers, candidates were generally well prepared, though there was some unnecessary confusion as to the actual role of an estate agent. Such elements of comprehension are necessary prior to the sitting of any case study paper.

Numerical skills and their application to business studies remain a problem. Candidates need to be confident that the mathematical skills required within business studies are not some advanced learning that they can never master. They are simply skills which are covered in the course of normal maths lessons and then covered again in business studies when applied to a particular context.

A number of candidates used the lined pages at the back of their answer booklets to extend their answers. In order to help examiners in the marking of such work, there should be clear indication from the candidate that the question is being continued on the extension pages.

Within coursework, many candidates produced work which displayed high levels of analysis, interpretation and evaluation to score high marks. The concentration on *interpreting* the importance of data enabled candidates to score high marks on criterion 5 and give a firmer foundation for the later recommendations (criterion 6). Weaker candidates need more practice in these skills prior to starting their assignment work.

General Comments

This paper is targeted at grades C to G and questions were set which were accessible to candidates working at this level. A wide range of questions were set from across the specification providing opportunity to gain good marks. It is felt that the questions set were appropriate at this level and provided effective discrimination across the paper. Very few blank scripts were seen with only the weakest candidates failing to answer most of the questions. The structure of some of the questions enabled most candidates to 'have a go' at ticking the boxes or extracting the given statements into their answer. The main reasons for candidates not scoring more highly, as noted in the last three years' reports are:

- (a) a failure to develop answers more fully or give more detailed explanations. Again, as in previous years, candidates frequently scored the maximum marks for stating/identifying, i.e. 2 marks, but failed to score more highly by explaining/discussing their choices. In question Q5(a), for example, candidates could identify why the advertisement would be unsuccessful, e.g. lack of address/ phone number, but could not give reasons why this would be unsuccessful as the question asks and thus failed to score further marks.
- (b) a lack of understanding of the key concepts, e.g. Q2(c) (i), (ii), (iii), Q3(b)(i), (d). Judging from responses, a number of candidates were not properly prepared to answer questions relating to overdrafts, debtors nor limited liability which is a pity as this was noted on last year's report.
- (c) a failure to answer the question set. Perhaps again, as noted in last year's report, the result of learning responses 'by heart' and an inability to apply to the question set. For example, in question Q4 (c) (ii), the majority of candidates could identify the usefulness of the four activities to the candidate but not to the owners as was required by the question.

The context of the paper was 'Pete's Café', a business set up by Peter Miller in 2003 who in 2006 will open a sandwich bar called 'Pete's Pantry' and who is thinking of taking on a partner, Rosie. The questions set were designed to explore issues relating to location, business activity, accounting, sources of finance, liability, ownership, costs, recruitment and selection and marketing/pricing strategies. The main questions where candidates failed to provide answers in sufficient detail were Q1(a)(iii), Q3(d), Q4(c)(ii), Q5(a) and (b)(ii). In each of these questions candidates were expected to give reasons/explain their choices and only the more able could do this. The weaker candidates' answers were characterised by solely identifying or stating factors relevant to the question and commonly rewrote the stem, for which no credit is given.

There were two questions where a large percentage of candidates provided incorrect responses but few left the answer box blank. These were Q2(c)(i), with many suggesting that current liabilities plus creditors equals overdraft, Q2(c)(ii), that an overdraft is a loan, Q2(c)(iii) that debtors are described as creditors, and Q3(d) suggesting that a Deed of Partnership is a Contract of Employment. Most candidates were able to extract data from the scenario such as Q1(a)(i), (ii), (iii), Q2(a)(i), (ii), Q4(b), (c) and Q5 (d). Only the more able candidates were capable of scoring high marks for Q2(a)(iii), Q3(a), (d), Q4(c)(ii) and Q5(b)(ii).

In general there are five main areas of the specification where greater understanding of the concepts involved would have improved the marks obtained. These are methods of increasing sales, current assets and current liabilities, liability, recruitment and selection, and advertising media. In other areas it was pleasing to note that candidates have a good understanding of location, services provided by local authorities, business objectives, business activity, pie charts, mortgages, ownership, fixed and variable costs, and pricing strategies. The quality of written communication remains varied with very few cases seen of a candidate failing to reach the threshold standard. Overall, with regard to spelling, 'interesting' spellings of subject specific words were noted, e.g. bussiness, phrofit, deateat (debt) and liflets (leaflets) and for everyday words spellings such as oppions (opinions), vichle (vehicle), ows (house) and formalar (familiar).

The use of the universal comma was also noted as were sentences starting with because, although most candidates seemed to use appropriate punctuation and capital letters.

Comments on Individual Questions

- 1 (a) (i) The majority of candidates could identify two advantages Site B has over Site C. A common failing was to refer to the closeness of Site B to the city of Mencaster without stating why this was an advantage, e.g. proximity to potential customers/markets.
 - (ii) All candidates attempted this question with the vast majority able to identify factors why Site C might or might not have got more customers than Site A. Sadly, few scored full marks as they failed to **explain** the factors as the question asks, e.g. Site C might have got more customers than Site A as many people go shopping at the retail park (1) and many of these will be potential customers (1).
 - (iii) The ability to evaluate the benefits of Site A and Site B was required in this question. In general, candidates tended to identify the advantages of one site but failed to evaluate with reference to the advantages of the other site.
 - (b) All candidates attempted this question with the majority scoring full marks, although it was common to see the NHS incorrectly identified as a service provided by Bowton Council.
 - (c) The majority of candidates could state two objectives of a business in its first year although far fewer could explain these objectives as was required by the question.
 - (d) A mixture of responses was given to this question with some candidates hampered by a lack of understanding of the terms involved. Equally at fault were candidates who failed to do as the questions asked, i.e. **using Fig 1**, state one activity shown from each sector, e.g. farming/manufacturing/selling food and hence forestry, making furniture and selling furniture were incorrect.
 - (e) All candidates attempted the question by ticking the boxes. The vast majority were able to match each statement to the correct impact on employment.
- 2 (a) (i) A question involving a basic accounting calculation for total revenue which almost all candidates calculated correctly. A few candidates used the correct figures and operation, gaining one mark for workings, but incorrectly calculating the product.
 - (ii) As in (i) above, a simple profit calculation with the majority of candidates scoring full marks.

- (iii) Candidates were expected to state and explain three ways of increasing sales at **the present site**. Surprisingly, few full marks were scored, with the mean mark being four out of six. Common misinterpretations were to suggest methods of increasing sales at another site, e.g. move to a better placed site, set up a shop, all of which scored zero marks. An equally common mistake was to suggest three variations on the **same way/method**, e.g. most commonly advertising (gaining 1 mark) plus one for expansion/explanation, e.g. by putting signs out on the road (1) or putting leaflets in people's doors (1) to raise awareness (1) but more importantly restricting the candidate to a maximum of two for the overall question.
- (b) A simple calculation with the vast majority of candidates scoring full marks. It is pleasing to note that candidates do not seem to have the same problem with calculating percentages as in previous years. Curiously, some candidates decided to calculate the percentage value of sweet sales, although the question clearly stated cake sales.
 - (i) An accounting based question using figures from a current asset and current liabilities chart provided. A common error was to add creditors to total current liabilities to arrive at the overdraft figure.
 - (ii) A disappointingly poorly answered question indicating a lack of understanding of the concept of overdraft. The vast majority of candidates identified, incorrectly, that an overdraft is a loan which can be used at will. Very few candidates realised that overdrafts were agreements with banks to spend more than the account balance with interest charged daily.
 - (iii) As poorly answered as (ii) with very few full marks seen. Most candidates could only raise a bare 'people that owe you money' (1), no-one referred to the short term and many confused debtors with creditors.
 - (iv) In view of (ii) and (iii), this was a surprisingly well answered question with many candidates realising current assets exceeded current liabilities and some realising that the overdraft facility was likely to be a good source of short-term finance to pay a short-term liability.
- 3 (a) The topic of methods of finance has been a common one over the last few years and it is clear which centres had used past papers to revise from. Unfortunately, some candidates did not possess sufficient understanding to adapt their knowledge to varying scenarios, e.g. it is clear that share issue and debentures are inappropriate sources of finance for a sole trader or partnership. The majority of candidates could provide sufficient reasons to support the choice of mortgages as a source of finance to score 3-4 marks but struggled to find reasons to support the choice of trade credit. They often incorrectly suggested that the stock could be paid for once it has been sold, and often struggled to justify the choice of leasing, again incorrectly suggesting leasing was a form of hire purchase.
 - (b) (i) In last year's report (2005), it was noted that candidates possessed a general lack of understanding of the concept of liability and, unfortunately, judging from candidates' performance in this question, little has changed since last year. Candidates were required to draw a line from each statement to either the limited liability or unlimited liability box to show which it describes. Most common mistakes were (i) the owner may have to sell off private possessions if the business goes bankrupt for limited liability and (ii) the owner loses the value of any shares owned in the businesses if it fails for unlimited liability.

