

**GCSE** 

# **Business Studies A**

General Certificate of Secondary Education GCSE 1951

General Certificate of Secondary Education (Short Course) GCSE 1051

# **Report on the Units**

**June 2007** 

1951/1051/MS/R/07

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#### Introduction 1051

The overall candidate performance was very pleasing this year, with candidates responding well to the stimulus material in the examinations and producing coursework assignments which maintained previous high standards.

In the written papers, there was good understanding of the pet shop context with candidates showing higher level evaluative skills than had been seen in previous years. In the case study performance was once again good, though the need to answer questions in context must be emphasised. It is worth reminding candidates that here are no marks for knowledge answers in the case study paper. *All* answers must be applied to the context given within the case.

Weaker areas included appraisal, which was not understood by a number of candidates. Rather more exposure to such elements within the specification through suitable centre based case studies would help examination performance.

Coursework was completed to a high overall standard, with many assignments having a professional look despite the time constraints of the short course. Centres wishing to develop their own title for coursework are asked to submit ideas to the OCR Coventry office where there will receive free advice from the principal moderator on the viability of the proposal.

## 1051/1 Paper 1 – Foundation Tier

#### **General Comments**

Candidates responded well to the scenario set and seemed to be able to identify with some of the problems of running a shop selling a selection of products and services. The meaning of grooming in this context confused some candidates but this did not seem to inhibit them in achieving good answers.

It was encouraging to see that many candidates used and understood the information given. This was particularly true of Question 2c where candidates were able to analyse and in some cases evaluate the information. Acquisition of these skills is invaluable.

There were fewer candidates who failed to complete the paper and there were fewer examples of candidates rushing the paper. Centres should continue to encourage the 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. However it was encouraging to see so many good responses to Questions 4c ii, 4ei and ii. Candidates still have a considerable amount of trouble with Balance Sheet and Question 4f was poorly answered.

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 use of note or text form is becoming more common with misspellings of words such as no and know, were and where and their. Much more attention should be paid to the presentation of the work overall.

## **Comments on Individual Questions**

- (a) (i) This was well answered with the majority of the candidates able to identify two advantages of a sole trader.
  - (ii) It was encouraging to see that the majority of candidates had an idea of what unlimited liability was and many gained full marks for their answers.
  - (iii) There were a few problems here. The mark scheme allowed for an extensive list of stakeholders, however candidates seemed to have difficulty in identifying two.
  - (iv) The failure to identify two stakeholders in iii resulted in some candidates failing to gain any marks on this question. Those who did identify two stakeholders managed a limited explanation of why they had an interest in the business. However a number of candidates found it difficult to explain the concept of having an interest and therefore failed to gain all the marks available.
- (b) Reasonably well answered. The majority chose profit as the most appropriate objective and it was encouraging to see that more candidates used the idea that this was the first year of business as part of their analysis. Best answers compared the objectives with some candidates offering survival as an alternative objective for the business in the first year.

- (c) (i) This was poorly done. The majority of candidates could not identify stakeholders which are different in a plc from a sole trader.
  - (ii) This was well answered.
  - (iii) Generally this was well answered with many candidates achieving 3-4 marks. The best answers explained how the advantages would benefit ANIMO in terms of increased space, customers and sales. Candidates need to be encouraged to develop the answer fully especially when each answer has 3 marks available.

#### **Question 2**

- (a) (i) (ii) Most, but by no means all candidates answered (i) correctly. However most recognized that market research would be carried out to assess the market in some way. In (ii) candidates often simply stated 'the internet' with no development of how it would be used in this business to carry out secondary research. Significant numbers of candidates gave general statements with no application to ANIMO.
- (b) (i) (ii) (iii) (iv) Generally this was well answered. Many candidates showed good ability to read from the graphs. In some cases candidates failed to add together the information needed to answer b(ii).
  - (iv) There were some very good answers to this question. The best answers used the context of the research to explain how it would be useful to the business and gave some idea about one part of the information may have been more useful than others in terms of devising advertising strategies for the business. It was very encouraging to see how many candidates could identify the use of market research instead of just going through the information and describing what it shows. There were fewer candidates this year who omitted the question and lost the QWC marks as well.
- (c) Answers to this question were weak. Very few candidates could identify a method of training such as on the job, off the job, induction, health and safety. Most gained some marks by identifying one or two specific types of training which would be applicable to this business eg customer service, grooming animals, till training etc.

- (a) (i) This was poorly answered. The stem of the question gave information for the candidate to identify the correct method of production but a substantial number were unable to identify this. The best answers seen explained that job production was better than batch or flow due to the quality and uniqueness of the product being made.
  - (ii) Many candidates identified the problems of exchanging £ for euros on a regular basis. There were some encouraging attempts to explain the effects of exchange rates on ANIMO.
  - (iii) This was well answered. Most candidates could explain two disadvantages to ANIMO of using a factory in France. There were also some interesting answers that showed a wider knowledge such as one candidate, who explained that there would be more strikes in Europe and the lorries may not get through!
- (b) (i) This question was well answered. Candidates used the information in the organization chart well in many cases and were able to gain the majority of marks available.
  - (ii) There were poor responses to this question. Some suggested sales department but few identified other departments such as finance, marketing and human resources.
  - (iii) This was well answered.
- (c) (i) (ii) (iii) This question was well answered by the majority of the candidates.

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(iv) This presented a problem to the candidates in terms of explaining how a time rate would be suitable for a Quality Control Assistant. Best answers explained that these assistants do not make anything and it is more important that they spend time doing the job properly rather than checking as many as possible.

- (a) This question was poorly answered. Very few candidates appeared to know that accounts would be put onto spreadsheets. Fewer could identify use of formulas and what if calculations to aid accounting.
- (b) Generally well done with many candidates achieving 3-4 marks. Simple explanations based on the idea that pricing the same means more sales and pricing higher means fewer sales, were rewarded at the lower levels. The best answers identified that these products were unique and therefore would probably be high quality and bought by people who had a reasonable amount of money to spend. Therefore there would not be a substantial amount of competition and ANIMO would be able to charge higher prices and therefore achieve a greater profit margin.
- (c) (i) A number of good answers here. Some candidates did not really understand the term' seasonal' but made a good effort to explain how different weather would affect sales. The best answers were able to use this to assess how sales predictions would be affected.
  - (ii) The majority of students achieved full marks.
- (d) This question was well done.
- (e) (i) and (ii) were generally well done. OFR applied when the calculation was wrong in part i.
- (f) This was poorly answered. Very few candidates were able to identify that the equipment is fixed assets.
- (g) There were some good answers to this with some candidates identifying that this money was to be used for the long term and was a substantial amount for a sole trader. Hence it would be better to use a loan which offers better security in terms of regular payments and interest. Overdrafts are for short-term funds and are a greater risk for a sole trader. However there were some very confused answers many of which thought that high interest was charged on a loan whereas no interest is charged on an overdraft.

## 1051/2 Paper 2 – Higher Tier

#### **General Comments**

All the candidates on this Paper were able to identify with the scenario set and to use it in their responses. Overall the standard of response was much better than in previous years and it was encouraging to see candidates using the context of the paper to reach the higher levels of response in terms of analysis and evaluation. There were some excellent papers this year. Most candidates were entered for the correct paper and there were very few papers which were incomplete.

In particular Question 2b and 4b were exceptionally well answered with many candidates using original ideas in their answers. There remain some areas of the specification which are disappointing. In particular 'appraisal 'which in many cases was confused with 'praise' and fixed assets/ balance sheet. Hence Questions 2e and 4e were very poorly answered.

The majority of candidates completed the paper and overall the standard of communication skills in particular, spelling and paragraph construction, were better than in previous sessions. However 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**

- (a) (i) Most candidates knew that the tertiary sector provided services to the country but best answers explained that this was fast growing sector of the economy providing jobs and money for the country.
  - (ii) This part was well done, with most candidates applying their decision to the business in terms of the fact that it was a sole trader in its first year of business. Some candidates identified that survival may be the most important objective rather than any of those suggested. This was rewarded. Few could explain the meaning of adding value and therefore wisely avoided it. Best answers compared the objectives to come to a decision.
- (b) Generally this was well done with many achieving at least 3 out of the 5 marks available. The most common mistakes were 'stakeholder' instead of 'shareholder' and manager instead of Board of Directors.
- (c) This part was answered well with most candidates able to explain the difference in ownership in terms of one owner and a number of shareholders. Some candidates tried to cover every other aspect of the differences between the two rather than the focus of the question which was on ownership differences.

- (a) (i) Most candidates were able to demonstrate that they knew what market segmentation is but failed to make it relevant to ANIMO. Some of the best answers seen identified segments such as animal owners who go to pet shops, for example. These candidates then went on to explain how market research could be made easier by targeting these groups using surveys outside pet shops etc instead of asking the whole population.
  - (ii) Most candidates chose questionnaire or survey as the most suitable method of primary research and could analyse why it was most suitable in this circumstance. However candidates struggled to select other methods and compare them in terms

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of suitability. The best answers seen compared methods such as interviews and observation and evaluated them on the basis of criteria such as cost, time and effectiveness.

- (b) This question was very well answered by many candidates who used the information effectively to identify ways in which the information could be used in deciding on how to advertise. The best answers identified that Fig 2 would give some idea of how often customers would be in the store and that advertising in the store may be a good option. Others identified that at the moment few people groomed their animal and perhaps this service could be advertised in place such as vets, other pet stores and local newspapers. A significant number of candidates identified that there were limitations in the research for example the number of people asked was limited and may not have been a representative sample. Fig 1 in particular gave little information about the business itself and even less in terms of advertising.
- (c) There was a mixed response to this question. Candidates were to be able to distinguish between a wage and a salary but were unable to demonstrate that they could use this knowledge in context. Hence general statements of knowledge were poorly rewarded. Candidates must identify the criteria in operation in the question such as Saturday worker, responsibility, qualifications and expectations, in order to decide which method of payment to use.
- (d) (i) This was well answered.
  - (ii) Candidates responses showed that they knew the disadvantages of interviewing as a method of selection but many failed to apply them to the Saturday job and therefore lost marks. For example, an interview fails to assess how good the applicant is with animals.

Candidates either knew what appraisal was or did not. This is a regular question and a key part of the specification. Significant numbers of candidates confused appraisal with praise and therefore gained few or no marks. The best answers evaluated how appraisal could be used to help the worker but also took into account the limitations of its use in the context of a Saturday assistant who is part time and probably only interested in money.

- (a) (i) This was poorly answered. This is a fundamental part of the course and many candidates did not distinguish between land and capital. Using the context would have helped many candidates with the answer.
  - (ii) This was well answered. It was encouraging to see that candidates understood that there is a difference in the currencies and that the exchange of those currencies on a regular basis may present problems for ANIMO.
  - (iii) Well answered. A variety of disadvantages were suggested and developed in terms of cost, time, efficiency and quality. Most candidates achieved all the marks available.
- (b) (i) In most cases this question was well answered with good development to gain the second mark.
  - (ii) Some candidates were able to identify some reasons why businesses use organization charts, but many could not expand their answers to include terms such as 'span of control' or chain of command'.
  - (iii) This was well answered.
  - (iv) Many candidates could identify two methods of communication but failed to develop their answers by explaining why they would be used in the context of ANIMO or in the context of quality control problems. Candidates should be reminded that answering in context is a fundamental skill. Centres should support candidates in developing this skill.

