

Business Studies

Advanced GCE **A2 H430**

Advanced Subsidiary GCE **AS H030**

OCR Report to Centres

June 2013

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

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

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Overview

I am sure that I am not alone amongst OCR's Chief Examiners in thinking that I tend to write the same comments in this report session after session. For example, as I wrote in January this year, "handwriting is now a major issue for all of the examining teams". This continues to be an issue and one which was noted at both AS and A2 level.

Most of the following reports refer to candidates still not reading the question carefully enough. This seems to have been a particular issue in F291, F292 and F295. Candidates need to keep to the focus of the question and not the scenario leading up to it. For example, wasting time talking about what leadership style is, rather than whether a change to it would work (in F292), or giving a background about social marketing, rather than focusing on whether it should be used in an international context (F293). Fundamentally, this is an issue of the candidate keeping to the point and not 'padding out' an answer for the sake of it. Even the first sentence of an answer should be addressing the question, not setting the scene.

It is disappointing to note a general decline in performance on the AS units (F291 & F292) this session. Both examining teams found much evidence of under-prepared candidates, who did not have sufficient grasp of the theoretical concepts clearly listed in the specification or who were familiar enough with a levels of response, context-based, method of examining. Too many answers were generic, or showed up glaring gaps in candidate knowledge.

On the other hand, it is pleasing to see improved results on the A2 units which have led to higher pass rates at each grade this year; after falling pass rates for the past couple of years. This has been thanks to more consistent performance by candidates across all the questions, with seemingly fewer gaps in their knowledge and a better ability to answer questions contextually. One disappointment still is that A2 candidates appear to forget concepts that they have covered at AS; this session it appeared to be price elasticity of demand and pricing methods on F293 and quality issues on F296. Candidates and Centres must remember that Business Studies is a subject that builds up a knowledge base, and any concepts covered at AS need to be remembered at A2.

I commend the following reports to you, in conjunction with the individual mark schemes. Please note, that with the demise of face-to-face 'feedback' sessions, more detailed feedback on each of the units will be available as web-based presentations on the OCR website later in the Autumn term.

F291 An Introduction to Business

General Comments

The old maxim ‘answer the question which has been set’ was the single most important issue this paper. Poor examination technique in this respect sometimes resulted in underperformance on questions 1(a), 3(b), and 5.

Spelling and punctuation were again an issue. Some candidates could not spell ‘loan’ or ‘interest’ and others misspelled ‘Barclays’. Presentation was also often poor. As has been mentioned before, examiners do not negatively mark, but if a sentence is unreadable then it is not possible even to give the benefit of the doubt as to what has been written.

The use of context was also an issue. The effective use of context is a good discriminator and it was rather disappointing that on several questions (typically questions 2(b) and 3(a)) references were made to Barclays ‘stores’ or even ‘factories’ by some candidates. Others, however, demonstrated a sound knowledge of the banking industry and the problems which have been associated with it in recent years. This helped to inform some of the better answers, especially on Question 5.

The context of the question paper on unit F291 is always one with which the candidates should be familiar and, therefore, to treat the business in the case study as relating to a generic business means that the marks awarded cannot go beyond Level 2.

Comments on Individual Questions

- 1** For most candidates this was a straightforward two marks. Answers such as ‘sole trader’, ‘partnership’, or ‘private limited company’ were the usual responses. ‘A co-operative’ was also acceptable although ‘a franchise’ was not since it is not, in itself, a form of business organisation.

Those candidates who did not read the question properly answered as if it had asked “state two types of business” and duly wrote responses such as ‘Tesco’ or ‘a chemist’. Such responses could not be awarded any credit.