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- (ii) Judging from the lack of understanding shown in part (i), it is not surprising to note that, with a choice of two, approximately 50% of candidates answered correctly with unlimited liability and 50% answered incorrectly with limited.
 - (c) After b (i) and (ii), this was a pleasingly well answered question. Clearly centres have prepared candidates well on the advantages/disadvantages of sole traders v partnerships and, as a result, many high scores were noted.
 - (d) A difficult question for many candidates with some confusing Deed of Partnership with Contract of Employment and discussing such issues as hours of work, wages etc. At a basic level, many realised that a Deed of Partnership was a legally enforceable agreement or contract, with better candidates able to support this with relevant reasons, e.g. preventing arguments and determining partners' responsibilities.
- 4
- (a) A simple tick box question which was generally well answered requiring candidates to differentiate between fixed and variable costs. A common error was to tick interest on a bank loan as a variable cost which it may be to the individual but **not** in relation to output.
 - (b)
 - (i) This question required candidates to calculate values for fixed/variable costs and total revenue and fill in the empty spaces on a given chart. Again, a generally well answered question with a high percentage of full marks scored.
 - (ii) Judging from answers to part (i), this was surprisingly poorly answered indicating that, although candidates can perform a basic mechanical operation of fill in the empty box, they struggle on the higher skill of interpretation of the boxes. Here candidates were expected to identify an output of 600 units as unsatisfactory as a loss was being made of £400. Many candidates incorrectly referred to a profit of £400 and 'they should be pleased as they are on the way to making £600 profit'.
 - (c)
 - (i) A simple 'fill in the boxes' question regarding recruitment and selection and, on the whole, most candidates scored full marks, although it was common to see a lack of knowledge of this process by suggesting that a job description is drawn up **after** a suitable applicant has been appointed.
 - (ii) This proved to be a challenging question, which was often misinterpreted. The question clearly asks for the usefulness of each activity to the **partners** in recruiting the manager, **not**, as was commonly understood, the usefulness to the applicant. It is agreed that some degree of overlap exists for which credit was given but it was also clear that those who realised the import of the question scored more highly than those that did not. Equally common for this question were vague answers such as 'see what s/he is like' or 'show what s/he has done', for which no credit was given.
- 5
- (a) The vast majority of candidates could identify factors which would influence the success of the given advertisement, e.g. lack of address, lack of phone number, gaining 1-2 marks. Many then failed to explain how these would contribute to its lack of success, e.g. customers will not know where the shop is, or will not be able to contact the shop to make in order to gain 3-4 marks.

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- (b) (i) A straightforward question requiring candidates to identify two advertising media **suitable** for Peter and Rosie, i.e. a partnership with limited finance. Clearly the emphasis would be on low cost and local sources which was recognised by most candidates and hence television/radio were not suitable and scored zero.
- (ii) Although candidates could identify correct advertising media in part (i), very few could give reasons why their choice was appropriate apart from a basic 'because the audience is local' (1).
- (c) A question requiring candidates to state and explain one advantage and one disadvantage of offering a delivery service. Interestingly, candidates struggled to score two marks for an advantage other than one for identification, e.g. may increase custom/sales (1), but commonly scored two marks for a disadvantage, e.g. may have to buy a van (1) which will increase costs (1).
- (d) A straightforward complete the box question referring to pricing strategies. This was, on the whole, well answered indicating centres are preparing candidates well in this area. Common errors noted here were confusion between psychological and penetration pricing and penetration pricing and competitor pricing.

Advice to teachers/candidates of GCSE Business Studies

- 1 In an examination with compulsory questions, clearly specification coverage is a key issue. On a centre by centre basis, although most areas had been covered sufficiently, there is evidence of insufficient preparation of particular areas of the specification. For example, in Q2(c) candidates generally gave poor answers relating to balance sheet items and in Q3(b) (i) answers relating to liability.
- 2 Although comments about reading the question carefully are always being made, these comments are equally appropriate to this year, e.g. Q2(a) (iii) required that candidates state and explain **three** ways in which Peter could have increased sales at site A. Many candidates ignored this advice and wrote about ways to increase sales at other sites, about ways to increase profit not just sales, and explained one example/way but gave three variations to this. Equally for Q4(c) (ii) candidates ignored the instruction to explain how useful each of the activities would be to Peter and Rosie (the owners) and instead wrote about the usefulness to the employee.
- 3 Also common to see was the candidate who failed to relate the length/depth of their answer to the number of marks available. As a guide, questions of 1-2 marks, i.e. 'state', 'suggest' or 'identify' can usually be answered in a sentence, e.g. Q1(a) (i), with little or no development. Candidates who write at length on such questions are penalising themselves in terms of time and effort. On the other hand questions of three or more marks, indicated by terms such as explain, give reasons, discuss, require a more considered response than a basic list of factors, e.g. Q3 (c).

BUSINESS STUDIES GCSE 2006 - 1951/02

REPORT ON THE HIGHER TIER EXAMINATION

As in previous years, the questions on this examination paper were set around a fictional business context. In this instance, the focus was on an entrepreneur, Peter, who started with a roadside trailer and later began a café as a partnership with a friend, Rosie. Candidates were not required to have any detailed knowledge of these kinds of businesses. The purpose of the examination is to test the ability of the candidates to apply their knowledge of the terms, concepts and techniques of the subject to deal with issues raised through the questions. Information about the business context is 'drip-fed'. Candidates should be aware that this information is there both to help and to challenge them – a point illustrated in the comments on several questions in this report, particularly in relation to 4(b) and 5(a) (i).

As ever, there were a number of questions that required candidates to apply their numerical skills and, as ever, the performance on these was mixed. Candidates need to recognise that numerical skills are transferable – they are not being asked to do anything in Business Studies which they would not be expected to cope with in Mathematics. Indeed, the numbers and data are always relatively straightforward so that they do not put off those candidates who are not confident about their numerical skills. It is for this reason that, whilst the business contexts used are often based on real-world businesses or situations, real business figures are not usually used.

- 1 (a) The challenge in this question was to use the information provided to draw conclusions about the prospects for Peter's café business of the different sites. Whilst there were many well-developed answers, significant numbers of candidates satisfied themselves with quoting the evidence without stating the significance of it. It was good to see candidates really thinking about the information provided, for example, by working out how many cars would pass Site A each day or by questioning how many might stop out of the 3000 cars and how many passengers there might be on average. Most commonly, candidates referred to the low licence fee at Site A and its visibility from the road. The advantages of Site B that were most often cited were regular custom from the factory workers and that it was away from the main road and so would be a safer or a quieter place to stop. Others saw being away from the road as a disadvantage as it would be less likely that it would be seen. Few recommended Site C. The competition and potentially lower number of customers compared to Site A were commonly given disadvantages.
- (b) Most candidates were able to suggest examples of services offered by local councils – education, refuse collection and disposal, parks and leisure facilities were common examples. The most common error was to say that councils provided doctors and hospitals.
- (c) Candidates generally scored well on this question. Survival and making a profit were the most often cited appropriate objectives. Expansion was another possibility although unrealistic development points were sometimes made.
- (d) A wide range of answers was allowed for this question. Credit was given wherever a candidate indicated that they knew what kind of production activity was involved in each of the different sectors of the economy. Most candidates scored well.

- (e) The best answers dealt with globalisation, the de-industrialisation of the economy and the increased use of technology as the reasons for the decline in employment in manufacturing whilst citing increased wealth, leisure time and the increased size of and larger proportion of old people in the population for the rise in employment in the tertiary sector. The reasons for the growth in the tertiary sector are all related to the demand for services. Some candidates wrote that people preferred tertiary sector jobs because, for example, they were better paid, cleaner, needed more or less skills and so on without highlighting the demand side influence.
- 2 (a) This question discriminated well between the higher and lower grade candidates on this paper. It required a precise knowledge and application of accounting procedures to calculate the cost of goods sold and gross profit. It is worth pointing out here the importance of the instruction 'Show your working'. Many candidates who gave an incorrect answer were still able to gain marks for completing some part of the methods correctly. Quite a number of these gained four marks.
- (b) Whilst it was clearly appropriate to suggest appropriate ways of advertising the site as a means of increasing sales, the best answers were able to go beyond this proposing pricing strategies, for example, penetration and competitive pricing (and saying specifically how they would help), promotional offers and developments of the site and the trailer to make them more attractive.
- (c) Questions that ask candidates to interpret data presented in the form of pie charts have been a common feature of this paper for several years. There has been an improvement in the responses of candidates over time, though, still, many do not read the instruction carefully and focus on the change in the percentages rather than the values.
- (d) Candidates were helped by the presence of the net profit and return on capital employed formulae in the stimulus data. This encouraged many candidates to give a Level 2 response by quoting and comparing the changes in these ratios from one year to the next. Level 3 responses were much scarcer. Candidates were expected to develop points related to the ratios. The most frequent development related to the growth of the ROCE for Pete's Café compared with his friends, the point being made that Peter had been in business for much less time. There were some good answers explaining how Peter would have been able to increase the net profit margin.
- 3 (a) This 'cross-over' question was generally well-answered by candidates on this tier. There was only one correct method for each item to be financed. Some candidates did suggest that Peter could lease the premises, which might be a consideration for some similar business, but the question asked how he could finance the 'purchase' of it. Whilst many candidates were able to point out that mortgages were long term and used for expensive items, only the more able said that mortgages were commonly granted for premises and that the premises could be used as collateral. Answers correctly stating trade credit for financing the purchase of stock sometimes lacked precision – key advantages are that the stock is available for sale immediately, that repayment is not required for, say 30 days (or other appropriate period and that no interest is charged). Leasing was widely suggested for financing the van and the main advantages given by candidates included no need to pay a large sum upfront, the possibilities of maintenance and of upgrading to a new vehicle at the end of the lease period. Unfortunately, good numbers of candidates thought that leasing was a way of buying a van, mistaking it for hire purchase as a way of spreading the cost over a period of time.