- (a) This part was quite well answered. Candidates mentioned a diverse number of reasons such as assessing profits, costs, levels of profit, setting targets and budgeting. The best answers identified that this is a forecast and can only give an indication of what might happen.
- (b) Some excellent answers were given to this part. Many candidates expanded on the simple idea that high prices result in few sales and low prices in more sales by identifying that the raincoats are a custom made high quality product which might command a higher price in the market. Customers may be prepared to pay for exclusiveness and high quality. Other candidates evaluated by explaining that as it was a new business it may be better to start off at the same price but raise the prices later as the product became known. Others acknowledged that there may be limited competition in this area.
- (c) (i) (ii) Both of these parts were well answered with the majority of candidates understanding the implications of a seasonal demand. There was less understanding of how this demand would affect sales predictions.
- (d) (i) Very few candidates were able to calculate cost of sales. This is a regular question and this aspect of accounting needs to be addressed by centres.
  - (ii) This was well done. Most candidates were able to calculate percentages.
  - (iii) Very few candidates answered this correctly. The majority thought that shelving and equipment were expenses shown on the Profit and Loss Account.
- (e) This was well done. There were some good answers to this question with some candidates identifying that this money was to be used for the long term and was a substantial amount for a sole trader. Hence it would be better to use a loan which offers better security in terms of regular payments and interest. Overdrafts are for short-term funds and are a greater risk for a sole trader. It is important for candidates to use the context of the question when making choices about methods of finance.

## 1051/3 Case Study Paper Foundation Tier

#### **General Comments**

This examination attracted a small number of entries. Some candidates were well prepared for this pre-seen case study. Others appeared to have very little understanding of the case study material. Once again there were some candidates who should have been entered for the Higher Tier.

Most candidates scored some marks for QWC. Most were able to gain some marks for the numerical questions although some omitted them altogether. Time did not appear to be a problem for candidates.

## **Comments on Individual Questions**

## **Question 1**

Part (a) proved to be an easy opening question with most candidates understanding secondary and tertiary businesses. Part (b), a cross-over question with the Higher Tier caused some difficulty with candidates often unable to show the importance of suppliers and customers to Diva plc. Many answers were accepted to Part (c) but some candidates still think that 'public limited companies have unlimited liability'.

Answers should have applied to Diva plc as a public limited company eg it has access to large amounts of capital from shareholders who may be anyone but also may be members of the founding family. Understanding of batch production in Part (d) was often sketchy with much confusion between batch and flow production. The concept of added value (again a cross-over question) proved difficult for many candidates who either omitted to answer this question or produced answers relating to profit and to costs. Answers which gained credit included stitching, adding decoration, inserting linings, packaging, advertising, styling, wide selection of colours and a variety of sizes.

#### Question 2

Part (a) produced some reasonable answers relating to employment opportunities. Better candidates commented on feeling valued as an answer to Part (b). Others thought that higher wages would enable employees to earn just as much money for less time spent in the factory. Few candidates were able to show how important communication with the workforce was in Part (b) but most made some comment on the need for communication when changes are planned.

## **Question 3**

Part (a) was designed as a straightforward numerical question but many candidates either used the wrong figures or tried to work out percentage value. Answers to Part (b) (a cross-over question) often commented on the use of the Internet generally but to gain higher marks it was necessary to answer in the context of Diva plc. Many candidates did not do this.

Most candidates mentioned increased competition for Diva plc in Part (c) (a cross-over question) but some wrote about the import of raw materials, rather than increased competition from international shoe manufacturers. In part (d) many candidates failed to gain any marks because they did not refer to Fig. 2 in the case study material. Some answers to Part (e) were thoughtful showing that many people like something for nothing or that women were unlikely to want a leather wallet. Most candidates were able to gain some marks for their answers to Part (f) but few gave a very detailed response.

## **Question 4**

Part (a) was a cross-over question. Several candidates did not follow the rubric and wrote about Site A which had been discounted by the Board of Directors. Others were able to justify their choice, usually Site B, with good reasoning making use of the points made in the resource material. In part (b) candidates often used the wrong figures in Part (b) (i) but Own Figure Rule was allowed. Part (b) (ii) called for some reasoning. This question was not answered well as most of the candidates did not appear to pick up the that the figures were a forecast and that the second trading period, when the business was likely to be better known, covered Christmas. Part (c), another cross-over question, gave candidates the opportunity for some extended writing. Generally well prepared candidates appeared to have considered the advantages of each proposal beforehand and were able to gain reasonable marks. Others only wrote a few sentences or points and so did not do themselves justice.

## 1051/4 Case Study Paper Higher Tier

#### **General Comments**

This examination attracted a small number of entries. The standard of work was generally good with many candidates being well prepared for this pre-seen case study. A few candidates appeared to have very little understanding of the case study material and would have struggled with the Foundation Tier.

Most candidates scored marks for QWC. Most candidates presented their work well. Some candidates appeared to have insufficient time to produce detailed answers to the final question on the paper.

## **Comments on Individual Questions**

## **Question 1**

Part (a) proved to be a reasonably easy opening question with most candidates understanding why Diva plc was more than a secondary business. Part (b), a cross-over question with the Foundation Tier caused some difficulty with candidates often unable to explain the importance of suppliers and customers to Diva plc. Some candidates thought that the suppliers supplied shoes. Understanding of batch production in Part (c) was generally good but many candidates failed to show whether or not the benefits of using batch production outweighed the drawbacks. The concept of added value (again a cross-over question) was not well answered by many candidates. Many either omitted to answer this question or produced answers relating to profit and to costs. Answers which gained credit included stitching, adding decoration, inserting linings, packaging, advertising, styling, wide selection of colours and a variety of sizes.

## **Question 2**

Candidates were able to make some comment to the two parts of this question but there were some general misconceptions. Many candidates thought that employees in the factory could choose the hours they worked and come to work when they wished. Others thought that flexible working hours meant that employees could work fewer hours. Part (a) was often better answered with candidates appreciating that training would make employees more employable and give them better career opportunities.

#### **Question 3**

Part (a) was often well answered with working clearly shown. Part (b) differentiated between candidates. Some candidates worked the figures based only on independent shoe shops and so gained a proportion of the marks. Others (possibly without calculators) produced a half page of figures which bore no relation to the task set. Others achieved the correct answer with the steps in the calculation clearly shown. Answers to Part (c) (a cross-over question) often commented on the use of the Internet generally but to gain higher marks it was necessary to answer in the context of Diva plc and refer to the resource material. Many failed to do this. Most candidates mentioned increased competition for Diva plc in Part (c) (a cross-over question) but some wrote about the import of raw materials, rather than increased competition from international shoe manufacturers. In part (e) many candidates referred to the wrong resource material and failed to identify Fig. 2. They gained no marks. Others took each sentence in turn and made some comment on each. Few candidates gained full marks. Candidates were expected to analyse some aspects of Fig. 2 and present a reasoned conclusion.

## **Question 4**

Part (a) was a cross-over question. A few candidates did not follow the rubric and wrote about Site A which had been discounted by the Board of Directors. Most candidates were able to justify their choice, usually Site B, with good reasoning making use of the points made in the resource material and so gained full marks. In part (b) many candidates failed to recognise that the figures were a forecast. They also used the wrong figures, commenting on sales revenue and expenses rather than forecast gross and net profit. Some had calculated the percentage changes in the forecast figures and these candidates gained good marks. Part (c), another cross-over question, gave candidates the opportunity for some extended writing. Well prepared candidates had worked out the advantages of each proposal beforehand and were able to gain full marks. Others wrote a few sentences or points or ran out of time and so did not do themselves justice.

#### 1051/05 Coursework

#### Introduction

The overall standard of work seen in previous years was maintained in 2007, with some outstanding work seen despite the obvious time constraints.

Many candidates are now being more selective regarding the amount and quality of Internet based research being included within their work. This is especially important within the shorter (1250 words) assignment expected within this specification. It does remain the case however that rather too many candidates include material from magazines, the Internet and other sources which have no real connection with their investigation. If a candidate cannot offer any comment on why material is being included within their work then any such material should be discarded.

Whilst the majority of centres used the prescribed titles within the specification, a number of centres devised their own assignment on a particular local issue which gave candidates a closer ownership of their work. Should any centre wish to use a centre devised assignment, the free advisory service through the OCR Coventry office should be used.

Another option taken up by some centres is to use the supported coursework based on the marketing mix of T Mobile. Once again details can be obtained from the OCR Coventry office.

Administration difficulties centred on 2 main problems:

- Where candidates produce no work, an 'A' should be entered as the mark awarded, not a '0'
- When sending sample work to the moderator, the Centre Authentication Form *must* be enclosed to enable the moderation process to proceed.

## **Application of the Assessment Criteria**

#### Criterion 1

For criterion 1, candidates must state their aim clearly and explain the strategy they are to use to achieve that aim. Whilst most candidates could state the aim, many failed to *explain* their strategy and only put a series of bullet points to state what they were about to do.

#### Criterion 2

Here the candidates must gather sufficient information to achieve the aim. In most cases this will include both primary and secondary research. It is here that candidates must be selective, and only use material and data which has a direct relevance to their investigation. Any questionnaire/interview work should be carefully thought through in order to keep the work clearly focused on the title. Better candidates were very precise about what information they were to use within their work with little or no 'wasted' passages of irrelevant information.

#### **Criterion 3**

To satisfy criterion 3, candidates should present their work in a clear logical fashion. The clarity of work has improved greatly with the use of ICT, although at times candidates the presentation techniques used did not aid clarity or understanding. Graphs in particular often served to confuse rather than inform.

There should be a clear logical sequence to the work which can be followed by a reader who has had no part in the planning of the assignment. At times it was difficult to follow the thought process within the work, with the arguments being put forward rather diluted by poor organisation. Better work was exemplified by the use of clear headings and short link phrases to introduce the next section of the assignment.

#### Criterion 4

This criterion requires candidates to use business terms and techniques within their work. More able candidates were able to use business language throughout their work *in the context of the assignment*. It is vital that candidates always keep business terms in context, as knowledge on its own (for example the elements of the product life cycle) cannot be rewarded in coursework.

Criterion 4 remains one of the main differentiating criteria. A number of candidates would benefit from advice on how to apply business ideas and language to their work prior to starting the assignment.

#### **Criterion 5**

In this criterion, candidates must both analyse and interpret the data they have collected. Most candidates attempted some elements of analysis, though many, including some of the more able, failed to *interpret* the information they had collected.

For higher marks within this criterion it is important that candidates look at the significance of the data they have and examine what importance it has to the business and the particular situation they are investigating. This will then help the recommendations which should follow.

#### Criterion 6

Criterion 6 requires candidates to evaluate the information they have and make justified recommendations based on that information. Please note that candidates should *not* evaluate their work as a whole and explain how they might improve it if given another opportunity.

Higher marks should be given in this criterion where the candidate makes recommendations which fit the business situation and where any suggestions are fully justified by using the earlier data analysis. Figures should be used to add further weight and accuracy to this part of the work. An issue which has been commented on in previous reports is that a minority of candidates ignored the data they had and put forward personal ideas which had no connection with the analysis they had completed.

#### **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 was a popular choice for candidates, with a varied selection of businesses being

investigated.

The selection of the business to investigate is important in this title. The data on the present market mix of the business must be available in order to judge whether there should be any changes or not.

Work scoring higher marks retained the focus within the title, without deviating into long descriptive passages. Weaker candidates often spent too much time describing their product, often accompanied by volumes of downloaded illustrations from the Internet which had no place within the work.

Recommendations should be clearly based on any collected data, and cover all aspects of the market mix. There is some merit here in using each of the 4Ps as separate headings in order to direct candidates to cover all the necessary aspects of the market mix.

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

Few candidates have undertaken this particular investigation, possibly due to the often sensitive information which is required from businesses. When planning which assignment to investigate it is advisable to check whether the relevant information is indeed available for this particular title.

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Where such information is available, candidates show a good understanding of the issues, and making recommendations which fit the context of the businesses under investigation. With recruitment methods showing great changes in recent years, this title clearly gives candidates an insight into what they may face themselves.

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

Many candidates undertook this assignment with the most popular choice being the fast food restaurant.

It is important not to take too wide a view of this title. Whilst it can be argued that cash flow, accounts and break even play a part in the decision, in the context of this work such inclusion is often based on very speculative information with little sound foundation.

