

**GCE**

**Business Studies**

Advanced GCE **A2 H430**

Advanced Subsidiary GCE **AS H030**

**OCR Report to Centres June 2015**

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

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## F291 An Introduction to Business

### General Comments:

This paper was clearly accessible to the vast majority of candidates; the number of really poor scripts was very small. Where there was evidence of time pressure on the paper (e.g. a brief answer to question 5) this was almost always due to an answer to 1c that sacrificed quality for quantity. The lack of a response to a question was rare.

It is pleasing to report that more candidates than usual attempted an evaluation on the questions that asked for it – on this paper 1c and 5.

The most significant issue at this session was a lack of context in candidates' answers. On questions 4 and 5 in particular a vast number of responses made little or no reference to Nissan at all. Of course candidates are not expected to know about Nissan UK in any great detail but answering in the context of the case study is necessary to access marks for analysis. 'Textbook' answers, no matter how well explained, are in themselves not going to score beyond Level 2.

The case study certainly had a number of 'pointers' in terms of context that could be referred to. For example, Examiners were looking to reward references to a new Nissan car being a 'big ticket' purchase, and/or an infrequent purchase. Candidates could have focused on the unique nature of the zero-emission leaf as could the millions of pounds worth of investment that Nissan had made to develop and produce their new electric car. On question 5 in particular, all too often answers made reference to the factors that 'a business' might need to succeed rather than making a clear reference (or any reference) to Nissan as a car manufacturer. The context used, or not used, in an answer was a major determinant of marks awarded to a candidate at this session. This is an issue that needs to be addressed by Centres.

Rather more candidates than usual wrote a continuation of their answers sideways along the side of the paper or in the space between the questions. They need to be told that the rubric asks for continuation sheets to be used rather than adopting this approach.

### Comments on Individual Questions:

- 1 (a) *Nissan, as a manufacturer, operates in the secondary sector of the economy. Identify the other two sectors of economic activity. (2)*

The overwhelming majority of candidates knew the answers to this question and picked up both marks. A significant number had difficulty with the spelling of 'tertiary' which is disappointing on a business studies paper.

- (b) *State **one** cost and **one** benefit to the local community that may be created by Nissan UK's manufacturing of cars. (2)*

The concepts of external costs and benefits were well understood. Most opted for some sort of 'pollution' as a cost to the community (others included 'destruction of natural habitat' and 'congestion') and 'the creation of jobs' as the benefit.

- (c) *The local community is one of Nissan UK's stakeholders. Discuss whether the **other** stakeholders of Nissan UK will benefit from the production of 'The Leaf'. (14)*

A sound understanding of stakeholders and their needs was evident which was encouraging but some candidates failed to read the question and developed what they had

already written in 1b. The question clearly specified the consideration of **other** stakeholders of Nissan UK. Candidates are not penalised for this sort of answer but it does waste their valuable time.

A common mistake on this question was to analyse the effect on Nissan itself rather than on its stakeholders. For example a large number of candidates reasoned as follows: the production of the leaf will create job security which motivates employees. This will improve their productivity which lowers unit costs and therefore selling price - leading to more revenue and profit for Nissan. In itself this is quite correct but the effect of the leaf production on the stakeholder (the employee) is only rewardable at Level 2 for the brief comment on job security and motivation since the rest of the paragraph is concerned with the effect on Nissan itself. If a comment had been made about the possibility of rewarding the employees' increase in productivity via a pay rise that would have been an appropriate route into level 3.

Most were able to analyse at least two stakeholders; commonly the government and shareholders produced the best answers. There was some evidence of evaluation. The better candidates discussed specific benefits and drawbacks to stakeholders and summed up by stating the extent to which one or more would benefit or not. Unfortunately, some very strong analytical answers finished without drawing everything together in this manner.

- 2 *Nissan UK invested £420 million in 'The Leaf'. Its market research shows a demand for an electric car but nevertheless the venture was still a risk.*

*(a) Outline **two** sources of finance that could have been used by Nissan to raise the £420m for the production of 'The Leaf'. (4)*

An answer at Level 2 does not require context and so candidates who demonstrated the knowledge of the likely sources of finance that Nissan might have used scored full marks. There were a number who chose sources that would have been completely inappropriate for Nissan such as 'money from someone off of Dragon's Den'. There was also some confusion that with a loan 'Nissan will start to pay it back when they start to make a profit from the leaf'. This is a most unlikely scenario given that the amount borrowed was £420m and that it therefore may take several years to actually make a profit from this new vehicle. In future if a question with a higher mark allocation is set, careful consideration needs to be given to the context of the business in the case study in order to access the upper levels of the mark scheme.

*(b) Outline the likely relationship between risk and reward. (4)*

It was certainly well understood that a business/entrepreneur needs to take a risk in order to gain a reward, and that the larger the risk the larger the *potential* reward. The latter point was the key to gaining full marks here. A reward is *not* guaranteed when a business (or indeed a person) takes a risk.

- 3 *Analyse **one** possible effect on Nissan UK if the UK government did introduce more schemes such road pricing and congestion charges. (6)*

A diagram was not necessary on this question but many used one. Some confused supply with demand and others simply drew a graph showing an initial equilibrium. Nevertheless most diagrams were correctly drawn which was certainly encouraging. The most usual was to show a leftward shift in demand since the running cost of the car (NOT the price of the car itself to the consumer) had risen because of the congestion charge/road pricing. Alternatively the demand for the leaf might increase because it is a zero emission vehicle - which could be shown by a shift of the demand curve to the right. There was some

confusion of road pricing schemes and the imposition of an indirect tax on the car itself but these responses were fairly few and far between.