Report on the Components taken in June 2006

- (b) (i) (ii) A large majority of candidates answered part (i) of the question correctly. However, not as many were able to identify that Peter would have unlimited liability as a partner.
 - (c) There were many well-developed answers to this question, candidates rightly comparing the arguments related to staying as a sole trader or for becoming a partner. Issues commonly discussed included the distribution of profits, control, capital, management and ideas. It was good to see candidates relating their discussion specifically to the case study context – in particular, that there were now two separate sites to be run – rather than just listing the advantages and disadvantages of each option.
 - (d) Again this question was generally well-answered though some candidates spoilt their responses by not giving details of the issues that would be covered by a Deed of Partnership. Specifically these included the division of capital and profit and roles. It was widely recognised that a Deed of Partnership would help to reduce arguments.
- 4
- (a) (i) Candidates had a choice of methods of calculating the break even output. Either they could draw a graph, which required a lot of calculation and then the accurate plotting of the graph, or they could apply the simple mathematical formula. Accurate answers more commonly resulted from the latter approach. Those who gained partial marks for an appropriate method were much more likely to have attempted to draw a graph.
 - (ii) There were too many answers dealing with the general problems related to break even charts – that they are forecasts and that they are useful for predicting or setting a target for how many to produce. Better answers focussed on variables which might change – costs, both fixed and variable, and prices, particularly as a result of competition in the market place.
 - (b) This question about recruitment and selection was based on an area of the specification of which candidates usually display good knowledge. In general, this was the case this year, although some weak candidates could suggest little above using CVs and interviewing applicants. Better candidates structured their answers to discuss exactly what Peter and Rosie would need to look for (discussing job descriptions and person specifications), the need to advertise the post appropriately and to use a range of selection procedures. These grade B/C candidates justified choices in general terms suggesting, for example, that interviews would help Peter and Rosie to see how the applicant presented themselves. The best candidates applied their thinking specifically to the context. For example, they suggested that in interviews the candidates should be asked questions related to the management of a business, for example how to raise performance, or to the management of people, for example dealing with problem employees or dissatisfied customers.
- 5
- (a) (i) Too many answers to this straightforward question about the appropriate media that Peter and Rosie could use to advertise their new café were spoilt by a lack of detail – no credit was given to candidates who suggested “newspapers” but credit was given to those who proposed local newspapers. The message is “read the information and the context and use it.”
 - (ii) Candidates were generally able to offer appropriate justifications for a recommended medium. Credit was also given to arguments explaining why the second of the suitable media suggested in (i) was not the better to choose.

Report on the Components taken in June 2006

- (b) This question was also generally well answered. The main advantage that candidates recognised was the increase in custom and many were able to explain how a delivery service would be helpful to workers who did not have transport or time or who simply wanted the convenience. The main disadvantage suggested related to costs in terms of transport and personnel.

- (c) This was a difficult question but it was pleasing to see the best candidates teasing out a number of relevant issues. Among these were those connected to rising costs, resulting from higher wage costs and interest rates; the effect of higher interest rates on savings, spending and the sales of the café; higher wages and their effect on spending; the reaction of competitor firms to the rising costs and how this would affect Peter and Rosie's ability to raise their prices.

Paper 3 – Foundation Tier, Business and Change

General Comments

The overriding impression is that the majority of candidates performed to a standard which reflects their ability.

The most common problems were:

- 1 an inability to evaluate factors in judgement such as questions 1(d)(iii), 1(e) and 2(f) and, in particular, relate their answers to the organisation;
- 2 a lack of understanding of the business concept of economies of scale in question 2(d).

Comments on Individual Questions

- (a) (i) Generally answered well. A common correct response was 'I think it is a good name because the word healthy suggests a good food which helps the customers' health which improves the image of the business which may lead to more sales'.
- (ii) The great majority of candidates selected the correct two features of a plc.
- (iii) There were mixed responses to this question, with many candidates correctly linking success to the 'number of customers', but struggling to incorporate 'size of buildings' into their answer for full marks. A good answer seen was 'a company with the most customers is likely to be the most successful as more customers implies high profit. The size of buildings is not a good indicator of success because they may not be used for anything and you may not even own them'.
- (b) This was a cross-over question which was poorly answered, although often candidates did obtain 2 of the 4 marks on offer. The reason for the difficulty was a lack of overall judgement and clear comparative comments. Good responses included 'the growth of technology has made fewer jobs available, e.g., computers used in catching fish, however the main factor for the fall in primary sector employment is that there has been an increase in demand for cheaper foreign produce. As international trade has increased, UK supermarkets are able to import more produce which means even less demand for UK primary sector companies such as Healthy Salmon plc, therefore less need for workers'.
- (c) (i) Well answered. Generally candidates displayed understanding of the terms import and export. However, a significant number of candidates invalidated their answer by using two lines from each term.
- (ii) Satisfactorily answered. Whilst few candidates gained full marks, a majority were able to at least outline increased sales, profit, or market size in response to the question of why businesses sell abroad.
- (d) (i) Well answered. Most candidates named two correct 'euro-using' countries.
- (ii) Well answered. Candidates displayed good analysis of the data with the correct answer 1.4 euros frequently provided.

- (iii) Poorly answered. Many candidates gave negative factors for the company, as opposed to positive, and they were not able to grasp the exchange rate analysis, despite help in the question. Good responses were rare although the more able did display good analysis e.g., 'it is cheaper for German supermarkets to buy salmon from Healthy Salmon plc. This is likely to result in higher demand and profits which leads possibly to more funds for investment'.
 - (e) As a cross over question this was satisfactorily answered. Candidates choice of location varied, although generally they selected to relocate to Ireland. Some candidates were able to obtain Level 2. The reason for a lack of Level 3's was that candidates did not fully back their judgement. Weaker candidates simply listed from the table without giving any analysis. An example of a good response is 'The cost of land is cheaper in Ireland therefore lower total costs, although there is a government relocation grant available in Scotland which may help with increased costs but we do not know how big the grant is. Consumer spending is also higher in Ireland. This may generate more demand for salmon. The downside is that there is a higher minimum wage in Ireland, thus possibly higher labour costs. In my opinion, however, a 25 pence difference per hour will not greatly affect profitability, especially if they have few workers on the NMW, whereas the cost of land/premises and high consumer spending would. Therefore, I think it should locate to Ireland'.
- 2
- (a) (i) Generally well answered. Reasonable answers on convenience links given but few on employment and associated economic factors. An example of a good answer is 'the company provides jobs for local people therefore they will have more money to spend'.
 - (ii) A very well answered question on limited liability, only lacking in use of correct terms, such as 'initial investment', 'bankruptcy' and 'liquidation'. A common good response was 'Limited liability means that if the business folds due to debt, the company shareholders will not lose their possessions to pay the debt, only their investment'.
 - (b) Poorly answered with only the more able candidate achieving more than 2 out of the 4 marks on offer for this cross-over question. The reason for a lack of Level 2's being achieved was a lack of overall judgement and clear comparative comments between the two finance sourcing methods. Some candidates simply explained both methods but offered no judgement and/or did not refer to the scenario, namely financing £350 000. A good answer included 'Issuing shares to family and friends means you may lose more control of your business which may make decision-making harder as well as pressure on payment of dividends. However, you do not have to pay interest on loans or have monthly bank repayments as you do if you fund the £350 000 by a bank loan. Therefore, I would say use 'issue shares to family and friends' especially as you do not have to pay dividends'.
 - (c) Generally well answered. The majority of candidates were able to make an appropriate choice between increases in prices and advertising, and justifying those choices. A good response included 'Increased prices brings in more money for the business, and thus profitability, although the higher prices might put some customers off thus overall it may lose out. Therefore, I would choose 'increase advertising' as more people would be aware of their taxis thus making more money'.

- (d) Poorly answered. Very few candidates were able to give any viable interpretation of 'economies of scale' despite the guidance given in the question. A good response was rarely seen. The more able gave responses such as 'because the business is bigger it will buy taxis and spare parts in bigger numbers, therefore they will be able to negotiate a better price which saves on costs' for purchasing economies whilst 'because the business is bigger they will have more money to pay the higher wages needed to recruit specialists, therefore the business is likely to be run in a more efficient way' for managerial economies.
- (e)
 - (i) The sales and ratio data were correctly applied by the majority of candidates, highlighting basic numeracy skills.
 - (ii) The majority of candidates selected the appropriate 'decreased profit' response.
 - (iii) Poorly answered. A lack of understanding of which event had the most effect on net profit. Good responses were rare. An example of a good response was 'the increase in competition means customers can use other taxi companies thus Kaye Taxis will get less profit'.
- (f) Satisfactorily answered. Some understanding of traffic jams and cheaper bus fares was apparent, but generally there was an inability to make judgements on the effects of those headlines on the taxi firm.