It is more appropriate, especially in the context of a short course assignment, to restrict the work to primary data, collected by suitable questionnaire/interview methods. This can then be fully analysed, interpreted and has a clear foundation on which to base realistic recommendations. Added to this can be information on competition, footfall and other data on access etc. which can be incorporated into the evaluative process.

In this type of assignment, the use of appropriate maps/diagrams and photographs if possible can add greatly to the work, and indeed cut down on the word count.

## Supported study based on T Mobile

This option uses a common questionnaire to build a nationwide database for candidates to access individually in order to make meaningful recommendations regarding possible changes to the market mix of T Mobile.

The title is supported by the principal moderator, with guidance notes available for centres to use with their candidates. Details of the work can be obtained from the OCR Coventry office.

Work this year retained the quality seen in previous years. Better work included a clear analysis of the present market mix of T Mobile with business terms being used throughout. This would then be followed by a full analysis and interpretation of the data available which in turn led to justified recommendations being made. Weaker work tended to concentrate rather too much on describing the product range of T Mobile or producing a misplaced examination of mobile phones themselves rather than the service available on them.

#### Introduction 1951

The scenarios created for the 2007 written papers proved generally accessible for their target candidates, with some creditable performances on all papers including the case study option. The overall standard of coursework remained consistent with at times professional work being submitted.

Areas which merit greater preparation for written papers in future years include ratio analysis and franchises.

Ratio analysis has proved a stumbling block for candidates in previous years and 2007 was no exception. There was a general lack of precise knowledge of ratios and their use in the analysis and interpretation of accounts. In order to reach the higher levels of accounts analysis questions, it is vital that candidates have this knowledge and understanding to hand in order to fully answer the question set.

Answers on the 2007 papers would indicate that there was a general lack of understanding of franchises and how they operate. It may be the case that candidates were not prepared for this look at how businesses market their products and services.

Other general problems encountered were:

- Candidates simply not answering the question set. Whilst this is a point which is often raised, this appeared to be more in evidence in this summer's papers.
- A lack of precision in answers. To reach the higher marks within a question, candidates
  must realise that general comments are not sufficient. Time spent on how to fully answer
  particular questions may well prove beneficial, with the skill of how to develop points fully
  being learnt.
- Answering in context. This is especially important within the case study option where candidates must always answer using the scenario which has been set, as simple knowledge questions are not contained in these papers.
- Looking at graph and diagram titles carefully. At times candidates missed the focus of a question because they failed to realise what the stimulus material was indicating.

The standard of coursework remained much the same as in previous years. Candidates are now being directed rather better to meet the necessary assessment criteria, especially criteria 4, 5 and 6 which normally differentiate between performance above and below a grade C. If candidates are to achieve the higher levels of performance, it is these areas which require detailed examination and precision.

## 1951/01 Paper 1 Foundation - Common Core

#### **General Comments**

The paper which is targeted at grades C to G seemed to be accessible for candidates, if suitably challenging. It is felt that the questions set were accessible to candidates and provided effective discrimination across the paper. No entirely blank scripts were seen with the vast majority of candidates attempting all questions indicating that on the whole centres are correctly preparing candidates for this examination. As in previous years only the weakest candidates failed to answer most of the questions with the structuring of some of the questions enabling most candidates to tick boxes or extract the given letter into their answer.

The main reasons for candidates not scoring more highly, as noted in previous report are:

- A lack of understanding of key concepts eg Q1(d), Q2(b) and Q4(b)(i) and (ii). Candidates did not appear to be sufficiently prepared to answer questions relating to business planning, trade credit and the current ratio.
- 2 Not answering the question set eg Q3(a)(ii). Candidates could identify various selection documents but not selection methods.
- Answers which were not developed into more detailed responses. This meant candidates only scored points for identification but were unable to access the full range of marks for further development or explanation eg Q2(a)(i) and (ii), Q3(b) and Q5(b)(i) and (ii).

The context of this year's paper was the franchise Wate help setting up a franchise in Bowton, Bowton Waterhelp Franchise (BWHF) under franchisee Danielle Smith. The questions were developed to explore issues relating to starting a franchise, business planning, advantages/disadvantages of setting up as a sole trader, leasing, recruitment, motivation, employment law, current ratios, marketing and business objectives. The main questions where candidates were unable to provide answers in sufficient depth were Q1(d), Q2(b) and (c), Q3(a)(ii), Q4(b)(ii) and Q5(b). It is strongly recommended that centres make candidates aware that no marks are awarded for repeating the stem of the question.

Questions where candidates provided incorrect responses, although few left blank, include Q1(a)(i) many giving imprecise features of a franchise such as 'getting customers' or 'advertising' which are features of all businesses not just franchises.

Q2(a)(ii) where some candidates felt that sole traders had limited liability and Q3(d) where some candidates confused employment law with consumer law.

Most candidates could select the appropriate data from the scenario such as Q1(b) and Q4(a). As in previous years candidates have struggled with pie charts/percentages ie Q5(a) and some candidates failed to score marks for a questions because they had not read the rubric eg Q3(a)(ii).

In general there were six main areas of the syllabus where a greater understanding of the concepts involved would have improved marks. These are business planning, leasing, trade credit, employment law, impact of interest rate changes on a business and business objectives. It was also pleasing to see a good knowledge of business skills/qualities, business costs, sole traders, advertising, motivation and training.

As in previous years the quality of written communication was varied although generally sound with only a few candidates scoring zero. Overall spelling of subject specific words was sound with most words spelt correctly although the odd debetors/debtors, morgich/mortgage and wadges /wages were noted. Sadly, frequent mistakes with everyday words were more common such as hoiliday/holiday, equil/equal and communication/communication.

As in previous reports the use of commas, apostrophes and semi-colons was weak and it was common to see sentences starting with because or with no capital letters.

## **Comments on Individual Questions**

- (a) (i) The majority of candidates could apply their knowledge of a franchise and correctly identified at least two features. The more able scored full marks with a minority clearly unfamiliar with franchises and scoring zero marks.
  - (ii) A number of candidates scored highly on this question with some very sound answers displaying a clear ability to evaluate the needs of a business in terms of personal skills/qualities.
  - (b) (i) The majority of candidates were able to extract the correct figures from the questions and gained full marks.
    - (ii) Again the majority of candidates scored full marks here although it was common to see candidates assume incorrectly a seven day week rather than the Monday-Friday as instructed in the question.
    - (iii) A large proportion of candidates scored full marks and those that carried forward an error from (ii) were given the benefit of ecf (error carried forward).
    - (iv) As above.
    - (v) As above.
  - (c) On the whole well answered with the majority of candidates able to identify at least two running costs. Although the question asks candidates to <u>not</u> mention costs used in figure 2 sadly many did and scored no marks. Candidates should be reminded to read the detail of questions carefully.
  - (d) The ability to explain why a business might not make as much profit as planned was required here and many answers tended to be very vague. Many candidates were unable to demonstrate that they understood the term` planned`. Clearly a business selling water would have planned for higher sales in summer and lower sales in winter and hence such responses scored zero.
  - (e) A simple tick box question which saw a large percentage of candidates score full marks. Those that scored poorly here did not appear to understand the implications of a sole trader.
- 2 (a) (i) On the whole well answered with the most common responses relating to 'own boss' and 'keep all profit'. Some candidates failed to maximise their marks by simply repeating the advantages as an explanation.
  - (ii) as above, except some confused unlimited and limited liability.
  - (b) Sadly a very poorly answered question. Candidates appeared to have very little understanding of trade credit with the most common misconceptions being that trade credit is provided by banks and acts as a type of credit card. Centres also need to make clear to candidates that trade credit is usually for 30 days although can be up to 90 days but is most definitely not paid when the profit has been made or when you can.

- (c) A very testing question particularly in view of the fact that a lot of information was provided in the stem. Candidates were required to discuss the options given not merely repeat them which scored zero. Some candidates coped very well and made in depth recommendations.
- (d) On the whole well answered with many scoring four to six marks. The question asks for information about the business so answers solely referring to colour or bold designs scored zero.
- 3 (a) (i) This question tested candidates knowledge of job descriptions and person specifications the responses seen suggest that the understanding of some candidates is poor.
  - (ii) A question which was very poorly answered and an example of a question where candidates appeared not to have read the question closely enough. The question required candidates to recommend two <u>methods</u> of selection not documents that could be used.
  - (b) On the whole well answered although many answers were not in context and scored zero. The context is a new sole trader Danielle employing <u>one</u> new worker hence answers referring to job rotation, team activities are not in context.
  - (c) Candidates coped well here and many full marks were scored. Some candidates restricted their marks by only referring to one of the options. A discussion requires both options to be discussed.
  - (d) Many mixed responses were noted here. Candidates either had covered employment law or had not. The average mark being two.
- 4 (a) The question required candidates to enter the appropriate number for the definition required. On the whole it was well answered although it was common for candidates to confuse the definitions of current assets and current liabilities and creditors and debtors.
  - (b) (i) This question caused problems for many candidates and although it was common to see candidates calculate the correct value for current assets, few could calculate current liabilities. Many assumed that Net Current Assets are included in current liabilities and even fewer could calculate the current ratio despite being given the calculation in the question. It was common to see candidates add current assets and current liabilities to arrive at the current ratio.
    - (ii) Many candidates who had calculated the correct current ratio did not clearly understand its significance with many scoring low marks due to this. Few candidates scored 3 or 4 marks.
  - (c) (i) For those candidates who realised that rising interest rates increased costs for BWHF few could explain why.
    - (ii) Candidates on the whole performed better here than in part(i) with the majority realising that sales would fall for one mark and many scoring a further mark for explaining why.
- 5 (a) As in past years questions involving percentages always cause some candidates problems and this year was no exception. A wide range of weird responses was noted. A large proportion, however, scored full marks.

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- (b) (i) Many candidates merely repeated the statement of finding as a reason and scored zero marks. Candidates were required to recommend one statement and then give reasons why ie develop the statement of finding. Candidates who wrote statement letter A and gave the reason 'because it will help people concentrate' scored zero but candidates who wrote 'because it will help people concentrate so their exam results improve and they get better grades' would have scored two marks.
  - (ii) Similar to (i). Many candidates merely repeated the stem eg 'improve performance' and scored zero. As above more development was required.
- (c) On the whole well answered. Candidates appeared very aware of promotional techniques and a varied range of recommendations were made. The more able candidates gave full reasons.
- (d) (i) On the whole this was well answered although some candidates could not distinguish between 20p or 2p based on the same calculations.
  - (ii) The majority of candidates correctly selected from Fig 10 and scored full marks. Some appeared to have ignored the information in Fig 9.
  - (iii) A number of candidates selected an appropriate option from Fig 10 but did not develop their answer above a basic level and hence few scored full marks.

## 1951/02 Paper 2 - Higher Common Core

As in previous years, the questions on this paper were set around a fictional business context. In this instance, the focus was a franchise organisation that sold water. Questions were about the franchisor and franchisee sides of the business. Candidates were not required to have any detailed knowledge of these 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. Major stimulus material was presented on the first page of the examination to give candidates a good introduction to the business context. Further information about the business context was "drip-fed" through the examination paper. Candidates should be aware that this information is their both to help and to challenge them.

The level of the paper was appropriate. The questions provided breadth across the syllabus and challenged the students in appropriate places. Most problems with questions seemed to be centre related and not a common problem across all centres. Candidates all tended to score around the same marks in individual centres, reflecting the standard of teaching. The paper differentiated well between grades. Candidates generally attempted all the questions.

As ever, there were a number of questions that required candidates to apply their numerical skills. As in previous years 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.