Explanations often achieved at least 5 marks for a correct diagram and a statement about falling revenue or profit. The best answers explained how Nissan might react to these changes such as having to undertake additional marketing or having to lower production costs in order to reduce the price and hence keep consumers interested in purchasing the cars.

4 *Analyse **two** ways in which changes in demographics or other social influences may affect Nissan UK's sale of new cars. (10)*

There are still quite a large number of candidates who do not know what is meant by 'demographics' and therefore they could not readily consider the significance of changes in these to a business such as Nissan. However it was encouraging to see that those who *did* know were usually well informed about issues such as the UK's aging population. The better answers went further than a simple statement such as 'older people may not drive much anymore and so don't want new cars from Nissan' but also considered *why* this might be - such as the provision of free bus passes or a low level of income. Others rightly pointed out that the opposite may apply and that, in fact, there is a sizable group of pensioners who are financially very secure and who would be well placed to buy a new car from Nissan if it met their needs e.g. reliability rather than speed.

When it came to social trends many could certainly be identified. However a large number mentioned a trend with no reference as to what was driving it. "People may want smaller more efficient cars so Nissan need to make these cars so sales and profit can increase" is fair enough, but *why* do people want these types of car? Because of an increasing awareness of environmental issues resulting from 'green' pressure groups? Or because of a fall in income (economic factors are not part of F291 but 'how and why people spend their income' is clearly a social trend) or both? Those who stopped to analyse the trend, scored well.

\*5 ***Other than demographic or other social influences**, evaluate the factors that are likely to determine the future success of Nissan UK. (18)*

This tended to be the question where weaker candidates simply briefly explained as many influences on a business' operations as possible in the time they had. In addition, it was common to see that having explained a factor (e.g. 'adequate cash flow') a statement such as 'this would impact on the success of Nissan' would follow without being developed any further as to why this would be the case. In fact, only a relatively small number of candidates attempted to consider what might constitute 'success' for Nissan. Sometimes in the answer there was no mention of Nissan at all. These approaches were not going to score highly.

Context was very important. Statements such as the following were common. "Technology changes quickly and without new technology Nissan will get left behind and competitors will gain its market share". This is certainly valid at level 2 but could equally apply to almost any business. A reference to the likely cost of the technology given that Nissan is a capital intensive manufacturer of cars would have strengthened the answer. A similar point could be made about the importance of market research ('Nissan must monitor what the customer wants or they won't buy the products and so profit will fall') and the state of the economy ("In a downturn people buy less goods and so Nissan will sell less"). A clear context will always help achieve marks for analysis and help build the foundation for an evaluation.

As stated above, Examiners were looking to reward references to issues such as Nissan operating in a competitive market, producing a product that is a 'big ticket' purchase, or an infrequent purchase for the typical consumer. Another Key issue for a strong answer was the ability to discuss the impact of the factor(s) on the *future* of Nissan.

As has been mentioned before in these reports, a weighing up of the importance of a particular factor is one route into Level 4 of the mark scheme, as is a consideration of the factor(s) that will affect Nissan's success in the short term as opposed to the long term. In the latter case the answer needs to say more than simply 'so in the short run it is cash flow that affects success but in the long run it is market research'. Merely mentioning the phrase 'the short term' and the long term' is not enough. A justified *judgement* on why these are important is essential.

Finally, it needs to be pointed out that a sizable number of candidates clearly do not understand the difference between 'a conclusion' and 'an evaluation'. Rather too many answers ended by simply summarising the points that had already been made.

## **F292 Business Functions**

### **General Comments:**

This was the final ‘full’ sitting of this unit examination for candidates, although further resit opportunities will be available over the next two years. The format is now well known by centres and accordingly there were no problems with regards to rubric or interpretation of the paper.

The fact that the case study material is now available to centres from the beginning of the school year was evident in the fact that candidates did appear to have a better knowledge and understanding of the business. This was also helped by the nature of the business being based around a chain of tapas restaurants in the UK.

There was no evidence of candidates running out of time or being unable to access the case study material. In fact, there did appear to be a larger than usual number of candidates using extra sheets. There was a small improvement in the standard of hand writing and of spelling and grammar. However, a small number of candidates continue to make it difficult for Examiners to mark their scripts efficiently due to poor hand writing or a lack of care in presentation.

The examining team was pleased to read an increased number of very good answers, especially to Q2 (b) and Q4. Candidates had clearly considered the issues facing QRL during the year and were able to consider what sorts of issues it would face as a result of its labour turnover and how it might need to change its marketing activities. This led to a larger number of scripts than usual scoring over 60 marks. However, at the other extreme, there was also a number of candidates who either did not read the questions carefully enough or did not know basic concepts, such as investment appraisal and TQM, leading to a larger than usual number of scripts scoring less than 30 marks. The upturn of this situation ultimately meant that the paper discriminated very well across the full range of candidates.

### **Comments on Individual Questions:**

#### **Question No. 1(a)**

The concept of market segmentation is one which candidates do find difficult to define. There were a number of very clear definitions, referring to groups having similar characteristics and giving examples. Other responses would have benefitted from not using the word ‘segment’ in their answer. A small number of responses referred to segments wrongly, such as the sectors of industry (primary, secondary, tertiary) or different parts of a market.

#### **Question No. 1(b)**

This question about methods of non-monetary motivation was very well answered, although some were overly long, due to candidates providing an unnecessary explanation. Incorrect answers were rare and mainly consisted of monetary examples.

#### **Question No. 1(c)**

This question was less well answered with few candidates scoring both marks. Break-even is a fundamental concept on the specification and one that should be well known. Too many of the weaker answers gained no reward as they made reference to very general problems about data

collection or forecasting. They would have gained credit if they had been more specific to the problems associated with break-even analysis.