Good responses included 'Increased traffic jams may mean fewer customers want taxis as taxis will take too long thus drivers may not make enough money, therefore do not want Kaye's taxis thus causing a drop in Kaye's profits. Also, if there are more buses available and they are cheaper, customers may start using buses which means even less profit. Overall I feel the first headline will have more of an impact because people do not like sitting in traffic jams and also buses are not necessarily a close substitute for taxis'.

Paper 4 – Higher Tier – Option: Business and Change

General comments

Overall candidates displayed a good knowledge of the specification content. There was a good understanding of the various principles and business terminology. However, certain centres seemed to have not covered certain topics such as the 'euro debate' and other areas such as exchange rates and accounting suggested variable levels of understanding.

As expected, only the more able could fully evaluate but the vast majority of candidates made an appropriate attempt to answer the questions.

Comments on individual questions

- 1 (a) (i) Well answered. The majority of the candidates obtained both marks for correctly selecting 'a company which has the letters plc after its name' and 'a company whose shares are sold on the stock exchange' as features of a public limited company.
- (ii) Generally well answered. Whilst the majority of candidates obtained one mark for 'profit', surprisingly only the more able obtained both marks by directly linking profit to success. A good response included 'the profit and loss account shows the size of profit. The higher the profit the more successful you are likely to be'.
- (b) Satisfactorily answered. Many candidates were able to obtain 2 of the 4 marks. The reason for a lack of Level 2s being achieved was a lack of overall judgement and clear comparative comments. Good responses included 'the growth of technology has made fewer jobs available, e.g., computers used in catching fish, however the main factor for the fall in primary sector employment is that there has been an increase in demand for cheaper, better quality and a bigger range of foreign produce. As international trade has increased, UK supermarkets are able to import more produce which means even less demand for UK primary companies such as Healthy Salmon plc therefore less need for workers'.
- (c) The area of exchange rates proved difficult for many candidates. It was also apparent that the 'euro' topic had not been covered by some centres.
- (i) Well answered by the majority of candidates. Most candidates obtained at least 2 of the 3 marks on offer. A common correct response to why businesses trade abroad was 'Healthy Salmon plc may want to get a foothold in a different market to make extra sales and spread risk. It may also generate other German supermarkets to buy thus extra profits'.
- (ii) Whilst this question was aimed at the more able, it was still poorly answered. Only a few candidates were able to achieve Level 2. There were a number of candidates who did not obtain a mark. The main problem appeared to be the candidates' inability to correctly interpret that the euro had increased. In addition, knowledge of the effects of exchange rates was patchy. Rare Level 2 answers included 'Euro has got stronger. Fewer euros needed to buy £s. Therefore, it is cheaper for German supermarkets to buy salmon from Healthy Salmon plc. This is likely to result in higher demand and profits. If the supermarkets import large quantities of salmon they will be better off thus likely to buy from Healthy Salmon plc. However, if Healthy Salmon plc import any raw materials it will be worse off as the £ has fallen thus it will have to spend more.'

- (iii) Satisfactorily answered. As expected the more able candidates obtained Level 4. What was unexpected was the apparent lack of coverage of the euro topic by certain centres. In addition, some candidates did not read the question properly, and did not refer to Healthy Salmon plc, and did not offer advantages and disadvantages of the euro to the stated business. A good Level 4 answer included “Although Healthy Salmon plc will initially have to pay increased costs such as changing tills, advertising, packaging of its salmon, and training workers to be able to use and converse in the euro, the long term benefits of having the euro **will have more of an impact**. For example, no exchange costs if importing machinery and fish feed therefore these savings may be invested in improving the business. German customers will know exactly the costs of the salmon thus they may make orders for the long term, which helps Healthy Salmon plc to plan. Also, the price transparency between countries may help increase profits as foreign buyers can see if you are cheaper’.
 - (d) (i) Generally well answered. The topic of shares had clearly been covered by centres. Good responses included ‘if Healthy Salmon plc increases its profits in future years this is likely to increase its share price/dividend hence individuals’ investment’.
 - (ii) As a cross over question this was generally well answered. Candidates’ choice of location varied, although generally they selected to relocate to Ireland. Many candidates were able to obtain Level 2 and gained 4 out of the 6 marks. The reason for the lack of Level 3s was that candidates did not fully back their judgement. As with some candidates on the foundation tier, weaker candidates simply listed from the table without giving any analysis. Common good responses included ‘The cost of land is cheaper in Ireland thus potentially lower total costs, although I recognise there is a government relocation grant available in Scotland. This may keep costs of relocating to Scotland overall cheaper but we do not know how big the grant is. Consumer spending is also higher in Ireland. This may generate more demand for salmon. The downside is that there is a higher minimum wage in Ireland thus possibly higher labour costs. In my opinion, however, a 25 pence difference per hour will not greatly affect profitability, especially if they have few workers on the NMW, whereas the cost of land/premises and high consumer spending would. Therefore, I think it should locate to Ireland’.
- 2 (a) As expected, well answered. The majority of candidates were able to obtain 2 or the full 3 marks on offer. Correct responses included ‘Limited liability means that if the business folds due to debt, the company shareholders will not lose their personal possessions to pay the debt, only their investment’.
- (b) Satisfactorily answered. Many candidates were able to obtain 2 of the 4 marks. The reason for a lack of Level 2s being achieved was a lack of overall judgement and clear comparative comments between the two finance sourcing methods. Some candidates simply explained both methods but offered no judgement and/or did not refer to the scenario, namely financing £350 000. Good answers included ‘Issuing shares to family and friends means you may lose more control of your business which may make decision-making harder as well as pressure on payment of dividends. However, you do not have to pay interest on loans or have monthly bank repayments as you do if you fund the £350 000 by a bank loan. Therefore, I would say use ‘issue shares to family and friends’ especially as you do not have to pay dividends’.

- (c) (i) Well answered. The majority of candidates were able to explain one way in which the stated business could increase profitability. Good responses included 'Kaye Taxis should increase the rent it charges the drivers therefore it will be getting more revenue and hopefully profit' and 'change to cheaper suppliers therefore it will be spending less and thus hopefully make more profit'.
- (ii) This question was targeted at the top end of ability. As a consequence, the question did prove to be challenging for the majority of candidates. Few linked to cash flow problems. An example of a good response was 'Poor management of cash-flow. The business is unable to pay short term liabilities such as its monthly bank repayment'.
- (d) This area of the specification is regularly covered by this examination paper. The question centred on diseconomies of scale and this did not seem to have been particularly well covered. Candidates found it difficult to obtain the marks on offer. Correct answers such as 'Kaye Taxis Ltd may experience diseconomies since the business is growing, the amount cash-flow increases and the management may not have the necessary financial skills to manage the increase and this may cause serious financial problems' were rare.
- (e) As expected, many candidates did struggle to obtain Level 3. Connecting the three data sources and then comparing their importance to the two stated businesses proved difficult. Many candidates simply provided basic knowledge statements without analysis hence they remained in Level 1. Other candidates could analyse, in particular the current ratio data, and make a fair judgement but did not refer to the other two data sources and therefore stayed in Level 2. The more able used the data effectively and made a reasoned judgement.

An example of a good Level 3 answer is 'Overall George's Ltd would be happier. The current ratio safe level is 2:1 thus Kaye Taxis Ltd has a potential problem whereas George's is being efficient as regards managing cash flow. In addition, Kaye Taxis Ltd has a much higher borrowing from the bank which means its monthly outgoings on repayments is high and, if interest rates rise, its repayments may cause the business serious problems. The main negative for George's Ltd is that Kaye Taxis Ltd has a higher net profit ratio and it appears to be managing overheads better or its business has higher prices. However, unless Kaye Taxis Ltd monitors its cash flow better, it may go into liquidation no matter how high its net profit to sales ratio.'

- (f) Generally well answered. Whilst the more able candidates provided good responses by referring to each of the headlines and making a reasoned judgement, the less able tended to explain each factor without considering the comparative importance. Indeed, the more able candidates tended to refer to other information that they had been given e.g., the business's high level of bank borrowing.

Good responses included 'Increased environmental costs of 30% is very high and may mean either profits are cut or they will have to increase rental charges but this again may decrease profits as drivers may not want to hire the cars. To make matters worse, bus prices are down and there are more buses on the road. This means more consumers are likely to use this type of transport, so fewer customers want taxis, thus drivers may not make enough money, therefore do not want Kaye Taxi Ltd's cars, thus drop in profits. In addition, a rise in interest rate may mean customers have more to repay on loans thus fewer customers want taxis. This means drivers may not make enough money, therefore do not want Kaye Taxi Ltd's cars, thus drop in profits. Also, Kaye Taxis Ltd has borrowed much money from the

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bank and this 20% increase in interest rates may cause the business many problems in terms of repaying debt owed. Overall, I feel interest rates will cause the most problems as the first headline is a one-off additional cost, and the third should not have that much effect as buses are not a close substitute to taxis'.

Paper 5 – Foundation Tier, Business Communication and Marketing

General Comments

The majority of candidates attempted all questions and displayed a variable level of business understanding. As with the Business and Change option, the overriding impression is that the majority of candidates performed to a standard which reflects their ability.