- (a) The question was designed to be a relatively easy introduction to the examination targeted at the lower grades appropriate to this paper. Most candidates were able to identify relevant skills that Jack, the owner of the franchise, should look for when seeking someone to run the advertised franchise. By far the most common was communication skills linked to the need to sell the water to customers. Others included people/management skills, financial acumen, organization and self-motivation/drive.
- (b) The focus to this question was slightly different than it has been used in previous examinations in that it concerned the benefits to the franchisor rather franchisee of expanding through more franchises or expanding the business by creating more branches. There were some very good answers to this question highlighting issues such as who would receive the profits, workload, risk, raising capital, control and the reputation of the business.
- (c) The numerical skills required to answer this question were not very complex. However, candidates did need to read the data carefully to identify the sums that were appropriate. This proved difficult for a large proportion of candidates. Some completed the first part of the calculation only ie to calculate the revenue that the franchisee would earn but then did not calculate costs or profit.
- (c) Most candidates were able to answer this numeracy question successfully. The formula for calculating the gross profit margin was given, candidates needed to identify the figures to put into the formula and then complete the calculation. Some candidates made basic errors such as giving answers with a £ figure instead of a % figure.

- (d) The majority of candidates were able to suggest two appropriate additional costs that Danielle, as the franchisee, would have to pay. Common suggestions were electricity, gas, post, fuel. A significant number, however, repeated costs given in Fig. 1.
- (e) This proved to be a more challenging question. Weaker answers involved general statements about problems with predictions and forecasts. Better answers dealt with factors that would alter sales revenue such as competition and the prices they would charge and the strength of the economy and demand in general. Other good answers discussed issues on the costs side some candidates picked up on the possibility of a rise in interest rates which was part of a later question, others referred to the costs of the water or of fuel and so on.

#### **Question Two**

- (a) (i) This question was designed to test candidates' knowledge of sole trader businesses. Candidates did show good knowledge of the main issues. In a significant number of cases, fuller explanations could have been given. For example, it was common for candidates to mention that Danielle would be able to make her own decisions but the development point about there not being a partner or other shareholders to consider was not made. Besides explaining why an advantage existed, credit was also given to candidates who explained the consequences of an advantage. For example, candidates who suggested control over decisions were able to explain how this would avoid disputes and make it easier to run the business.
  - (ii) Overall the standard of answer to this question about the disadvantages of sole traders was better than that relating to the advantages. Candidates were able to identify and discuss issues relating to unlimited liability, raising capital, day-to-day management of the business and sickness and holidays.
- (b) A high number of candidates were unable to demonstrate detailed knowledge about what trade credit is. The most common erroneous view was that trade credit is some kind of "sale or return" agreement between the buyer and the seller. Better answers, of which there were many, explained that trade credit involved paying later/within a specified period of time which gave Danielle the time to sell the water first before paying for it. More sophisticated answers dealt directly with cash flow issues and the demands on Danielle's funds as a new business as well as correctly identifying that trade credit does not involve an interest payment.
- (c) Many candidates were able to display good knowledge of the advantages and disadvantages of leasing and were able to apply this to the context the financing of a van. The best answers also related these to the business context ie that Danielle's business was new and leasing would be a good way to spread the cost, along with the other advantages such as upgrading the van at the end of the lease period. The most commonly identified disadvantage was the expensiveness of leasing.
- (d) There were some very sophisticated answers to this question which focused on the business in the context. These answers discussed the likelihood of Danielle having the £50,000 of retained profit required to purchase the warehouse as she starts up the business, the opportunity costs of spending any such money that she has in this way and implications for the balance sheet of taking out a mortgage loan. Other points related to interest charges, the fact that mortgages are appropriate loans for premises and that it would take a long time to pay off £50,000.

#### **Question Three**

- (a) (i) and (ii) Candidates generally displayed good knowledge of what job descriptions and person specifications are. However, many failed to answer the questions directly by explaining why it would be useful to Danielle to produce these. Those who did suggested that they would help her by clarifying her needs, by putting off inappropriate applicants which would save her time or that they would help applicants to know whether or not they were suitable for the post.
- (b) Interview was the most common appropriate answer to this question. Unfortunately, despite comments on previous examiner's reports, many candidates gave only very general development points about why an interview would be appropriate, usually that it would tell them what the candidate was like. Better answers related to the person specification and the nature of the work required by suggesting, for example, that interviews would enable Danielle to test the communication skills of the candidate. Other commonly suggested selection methods included presentations, references and some kind of specific test such as a role play activity.
- (c) Candidates again showed good knowledge of methods of motivation but, once again, it should be stressed that candidates need to make use of this knowledge to deal with the specific context. Thus, given that the new employee would be the Danielle's only employee, team building exercises with other employees was not appropriate. The better answers stated and explained methods such as praise, bonuses, commission and training.
- (d) This question was very well answered on the whole. Candidates were able to identify relevant employment laws and give appropriate explanations of them. Minimum wage, health and safety issues, employment rights/contract laws, sex, race and disability discrimination and working hours regulations were the most commonly given.

## **Question Four**

Questions relating to business accounts have been a feature of this paper since the specification was revised for first examination in 2003. Business accounts can only be properly interpreted with the use of ratio analysis.

- (a) & (b) These questions were designed to test candidates' knowledge of and ability to apply key ratios as well as to remind them of liquidity and return on investment issues that would be useful for Part c) of Question Four. Many candidates struggled with this ratio analysis question only the better candidates were able to apply the ratios to give the correct answers.
- (c) Candidates who performed at the C/D boundary on the paper as a whole, generally performed at Level 1 on this question. Level 1 answers drew conclusions from the raw data in the balance sheet. Whilst many more able candidates were able to calculate liquidity ratios and ROCE for 2006, some struggled to explain clearly what the figures meant for Danielle's business. Those that did, and so performed at Level 3, were able to identify liquidity problems that she might have based on the current and/or acid test ratio and suggest how significant the fall in ROCE might be.

#### **Question Five**

- (a) Similar pie chart questions have appeared on many previous papers yet still proved challenging for weaker candidates. The most common error was to refer to the percentage changes only in the market share of BWHF. Another common error was to write about changes in the total value of sales in the market. Despite these errors the responses from many groups of candidates suggest that many centres are making significant efforts to teach candidates to read and interpret business data well.
- (b) Candidates often wrote at length about methods of promoting the sales of water discussing several methods of advertising and the types of messages that might be put across as well as using promotional offers such as buy one get one free. Those who only did this restricted their marks. To score high marks candidates needed to discuss a wider range of aspects of marketing such as appropriate pricing strategies or where to place the water machines or how Danielle might develop the product range to attract a wider range of customers.
- (c) Examiners were asked to look for three elements to answers to this question recommended and appropriate primary and secondary research strategies, what information the research might produce and some evaluation of the quality of the information that might result from each method. Whilst there were some good answers that did evaluate the quality of information, most candidates responded with a discussion of the methods and the information that would result.
- (d) (i) The majority of candidates were able to complete the calculation successfully.
  - (ii) This was designed as a question to challenge candidates not just about their knowledge of business objectives but to explore possible motivations in different contexts. It was pleasing to see some very well-thought out answers. These mainly contrasted the motives of the two owners of the businesses and related them to how long they had been in existence.

## 1951/03 Paper 3 – Foundation Tier, Business and Change

## **General Comments**

The majority of candidates performed around the mid-level score of 30 marks.

The most common problems were:-

- A majority of candidates performed better in Question 1 than Question 2, with better scores on the latter, tending to define the better candidates.
- 2 Concepts of longer life and more disposable income/leisure raising employment in the service sector, and the use of diversification to improve sales trends, were not demonstrated by most candidates.
- Numerical skills were lacking in many candidate responses seen, even when mathematical formulae are provided.

## **Comments on Individual Questions**

- 1 (a) (i) Generally this was answered well although explanations tended to be more vague than defined. The question was in line with previous papers and most candidates were able to explain one advantage and one disadvantage of being a sole trader. Common correct responses including 'Alessia owns the business on her own and has no partner therefore she will keep all the profits' for the advantage and 'because there is just her there will be a limit to the amount of money put into the business thus she will have difficulty in growing'. An additional correct disadvantage was linked to Alessia having 'unlimited liability'.
  - (ii) Generally sound answers provided. The question was a standard opening for this option and most candidates were able to explain two location factors. Some students did not obtain full marks due to lack of application in linking the stated business/ products. Common correct responses were 'amount of money in the area because if there is a high number of people unemployed not many people will go to the restaurant therefore Alessia will not make much profit' and 'the level of competition as if there are many restaurants nearby Alessia's may make less profits.'
  - (iii) This question was poorly answered with a general lack of understanding of social costs and social benefits. Many students related their examples to the business itself, rather than the wider community.
  - (b) There were mixed responses to the question, however better candidates were able to link the 'rising pizza costs' to negative effects on demand and profits.
  - (c) This question on the service sector data was not completed well by the majority of candidates. Many referred to employees leaving other sectors (primary and secondary), and very few outlined services for longer life, more leisure time, or increased disposable income, to use these services.
  - (d) The majority of candidates were able to select the correct definitions for the potential causes of rising sales namely 'increased popularity of Italian food' and 'increased number of people going to restaurants'.

- (e) (i) Generally this question was well answered. Some quite able answers defined 'chain of command' and 'span of control', but there was also some confusion shown in differentiating the explanations. Correct answers provided for chain of command included 'Those at the top of the company send instructions to other employees lower down eg, from the restaurant manager to the waiters'. For span of control\_'the number of people a manager is responsible for eg, the Head Chef is in charge of 3 other chefs'.
  - (ii) This was generally answered well with most candidates able to work out the age group who benefited most from changes to the national minimum wage, and calculate each separate change.
- 2 (a) (i) The vast majority of candidates could select the correct feature of a PLC namely 'Shares can be bought and sold on the stock market'.
  - (ii) Generally this question was well answered. Candidates, in responding to the advantage to having more than one product for sell, often correctly referred to 'increased sales, and therefore more profit', while the more able tended to link to 'able to spread risk'.
  - (b) The information provided in Figure 6 in boxes was listed almost directly into the answer by many candidates. Distinguishing between leasing and buying proved difficult for those same candidates to actually analyse and evaluate costs and benefits. As a consequence, many candidates gained only half marks or below.

The few good responses seen tended to reflect the higher paper namely 'a major advantage of leasing is that Littlechild plc does not have find the money to fund the outright payment of the machines which likely means they do not have to borrow money for this purpose thus they save on interest payments. However, I realise over the whole life of the machine the business is likely to pay back similar or more with nothing to show for it at the end of the lease than if I had purchased the machines. Again, however upon leasing the machines Littlechild plc will be able to obtain free maintenance from the machine manufacture when they break down. Normally when you purchase something this is likely not to be the case. Therefore, overall I would choose to lease the machines'.

- (c) Despite the net profit to sales formula being provided, a significant majority of candidates did not present the financial ratios in percentages and many did not demonstrate that they understood exactly what the ratio meant in terms of the result achieved. However stronger candidates achieved full marks with responses such as 'the results show that is BB plc performing better sales and net profit higher as is the net profit to sales ratio which shows BB plc (10%) returning 1.5% more on their sales than Littlechild plc (8.5%).
- (d) (i) This part was well answered. The majority of candidates were able to obtain at least 2 of the 3 marks on offer. The trend in decreasing baby numbers was generally well applied to stated business. A good response included 'likely future drop in their UK demand as data shows a drop of births by 150 000. This may lead to a drop in profits'.
  - (ii) Responses to this part were satisfactory. There appeared to be a significant gap in candidate knowledge about what the term 'diversify' actually meant. This was also seen in the higher paper. Due to the above candidates obtained lower marks because they only interpreted the other factor 'reducing the workforce'. However, good responses were seen and they tended to reflect the higher paper eg, 'I suggest diversify because if the demand for baby products is falling they will not have enough money. Therefore, if they make different products this should produce a different source of income. Lowering workforce will save on wages but will not help to bring in new income'.