#### **Question No. 1(d)**

The two calculations for profit and total contribution caused few problems. The latter concept was less well understood, with many candidates making apparently random calculations. There was also some evidence of candidates not reading the question carefully, as some gave their answer for the contribution as 30 pence. This only gained 1 mark as the question asked for the 'total' contribution from the order.

#### **Question No. 1(e)**

There were a good number of correct answers about the disadvantages of batch production. As with Q1 (c), some answers would have benefitted from being more specific to batch production, since they could have been about any method of production. For example, candidates who wrote that a disadvantage was an inability to respond to sudden changes in demand or that there was a high capital cost of batch production, could equally have been talking about flow production.

Another issue to remember, along with Q1 (f), is that an explanation needs to be provided that shows how the issue being identified either occurs or affects the business.

#### **Question No. 1(f)**

It was apparent from this question, that many candidates did not know what a wholesaler's function is. Many were confused about where in the chain of distribution the wholesaler sits, with many answers stating, or implying, that they sold directly to the end customer. Others thought that the wholesaler carried out the 'secondary' activities between the primary and tertiary sectors.

Better answers showed understanding of the fundamental role of a wholesaler as being one of buying in bulk and selling in smaller quantities along with providing storage, trade credit and marketing support.

#### **Question No. 2(a)**

A calculation about the labour turnover data in the case material was clearly expected by Centres. Many candidates scored full marks using a number of methods. Most answers which did not gain full marks ignored the changed Q4 figure in the question or only calculated the labour turnover for one part of the country or one quarter.

#### **Question No. 2(b)**

This was by far and away the best answered of the four long questions. Many very good answers were able not only to identify how rising labour turnover may affect a business but then went on to consider specific impacts on QRL, making good use of the new corporate objectives and/or considering the financial situation which QRL is currently in. Some candidates took the unexpected approach of assessing the benefits of what they considered to be low levels of labour turnover in Scotland and West & Wales; this was accepted and suitably rewarded by the Examiners.

The best answers often went on to consider whether labour turnover was really an issue for QRL, given the age profile of its workforce, the industry it is in or the fact that the biggest 'problem' was in London & South. In most cases, these answers were awarded a Level 4 mark. Other excellent answers also considered that the higher labour turnover may be a temporary blip, caused by the recent changes introduced by Amy or that, due to the simplified in-house training now in place, the costs of replacing workers was now less of an issue. It was pleasing to see a significant number of answers to which Examiners were able to award full marks for this question.

There were, however, a large number of answers which gained no, or very few, marks. This was nearly always due to the fact that the candidate had answered a completely different question, either what had caused the changes to labour turnover or what could QRL do to improve labour turnover. There were also some answers which implied that QRL would eventually have no staff left. Once again, the importance of carefully reading the question is of paramount importance.

### **Question No. 3**

This was another question which suffered from candidates not answering the question which was set and maybe relying too much on what had been prepared in class. Many candidates did no more than carry out the calculations for payback period and ARR and then used this information to make a decision between the two competing projects. Unfortunately, this did not wholly answer the question and, in most cases, meant that no more than 6 marks could be awarded.

Answers, of which there were many, that recognised the true nature of the question were better rewarded. These candidates considered how useful the methods of investment appraisal were, normally weighing up the relative merits of the two methods covered at AS. They made good use of the context by recognising that, for a business which was wanting to be risk averse and with a 'three-year turnaround plan', the payback period may be of more relevance than ARR but the opposite was true if the aim to improve profitability and to become a 'profitable going concern' was of more importance.

There were a significant number of answers where candidates did not know what investment appraisal was about and proceeded to merely talk about the pros and cons of the two projects; these answers generally received no marks at all.

### **Question No. 4**

The 'marketing' question once again suffered from a general lack of engagement with the theoretical concepts covered in the specification and some very generic answers. The Examiners were quite happy to accept a variety of approaches to answering this question which was fundamentally about the impact on the marketing mix of changes in QRL's corporate objectives. Candidates who made a very clear link between a specific part of the marketing mix (including market research) and how this led to the achievement, or otherwise, of one or more of the new corporate objectives very quickly got into Level 3. There were plenty of contextual examples to use, including the 'all you can eat' offer, the desire to move upmarket and the current worries about the product quality.

The Examiners did not see many Level 4 answers to this question but when they did it was usually achieved by considering how changes to marketing activities may be conflicted by the different corporate objectives or may be restricted by QRL's financial situation or Amy's short-term view.

Other answers suffered due to making vague reference to ‘marketing activities’ or a ‘marketing campaign’ without explaining what these might entail or only considering what QRL had already done. For example, too many answers suggested that QRL would need to introduce more below-the-line promotion without considering, in context, how this might be achieved or why it was any better, or more necessary, than above-the-line promotion.

There were also a number of answers which completely missed the point of the question by focusing on the issue of setting objectives, whether they were SMART, whether they were good objectives and/or whether they were possible. In most cases, these answers contained no mention of marketing activities at all and so gained no credit.

### **Question No. 5**

This question, about Total Quality Management (TQM), was the least well answered on the whole paper due to many candidates having no idea what the concept was about. It is vital that candidates are fully aware of all theoretical concepts identified in the specification, as questions can be asked about any of these.

Examiners encountered many answers where candidates managed to write two or more pages of material about ‘managing quality’ more efficiently, without gaining any credit at all. Unless there was some evidence of components of TQM within these answers, Examiners did not give any reward, in fairness to those candidates who did know what the concept concerned.