- 2(a)** The majority of the candidates could identify relevant reasons but quite a few found it difficult to develop their answer sufficiently to explain why objectives might change. The most frequently given reasons were a change in the state of the economy - with concomitant changes in consumer spending/saving/borrowing, a change of senior management - may bring new ideas on the direction of the company and therefore its objectives, a business opportunity - such as new financial products (developed by Barclays - or having to offer them because competitors are). Overall it is fair to state that this element of the unit specification has clearly been well taught.
- (b)** There were a very large number of generic responses to this part of the question along the lines of “all the employees will know what to do”, “with them being clear workers can see what needs to be achieved and so the whole firm will be working in the same direction”, or “employees will be motivated because of the objectives” - although in the latter case it was often unclear as to exactly why the mere existence of objectives should, in itself, increase motivation.

There was nothing wrong with this approach but stronger answers (i.e. those accessing Level 3 of the mark scheme) put the answer into context with an explicit reference to Barclays; for example, how “all employees knowing what to do”, might improve productivity and so help to achieve Barclays’ objective of cost reduction.

On this sort of question the candidates often answer in a ‘textbook’ manner which limits the marks available. It needs to be pointed out to them as an important aspect of examination technique on this unit. Although this meant that four out of the six available marks could still be gained without some reference to the context of Barclays, the higher marks could not be accessed.

- 3(a)** There were some candidates who interpreted this part of the question as requiring the ‘human implications’ of the closure and whose answers, therefore, dealt with the likely effects on the employees, their families’ standard of living and also the likely effects on the local community. This was not what the question required. . Another common error was to discuss the likely effect on Barclays’ image if the closures were made.

Candidates were not expected to know about any of the issues relating to the closures in detail but the majority of them answered well. A very large number accessed the marks available for analysis of the issues and a score of 10/10 was not uncommon. The main issue raised was that redundancy/the threat of redundancies was going to be disruptive and expensive to deal with. Other possibilities included voluntary redundancy versus compulsory redundancy, or a consideration of suitable alternative work being available in other parts of the business for the employees affected. The better answers used correct terminology such as ‘redundancy’ and ‘early retirement’, rather than ‘sacking’.

The key to accessing marks for analysis on this part of the question was to provide a clear link between the issue identified and the implication of it for Barclays or more specifically the Human Resource Department of Barclays. For example, if the intention was to try to redeploy those being made redundant then there may be (expensive) relocation and training costs.

- (b)** A very sound understanding of recruitment issues was shown but the answers were, nevertheless, quite polarised. A large number of candidates merely repeated the standard textbook ‘internal recruitment versus external recruitment’ points or the ‘job description, advertise, then shortlist, then interview’ approach without any reference to the fact that the question was specifically concerned with (the best) senior managers. Such an approach left the answer with a maximum of six marks.

Some answers were very simplistic - or just plain wrong; for example, “external recruitment costs Barclays money, whereas internal does not”. While it was apparent what the basic idea behind this statement was, the better candidates explained that external recruitment might be more expensive, but even if it was considerably more so, Barclays’ size and resources were hardly going to make this an issue when appointing a new senior manager. It was pleasing to see that many candidates took the time to think carefully about the most appropriate method and (for example) appreciate that using a specialist agency for ‘headhunting’ was a likely possibility for a senior role.

To access the higher marks on this part of the question the recruitment issues concerning senior managers had to be considered not just by implication, or a single mention of ‘managers’ at the start of the answer but by clearly linking the points being made to the role of a senior manager. It was not expected that the candidates would be familiar with the role of a senior executive in a bank but any reference to, say, leading/coordinating the company, setting the objectives of the bank, responsibility for hundreds of employees and millions of pounds, or monitoring Barclays’ progress (e.g. towards the cost reduction target) would have been valid - and the better answers recognised this requirement.

For the highest marks a contextual, supported judgement on the most appropriate method to recruit the best senior managers was required. “Most appropriate” could be determined by the candidate and might have been considered in terms of cost effectiveness, or the likelihood of attracting the person with ability to manage a multinational bank.

References to the selection process itself (job description, application form, interview/tests/role plays, etc.) were quite acceptable as were references to the ‘employment package’; salary, bonuses, and other benefits Barclays might offer. Indeed the better answers argued that no matter how good the recruitment process is potentially, the right senior executives will not apply if the ‘package’ is not sufficient. That was certainly another route into the highest level of the mark scheme.