- (e) (i) Nearly all candidates could link the correct definition to the 'temporary employee' box namely a temporary employee is 'An employee which may work for 36 hours or more but works for the business for a short period'.
  - (ii) This permanent and temporary employee question received mixed responses. Most candidates could relate to the reasons for temporary workers, but not to the factors weighing against usage of permanent workers. Good responses obtaining level 2 were rare but an example is 'they should recruit temporary workers as once the demand falls after Christmas there will be no need to keep them therefore they save on wage costs whereas if you recruit FT you have to keep paying them after Christmas. Also, whilst it is true some temporary workers might not work as hard as FT workers the temporary workers are only employed for a couple of months.
- (f) This final question was generally well answered, with candidates able to calculate the differential wage forecasts, and apply the context of biggest impact to Littlechild PLC. A typical good answer being "Both forecasts show that Littlechild plc will experience an increase in total costs. However, forecast 1 shows a 25% increase, as compared to 10% increase, which will reduce profits by a lot."

## 1951/04 Paper 4 Higher Tier Business and Change

#### **General Comments**

Overall candidates displayed a good knowledge of the specification content. There was a good understanding shown of the various principles and business terminology. However, certain centres seemed to have not covered in enough detail certain topics such as 'economic factors', and other areas such as shares 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) This was well answered. The question reflected the style of previous opening questions for this paper and most candidates were able to explain one advantage and one disadvantage of being a sole trader. Common correct responses including 'Alessia owns the business on her own and has no partner therefore she will keep all the profits' for the advantage and 'because there is just her there will be a limit to the amount of money put into the business thus she will have difficulty in growing'. An additional correct disadvantage was linked to Alessia having 'unlimited liability'.
  - (ii) Another well answered question. Again this was a standard area of testing for this option and most candidates were able to explain two location factors. Some students did not obtain full marks due to lack of application that is not linking the stated business/ products. Common correct responses were ' amount of money in the area because if there is a high number of people unemployed not many people will go to the restaurant therefore Alessia will not make much profit' and 'the level of competition as if there are many restaurants nearby Alessia's may make less profits.'
  - (iii) Although this area of the syllabus is frequently examined by this exam paper many candidates were unable to demonstrate their understanding. Some candidates appeared not to have read the question properly and gave a social benefit as their answer whilst others were unable to demonstrate understanding of social costs. A common correct answer 'Noise as her restaurant will be full of people chatting and laughing'.
  - (b) This was satisfactorily answered. Whilst it was clear the majority of centres had covered 'the growth of the service sector', there were a number of centres where candidates were unable to demonstrate knowledge of this area. Candidates were often able to provide one factor explaining the increase in service sector employment but found the second difficult. The common incorrect answer centred on the falling primary and secondary sectors. Examples of correct answers included 'people having more leisure time' and 'there has been an increase in the number of people living longer'.
  - (c) (i) This was 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 move to plc status 'the business is able to sell shares on the stock market and thus is able to raise more funds for expansion / investment'.
    - (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. The main problem appeared to be the candidates' lack of knowledge regarding the relationship between sales and share price movement. Full mark answers were rare but included responses such as 'from 2003 both sets of data show a decline, which

imply as sales go down the share price goes down. The reasoning is if sales are low profits likely to be low thus dividends low therefore few will buy shares in the Fiorentinas plc because they will not get much for holding Fiorentinas shares'.

- (d) As with the previous question, whilst this question was aimed at the more able, it was poorly answered. Only a few candidates were able to achieve Level 2. Few candidates used all the data, most notably not using the '300 waiters and waitresses paid the minimum wage' and few questioned whether they had enough information to make a judgement as to whether the changes in the NMW would have a significant impact. Many candidates simply stated 'there will be an increase in costs and a decrease in profits' and forgot to give a possible action. Good responses were rare but did include 'difficult to judge how much of an effect the changes in the NMW may have. Whilst each of the 3 groups gained these workers are the lowest earners in the business. In addition, how many hours have they worked? If it is a lot, the impact maybe high and they may have to increase their prices. Also, 300 workers have the NMW thus total costs likely to be significantly affected but we are unaware as to how many workers in each group as the increases are different for each grouping. Overall, as the business is big and a plc, and if their sales are really high the increase in the bottom end of wages will be insignificant and they may do nothing.
- 2 (a) This was satisfactorily answered. Whilst it was clear from the number of candidate responses seen that many centres had covered 'oligopolistic markets', some centres had not. The text book definition of such a market was frequently seen and candidates often linked their answer to profits eg, 'the market only has a few large companies therefore profits likely to be high'.
  - (b) Generally this was well answered. Many candidates achieved level 3. Weaker candidates tended to simply copy the statements with no further analysis. Good responses included 'A major advantage of leasing is that Littlechild plc does not have find the money to fund the outright payment of the machines which likely means they do not have to borrow money for this purpose thus they save on interest payments. However, I realise over the whole life of the machine the business is likely to pay back similar or more with nothing to show for it at the end of the lease than if I had purchased the machines. Again, however upon leasing the machines Littlechild plc will be able to obtain free maintenance from the machine manufacture when they break down. Normally when you purchase something this is likely not to be the case. Therefore, overall I would choose to lease the machines'.
  - (c) Many candidates struggled to obtain Level 4. A high number of 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 additional ratios therefore stayed in Level 3. The more able used the data effectively and made a reasoned judgement.

An example of a good Level 3 answer is 'Littlechild has a higher ROCE 37.5% compared to 33% for BBplc which means Littlechild is getting a higher return on the money invested. However, all other data implies BBplc is performing better – sales and net profit higher as is the net profit to sales ratio 10% as compared to 8.5% for Littlechild plc. Also, BBplc has a more secure financial situation with a CR of 2:1 which meets the safe level. The current ratio for Littlechild plc 0.5:1 suggest this business may have difficulty in repaying its short term liabilities. In addition, Littlechild plc has borrowed a high % of its capital employed therefore maybe open to interest rate changes which may effect its future survival. Therefore, overall BBplc should be more pleased with its financial situation'.

- (d) (i) This was well answered. The majority of candidates were able to obtain at least 2 of the 3 marks on offer. The trend in decreasing baby numbers was generally well applied to stated business. A good response included 'likely future drop in their UK demand as data shows a drop of births by 150 000. This may lead to a drop in profits'.
  - (ii) Generally this was well answered although a significant number of candidates appeared to lack knowledge about what the term 'diversify' actually meant. This restricted most candidates to lower marks. A good level 2 response included 'I suggest diversify because if the demand for baby products is falling they will not have enough money. Therefore, if they make different products this should produce a different source of income. Lowering workforce will save on wages but will not help to bring in new income or maintain existing income in the future'.
- (e) A satisfactorily answered question. Whilst the more able candidates provided good responses by referring to and analysing each of the economic factors, the less able tended to explain each factor without considering the comparative importance. Some candidates believed the £ had got weaker, whilst others believed that both the tax and wage factors directly applied to Littlechild plc. Indeed, many believed the tax factor related to corporation tax.

Good responses included 'the £ has gone up against the euro thus major negative impact on export demand and domestic demand as foreign buyers will find Littlechilds products more expensive and UK customers may buy EURO land products as they are now cheaper. A 5% increase in W levels will impact on total costs which my mean possibly increasing prices and thus demand possibly suffering. However, a 5% increase over 3 years is not high and is likely to be covered by cost of living rises. Also, the wage is the 'average' not necessarily Littlechilds employees. Indeed as wages increase this may increase demand. Tax increases may reduce disposable income (although interest rates may be low) thus reduction in Littlechild plc demand. OVERALL, because Littlechild plc export to EU and the increase in the £ is forecasted to be sharp this will be the most influential factor on the business'.

## 1951/05 Paper 5 – Foundation Tier, Business Communication and Marketing

#### **General Comments**

The majority of the candidates attempted all the questions and in line with previous years there was a variable level of business understanding demonstrated. The paper, however, did allow candidates to perform according to their level of ability, with the full range of marks being awarded

The most common problems were, to evaluate information in judgement questions such as 1c(i), 1d(ii), 2b(i) and 2e, and to contextualise their answers in relation to the stated businesses.

- (a) This was satisfactorily answered. Many candidates focussed on the transportation and delivery angle which are general exporting problems. Good answers tended to link to costs eg, 'Trained staff which specialise in creating the website and maintenance will cost to employ more people', and 'the initial set-up costs might have been very high, to set up the technical devices and this resulted in Cutie plc spending more money'.
- (b) A well answered question. Most candidates understood the differences between internal and external communication and were able to make the appropriate selections.
- (c) (i) The response to this was satisfactory which reflected the fact that it was a cross-over question. Candidates generally answered in line with their ability. Many were unable to achieve L2/3 in the main due to a lack of data analysis and poor application to stated business. The few candidates who managed to achieve L3 did so with reference to product improvement. A 'good' answer was; 'Cutie was not right to reduce the amount spent on R&D, as when they did its sales began to fall as the business struggle to compete against companies like Littlebaby plc, whose sales actually increases as they increased its R&D. The reason for this is that Littlechild's products are better matched to what the customer wants'.
  - (ii) This was well answered. Candidates were able to identify a fall in demand with the appropriate shift in the demand curve.
  - (iii) Generally this question was well answered. Candidates were able to identify possible causes of a reduction in market share namely 'increases in the number of other businesses selling prams'.
- (d) (i) Well answered. The majority of candidates were able to select the 'explanation of marketing strategy'.
  - This question was satisfactorily answered with most candidate responses reflecting their overall performance on the paper. Candidates tended to focus on 'safety' only, with a brief mention of brand name, price and style, although marks were awarded for the prioritisation of factors. A number of candidates gave a lot of attention to the description of the data, rather than any analysis of future marketing strategies. Many disregarded the pie chart and provided a general marketing strategy containing the 4 p's. However, good answers were seen and included 'It is important that all adverts should make customers aware of the safety aspects of its prams as this is the most important factor to consumers. Price is much lower in importance than 'safety' which may mean the business may increase its price which could help it to cover the costs of improving safety. It is also clear that style and walking around with a brand name is important so we could develop this in the adverts by using celebrities. However, all of what I have said is based on a very small sample which means the accuracy the data may not be 100% therefore I also suggest more research'.

- (e) Generally this question was well answered. Some good answers included 'Customers may or will lose trust in the company. This will give their company a negative name and may cause people to be reluctant in buying their prams. Meaning sales will decrease, leading profits to fall'.
- (f) This question was generally well answered. Candidates generally understood the need for a secure web site, when payment is made by credit card. Full mark answers included 'so that customers would feel safe, because when more customers are safe then they will continue to purchase products knowing no one will be able to steal their money'.

- (a) (i) This was satisfactorily answered. Due to the question not specifying internal or external communication the majority of candidates were able to obtain 2 out of the 4 marks on offer. Many candidates however failed to relate 'the reason' behind their chosen method to wedding dresses. Correct responses included reference to 'email', 'women magazines', and .face to face'. A typical answer included 'by putting an advert on local TV potential customers may see the wedding dress / business and may lead the R&W to selling a wedding dress'.
  - (ii) Most candidates were able to highlight how the prompts may be a barrier to communication, and the vast majority of candidates obtained 2 out of the 3 marks on offer. Common correct responses included 'the sender may 'talk down' to the receiver so that he does like what they hear' for attitude of sender; 'different languages which mean people might not understand what is being said' for language used; and 'using e-mail and some customers may not have a computer' for method used. Many candidates did struggle to show how the 'method used' might be a barrier to communication.
- (b) (i) This question was poorly answered. A high proportion of the candidates stayed in L1 as they provided only general remarks about the fact that 'Group 1 were able to afford the dresses rather than group 2' or 'group 2 had a greater percentage of the population'. Candidates failed to achieve L2 because of a lack of evaluation and poor reasoning behind the choice. A good answer included 'Ryan and White should aim their wedding dresses at group 1, because they have the highest salary and can afford the highly priced product as they buy other expensive products eg, cars. Whilst there is a smaller number in group 1 rather than group 2, hardly any of group 2 would be able to afford the dress as they are on minimum wage and therefore sales likely to be less'.
  - (ii) Well answered. Good responses included 'Highly priced means higher profit per wedding dress sold'.
  - (iii) Generally well answered. Most candidates achieved at least one mark for commenting on 'more sales' in relation to selling cheaper dresses. A common good answer was; 'they will attract more customers because they will appeal to a bigger market, like the people in group 2, which will result in more people being able to afford the dresses and therefore more profit for Ryan and White'.
- (c) Generally well answered. Most candidates chose correctly Customer 1 and provided logical reasoning eg, 'Customer 1 because the dress she bought was not of satisfactory quality because the straps fell off, which means the dress was not made well. Therefore, she is protected by the Sales and Supply of Goods Act and should have a refund'.