Centres would be well advised in future to consider how the concept of ‘quality’ is covered in class and the need to have a theoretical framework to underpin any discussion of improving quality.

Even answers which did contain some correct knowledge about TQM were often lacking in context or contained a lot of material which was incorrect or irrelevant; for example, referring to quality control. In addition, where candidates made correct reference to components of TQM, such as quality circles or benchmarking, there was rarely any attempt to develop a link to show clearly how QRL’s operations management would be affected.

The very limited number of good answers did consider not only how TQM would assist QRL but also went on to consider how likely these benefits would occur, in a company with low paid workers, rising labour turnover and a manager who appears to be only interested in the ‘bottom line’ and may not present in less than three years.

## F293 Marketing

### General Comments:

The Marketing option continues to be a popular choice and candidates have once again produced interesting and creative responses to the examination paper.

The context of car sales allowed candidates to demonstrate their understanding of Marketing theory. Most candidates recognised the thought that needs to go into the purchase of a 'high ticket' item such as a car. It was pleasing that many candidates attempted to use AIDA as a model of how consumer might behave in this market and DAGMAR as a model for effective advertising. Good use of Marketing theory will always be rewarded when it is used to develop analytical arguments and evaluation. However some candidates had learned the theory and wanted to try and use it in every question. This led to time being wasted by the candidate using theory which did not relate to the question. Use of theory is always to be encouraged but it must be appropriate to the question. Some areas where theory could have been used (without it being specifically asked for in the question) include:

- Question 3 - AIDA, market segmentation and the marketing mix were all useful when answering his question.
- Question 4 - above and below the line promotion, DAGMAR and advertising elasticity of demand were all useful when answering this question.

Effective analysis is the building block to a high grade on this examination paper. It is the target for both six mark questions and the route to building a good argument in both the 13 mark questions and the final question. To analyse effectively requires use of the context and the ability to take a point through to its final effect on the business or a stakeholder. It was pleasing that most candidates used the context well in this examination and use of the data in the tables and figures was a great aid to this. Many candidates also used the objective of the firm to expand as a way to show how their point or argument would affect the business. This was an ideal route into analysis and candidates were well rewarded when they approached questions in this manner.

For many candidates this is the first unseen case study they will have been expected to use. F291 requires this skill, but with a much shorter context. Therefore centres should prepare and practise the use of unseen case material before the examination. A good technique can be to read the case study, read the questions and then to go back to the case study again. This process is likely to take 10-15 minutes of the examination, but it will produce responses that are more likely to attain high analysis and evaluation marks.

Evaluation must be based upon good effective analysis and most candidates attempt to cram all of their evaluation into a hastily written conclusion at the end of their answer. This approach rarely provides a 'top mark' answer. The best responses are evaluative in every point that the candidate makes. In essence the candidate uses every point to answer the question as they make the point and then brings all of these together at the end of the response - not as a summary, but to play each point they have made off against another. This is especially important in question 6 where many candidates are producing a formulaic answer with little real evaluation which fails to explore the answer to the question in depth.

## Comments on Individual Questions:

### Question No.

1. Market share was a well understood concept and most candidates could identify the data in table 1 and use it to calculate the market share. Where mistakes were made, it was often when candidates had missed out Bashir cars share of the total market (giving an answer of 25%) or when candidates had mis-calculated the total market figure. Few candidates missed out the question.
2. The sampling method included a number of aspects and candidates could have used any or all of these in their answer. Most picked up on the fact that the sample was chosen in a random way but less brought in the small sample size, the timing of the sample and the fact that these were already customers of BCL. Whilst it was possible to get full marks by using only one of these aspects, it was easier to gain 6 marks by using more than one aspect, especially as it helped candidates to bring context into their analysis.

The question was generally well answered and most candidates understood sampling methods. Some candidates spent too long explaining which sampling methods might have been better for BCL to use. This was a waste of time and the opportunity cost of this was usually a rushed answer to one of the other questions. For all questions, but especially the six mark analysis questions, candidates need to answer the question and move on. In this question a candidate could quite quickly analyse the disadvantage in context of the method used and show the effect of poor sampling on BCL.

As with all sampling questions there will be some candidates who write about market research and not sampling. Centres must teach these as distinct topics and give candidates the tools to distinguish between the areas. Although sampling appears on F291, candidates need a more detailed understanding for F293 and this should be reflected in the time given over to teach the topic.

3. Consumer buyer behaviour is an important topic in Marketing and this question gave candidates an opportunity to explore the factors relevant to BCL and analyse and evaluate their usefulness to the firm. As with all evaluative questions, the art of gaining a top mark answer is to answer the question. In this case most candidates were able to analyse the impact of one or more of the factors in Table 2. However relatively few candidates directed their analysis towards evaluating the usefulness to BCL when planning a marketing strategy. Some candidates got 'lost' in their answer and continued to analyse factors without ever trying to answer the question. In the 13 mark questions there are only three marks available for level 3 analysis (6-8 marks), so a candidate who analyses two or three factors well is likely to gain the same mark as a candidate who tries to analyse all five well.

The best responses analysed a factor in terms of its how it might be useful to BCL, how it might not be useful to BCL and then evaluated the overall usefulness of that factor to BCL when planning its marketing strategy. At the end of the answer the candidates can then make a judgement over which factor is most useful when planning a marketing strategy.

4. Promotion is a well understood topic and many candidates used their knowledge of above and below the line promotion to develop their answer. The better responses recognised that the promotion methods in fig 1 were what initially attracted customers to BCL and analysed and evaluated the promotional strategy with this in mind. The recognition of personal selling as an important feature of the strategy showed good understanding of the context and made it easier for candidates to gain analysis and evaluation marks.