- 4(a)** Common responses were current (consumer) demand, expectations of (consumer) demand, if the firm has/is expecting a cash flow problem, the state of the economy, if the firm wanted to expand, Barclays’ interest rates, or the cost of finance at other banks.

Finance is obviously a key area of study on this specification and the question discriminated quite well between those who clearly understood why a business would be likely to need finance and those who knew little about the topic or who interpreted the question as asking for Barclays’ requirements before *supplying* finance.

- (b)** Unsurprisingly, the two most popular choices were loans and overdrafts but reference was also frequently made to factoring, and mortgages. References to Barclays as a business angel were not acceptable. The ‘outline’ did not have to be lengthy and most candidates scored well on this part of the question. The better answers outlined the specific features of the methods of finance such as the amount to be raised, what it was for, how long it would be needed, etc. One area of weakness was the general nature of some outlines; for example, “Barclays might give out a loan. This is a sum of money which has to be paid back over some time” could only achieve one mark.

- 5** This was another question where many candidates did not, unfortunately, answer the actual question which had been set. A number of answers began (or ended) with “I think Barclays is acting ethically/unethically because...” The question was concerned with whether Barclays’ *stakeholders* would regard the business as unethical.

There was certainly some good analysis here with some perceptive comments being made as to how (for example) the government might regard Barclays as unethical as it had, quite legally, paid a relatively low amount of tax in the UK and had been disingenuous about the nature of the total paid. This, in itself, was not analytical but when linked to the issue of the budget deficit (although the term did not have to be used) it was. Other candidates adopted the approach that it could, in fact, be regarded as ethical because it generated at least some tax revenue, was a UK ‘success story’ and had not required a government ‘bailout’. It was encouraging to see candidates making these sorts of points.

Another popular approach concerned the fact that small and medium sized business customers who, despite Barclays’ large profits, were not able to access funds and so these businesses and their employees’ livelihoods could be at risk.

Many candidates pointed out that with employees it was not clear-cut. Those receiving bonuses were likely to welcome this and may not be concerned about ‘how the profit was gained’. However, those affected by the closure of the underperforming sections when the business is so profitable would not be likely to regard Barclays as ethical.

The shareholders who had seen profits, dividends, and share prices rise probably did not regard the behaviour as unethical - just ‘good business sense’. Barclays has, after all, not

broken the law and it could be argued that the shareholders' investment is safeguarded by the careful lending policies to potentially risky customers.

Those candidates who made these sorts of comments and then made a justified judgment on which stakeholder(s) were most likely to regard Barclays as (un)ethical scored well at the highest level. When evaluation occurred it was usually well exemplified because the candidate had thought carefully about the issues. For example, some of them argued that personal customers would probably regard the business as unethical if branches closed because they would be inconvenienced; however, small business customers would definitely regard the business as unethical because their whole business and possibly their livelihoods would be at stake which was a far worse consequence of Barclays' actions. Similarly, it might be inconvenient for a personal customer to lose the local branch but this was not as 'bad' (as online banking is still available) as an employee who had lost his job, his income and who might well find it difficult to find another position in the current economic climate. The redundant employee was, therefore, far more likely to regard Barclays as unethical.

There was, of course, no 'right' answer but the right way to answer was a key factor in determining the mark awarded; those candidates who made these sorts of comments scored well.

F292 Business Functions

General Comments

Overall, this was an excellent question paper in terms of differentiation which highlighted significant gaps in the knowledge and understanding of key subjects by weaker candidates, but allowed the stronger candidates to use their analytical and evaluative skills to the full. There was little evidence of candidates running out of time or not understanding the nature of the pre-release material. The context of Section B, a small specialist producer attempting to switch to consumer products, was generally understood, although some of the nuances involved, such as the high price of the products and the specialised nature of the market, were ignored by many candidates. For example, many below-the-line methods of promotion which were proposed showed a complete disregard of the fact that the products had a very high retail value.