- (d) This question was satisfactorily answered. Many of the candidates did not apply the information to Ryan and White and many candidates simply repeated the headline. The linkage between expensive weddings and borrowing was not identified by many candidates. However, a common correct answer included 'the headline shown in fig 8 will have an effect on Ryan and White because most people who buy the expensive dresses from Ryan and White, borrow the money and if they are not willing to borrow the money they would not be able to afford Ryan and Whites expensive dresses. As a result they would buy their dresses from cheaper shops. This would lead to Ryan and White sales going down and losing profit'.
- (e) This question was poorly answered. The more able candidates achieved level 3 by referring to the data then linking directly to the 'wedding dresses and the need to 'try them on' as it is 'their big day which happens once in a lifetime". Weaker candidates simply described the trends and tended to say 'start selling over the internet as the percentage of sales has and will increase'. These candidates also did not note that the graph referred to UK retail sales as a whole and viewed the data as directly showing sales of wedding dresses. A good response centred around the following 'data shows that over the years selling retail on the internet is going to increase. It also shows that retail sales through shops are forecasted to stay much higher. So I would recommend they stick to this especially in terms of wedding dresses as people will want a shop to try these dresses on for size, and possible alterations to the dresses, so business of selling on the internet may not be that wise. However, I wouldn't cancel e-commerce completely, as it is rapidly increasing in value and have a world-wide market'.

# 1951/06 Paper 6 - Higher Tier - Option: Business Communication and Marketing

### **General Comments**

As in previous years, the questions on this examination paper were set in the context of two fictional businesses. 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. Candidates should be aware that this information is there both to help and to challenge them.

As is typically seen in this paper there were a number of questions that required candidates to apply their numerical skills and, as has been commented on previously, the performance on these was mixed. 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.

# **Comments on Individual questions**

- 1 (a) This question was well answered. Most candidates understood the requirements of the question. Answers centred around those in the mark scheme. A common response included 'Cutie plc will have to train workers in order to operate different equipment and this will cost a lot of money'. A frequent incorrect answer centred on transporting the purchased goods. This was not allowed as this is a general exporting problem and not specific to developing e-commerce.
  - (b) This was a well answered question. The majority of candidates understood the difference between internal and external communication demonstrated by candidates ability to make correct selections.
  - (c) As a cross-over question, this was generally well answered. Candidates were varied in their choices although the majority of candidates were able to obtain Level 2, thus gaining 4 out of the 6 marks on offer. Many candidates did not achieve Level 3 because they did not provide a reasoned judgement based on the stated companies product, namely prams and car seats. A good Level 3 answer included 'It appears that there is a strong relationship between R & D and sales eg, as Cutie plc has reduced investment on R & D its total sales have reduced whereas Littlebaby plc increased investment in R & D which led to a rise in total sales. Therefore, I do not feel they should have cut back on R & D as developing new prams or improving existing ones help you stay competitive and clearly help to at least maintain your sales or give you a competitive edge and thus increase your sales'.
  - (d) Many candidates struggled to obtain Level 4. Connecting the trends shown in the pie charts and relating the importance of sample size to the stated company proved difficult. Many candidates showed that they understood the trends in the data but did not suggest marketing strategies hence they achieved Level 2 assuming linkage to stated company. Good Level 4 answers identified the need to extend research because the sample size was too small and included reference 'price' being less important. An example of a Level 4 answer included 'The biggest increase is the importance of being a strong brand name 5 to 20% and when combining to the 'style' factor sharply increasing it is clear that efforts should be directed into developing areas such as an advertising strategy which clearly shows celebrities using its products. However, it is important to continue to develop the safety aspects of its prams as this maintains competitiveness. Interestingly price has reduced in importance, which suggests the Cutie plc could increase price which could provide

the money to cover costs of improving its brand name. All the above strategies have been suggested based on a survey which is a very small sample which questions the reliability of the data therefore an additional strategy may be to carry out more research'.

- (e) Weaker candidates appear to have guessed the answers in this multiple choice section. However, there was sufficient evidence that centres had covered the 'supply and demand' topic in their teaching and. many candidates obtained full marks. The most frequent incorrect selection centred on the impact of 'an increase in competitors advertising'. Some candidates thought that this would lead to an increase in demand for Cutie plc.
- (f) Generally this was well answered with the majority of candidates at least obtaining 1 of the 2 marks on offer. The more able referred to 'affecting Cutie plc's reputation therefore the business may lose sales'. Some incorrect answers centred on 'the ASA is able to close the business down' which suggest that some centres had not covered the ASA as a whole.
- (g) (i) This was a well answered question where the majority of candidates were able to obtain 2 or 3 out of the 3 marks on offer. Correct responses included 'stealing over the Internet sharply increasing therefore consumers may get scared that they may have money taken from their accounts therefore sales may decrease which may decrease in Cutie plc's profits'. Some students correctly suggested 'there would be no effect on Cutie plc because the headline is general and not specific to this type of business.'
  - (ii) Most candidates understood the requirements of the question and thus obtained the one mark on offer. Common correct responses included 'spend more money on securing their website ie, updating their encryption / ID security'. Candidate responses which suggested 'stop selling over the Internet' as a possible action to the increase in internet identity theft were also rewarded.
- 2 (a) This was well answered. As the question did not specify internal or external communication the
  - (i) majority of candidates were able to obtain 3 or 4 out of the 4 marks on offer. Correct responses included reference to 'e-mail', 'women magazines', and face to face'. A typical answer included 'by putting an advert on local TV potential customers may see the wedding dress / business and may lead the R&W to selling a wedding dress'.
  - (ii) Most candidates understood the question, namely highlighting how the prompts may be a barrier to communication, and the vast majority of candidates obtained 2 out of the 3 marks on offer. Common correct responses included 'the sender may 'talk down' to the receiver so that he does like what they hear' for attitude of sender; 'different languages which mean people might not understand what is being said' for language used; and 'using e-mail and some customers may not have a computer' for method used. Many candidates did struggle showing how the 'method used' might be a barrier to communication.
  - (b) (i) This was satisfactorily answered. From the responses seen it would appear that some centres have not covered this area of the syllabus, namely niche market', Typical correct responses contained the words 'small' and 'specialised' market.

- (ii) This was satisfactorily answered. Whilst the majority of candidates could obtain 2 of the 3 marks on offer, few accurately explained their answer using elasticity theory hence they were not able to achieve full marks. Correct responses included 'there are not many high quality wedding dress makers ie, not many alternative shops to go to thus customers of R&W have not much choice therefore customers have to pay high prices thus the products tend to be price inelastic', and an additional example 'when you are getting married you want everything to be right therefore you will not mind paying high prices therefore the products of R&W are said to be price inelastic'
- (c) This question was satisfactorily answered. Whilst the majority of candidates could obtain 3 of the 5 marks on offer only the more able obtained level 2 and the 5 marks available. The reason centred on the understanding of the term 'ethics'. Whilst the topic has appeared on previous papers it did appear that certain centres had not taught this syllabus area. However, those centres which had covered this topic found the question straightforward. A full mark answer included 'Buying cheaper supplies form India will save R&W money and therefore should increase profitability although if the cheaper supplies lowered the quality of the wedding dresses then profitability may actually go down. In addition, the supplies form India may have been made using child labour and this may cause the business bad publicity which again may harm profitability. Therefore overall I strongly suggest R&W do not change suppliers'.
- (d) This question was poorly answered. Whilst the more able candidates achieved level 3 by referring to both the borrowing trend and the savings trend then linked to the stated business / products, weaker candidates simply described the trends and made a basic statement linking to profit. The more able also noted that the graph referred to UK figures as a whole whereas the weaker candidates interpreted the graph as borrowing to buy wedding dresses. Good responses centred around the following 'there has been a sharp decrease in the amount of borrowing which means buying expensive items such as wedding dresses many mean demand drops thus profitability as these items tend to be bought on credit. There has also been a sharp increase in the amount of saving which also implies more potential customers are saving and not buying which again may harm profits. However if you are getting married you want everything to be right therefore you do not tend to save especially noting R&W customers who appear to have a high amount of money. Therefore I do not think the figures shown will have a big effect on R&W'.
- This was satisfactorily answered. As with the previous question, the more able (e) candidates achieved level 3 by referring to the data then linking directly to the 'wedding dresses and the need to 'try them on' as it is 'their big day which happens once in a lifetime". Weaker candidates simply described the trends and tended to say 'start selling over the internet as the percentage of sales has and will increase'. These candidates also did not note that the graph referred to UK retail sales as a whole and viewed the data as directly showing sales of wedding dresses. A good response centred around the following 'There is a clear decrease in the forecasted buying through shops although still a very high 82% of products sold though shops. There is forecasted to be a sharp increase in the amount of buying over the Internet. Therefore, it looks as if R&W should sell their products through both shops and the Internet. However, with its product, wedding dresses, I would say, are normally bought and sold through shops as women want to try their clothes especially for special occasions such as wedding dresses. Nevertheless, the data suggests that the internet shopping should be there for its customers'.

### 1951/07 Paper 7 – Case Study – Foundation Tier

### **General Comments**

Many candidates found the paper quite accessible and were able to answer questions in all sections. There was a wide range of ability and performance with many candidates well prepared and others unable to demonstrate 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 were able to offer well thought out responses to the questions requiring an opinion and to write at length.

Where Centres entered all their candidates for the case study, the candidates demonstrated a detailed knowledge of the case study and performed well. For Centres with small numbers of candidates there was sometimes little evidence of familiarity with the case study, answers offered generalisations and questions on the paper were omitted. These candidates were unable to responds to the questions set and formed answers around what they thought the question required. There were also a large number of candidates scoring very low marks who were unable to construct a sentence, punctuate their work and spell simple words correctly.

Many candidates presented neat work and were able to score some marks for Quality of Written Communication. Some candidates' work was full of spelling mistakes and the quality of handwriting meant that significant parts of the question papers were indecipherable. There were frequent misspellings of words such as business, there and their, liability and advertising. It was also mentioned by some examiners that some candidates copied out the question and then failed to offer any response.

- (a) This was a cross-over question which was usually well answered with candidates able to identify why Diva plc was both a secondary and a tertiary business.
- (b) This was usually attempted but there were significant numbers of incorrect responses suggesting that many candidates had guessed.
- (c) Most candidates found Part (c) reasonably straightforward and most were able to score some marks. The main confusion was to think that customer complaints are handled by the Human Resources department.
- (d) In this part many candidates showed a lack of knowledge of kinds of production in Part (d). They thought that batch production was selling shoes and boots in batches and that it meant making large quantities. The better answers offered a comparison between batch, flow and job production which was rewarded with full marks.
- (e) Most candidates were unable to explain how Diva plc adds value to materials, although there were some candidates who appeared well prepared to address this topic. A wide variety of answers was accepted such as cutting leather to shape, stitching, adding decoration, inserting linings, branding, packaging, variety of sizes and variety of styles. Many candidates either omitted this question or wrote about costs and profit.
- (f) This part of the question was targeted at the lower ability candidates and was well answered by many. Some candidates multiplied the correct answer £16 by 2 for the pair of shoes.

(a) Most candidates made some attempt at Part (a). They were asked to say how important relations with the local community were to the company but many just stated that it was important and remained at Level 2. The most common mistake was to stress that all Diva plc's customers are local when the information given shows export and Internet sales. Some candidates offered a variety of reasons with limited development.