Some candidates tried to analyse each individual element of the strategy and never brought their answer together to answer the question and evaluate the BCL's current promotional strategy. Some candidates also went on to make recommendations about

how the promotional strategy should be changed. This was not the question set and candidates must answer the question they have been given, not the one they want to answer.

5. Candidates easily identified the pricing strategy as competitor based and understanding of this strategy was good. However to analyse, candidates needed to use the context and many simply gave a generic advantage and disadvantage. This can gain level two marks but cannot gain level three.

Those candidates who brought in fig 2, the BCL price guarantee, found analysis to be relatively straightforward. The case study and context given is there to aid candidates and there is scope for much more effective use of the material to answer the questions.

6. Candidates and Centres have obviously practised this type of question many times and it was not unusual for this to be the best response from a candidate on the paper. However, Centres should be aware that a formulaic approach that does not have any real depth to the analysis and evaluation, is unlikely to gain high marks.

In this case there were obvious contextual pegs upon which candidates could hang their analysis, especially in lines 41-52. However the best responses did not simply plough through each of these with a brief analysis and move on to the next. Instead the candidates prioritised the issues in the context of BCL and developed far more effective and convincing arguments. These responses gained higher marks and were a pleasure to read, showing good marketing, business and strategic thinking.

### **Preparation Points for Centres**

- Candidates must spend more time reading and understanding the specific context of the case study and be prepared to use this in their analysis. The context is the key to good level 3 analysis and provides the most appropriate answers to the question. Too often candidates decide what knowledge they want to tell the Examiner and find ways to shoe-horn it into whatever context is given. This is the wrong approach and more time should be spent on being selective in the use of knowledge based on the business in the case study.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain level 3 or 4 marks.
- Candidates too often make a point and do not take it far enough. For example on question 3 where many candidates correctly identified a factor affecting the consumer buyer behaviour but did not analyse the usefulness to business of knowing that factor. This is not good enough for level 3. It leaves the reader asking 'so what is the implication for the business?'
- At the heart of level 4 evaluation is actually answering the question. Too many candidates provided analysed points to questions 3, 4 and 6 but never actually answered the question. In many cases candidates kept on producing analysis, often moving further away from the central arguments, and just repeated their analysis in a conclusion. This is repetition and does not provide justified evaluation.
- An answer is more coherent and convincing when there is good use of technical marketing language, marketing theory, sentences and paragraphs. The mark scheme for question 6 is specific about the need for this but every answer will benefit from a more robust approach from candidates. Too many candidates produced answers which were one long paragraph, making it very difficult to follow the twists and turns in their arguments. This was especially true in questions 3 and 4. Even in these six mark answers a good structure is essential to show a chain of thought/analysis.

## **F294 Accounting**

### **General Comments**

The overall standard of work was similar to past examination series. There did not appear to be any issues with time and, the vast majority of candidates seemed to understand and attempt all six questions.

As in past series, there was a noticeable variability in the level of accounting and finance understanding and knowledge. Similarly, there was variation in the appropriate use of resource quantitative materials. This was most evident in questions 2 and 5.

### **Comments on individual questions**

#### **Question 1**

This was a numerical question requiring the candidates to complete a cash flow statement. The vast majority of the candidates were able to use the data supplied to achieve maximum marks. The most common error was to omit the negative number on the net cash outflow and/or not being able to add together two negative figures.

#### **Question 2**

The ideal way to answer this question was to identify two key issues from the provided cash flow statement. A quick review of this information would have identified the falling level of sales receipts and the rising level of stock purchases. An answer based around methods to improve sales receipts and reduce stock purchases was a good route into maximum marks. Unfortunately, too many candidates chose not to use any of the resource materials to answer this question and so only demonstrated theoretical knowledge of cash flow and could only achieve a maximum of two marks.

#### **Question 3**

This question required the candidates to carry out a thorough analysis of SEDL's financial performance in order to make a judgement on its financial success. The vast majority of candidates appreciated that this answer required a thorough analysis of SEDL's financial ratios. As a result, candidates should have discovered a marked difference between its profitability and liquidity performance. Unfortunately, many candidates did not spot this and so their answers did not achieve an evaluative level.

#### **Question 4**

This question required candidates to demonstrate their understanding of investment appraisal techniques and apply this knowledge in the context of the resource materials. As a result, the vast majority of candidates were able to calculate and analyse the payback and ARR for the proposed investment. Contrasting the limitation of these methods when compared with discount cash flow methods was an ideal route into evaluation.

### **Question 5**

This question required candidates to demonstrate their understanding of a production budget. Disappointingly, candidates' knowledge was very sparse and many could only respond in the vaguest way about budgets. Table 6 was provided for candidates to analyse and demonstrate how a production budget would help SEDL improve its manufacturing performance.

### **Question 6**

This question follows a standard format. This session, it was evident that many candidates appreciated the need to answer this question by using accounting, marketing, operations and people evidence and knowledge.

Whilst this was encouraging, too many candidates simply extracted resource materials without analysing the importance of the information when looking to make a decision about a significant investment decision for a business which, until recently, has not performed well.

Better answers also appreciated that perhaps there were on going issues (cost control) to address before the business made such a big decision.

There continues to be a good deal of misunderstanding of the role of retained profit. Candidates need to understand that retained profit is not a ready source of cash for investment.

### **Preparation points for centres:**

- Ensure that past papers are methodically used to develop candidates' skills.
- Ensure that there is extensive use of past mark schemes
- Ensure that candidates understand how to use resource materials to attain analytical marks.