The most common problem was an inability to evaluate factors in judgement questions such as 1(b), 1(e) and 2(d) and, in particular, to relate their answers to the organisation.

Question 1

- (a) (i) Satisfactorily answered. Whilst most candidates were able to gain some marks, many did not give both advantages and disadvantages of both methods of communication as the question requested. A good response seen was 'I think communication via technology is best because messages can be sent very quickly and there is no waste of time trying to find the person as with verbal communication. Also, letters, documents and drawings can easily be forwarded whereas on the telephone they cannot. In addition, there is likely to be no permanent record of the message and this may be important if a worker is being disciplined'.
- (ii) Generally well answered. A common correct response included 'Tracey Greens Ltd must have effective internal communication so that orders are relayed correctly, thus no wasted time and money. The smooth running of the business is vital for the profitability of the business'.

As on the Higher tier, a common incorrect answer centred on candidates explaining the importance of external communication.

- (b) Satisfactorily answered. Many candidates simply copied the information given and hence stayed at Level 1. Only the more able could provide a judgement based on a full analysis of the question. Good responses included 'although the computerised system has an additional cost, and the manual system does not incur extra cost, the computerised system is actually less costly in terms of time as stock is ordered automatically and there is no need to wait for workers to carry out their stock check. Also, the computerised system is less costly in terms of wages as fewer workers are needed thus they should save in the long run. Therefore, the company should invest in buying the computerised system'.
- (c) (i) Well answered by the majority of candidates who correctly stated 'electrical equipment'.
- (ii) Satisfactorily answered. Most candidates obtained one mark by reference to cost of items sold. Few achieved both of the marks on offer by failing to refer to back to the question and the scenario. A good response being 'taking food as example, Tracey Greens Ltd may sell many food items but they are low in value therefore QS X P, which equals sales value, is likely to be less than products which are high in value such as TVs'.
- (d) (i) Well answered. Most candidates obtained both of the 2 marks on offer for stating a possible company strength and threat. Common correct responses were 'high profits, sales, wide variety of products' for a strength. For a threat, 'competition' was the correct response provided.

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- (ii) Generally well answered with the majority of candidates at least obtaining 1 of the 2 marks on offer for explaining the possible use of a SWOT analysis. This mark tended to be awarded for a reference to 'improving' the business. Only the more able referred to 'help with the setting objectives and targets'.
- (e) As a cross over question this was generally well answered. Candidates were varied in their choices although, as with the Higher tier, choice 3, 'increasing product range', tended to be a more common selection for a company trying to increase competitiveness. Many candidates were able to obtain Level 2. The reason for a lack of Level 3s being achieved was candidates not providing a comparative analysis of each of the three choices with a reasoned judgement.

A good Level 3 answer was 'Choice 3 as Tracey Greens Ltd will be selling different types of products which may appeal to a larger target audience which may mean more customers and more profits. In addition, increasing the product range spreads risk as the company will not be so dependant on clothes, food and electrical equipment. Lower prices on all products are drastic and will most likely mean a decrease in profits unless cuts are made in staff, which may lower service. The main disadvantage of choice 2 is that it may mean more staff, or increased training costs which may harm profitability. Thus choice 2 unlikely to have a major impact'.

- (f) Satisfactorily answered. Most candidates were able to gain some marks by identifying the sharp rise in credit card use whilst noting payment by cheques is decreasing, and providing basic explanations for the trends. Only the more able could fully develop their answers. A good response included 'there has been a sharp increase in the use of credit cards and charge cards whilst there has been a sharp drop in the use of cheques. Consumers find it easier as cheques take up space in their pockets and take longer to pay at the tills. Also, with credit cards you can buy over the phone. With cheques you cannot. In addition, there are many credit cards on offer therefore consumers can get interest free credit which means they can buy now and pay later free of charge. With cheques the money is taken out of your account straight away'.

Question 2

- (a) Generally answered well. A common correct response was 'I think it is a good name because the word 'fresh' suggests a good food which helps the customer's health which improves the image of the business which may lead to more sales'.
- (b) Satisfactorily answered. The more able candidates understood the 'how' part of the question in that they correctly suggested ways in which RFF could promote itself using e-commerce. Some candidates ignored the e-commerce aspect and, as a result, obtained no marks. Common correct responses included 'put adverts on-line' and 'e-mail all existing customers about special offers'.
- (c) (i) Well answered. Correct responses included 'RFF may have provided a good quality at a good price and on time. This has led the business to gaining a good name amongst its customers'.

Some candidates did not apply their answer to the business hence they lost one mark.

- (ii) Generally well answered. The majority of candidates could state an advantage of having a strong brand name but many failed to explain the advantage given. A good response was 'having a strong brand would be likely to lead to higher sales due to the RFF being recognised as a quality business'.

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- (d) Satisfactorily answered. Many candidates either failed to use any figures in their answers and/or failed to realise that 2007 was only a forecast. Very few candidates were able to discuss the potential causes of the lower market share, e.g., increased competition. Good responses included 'the business should be concerned. At present it has increased its market share again which implies more sales/growth of the business. It also implies the management have been working well. However, from the data we can see that Really Fresh Fish Ltd's market share is forecast to reduce which implies possibly more competition about to enter which may mean less sales'.
- (e) Generally well answered. The weaker candidates had a guess at this multiple choice section, however, many candidates provided the correct selections by identifying the decrease in demand shown by the inward shift of the demand curve. They correctly related to the statements namely 'an improvement in fish catching techniques' would be unlikely to cause the decrease in demand, 'a decrease in competitors' prices of Cod' would be likely to lead to a decrease in demand, and 'a successful advertising campaign by Really Fresh Fish Ltd' would be unlikely to decrease demand.
- (f) (i) Generally well answered. The correct definition of random sample was generally selected.
- (ii) Satisfactorily answered. Whilst most candidates gained some marks for statements, many failed to develop their answers. Weaker candidates simply copied out the information given. Only the strongest candidates related their answer to Really Fresh Fish Ltd, and the possibility of selling coley fish. A good response seen was 'whilst I realise random sampling is cheaper and quicker, anyone may be chosen, therefore it may not get useful information. Overall, I do not feel random sampling is appropriate as many people do not like fish thus the random sample may actually not have fish eaters in it, because you are not selecting by criteria, thus results may not be reliable. I would, therefore, use a quota sampling method'.
- (g) (i) Most candidates chose the correct box which described the meaning of the term test market.
- (ii) Generally well answered. Most candidates understood test marketing and were able to gain some marks. Stronger candidates were able to develop their answers and explain the benefits of test marketing. A good response was 'Really Fresh Fish Ltd can test the coley fish to see if consumers will like it therefore, if results are positive, it can start selling the fish thus making more profits. If the results are not positive it save money as it will not supply the coley type fish'.

Paper 6 – Higher Tier – Option: Business Communication and Marketing

General comments

The majority of candidates displayed a good knowledge of the specification content. There was a good understanding of the various principles and an improvement shown in certain areas such as 'supply and demand'. Only the more able candidates could fully evaluate but the vast majority made an appropriate attempt to answer the questions.

Comments on Individual questions

- 1 (a) Most candidates understood the requirements of the question. Answers centred around those in the mark scheme. A common response included 'Tracey Greens Ltd must have effective internal communication so that orders are relayed correctly thus no wasted time and money. The smooth running of the business is vital for the profitability of the business'.

A common incorrect answer centred on candidates explaining the importance of external communication.

- (b) Many candidates were able to obtain Level 2, gaining 4 out of the 6 marks. The reason for a lack of Level 3s being achieved was a lack of overall judgement between using a computerised stock control system and a manual stock control system.

A good Level 3 answer was 'although the computerised system is expensive initially, and the manual system does not incur an extra cost, the computerised system is actually less costly daily as stock is ordered automatically and there is no need to wait for workers to carry out their stock check as there is with a manual stock system. The computerised system is less costly in terms of wages as fewer workers are needed thus should save in the long run. Also, with the computerised system, the stock is ordered immediately so there should always be stock on the shelves therefore it will not lose potential sales. Therefore, Tracey Greens should invest in buying the computerised system'.

- (c) (i) Well answered by the majority of candidates. Most candidates obtained both of the 2 marks on offer for stating a possible company strength and threat. Common correct responses were 'high profits, sales, wide variety of products' for a strength. For a threat 'competition' was the correct response provided.
- (ii) Generally well answered with the majority of candidates at least obtaining 1 of the 2 marks on offer for explaining the possible use of a SWOT analysis. This mark tended to be awarded for a reference to 'improving' the business. Only the more able referred to 'help with the setting objectives and targets'.
- (d) As a cross-over question, this was generally well answered. Candidates were varied in their choices although choice 3, 'increasing product range', tended to be a more common selection for a company trying to increase competitiveness. Many candidates were able to obtain Level 2, 4 out of the 6 marks. The reason for a lack of Level 3s being achieved was candidates not providing a comparative analysis of each of the three choices with a reasoned judgement.