#### qiT

Candidates should be encouraged to concentrate on one or two issues and present a reasoned judgement.

In this scenario emphasis on a possible planning application for the factory shop and employment issues would have been worthwhile subjects. The cynics among the candidates thought that relations with the local community were not important, justified it by consideration of moving manufacture abroad and gained full marks.

- (b) This part produced some good responses with accurate choices substantiated by detailed reasoning.
- (c) A wide range of answers was accepted to (c) (i), a crossover question. Many candidates scored both marks but answers relating to being absent from work eg illness and hospital appointments were not allowed as the question related to absenteeism. Part (c) (ii) was sometimes well answered especially by those who chose Option 1 monitoring absence. Many candidates thought that flexitime meant choosing your own hours and working fewer hours. The most popular choice was Option 3 the rewards but candidates were able to see that would not always be successful.

- (a) Many candidates were able to answer Part (a) (i) correctly. Some worked in percentage terms, the question on the Higher Tier, and this was given credit. Candidates were able to comment on the use of the Internet in (a) (ii), another crossover question, and so reached Level 1 marks. Many, however, failed to answer in the context of Diva plc, use the figures in Resource Sheet 2, and so did not reach Level 2.
- (b) Answers to Part (b) were variable. Some candidates thought that the newspaper headline related to the import of raw materials rather than shoes. Many thought that Diva plc would be threatened by foreign competition but others, commenting on quality footwear, argued that this competition would not be a threat. Some candidates mentioned that newspapers tend to exaggerate and so the headline should be viewed with caution.
- (c) This was well answered and there was plenty of scope for showing why the promotion was a failure. The better candidates spotted that the promotion had been sent to existing customers and should have been sent to potential new customers.
- (d) Candidates presented a variety of responses to this part. Many made brief comments, usually about women's magazines, and then stopped. To achieve Level 2 it was necessary to give a well reasoned recommendation preferably showing why the other two media were not as suitable.

- (a) Most candidates had no problems with Part (a) (i), (ii), (iii) and (iv) which required the use of the Cash Flow Forecast. Only those who had studied the CFF made an attempt at answering Part (a) (v).
- (b) To make an informed judgement it was necessary to comment on the notes which clearly indicated that a factory shop would probably be too expensive.
- (c) Part (c) (i) presented few problems for candidates with many scoring full marks for answers such as the cost of the site, distance from the factory, customer base, transport and competition. Most candidates chose Site B in Part (c) (ii) and were able to justify their choice. At least one candidate pointed out that opening a factory shop on any of the sites was not financially viable in view of the fact that Internet sales had doubled over the last two years and sales to shops had fallen.

- (a) This part required candidates to analyse each of the three proposals set out in the case study. Candidates were asked to explain an advantage and a disadvantage of each proposal, however a number of candidates gave lists of both advantages and disadvantages. Many lost marks because they did not obey the command word of the question and did not present developed points. Many contented themselves with basic responses such as can make more profit, means more customers, share workload, share profits. They could probably have gained the extra marks.
- (b) Repeated points from Part (a) were allowed in Part (b). Each option attracted its supporters with valid reasons.

### 1951/08 Paper 8 – Case Study – Higher Tier

### **General Comments**

Many candidates found the paper very accessible and were able to answer questions in all sections. There was a wide range of ability and performance with many candidates gaining over two thirds of the marks available. Many candidates seemed very well prepared not only in terms of the subject matter but also in terms of examination technique and how to cope with the questions given the time constraint.

They were able to cope with the longer analytical and evaluative questions and a large number of focussed and complete answers were received. It was very obvious that preparation was linked to performance.

Some candidates showed that they had little understanding of the case study material. They wrote general statements rather than presenting any developed answers. These candidates did not appear to have been well prepared. Some of the candidates struggled with this higher level paper and might have performed better at Foundation Tier.

Many candidates handled the data effectively and were able to answer in context making good use of the resource material. They were able to offer well thought out responses to the questions requiring an opinion and to write at length.

It is evident that in Centres entering all their candidates for the case study, the candidates had detailed knowledge of the case study and performed well. Sometimes interesting arguments or interpretations appeared in the answers of nearly all the candidates in a particular centre showing that detailed debate on the issues presented by the case had taken place.

Many candidates presented neat work and scored marks for Quality of Written Communication. An ease and fluency of English was seen in many of the better candidates. Some work would have been improved by the use of paragraphing eg in Question 4 (a) and Question (5) and some candidates failed to use full stops. Some candidates (perhaps due to lack of time) resorted to abbreviated sentences or note form in the last question and it was noticeable that handwriting standards deteriorated as candidates became more pressurised at the end of the examination. Some candidates omitted Question 5 completely.

Many candidates used the extra spaces at the end of the examination booklet especially for answering Question 4 (a).

It would appear from the answers given that some candidates did not have calculators. This placed them at a disadvantage. The instructions on the front of the answer booklet say that an approved calculator is allowed. Candidates should be encouraged to use them.

- (a) This cross-over question was usually well answered with candidates able to identify why Diva plc was both a secondary and a tertiary business.
- (b) Candidates struggled with part (b) with a lack of understanding of public limited companies. Government control and unlimited liability, shareholder involvement in decision making and poor communication were often given as answers. Many candidates concentrated on the dangers of takeover and lack of privacy for financial information and gained credit.

- (c) Some candidates showed a lack of knowledge of kinds of production in this part. Answers given included that batch production was selling shoes and boots in batches and that it meant making large quantities. The better answers offered a comparison between batch, flow and job production and usually gained full marks for their discussion.
- (d) In this part candidates were asked how Diva plc adds value to materials which proved difficult for many candidates. A wide variety of answers was accepted such as cutting leather to shape, stitching, adding decoration, inserting linings, branding, packaging, variety of sizes and variety of styles. Many candidates either omitted this question or wrote about costs and profit.
- (e) Part (e) was the question which candidates appeared to find most difficult on the paper. Many candidates did not understand the concept of value for money and thought that it meant cheaper supplies. Many candidates copied the list from lines 36-40 in the case study with little comment. A significant number of candidates failed to recognise the tension between quality and price. Those who advocated keeping the current policy of value for money with looking for benefits of economies of scale and some changes in packaging often scored full marks.

(a) Most candidates made good attempts at this question. They were asked to say how important relations with the local community were to the company but many just said that relations with the local community were important and remained at Level 2. The most common mistake was to stress that all Diva plc's customers are local when the information provided indicated that they had both export and Internet sales. Some candidates offered a variety of reasons with limited development.

### Tip

Candidates should be encouraged to concentrate on one or two issues and present a reasoned judgement.

In this scenario emphasis on a possible planning application for the factory shop and employment issues would have been worthwhile subjects. Some candidates thought that relations with the local community were not important, justified it by consideration of moving manufacture abroad and gained full marks.

- (b) Part (b) produced some good answers with candidates showing how a trade union would support the employees. A large number of candidates, however, appeared to have misread the question and answered why the trade union would help. Some candidates thought that the trade union would retrain the employees or pay them unemployment benefit.
- (c) A wide range of answers was accepted to Part (c) (i), a crossover question. Many candidates scored both marks but answers relating to being absent from work eg illness and hospital appointments were not allowed as the question related to absenteeism. Part (c) (ii) was sometimes well answered especially by those who chose Option 1 monitoring absence and looked for reasons as to why the other two options would not be so successful. Many candidates thought that flexitime meant choosing your own hours and working fewer hours. The most popular choice was Option 3 the rewards, but candidates were able to see that that solution would not always be successful.

- (a) Many candidates were able to answer part (a) (i) and (ii) correctly. Some candidates used 2004 figures for the second answer. Candidates commented on the use of the Internet in Part (a) (ii), another crossover question, and so reached Level 1 marks. Many, however, failed to answer in the context of Diva plc, use the figures in Resource Sheet 2, and so did not reach Level 2.
- (b) Answers to this part were variable. Some candidates thought that the newspaper headline related to the import of raw materials rather than shoes. Many thought that Diva plc would be threatened by foreign competition but others, commenting on quality footwear, argued that this competition would not be a threat. Some candidates mentioned that newspapers tend to exaggerate and so the headline should be viewed with caution.
- (c) This was well answered and there was plenty of scope for showing why the promotion was a failure. The better candidates spotted that the promotion had been sent to existing customers and should have been sent to potential new customers.
- (d) Candidates presented a variety of responses to this part. Many made brief comments on both the product and promotion reaching Level 2 but they had difficulty identifying the target market describing middle aged women as either geriatric or women aged 20-35 with children. Some candidates wrote about price which was not required. Some candidates omitted comment on either the product or promotion. The context of the question was appreciated but not the problems of the limited market.

- Most candidates were able to write at length in Part (a). They identified the advantages (a) and disadvantages of each site but often presented a regurgitation of the data given in Resource Sheet (4b). Some candidates may have struggled with the quantity of data on the resource sheet. Many candidates emphasised the distance from the factory for Sites B and C when both were close to the factory. Some candidates also place too much emphasis on population when all sites were within areas of large population. Some candidates thought that the outlet village was a village with a small population which did not support their answer. Some, having analysed the factors given for each site, failed to make a reasoned recommendation. Others gave a well reasoned discussion of the issues. They highlighted the difficulties at Site A with the pressures of the increase of Internet shopping on warehouse space. They commented on the low risk of using Site B termination of a lease if the factory shop fails. Some good answers referred to acquiring an asset at Site C rather than paying endless rent. A few candidates commented that none of the sites was worthwhile as Internet shopping would replace visiting shops for many people in future years.
- (b) Answers to Part (b) about the Cash Flow Forecast (CFF) were poor which reflects the performance of questions in this syllabus area in the past. However those who had studied the CFF in some detail were rewarded with good marks. To make an informed judgement it was necessary to comment on the notes which clearly indicated that a factory shop would probably be too expensive. Some candidates used their recommendation for Part (a) to comment on the figures given in the Cash Flow Forecast and justified their opinion with calculations. A significant number failed to recognise that a cash flow forecast is a prediction and talked about profit and loss.

This question required candidates to analyse each of the three proposals set out in the case study and to suggest a reasoned course of action. Many lost marks because they did not offer any course of action, perhaps through pressure of time. Some of the weaker candidates contented themselves with basic responses such as 'can make more profit, means more customers, share workload, share profits' and their answers were superficial. Some candidates were dogmatic in their opinions – Diva plc will make a profit, Diva plc must move abroad – rather than they might do this or they might consider that.

Some candidates had obviously considered the three proposals in depth. They presented answers, well paragraphed, which analysed and evaluated each proposal. Opening the retail stores was a popular choice but hardly anyone recognised the fact that by doing this Diva plc would be in direct competition with their existing customers. Some candidates omitted the fact that leases are very high in city centres. Some candidates recommended the merger exploring the benefits of a horizontal merger with a company such as Clarks or a vertical merger with a supplier. A large number of candidates considered the move abroad, gave some of the benefits and the drawbacks but failed to comment on large-scale redundancy in Brunham and its multiplier effect and the benefits of locating elsewhere in the European Union. Some candidates suggested a combination of the proposals and some candidates looked at other ways of remaining successful, building on their core business and looking at franchises or expanding their Internet sales.

### 1951/09 Coursework

### **Specification 1951**

### Introduction

The overall standard of work was maintained this year, with many examples of outstanding work. There has been an increasingly professional look about many assignments submitted for moderation, with a number of candidates displaying excellent business understanding and thorough evaluation of data.

Titles relating to marketing and location remain the most popular choices, enabling candidates to collect meaningful market research on which to base their decision making. An increasing number of centres are looking beyond the prescribed titles within the specification and devising their own investigations. OCR asks any centre wishing to pursue this route to take advantage of free advice and guidance on the proposal from the Principal Moderator, available through the Coventry office.

Another approach to coursework is the supported scheme. Here a common questionnaire is used to build a nationwide database which candidates can access individually to make recommendations relating to the business. The present scheme has T Mobile as a focus, looking at how the business can improve its market mix. Details once again are available through the OCR Coventry office.