## F295 People in Organisations

### General Comments:

As stated in previous reports on this unit, there were no obvious signs of any time issues, with candidates being able to write at length. However, for many, more time could and should have been spent reading the case study in order to answer in context. The number of scripts that had extra sheets was encouraging in that candidates felt they had plenty to write; however, a lot of general comments made up the bulk of the answers.

As with previous years the case study offered candidates many opportunities to utilise the information to help frame their answers. Many candidates unfortunately did not take advantage of the case information and consequently did not access the higher order marks in some questions.

The questions allowed students to apply business terminology, theories and concepts as outlined on the specification. Fewer candidates seemed to use theory than in previous years. In the minority that did it was pleasing to note that applying the theory and appropriate terminology was effective. Quoting appropriate and accurate theory is always an obvious way to access higher marks. Those who did use theory in context of the questions were well rewarded.

The numerical question was very poorly answered given this is an advanced paper and it is a simple percentage question.

The quality of written English was of a good standard. Paragraphs remain hit or miss in particular with the longer essay questions. Paragraphs can be used as an aid to break an answer down into distinct parts, thereby enhancing its readability. Such a technique may also help candidates to organise their thoughts. However the overall standard of spelling appears to have improved and this enhanced the readability of many answers.

It is always important that candidates ensure that whatever is written is presented in such a manner as to allow the Examiner to read it. There are still some scripts which tested the Examiners' power of deciphering!

### Comments on Individual Questions:

#### Question No. 1

Very poorly answered. Candidates simply either did not read the question and attempted to work out total % lateness or a misinterpreted the understanding of how lateness was measured. It was really disappointing to see how few candidates got this question correct. Most candidates gain 2 marks for getting the formula correct and attempting the formula; however, most candidates omitted to calculate the total number of lateness by person ( $\times 12$ ) and therefore miscalculated the answer.

#### Question No. 2

Candidates that read the question properly managed to get the full marks; however, there seemed to be a pattern of students who correctly identified a reason for lateness and the offered a method of improving it. This was not what the question was asking. It was asking for the implications on the HR department of the lateness problem; failing to do this left candidates unable to gain marks higher than L2.

A lot of answers borderlined the generic answers of why lateness is caused, which is fine but context would have helped add depth to the answer. This also left it difficult to give analysis marks when the L2 was very general. There is a large part of the specification that lends itself to reasons why lateness is caused. However, candidates rarely used these reasons and demotivation seemed to over-used to for most answers on the paper.

Some candidates based their answer around the dismissal issue in the case, but then went on to explain how to deal with that situation which was not answering this question, although it was a good place to start answering this particular question.

### **Question No. 3**

This was well answered. Candidates had a variety of ways in which this question could be answered and how to hang the theory onto the context provided in the case. In the majority of answers this was done correctly and candidates seemed to explore the real issues of introducing an appraisal system at RUL.

Some candidates tended to discuss the different types of appraisals rather than answering the question of evaluating the implications of introducing the appraisal systems. These responses only gained L2.

There did seem to be fewer students who took an overall perspective of the business; candidates tended to look at the logistics of completing the appraisal, but few candidates looked at the fact that despite the time and cost it would take to complete appraisal the long term impact on the business focus, Objectives etc would be worth it; few picked up on this which was disappointing when Business Strategy paper would also have been taught alongside this in some Centres.

Many seem to think that the mere act of being consulted or appraised or whatever somehow magically changed employees' behaviour and attitude for the better. More considered answers pointed out that this was not necessarily the case. Again the context of the case would have helped add depth to the answers.

There was little attempt to evaluate. Writing 'to conclude' and then repeating what has already been said does not constitute a balanced judgement. At advanced level the essay writing skills need to be far sharper, so this was disappointing. Clear guidance by Centres in writing a balanced essay must be used to gain the higher marks within each level.

### **Question No. 4**

This was answered well but more context should have been used by candidates. Lots of correct points were put forward but responses just lacked real understanding for RUL on TNA. It is always pleasing to see good use of motivational theories in the paper, although some candidates then managed to get confused once they started discussing motivational theory and then went onto answering a question about how motivation theories can be used by RUL.

On a positive note many did know their HRM theory (especially motivation theory) but it needs to be stressed that this needs to be put into context. How useful is it in the case of RUL?? (Better answers here suggested the semi skilled workers were probably Theory X workers and so appraisal would be an expensive waste of time).

### **Question No. 5**

Q5 was particularly rambling and many missed the point that it asked for George's actions not 'what Bob did wrong'. A sound understanding of dismissal procedure was demonstrated but, unless this was indeed linked to what George should do, the response stayed in L2. Many sloppy answers with 'George should speak to Bob and....' Giving BOD here was difficult since it made a difference as to who was instigating the conversation - Bob as the contrite subordinate or George as the (probably) slightly angry senior manager and this was not always clear. Many candidates tended to rewrite what had happened and failed to see that processes need to be followed. Simply asking Jessica to return to work and ignore the incident could be done.

### **Question No 6**

Candidates did indeed consider the other functional areas of the firm. An holistic approach to a strategic decision is certainly to be encouraged and it was pleasing to see this was being done. The candidates tended to answer the question really well or fall into the L3 trap where lots of general issues surrounding machines were listed with the costings being the implications.

There seemed to be a lot of conclusions based around why RUL should not invest into the machines because employees would be demotivated which is simple not real business. More class time given to the actions of businesses in today's world would have helped candidates use the theory better in answers.