A good Level 3 answer was 'Choice 3 as Tracey Greens Ltd will be selling different types of products which may appeal to a larger target audience which may mean more customers and more profits. In addition, increasing product range spreads risk as the company will not be so dependant on clothes, food and electrical equipment. Lower prices on all products are drastic and will most likely mean a decrease in profits unless cuts are made in staff, which may lead to poorer service. The main disadvantage of choice 2 is that it may mean more staff, or increased training costs which may harm profitability. Thus choice 2 unlikely to have a major impact'.

- (e) Satisfactorily answered. Whilst most candidates were able to obtain marks, few obtained Level 3 as reference to both the bar chart and the line graphs, and linkage to changing the company's marketing strategy, was often missing. A good Level 3 response included 'There has been a sharp increase in the use of credit cards and charge cards – £1bn to £2.25bn, whilst there has been a sharp drop in the use of cheques. The main groups which have a credit card/charge card are the 35-44 and 45-54 year olds, with the smallest group (although still 30%) being the 16-24 year old. Therefore, it should certainly allow the use of both types of card in its department store and issue its own store/credit card. With the information gained it should send direct mail shots to previous customers regarding new products, discounts, etc. With the charge cards it may give interest free months. Obviously, some promotional offers can be used to attract the 16-24 year olds to obtain a charge cards especially as these are the major spenders of the future'.

- 2 (a) (i) Well answered. The majority of candidates were able to obtain 3 or 4 out of the 4 marks on offer. Correct responses included 'competitors use e-commerce such as selling on the internet and if RFF do not, then it may lose sales' and 'if RFF sell on-line it may get more money as customers can buy 24/7 which means profits may rise'.

- (ii) Most candidates understood the 'how' part of the question in that they correctly suggested ways in which RFF could promote itself using e-commerce. A minority of candidates ignored the e-commerce aspect and, as a result, obtained no marks. Common correct responses included 'put adverts on-line' and 'e-mail all existing customers about special offers'.

- (b) Candidates displayed good knowledge of 'branding' and a good majority obtained full marks on both questions.

- (i) Well answered. Correct responses included 'RFF may have provided a good service and delivered on time. In addition, the quality of its fish is of a high standard and customers repeat buy'.

Some candidates did not apply their answer to the business, hence they lost one mark.

- (ii) Well answered. The majority of candidates explained that having a strong brand would be likely to lead to higher sales due to the company being trusted /recognised.

- (c) This area of the specification is regularly covered by this examination paper. It was pleasing to see that many of candidates obtained full marks for both parts.

- (i) The weaker candidates clearly guessed at this multiple choice section. However there was sufficient evidence that centres had covered the 'supply and demand' topic in their teaching. Correct selections identified the decrease in demand shown by the inward shift of the demand curve and related correctly to the statements namely 'an improvement in fish catching techniques' would unlikely cause the decrease in demand, 'a decrease in competitors' prices of cod' would be likely to lead to a decrease the demand, and 'a successful advertising campaign by Really Fresh Fish Ltd' would be unlikely to decrease demand'.
 - (ii) Well answered. Candidates provided responses such as 'advertise more', 'lower prices' for a possible action to solve the problem of decreasing demand.
- (d) As expected, many candidates struggled to obtain Level 3. Connecting the three trends and relating the importance of the trends to RFF proved difficult. Many candidates could analyse at least one of the trends and link to RFF hence they achieved Level 2. Good Level 3 answers identified the need to change existing practices due to competition in the market increasing. An example of a Level 3 answer is 'We can see that sales % from Really Fresh Fish Ltd has increased by a high rate. This suggests good growth. However, this is forecasted to reduce which suggests that growth may be coming to a sharp halt. This implies management need to look at other types of fish or other markets entirely, e.g., remedies connected to fish oils. This need to look elsewhere is also highlighted by the % market share which is forecast to reduce, whilst the market for fish is forecast to continue to rise. Both these factors suggest either more competition entering or its product range is not wide enough for future demand. Therefore, assuming the forecasts are correct, the company will stop growing at its present rate and suffer a possible contraction which can mean reductions in profits, and may lead to a reduction in employment'.
- (e) (i) Satisfactorily answered. Whilst the more able candidates provided good responses by referring to both sampling methods, the less able only explained one of the methods. In addition, the less able gave general answers and did not refer to the number of people who would be selected. A good response was 'the main trouble with using a random sample is that many in the sample may not like fish, thus your feedback is poor and you may make a poor decision which will cost you a lot of money. A quota sample is much more accurate. It involves carefully selecting the customers who are to be questioned about Really Fresh Fish Ltd, e.g., select more women as they are more likely to do the shopping. By selecting by criteria you will get views which are relevant, therefore you are less likely to waste money in your decision making'.
 - (ii) Satisfactorily answered. Many candidates did not link each location to the fact that coley is a cheaper alternative to cod. In addition, some candidates did not understand the meaning of the term 'test market'. As a consequence, basic answers simply copied the data from the table and made general statements. Reference to the scenario and the cheapness of coley was often omitted.

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Good responses included 'I would choose location B as people from backgrounds C1 and C2 are likely to be aware of the health benefits of fish but may not have the high disposable income to repeatedly buy expensive fish. Also, there is a high number of people and the more people there are, the more potential feedback there will be. Those in socio-economic groups A and B have the money to buy more expensive fish than coley, thus is it worthwhile test marketing this group? Likewise, in location C, the population are possibly unlikely to eat a lot of fish as they are unaware of the health benefits of fish, and they may not have the money to buy fish as it is often perceived to be expensive'.

Paper 7 – Case Study – Foundation Tier

General Comments

Many candidates found the examination paper straightforward and were able to score well. Although an estate agency was not a topic that candidates were particularly familiar with, they coped well with the case study and the resource material and as one examiner commented 'by the end of Question 5 they had taken Becky and James to their hearts and wanted them to achieve more goals before they sold out.'

There was a wide range of ability and performance with many candidates well prepared but with others showing that they had little understanding of the case study material. Many candidates handled the data effectively and were able to answer in context making good use of the resource material. Some of these candidates would have coped very well with the Higher tier paper. They gained marks in all questions on the paper and were able to offer well thought out responses to the questions requiring an opinion.

It is evident that in Centres entering all their candidates for the case study, the candidates were well prepared and performed well. For Centres with small numbers of candidates there was sometimes little evidence of familiarity with the case study and answers were often erratic.

There was widespread confusion between the terms revenue and profit (no mention of profits made was given in the case material) and the way in which estate agents' commission works was not understood by many candidates. They thought that the houses were bought by the estate agent and then sold to clients. Others thought that King and Khan bought houses to repair and then sell.

Many candidates presented neat work and there was some evidence of fluent writing. Many candidates scored some marks for Quality of Written Communication but there were frequent misspellings of words such as business, advertising and revenue. It was also mentioned by some examiners that candidates waste time rewriting questions and then fail to answer them.

Comments on Individual Questions

- 1 Although this opening question was a cross-over, candidates usually scored and showed good understanding of tertiary businesses. (b) was not so well answered with candidates failing to develop an argument linking survival, profit and then the ability to expand. Many were able to see that, in order to survive, it was necessary to make some profit. (c) was usually accurately answered with many candidates commenting on unlimited liability or the dangers of disagreements. Many answers to (d) suffered from lack of development. Many candidates could see the need for good service so that clients would recommend K&K to others but few mentioned the threat of the competition and so the need to offer services which would give a competitive edge. (e) was not always well answered. Candidates often wrote about why technology was important to K&K rather than how the business would use it. It was hoped that candidates would show how the business would use the Internet, digital cameras, word processors and mobile phones but candidates often missed the point.
- 2 A cross over-question which many candidates found demanding. They failed to see that some kind of judgement was required when answering the question such as 'competitors present a great threat to K&K because...' or 'customers may affect K&K quite considerably because the business is dependent on them and without them there would be not business'. Most candidates scored some marks for being able to see the connection between competitors/customers and K&K but full marks often eluded them.

(b) also presented problems. There was some understanding of health and safety legislation but comment often related to safety in the houses rather than any health and safety issues for K&K and its offices. A wide range of answers was accepted for (d) but candidates often confused K&K as a partnership with English Partnerships and the reference to housing associations in Extract A was not understood. The question was found demanding by Foundation tier candidates.