Once again there were some difficulties with administration during moderation. These problems centre on:

- Not enclosing the Centre Authentication Form with the coursework.
- Entering a mark of '0' when no coursework has been completed. A mark of 'A' should be used
- Enclosing all copies of questionnaires which have been used in the work. Only one copy should be enclosed which will save on postal costs.

### **Application of the Assessment Criteria**

### **Criterion 1**

To satisfy criterion 1, candidates must state their aim clearly and explain the strategy which will be employed to achieve the aim. Whilst most candidates were able to state their aim, many did not always explain their strategy. Whilst a series of bullet points detailing what is to come within the work is a start, an *explanation* of the strategy is required for full marks.

# Criterion 2

For criterion 2, candidates must collect sufficient appropriate information to complete the investigation. Better candidates were able to collect a combination of primary and secondary research which covered different aspects of the work, all of which was integrated into the study. This was in sharp contrast to some work where the concentration was on printing pages of Internet based information which was simply added to the assignment without comment. Candidates should always look to comment on why particular information is being used. If no comment can be offered, then the material collected should be ignored.

It may be the case that time should be allocated in preparation for coursework to advise candidates on how to sift and select from the vast amount of information there is available for inclusion in their coursework.

### **Criterion 3**

Here candidates are required to present their assignment in a clear logical fashion. In most cases there was logic to the work, though there is, at times, evidence that candidates are not aware of how the flow of their work may look to a moderator who has had no part in the planning of the work.

Presentation remains a strength of the work seen during moderation. Many candidates use a variety of techniques to display their work and data in particular. Charts, graphs, diagrams, and maps are seen in different assignments, with an increasing use of digital photography especially in the location based work. Candidates should choose carefully the most appropriate way of displaying work, which should always be clear and informative. Maps and photographs for example are greatly enhanced by appropriate annotation which informs the reader of why the map/photograph has some importance.

#### Criterion 4

This criterion requires candidates to use business terms and techniques within their work. More able candidates have no real problem with this, showing an at times natural instinct to use the correct business term at every opportunity. Weaker candidates however often use general descriptions rather than the more specific business language which the criterion demands.

It should also be remembered within this criterion that knowledge cannot be rewarded within coursework. If for example a candidate gave a clear and accurate explanation of pricing strategies this should not be rewarded. If a candidate explained the current pricing strategies used by the business under investigation, then credit can be given. It remains the case that this criterion, along with criteria 5 and 6, is sometimes over rewarded, resulting in a reduction in marks by the moderator.

#### Criterion 5

For criterion 5 candidates must both analyse *and interpret* the data they have gathered. Whist most candidates were able to offer as a minimum some elements of analysis, many candidates, including some more able, often ignored this element of criterion 5.

Candidates should always look to explain the significance of the data in the context of the investigation, what it means to the business and how it may affect future decision making. Figures should always be used rather than general comments such as 'a lot of people said....' etc.

Where there was good analysis and interpretation, a clear link could be established to the recommendations which followed, with the data analysis and interpretation being used to justify ideas being put forward.

### Criterion 6

The final criterion requires candidates to evaluate the information collected and make recommendations based on that evaluation. Note that there is no requirement to evaluate how the assignment was completed and how it might be improved if another opportunity was offered.

The emphasis within the criterion must be on the following:

- Using the earlier analysis to fully justify any recommendations being made. A minority of candidates are still ignoring their own data and putting forward a series of personal thoughts which have no real foundation.
- Making sure that the recommendations fit the context of the business situation being
  investigated. It is vital that candidates have a clear idea as to what is reasonable for their
  business to do in the light of the earlier data analysis. Making recommendations for a plc to
  change its market mix would be rather different to a sole trader involved in the same
  exercise.

### **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.

Once again this has been one of the most popular choices, with candidates often investigating a product or service in which they had a personal interest.

A problem with having a personal interest however is that it can lead to large amounts of irrelevant material being included in the work. Whilst this may have a real interest to the candidate, the focus of the work has been forgotten and marks lost as a result. Where there is an analytical approach and the title of the work remains clearly in focus, some commendable work was produced.

Candidates should always make sure that *all* the elements of the market mix are covered. To help some candidates it may be useful to use separate headings for each of the 4 Ps to remind them of the tasks to be completed.

# Evaluate the recruitment methods used by different companies, making recommendations on how they may be improved.

This title was attempted by a very small number of candidates. Data on this at times sensitive subject area is at times difficult to get, which may be a barrier to many candidates and centres.

Where the data was available some thoughtful work was produced, with candidates making sensible and justified recommendations. It is certainly worthwhile checking on the availability of data from businesses before starting this particular assignment.

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

This was another popular choice for candidates. A variety of business types were investigated, though fast food was the most popular choice.

Whilst the quality of assignments was generally good, a significant minority of centres try and cover too much of the specification in completing the work. The assignment should concentrate on gathering meaningful primary data, usually in the form of interviews. This should give candidates data on consumer reaction to the possibility of a new business in the locality. Location and competitors should also be included as they clearly have a direct bearing on possible future success, and again the data is meaningful.

A number of candidates then include all manner of speculative information, especially on accounts and break even which makes the assignment as a whole very long. Another problem brought by the addition of this complex information is that it either causes confusion when recommendations are made, or it is ignored in the final stages of the work, especially by the less able candidates.

There is enough potential information centred on marketing, location and competition for a GCSE assignment, providing that an analytical approach is used and data is fully analysed and interpreted prior to recommendations being made.

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

This title proved to be another popular choice this year. Whilst an empty building may be the first choice for investigation, vacant land could also be used as a basis for the study.

A number of different options were usually studied with primary research being based on questionnaire/interview techniques. In the best work, location theory was carefully applied to the context of the investigation

Good assignments used maps at different scales, carefully annotated with charts and diagrams to illustrate different advantages to potential business. Photographs are also useful in this type of investigation, with annotation being important to make the best use of the resource.

There may be no clear answer following the research, possibly with conflicting evidence. This should be recognised by the candidates who should explain why no clear recommendation can be made, again using the analysis of data to justify that particular outcome.

### Supported coursework based on T Mobile.

This coursework option, based on the market mix of T Mobile, was taken up by a number of centres.

The assignment is based on the use of a joint questionnaire to build a large nationwide database which can then be analysed by individual candidates.

The assignments produced were of a good quality with many candidates showing excellent appreciation of the marketing process and how the market mix of T Mobile may be improved. Weaker candidates spent far too much time looking at different phones using Internet based research rather than the services (ie T Mobile) which are provided on such phones.

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

General Certificate of Secondary Education Business Studies A (Short Course) (1051) June 2007 Assessment Session

# **Component Threshold Marks**

Component	Max Mark	Α	В	С	D	Е	F	G
1	100			61	49	38	27	16
2	100	74	64	54	36			
3	60			33	28	24	20	16
4	60	43	39	35	24			
5	60	45	40	35	27	20	13	6

# **Specification Options**

# **Foundation Tier**

# **Option FA (Foundation Tier with Coursework, 01, 05)**

	Max Mark	A*	Α	В	С	D	E	F	G
Overall Threshold Marks	200				121	97	74	51	28
Percentage in Grade					25.9	32.1	17.9	9.5	9.9
Cumulative Percentage in Grade					25.9	58.0	75.9	85.4	95.3

The total entry for the option was 297.

# **Option FB (Foundation Tier with Case Study, 01, 03)**

	Max Mark	A*	Α	В	С	D	Е	F	G
Overall Threshold Marks	200				119	98	77	57	37
Percentage in Grade					18.7	17.5	20.6	20.5	13.1
Cumulative Percentage in Grade					18.7	35.5	56.1	76.6	89.7

The total entry for the option was 118.

# **Higher Tier**

# Option HA (Higher Tier with Coursework, 02, 05)

	Max	Α*	Α	В	С	D	Е	F	Ð
	Mark								
Overall Threshold Marks	200	166	147	128	110	77	60		
Percentage in Grade		9.4	29.2	34.5	14.9	11.4	0.6		
Cumulative Percentage in Grade		9.4	38.6	73.1	88.0	99.4	100		

The total entry for the option was 343.

# Option HB (Higher Tier with Case Study, 02, 04)

	Max Mark	A*	Α	В	С	D	E	F	G
Overall Threshold Marks	200	165	146	127	108	74	57		
Percentage in Grade		2.3	8.6	17.8	27.1	34.9	5.4		
Cumulative Percentage in Grade		2.3	10.9	28.7	55.8	90.7	96.1		

The total entry for the option was 133.

# Overall

	<b>A</b> *	Α	В	С	D	Е	F	G
Percentage in Grade	4.1	13.0	16.6	20.8	22.3	9.4	5.6	4.8
Cumulative Percentage in	4.1	17.1	33.7	54.5	76.8	86.2	91.8	96.6
Grade								

The total entry for the examination was 891.

# General Certificate of Secondary Education Business Studies A (1951) June 2007 Assessment Session

# **Component Threshold Marks**

Component	Max Mark	Α	В	С	D	Е	F	G
1	120			72	59	47	35	23
2	120	74	59	45	26			
3	60			34	28	23	18	13
4	60	36	29	23	17			
5	60			37	31	26	21	16
6	60	45	38	32	22			
7	90			58	51	44	37	30
8	90	61	54	47	37			
9	60	45	40	35	27	20	13	6

# **Specification Options**

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

	Max Mark	A*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240				138	114	90	66	41
Percentage in Grade					21.6	35.3	26.1	12.2	3.5
Cumulative Percentage in Grade					21.6	56.9	83.0	95.2	98.7

The total entry for the option was 1961.

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

	Max Mark	Α*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240				139	115	92	69	46
Percentage in Grade					19.4	32.3	27.7	13.8	5.1
Cumulative Percentage in Grade					19.4	51.7	79.4	93.2	98.3

The total entry for the option was 1548.

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

	Max Mark	Α*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240				142	120	99	78	57
Percentage in Grade					25.3	31.8	23.9	11.5	5.3
Cumulative Percentage in Grade					25.3	57.1	81.0	92.5	97.8

The total entry for the option was 944.

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

	Max Mark	Α*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240				145	123	102	81	60
Percentage in Grade					20.4	31.9	26.6	13.3	5.4
Cumulative Percentage in Grade					20.4	52.3	78.9	92.2	97.6

The total entry for the option was 1142.

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

	Max Mark	A*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240	174	150	126	103	70	53		
Percentage in Grade		6.5	18.5	29.2	28.8	15.3	1.5		
Cumulative Percentage in		6.5	25.0	54.2	83.0	98.3	99.8		
Grade									İ

The total entry for the option was 3534.

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

	Max Mark	A*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240	178	156	134	112	75	56		
Percentage in Grade		5.1	14.4	28.8	29.4	20.4	1.6		
Cumulative Percentage in		5.1	19.5	48.3	77.7	98.1	99.7		
Grade									

The total entry for the option was 2256.

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

	Max Mark	A*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240	170	146	122	99	68	52		
Percentage in Grade		7.7	19.4	32.4	28.4	11.0	1.1		
Cumulative Percentage in		7.7	27.1	59.5	87.9	98.9	100		
Grade									

The total entry for the option was 1801.

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

	Max Mark	Α*	Α	В	С	D	Е	F	G
Overall Threshold Marks	240	182	157	132	108	73	55		
Percentage in Grade		5.5	19.5	32.6	26.1	14.3	0.9		
Cumulative Percentage in		5.5	25.0	57.6	83.7	98.8	99.7		
Grade									

The total entry for the option was 1383.

### **Overall**

	<b>A</b> *	Α	В	С	D	E	F	G
Percentage in Grade	3.9	11.1	18.8	25.8	22.3	10.8	4.8	1.7
Cumulative Percentage in Grade	3.9	15.0	33.8	59.6	81.9	92.7	97.5	99.2

The total entry for the examination was 14,569.

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