## **F296 Business Production**

### **General Comments:**

Candidates clearly had few problems assimilating the stimulus material, evidenced by copious use of the context in their answers. This material was used in such a way that, generally, candidates were able to use it to substantiate theoretical points in response to the questions in the context of a bagel factory. Responses were not ‘thin’, in this respect. There are always issues with knowledge of the specification content which will be dealt with below. Overall, Centres have improved the preparation of candidates in terms of levels of response as commonly now they are accessing the higher levels – a clear indication that candidates are more able to analyse and evaluate in context. There did not appear to be any issues of time management on this paper – two hours being ample to write in a depth that really did enable the best candidates to demonstrate their knowledge and application of it in full. Indeed, there were some outstanding responses that were hugely encouraging and clearly showed what could be done with the case study material.

### **Comments on Individual Questions:**

#### **Question No.1**

It was encouraging to see that nearly all candidates had at least a basic grasp of flow and batch production and their relative merits. Most understood the context – Fris Bagel operates a hybrid version that has elements of both. This meant that many candidates chose an advantage of flow and an advantage of batch and used the case study very effectively to exemplify their point. Key areas of context were the need for variety but also large volumes of production. The vast majority of candidates grasped the context in this respect and therefore scored in level three. By way of guidance for future papers it is worth noting that candidates who quickly answered in context – the ‘in this case’ approach – tended to give deeper, more detailed contextual answers than those who ‘tacked on’ the context at the end.

#### **Question No.2**

There were some outstanding responses to this question that showed an excellent appreciation of the case study and solutions to the waste problem. Candidates could call on a variety of production related theory, such as lean production techniques and very specific ‘bagel factory’ related solutions such as changing the mixing process or the suppliers. Essentially, most candidates came up with at least a couple of solutions and readily applied them – that said the weaker candidates still list solutions (JIT, TQM, QA etc) but without any direct reference to the context. This point is worth some elaboration. To be rewarded in level three or above the context must be direct. That does not mean simply stating the firm’s name, the products it makes or the ingredients/raw materials it uses. Context means using the unique situation, that this firm is in (eg a disgruntled labour force), and making the solutions address/encompass this situation. A bagel is not context. A bagel being a perishable product is!

The two most common errors were writing about problems, not solutions (this wasted a lot of words and time), and not focusing on waste but productivity, efficiency and so forth. As ever, the question is worth reading two or three times over.

### **Question No.3**

Nearly all candidates knew what work study is – those who did not scored zero. Most Candidates latched on to the fact that the workforce already has motivational issues and therefore a work study might not help this. That was usually enough to access level three and five marks. To score six it required more analysis in this particular context. Some candidates wasted time by analysing why work study can be a good thing. Generally, a well answered question.

### **Question No.4**

This was probably the most challenging question on the paper and certainly the one that differentiated the candidates the most. Like Q. 2, it focused on solutions (again there were similar issues with candidates focusing on problems) and wanted them to focus on a particular issue – productivity. This caused most problems because candidates who were not really clear on productive efficiency tended to ‘carpet bomb’ anything in the broad area of production – often waste again or capacity utilisation. The key was answering with solutions that focused on the essence of productive efficiency, namely looking at inputs versus outputs and solutions that enhanced this ratio in the firm’s favour. Better use of technology, training, reducing the number of bagel varieties were common and very good solutions. Contextual analysis tended to be good once a candidate had worked out what they were answering – some went on to evaluate well, although these were relatively few.

### **Question No.5**

The majority of candidates scored maximum marks with, judging by their working, an efficient and time saving calculation of the change in contribution. Some managed the two contributions without subtracting one from the other.

### **Question No.6**

Over recent exam sessions answers to this question have got better and better as Centres clearly prepare candidates appropriately for the somewhat different approach that question 6 requires. Very few candidates do not write about more than production (finance being a common second ‘topic’) and very few do not answer the question. The question is asking for an answer that puts the candidate in the position of a consultant who is advising the firm on a strategic decision. It does require a ‘yes it should’ or ‘no it shouldn’t’ at some point – usually in the conclusion. Candidates took their answers in many different directions, looking at the various production related issues, HR problems and so forth. Good answers, and this is good practice, started with a contribution calculation as an initial financial point which they then put into the perspective of a firm taking a large, but initially not very lucrative, order. The very best answers took an evaluative approach to each issue they raised, culminating in a conclusion that brought a new angle on the decision and was, above all, strategic in its vision. Weaker answers tended to list arguments (usually with some analysis) and then repeated the principal ones in their ‘conclusion’.

## F297 Strategic Management

The UK fashion industry is clearly one that the candidates found accessible. In some instances there was considerable script evidence of research regarding key players, trends and outlook. Happily, this research was often used to complement the evidence in the case.

As in previous years, the main factor that serves to differentiate candidates is their individual discipline in answering the question set. It would be good if future candidates were advised to carefully read the question, to think what is required, to plan that and only then to write their response. Too often, and most notably in answer to Q2, there was evidence of skim reading and rushing. This behaviour can lead to answers which are of marginal relevance. These answers are very difficult to reward within the confines of the agreed mark scheme. As such very few marks can be awarded. Another tip is to read all five questions before attempting to answer any. By doing this, candidates will see how items of case evidence can best be employed in answer to an individual question. Although all the questions are synoptic this doesn't mean that all of the case evidence has to be used in every question

Another differentiator is the explicit use of the case evidence. Candidates need to be encouraged to share their reasoning, to show via the case evidence how they have reached their view. For example, rather than simply assert that SHL is able to raise debt finance, the simple calculation of its gearing ratio can help to demonstrate this. Perhaps the tendency to assertion rather than evidence based reasoning is a consequence of a lengthy pre-release period, during which candidates can get to the point where they begin to see opinion as fact.

Candidates' time management was good. The instance of a 'nil response' was rare. The poor quality of many candidates' written communication continues to be a concern. Similarly, the legibility of some hand written scripts was extremely poor, implying these candidates are not habitually required to hand write extended responses.