- 3 Most candidates scored some marks in (a) but answers were often not sufficiently developed to score high marks. The Internet was a popular choice but many candidates concentrated on the need for local advertising and selected local newspapers, local radio and window displays. (b) presented no problems for most candidates and enabled even the weakest candidates to score marks. The most popular candidates for the short list were Margaret Betts, Tom Olonga and Maria Pirota, but good reasoning was also offered for choosing the other candidates. There were very few comments relating to ageism, racial or sexual discrimination. There was no credit for these. (c) produced some very good answers with sound reasoning in context. Candidates were able to link parts (i) and (ii) and show why some solutions were better than others. The most usual mistake was the suggestion to sack Paul Jenks but many candidates realised that this was not possible and that, either more investigation should take place or disciplinary procedure should take place.
- 4 The better candidates gave a well reasoned response to (a) and were often able to argue that it would make no difference to K&K. In (b) the Own Figure Rule was applied. Many candidates presented correct answers but some forgot to add the two totals together. Those without calculators often attempted the percentage calculation by convoluted routes. (c) and (d) were intended to be relatively straightforward and many candidates scored several marks. Again, some candidates failed to total the fees in (c)(ii) and some chose totally the wrong figures. (d) was often accurately answered but some candidates misread the figures in (ii) taking the figures for residential properties. Again, in (iii) some candidates misread the figures from Resource Sheet 5 and commented on figures relating to other revenue or revenue from business properties. Others totalled the revenue from residential properties and compared the performance in May-August with the other two periods.
- 5 Answers overall to this question suffered from a lack of detail. In (a) some candidates did not answer the question and others seemed to think that the business was in imminent danger of collapse because of the Cordford office. In (b)(i) many candidates were able to see the appeal of a large sum of money and seemed to think that Becky and James would never work again. Others gave a more considered view relating to the future prospects for the business in relation to the newspaper extract. In (ii) many candidates realised that the offer was less than the total revenue for the year but the better candidates commented that costs were not known. Others mentioned losing a business that they had built up over ten years and the need to find something else – possibly starting up selling French and Spanish properties. Most candidates thought they should refuse the offer using some of the arguments mentioned in (i) and (ii). Some thought they could remain in the business as employees or managers. Some candidates said they should wait and see and persuade the other estate agent to keep the offer open or increase it as K&K were obviously a threat in the market.

Paper 8 – Case Study – Higher Tier

General Comments

Many candidates found the examination paper accessible and were able to score good marks.

It was, however, noticeable that time is still an issue for some candidates, especially those who were very well prepared and talented. These candidates often resorted to writing abbreviated sentences as time pressures became more urgent. Their responses to Question 5 often lacked the precision of their other answers.

Although estate agency was not a topic that candidates were particularly familiar with, they coped well with the case study and the resource material. There was, however, some confusion between revenue (in the case study) and profit (not mentioned in the case study). Commission earned by estate agents was not always understood. Some candidates thought that King & Khan bought houses and then sold them to clients.

There was a wide range of ability and performance with many candidates well prepared and others showing that they had little understanding of the case study material. Many candidates handled the data effectively and were able to answer in context, making good use of the resource material. It is evident that in centres entering all their candidates for the case study, the candidates were well prepared and performed well. Sometimes interesting arguments or interpretations appeared in the answers of nearly all the candidates in a centre showing that sound debate had taken place. For centres with small numbers of candidates there was sometimes little evidence of familiarity with the case study and answers were often sketchy.

Many candidates presented neat work and there was some evidence of fluent writing. Many candidates scored full marks for Quality of Written Communication. Many candidates used the extra spaces at the end of the examination booklet. It would be helpful if they mentioned this when answering the question or, instead, used any blank space below the printed question.

Comments On Individual Questions

- 1 This opening question was a cross-over. Candidates usually scored full marks and showed good understanding of the classification of businesses. (b) was often well answered. Candidates who wrote about why technology was important to K&K, rather than how the business would use it, scored few marks. It was hoped that candidates would show how the business would use the Internet, digital cameras, word processors and mobile phones but some candidates missed the point. (c) required a qualitative judgement. Candidates failed to show that 'competitors present a serious threat to K&K because...' or 'customers may affect K&K quite considerably because the business is dependent on them and without them there would be no business'. Most candidates scored some marks for answering why competitors/customers were a threat to K&K but full marks often eluded them. A wide range of answers was accepted for (d) but candidates often confused K&K as a partnership with English Partnerships and the reference to housing associations in Extract A was not understood. Some very good reasoning was seen in many answers to this cross-over question.

- 2 Some very good answers debating all three options were seen to (a). Some candidates spent far too long discussing partnerships and some candidates forgot to make any kind of recommendation. Some candidates confused the private limited company with a public limited company and some candidates made only superficial mention of alternative methods of financing the expansion. Some candidates believe that there is direct government involvement in private limited companies and there was some confusion between limited and unlimited liability. With this type of question there is a need to identify what is required in the question set and then to follow the structure of the question in the answer given.

Answers to (b) were usually accurate with many candidates debating supply versus demand as regards the housing market. In contrast answers to (c) were very disappointing with few candidates having any knowledge of consumer protection legislation and even fewer being able to answer the question in the context of K&K. Consumer protection was clearly indicated as an issue in the case study. Many candidates confused the topic with Health and Safety issues.

- 3 Again, quality assurance was not understood in (a). Many candidates confused it with customer care rather than means of ensuring that customers are well served by checking through surveys, monitoring telephone calls and constant training in customer care. Total quality management was also accepted. Candidates found (b) relatively straightforward to answer. Some made the mistake of failing to identify the most suitable advertising strategy and mentioned two or three likely advertising media with some reasoning. Others failed to realise that television is not a suitable medium for advertising a local estate agency business with a limited advertising budget. Many answers would have been improved with some discussion of advertising media which should not be used. The Internet was a popular choice but many candidates concentrated on the need for local advertising and selected local newspapers, local radio and window displays. (c) presented no problems for most candidates and enabled even the weakest candidates to score marks. The most popular candidates for the short list were Margaret Betts, Tom Olonga and Maria Pirota, but good reasoning was also offered for choosing the other candidates. There were very few comments relating to ageism, racial or sexual discrimination. There was no credit for these comments.

- 4 Part (a) produced some good answers with sound reasoning in context. Candidates were able to show why some solutions were better than others but there was a need to mention the problem before offering the solution. The most usual mistake was the suggestion to sack Paul Jenks but many candidates realised that this was not possible and that either more investigation should take place or disciplinary procedure should take place. Some answers were superficial with sweeping statements about making the manager redundant or giving bonuses to under-performing staff.

In (b) most candidates presented correct answers but some forgot to add the two totals together. Those without calculators attempted the percentage calculation by convoluted routes. The Own Figure Rule was applied. (c) proved to be a demanding question for many candidates. Those who were able to show some numerical work and to discuss the issues of revenue figures without any idea of expenses incurred were able to reach Level 3. Many candidates produced evidence from Resource Sheet 5 to support an assertion that K&K's performance was good in 2006 and so achieved Level 2. There were, however, many who offered a descriptive answer saying that K&K had sold many properties in 2005 and so should be pleased and these answers remained at Level 1. Some candidates did not read the figures correctly, mistaking Other Revenue for Residential Properties and this, with a pre-released case study, was concerning.

Report on the Components taken in June 2006

- 5 Answers overall to this question suffered from a lack of attention to detailed evidence. Many answers were written in general terms or with lists of advantages and disadvantages. Many answers lacked any clear organisation of thought or structure and failed to address all the parts of the question posed.

Often candidates failed to mention any additional information that would be necessary to make a more informed decision. As very little information was given, and as the offer price was lower than the total revenue for one year, Becky and James would have been extremely foolish to make an immediate decision. Most candidates rejected the offer stating that the prospects were good and that there might be a better offer in the futures. Those who had the time to present a structured, considered response to a question they were expecting scored into Level 3. It was, however, evident that some candidates who had produced Level 3 work elsewhere on the paper were pressed for time and wrote quickly, with little regard for the organisation of their answers.

REPORT ON THE EXAMINATIONS 2006
BUSINESS STUDIES GCSE COURSEWORK
SPECIFICATION 1951

Introduction

The work presented for moderation this year maintained the overall high standard set in previous sessions. Many candidates are producing thorough and thoughtful assignments which show a real understanding of business related issues and solutions.

Most centres chose to use one of the prescribed titles within the specification, which enabled candidates to meet all the necessary assessment criteria. The supported study based on T Mobile was again popular, with candidates taking part in a national data gathering exercise. Details of this approach to coursework can be obtained from the OCR Birmingham office.

An increasing number of Centres are developing their own coursework title to reflect local business decisions, and provide a known focal point for candidates. Any centre wishing to adopt this approach should contact the Birmingham office in the first instance where advice is available from the Principal Moderator.

Administration problems within the moderation process centred on the following points:

- Where no work has been produced by a candidate, an 'A' (absent) should be recorded as the mark, not '0'.
- The coursework authentication form was not always included with the sample of work sent to the moderator. This must be included to complete the moderation process.

Application of the Assessment Criteria

Criterion 1

Here the candidate must state their aim clearly and then explain the strategy to be used to achieve that aim. At times this was over rewarded by Centres where candidates simply gave a brief bullet point list of tasks to be included in the work, with no real explanation as to why the methodology to be used would achieve the aim stated.

At worst there was no precise aim given, simply a general statement that a business 'would be investigated'. Where there was a full clear explanation of strategy, justified within the context of the study, full marks were appropriate.

Criterion 2

Criterion 2 requires candidates to collect sufficient data to meet the stated aim. With the growing use of the Internet for source material, many candidates collected a lot of data which was not always relevant to their investigation. Centres could well spend time emphasising to candidates the need to be much more selective in what information is included within their work.

The worst cases of 'information overload' would often include pages of illustrations, with no comment from the candidate as to why they were included within the assignment. Where comment was made it simply added further description, often repeating information contained in the downloaded material. Magazine cut outs were also overused by candidates in an attempt to lengthen their work. A basic rule is that all external material included should have a separate comment from the candidate to justify its inclusion in the context of the study as a whole.

Questionnaires were used by many candidates as a source of primary data. Whilst many of these were carefully thought through, and a sample of sufficient size was used, a minority of candidates collected only very basic data which had little use within the study.