Q1a. In contrast to many previous examinations, very many candidates scored maximum marks for this numerate question. Indeed, maximum mark was the modal outcome. Where the maximum wasn't achieved it was often because candidates gave each activity's LFT rather than its Total Float. A further issue was confusing the critical path (a sequence of activities) with the project's duration. Hence, sometimes the critical path was described as 79 instead of A-B-D-E-F-H-K-L.

Q1b It was anticipated that the answer to Q1a would provide additional evidence for the answer to Q1b. Indeed, many of the best answers compared and contrasted the two, and argued that switching to UK manufacturing save 31 days, or 28%. Many recognised the fact that this time saving may well be material in the context of a dynamic fashion market.

There are numerous reasons, in the case, for and against a move away from off-shoring. Good candidates used these as hooks to build an argument. Weaker candidates simply repeated, without amplification, these reasons. Often UK manufacturers were seen as being inherently able to offer higher quality than any firm in the Far East; a curious case of national arrogance? Although many candidates focused on labour costs, very few took this a stage further and considered unit labour cost. Hence, although it is true UK labour rates are higher, what matters is not so much how much a worker is paid but rather that worker's productivity, and hence the unit labour cost of what they produce. Consequently, UK manufacturing may not inevitably lead to an increase in production cost. Further, analysis of Fig 4 can be used to show that some of SHL's products exhibit price inelastic demand. Hence, even if costs rise, and so price, demand will fall proportionally less, meaning total revenue would nonetheless rise. Hence, the very best candidates argued that SHL should

off shore garments with long product life cycles that have elastic PED, and on shore items that show price insensitivity.

It remains a disappointment that many candidates' marks bunch at the top of L2. Typically this is because the answer could apply to any business. Generic answers struggle to show analysis. Therefore candidates should be encouraged to think why the point made, for example having a 'made in the UK' label, is pertinent for SHL.

- Q2. Had this question ended at the comma then the average mark would have been higher. It frustrated Examiners that so many candidates ignored the stipulation to consider the UK social environment. Hence, for example, candidates who wrote at length about macro-economic factors were guilty of not answering the question set. This is despite the fact that very often what was offered was extremely good analysis – if only the question had been different! Similarly, a significant number of candidates offered a critique of SHL's objectives. Again, this approach is tangential to the question actually set. A small but noticeable portion of the entry discussed the marketing merits, or otherwise, of sponsorship, with many going on to offer a recommendation about how SHL could best market its products. The need to be disciplined in carefully reading the question set cannot be stressed too highly.

Good answers utilized the data in Appendix 2, with the very best identifying and analyzing trends within it. The rise of on-line shopping as a social change was a frequent line of argument, as was the 'Kate effect'.

Another pleasing approach often seen was to recognize the time period under consideration is but a year away. As such any change in the UK social environment would need to be extreme to have an almost immediate impact. The evidence in Appendix 2 indicates no such upheaval. Another route to evaluation was to compare and contrast the influence of the UK social environment across several of SHL's 2016 objectives. Hence it is possible to create an argument that not all objectives will be as exposed to the external change as others.

- Q3 Top L2 bunching was prevalent in far too many answers to this question about stakeholder reward. Indeed, many of the answers had little to suggest they were about SHL's stakeholders. Hence, shareholders want to be rewarded with dividends, employees with wages and working conditions, suppliers with orders and prompt payment and so on. Given that SHL have multiple channels of distribution it was felt the use of either consumer or customer was acceptable.

Some judicious use of the case evidence can rapidly turn the generic into the specific. For example, the calculation and interpretation of some shareholder ratios can considerably boost an answer's quality. Thus better answers variously calculated DPS, EPS, ROE and interpreted what the changes in their values means for shareholder reward. Similarly, calculation of creditor payment periods can do the same for this stakeholder.

In considering employees as a stakeholder few sought to differentiate between their likely experiences of working for SHL. Hence, although it may be terrifically exciting and rewarding for young graduates to be designing fashion, the same is unlikely to be the case for those who work at SHL's warehouse, moving boxes of goods about. Thus, the degree to which a stakeholder gains an acceptable reward depends on what that stakeholder wants from their relationship.

- Q4. It cannot have surprised many that the Mardidi project was likely to be the subject of a question. However, some candidates were seemingly disappointed with the question set, clearly wanting to discuss SHL's future strategy. This minority wrote at length about the benefits of SHL creating a brand for new markets, whether that was teens or those

recently retired. Despite the fact that many of these answer displayed considerable sophistication and strategic awareness they are not relevant, and so not wholly worthy of reward.

As has been the case across previous years there were some really excellent answers to this decision style question. The calculation of the project's PBP (4.475 years) and its ARR (8.4%) was the route most took. Better answers contrasted this 8.4% with SHL's ROCE of 38.4% and said, often quite categorically, that adopting the project would be the wrong thing to do. Another route was to show the payback happening well after the current objective's time horizon, hence the project does not assist SHL reaching where it wants to be. Those candidates that held SHL only get 25% of the values in Table 2 were, rightly, even more convinced that the project is a financial non-runner.

Few candidates considered the size of the two firms; SHL has a book value of £10.2m, hence the Mardidi project is material given its \$5m capital cost. Consequently, getting this decision correct is important.

Candidates also frequently analysed the two very different markets the firms operate in, and raised questions about Mardidi's relatively short existence, with control and managerial focus also being key points in many good answers.

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

**OCR Customer Contact Centre**

**Education and Learning**

Telephone: 01223 553998

Facsimile: 01223 552627

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

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