Criterion 3

In this criterion candidates are required to present their investigation in a clear and logical fashion.

Whilst the majority of candidates word process their work, giving it a clear professional look, the logical ordering of the work is often forgotten, with the aim, for example, appearing somewhere in the middle of the work.

There were some notable examples of good presentation which included a variety of different techniques. Maps, photographs, charts and graphs were included in the work as appropriate, with suitable annotation to make full use of the technique. Clarity is vital within this criterion. There is little value using an over-elaborate method of presenting work which may look very different, but only serves to confuse.

Criterion 4

Criterion 4 requires candidates to use relevant business terms and techniques within their assignment.

A problem with a number of assignments was that candidates had shown a lot of business knowledge such as explaining all the pricing strategies uses in business. Where this is not applied to the context of the study, it cannot be given any reward for criterion 4, or indeed any other criterion. In this example, candidates who explain the present pricing strategies used by the business they are investigating can be given credit.

Candidates should also show they can use a *range* of business terms in context. In a marketing assignment this could include sampling techniques, SWOT analysis and work on USP, as well as the more familiar 4 Ps within the marketing mix.

Higher marks in this criterion were awarded to work which displayed a clear understanding of business terms which were used with confidence in the context of the study. Weaker candidates included general statements, rather than the correct terms, which would have added precision to their work.

Criterion 5

Here candidates must analyse and interpret the data they have collected.

Whilst most candidates attempted some level of analysis, the interpretation of results was often ignored. It is vital that candidates understand the relevance of the data they have gathered, and how this may, or may not, impact on the business they are investigating. A small number of candidates used two separate headings, analysis and then interpretation, to make sure the different elements of this criterion were satisfied. Candidates should always be encouraged to go beyond simply stating in words that which a graph has already clearly shown.

This remains one of the more challenging criteria, and will normally differentiate between levels of performance within a Centre.

Criterion 6

For this criterion, candidates should evaluate the evidence they have collected and make justified recommendations within the context of the work.

Where higher marks were rightly awarded for this criterion, candidates looked back at their earlier analysis, and made their recommendations using figures and percentages to justify the ideas they were putting forward. Any recommendations made were within the context of the business under investigation, and were themselves fully justified.

Weaker candidates were often unable to use the data they had collected to explain why they were putting forward particular recommendations, which at times were personal, and had little connection with the research undertaken.

It is important that candidates are as precise as possible in making their recommendations. A number of candidates used an age and gender category within a questionnaire, but failed to use that information when evaluating what a business should do. If possible, some elementary grid or database practise would enable candidates to isolate sections of data and draw more meaningful conclusions within their coursework.

Prescribed titles

Evaluate the marketing strategy of a familiar product or service, making recommendations on whether the market mix should be changed in any way.

This remains one of the more popular titles for candidates. The title works very well when candidates take an analytical look at their chosen product/service rather than a long descriptive study.

The topics chosen were varied, many candidates studying items they own such as phones or they would like to own such as cars. Whichever route candidates adopt, great care should be taken not to simply include a lot of Internet based material with the work which has little relevance to the study.

Recommendations should always be justified by reference to earlier analysis. Higher marks in criterion 6 for this title saw candidates looking at the data they had collected and making realistic recommendations as to how the product/service could be developed. A number of candidates concluded that the market mix could *not* be improved. This is perfectly acceptable and would be credited with a higher level mark if there was evidence from the data analysis to justify such a view.

Evaluate the recruitment methods used by different businesses, making recommendations on how they may be developed.

A small minority of centres chose to pursue this title. Data from suitable businesses is clearly important to give candidates the basis for the study and this, often sensitive, information, may be difficult to obtain.

Where such data was available, it was well used by candidates who made appropriate recommendations as to how the recruitment methods may be developed in the future.

With reference to the local area, would the opening of a new fast food restaurant (or other business) represent a sound business decision?

This title was the choice of many candidates, with the fast food option being the focus of many assignments.

Report on the Components taken in June 2006

Despite comments in many earlier reports, a large proportion of assignments are still approaching this title from a basis which is rather too wide. In many instances, figures were produced on cash flow, profit and loss, break even, balance sheets. This was alongside recruitment of staff, marketing and location in some instances. The resulting mass of information, some of which was from questionable sources, seemed to confuse the candidate rather than enabling a coherent argument to be put forward.

At GCSE, this title should be seen from a marketing/location viewpoint, with detailed primary research to enable the candidate to assess the likely consumer reaction to the opening of the business. Whilst break even, accounts and recruitment may well play a part in possible success or failure, to include them in a single piece of work is too much at this level.

What is vital is a questionnaire which will give the candidate data to analyse and interpret and to draw meaningful conclusions. Whilst some questionnaires did just that, others were asking questions which were vague at best and of no use at worst. It may be beneficial for teaching staff to practise with candidates the development of questionnaires prior to starting the assignment.

Choose a vacant local business site. Make recommendations on how it may be developed for business purposes.

This title, based on location was another popular choice and enabled both candidates and centres to explore a local business decision.

It is beneficial in this work to investigate two or three different options on the possible development. This will add scope to the research and provide comparison of how local consumers would react to different developments

Annotated maps and photographs were included in the best work, with thoughtful questionnaire work (see above) and analysis complementing other research. A number of candidates came to no clear conclusion as they found conflict in the data they had collected. This is acceptable when fully explained and justified by the data quoted. It also shows that many decisions in the real world of business are not always clear.

Supported coursework based on T Mobile

A number of centres chose to use the supported coursework title which was based for the second year on T Mobile.

The joint data collected enabled candidates to undertake more detailed analysis and interpretation which, in turn, provided the opportunity for more precise recommendations to be made.

Some candidates were sidetracked into putting rather too much effort into displaying their extensive knowledge of different phones, rather than concentrating on the subject matter which is a service provider. In other instances, there was much Internet based material included in the work without any further comment from the candidate. As stated earlier, great care should be exercised when choosing to include downloaded material. Any such material should be accompanied by separate comments from the candidate on its relevance to the study as a whole.

Details of the supported coursework can be obtained from the OCR Birmingham office.

General Certificate of Secondary Education

Business Studies A (1951)

June 2006 Assessment Series

Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	120			70	58	46	34	22
2	120	85	70	55	35			
3	60			34	28	23	18	13
4	60	36	29	22	15			
5	60			38	32	26	21	16
6	60	43	36	29	19			
7	90			53	46	39	32	25
8	90	58	51	44	36			
9	60	44	39	34	26	19	12	5

Specification Options

FA – Foundation Tier Business and Change with Coursework (Components 01, 03, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				134	110	87	64	41
Percentage in Grade					21.7	36.9	24.8	11.9	3.8
Cumulative Percentage in Grade					21.7	58.6	83.4	95.3	99.1

The total entry for the option was 2243.

FB – Foundation Tier Business Communication and Marketing with Coursework (Components 01, 05, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				138	114	90	67	44
Percentage in Grade					20.3	32.9	26.8	13.2	5.4
Cumulative Percentage in Grade					20.3	53.2	80.0	93.2	98.6

The total entry for the option was 1981.

FC – Foundation Tier Business and Change with Case Study (Components 01, 03, 07)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				136	115	94	73	52
Percentage in Grade					25.3	33.6	23.3	12.3	4.5
Cumulative Percentage in Grade					25.3	58.9	82.2	94.5	99.0

The total entry for the option was 926.

**FD – Foundation Tier Business Communication and Marketing with Case Study
(Components 01, 05, 07)**

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				141	119	97	76	55
Percentage in Grade					26.2	28.0	23.3	13.0	6.8
Cumulative Percentage in Grade					26.2	54.2	77.5	90.5	97.3

The total entry for the option was 833.

HA – Higher Tier Business and Change with Coursework (Components 02, 04, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	183	159	135	111	76	58		
Percentage in Grade		6.8	19.8	34.6	26.8	11.3	0.6		
Cumulative Percentage in Grade		6.8	26.6	61.2	88.0	99.3	99.9		

The total entry for the option was 3442.

HB – Higher Tier Business Communication and Marketing with Coursework (02, 06, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	189	165	141	118	80	61		
Percentage in Grade		4.6	17.3	31.0	27.8	17.6	1.4		
Cumulative Percentage in Grade		4.6	21.9	52.9	80.7	98.3	99.7		

The total entry for the option was 2111.

HC – Higher Tier Business and Change with Case Study (02, 04, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	181	156	131	106	74	58		
Percentage in Grade		5.4	20.7	35.8	27.9	10.0	0.2		
Cumulative Percentage in Grade		5.4	26.1	61.9	89.8	99.8	100.0		

The total entry for the option was 1594.

HD – Higher Tier Business Communication and Marketing with Case Study (02, 06, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	188	163	138	113	78	60		
Percentage in Grade		4.6	21.5	33.7	24.6	13.4	1.5		
Cumulative Percentage in Grade		4.6	26.1	59.8	84.4	97.8	99.3		

The total entry for the option was 1041.

Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	3.3	11.3	19.6	25.1	21.7	11.0	5.3	2.0
Cumulative Percentage in Grade	3.3	14.6	34.2	59.3	81.0	92.0	97.3	99.3

The total entry for the examination was 14,171.

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