Section A: This section continues to be a very good discriminator, although performance does not always correlate well with performance on Section B. Overall, scores were probably the best that they have ever been, with most candidates scoring at least 10 marks out of 18, and a significant number scoring over 16 marks. This all leads to this section having a growing impact on the final grade awarded to candidates.

Section B: There were some excellent analytical answers produced across the four higher tariff questions. However, many stronger candidates are still missed the opportunity to achieve more marks because they did not develop responses to look at the consequences of identified issues using the specific context available. It was also noticeable how few candidates were able to produce 'good' answers to all four of the questions. Weaker answers tend to come from a tendency by candidates to not read the question carefully enough and so not process what was required of them; for example, the usefulness of break-even or how changes in leadership style have an effect.

Comments on Individual Questions

- 1(a)** Over three-quarters of candidates were able to give two correct answers, usually from job, batch, flow or cell. The most common error was to give lean production (including JIT and Kaizen), quality methods or CAD/CAM as examples.
- (b)** This part of the question was less well answered, with only a third of the candidates able to achieve both marks. Many candidates were not aware of what the term meant, relating it to recruitment and selection or motivational techniques, such as bonuses. The key concept of 'increased responsibility' was often missed. The candidates need to be better able to distinguish between job enrichment, job enlargement and job rotation.
- (c)** Most candidates were able to come up with at least one benefit of using market segmentation. The most effective approach was to use one element of the marketing mix for each statement. However, for some candidates, the benefits identified were not always clearly different (there were many repetitious answers).
- (d)** This part of the question required candidates to read off/calculate data from a stock control diagram and it was generally well answered. A surprising number of candidates did not know that 'buffer stock' meant 'minimum stock'; proved by their ability to then go on and calculate the average weekly stock figure, even though they had got the answer to buffer stock wrong. The final part of the question, calculating the re-order level, was least well done with some answers given in weeks, showing a fundamental misunderstanding of the concept.

- (e) Over the past few sessions, there have been quite a few questions, on both sections of the paper, testing the 'final accounts' part of the specification. This does appear to have led to the topic receiving greater attention in Centres which was apparent from the continued improvement of candidates from most centres on such questions. This question was no different, with nearly half of all of the candidates achieving at least three out of four marks available. The better answers used the stakeholder approach or identified particular aspects of final accounts (e.g. liquidity).
- (f) Surprisingly, this part of the question was less well answered than the previous 'finance' question, although it did not appear to be due to candidates not knowing what 'de-layering' meant. The better answers referred to issues with communication and either a wider span of control or a shorter chain of command and issues concerning promotional opportunities and job security. Weaker answers referred to the organisation 'losing structure' and/or 'channels becoming vague', or that 'there would be no organisational structure left' – all of which failed to show an understanding of de-layering.
- 2(a) Only half of candidates managed to get the correct answer to this break-even question. Where answers were wrong, the candidates very often did not write the formula down which they were using. This made it virtually impossible for examiners to award any marks at all. Surprisingly, there was little evidence of candidates having practised similar calculations in preparation for the examination, as the most common incorrect response was when the candidates simply divided the two figures in the question ($5720/500$) giving 11.44 (or 12) Herons, with no attempt at a formula. (This approach gained no marks.)
- (b) On the whole this part of the question was poorly answered which was surprising given that break-even questions have, in the past, usually been answered very well. There was a strong link between correct answers to part (a) and at least achieving Level 2 on this part of the question. Those candidates who achieved no marks on the calculation often achieved no marks on this question, as they simply had no knowledge of break-even. They wrote rambling answers about diversification, and if the new venture would be lead to success, all of which achieved no marks. Some answers confused break-even with investment appraisal.

Some candidates showed a good understanding of break-even but then struggled to put it into the context for MSDL or, after considering one or two advantages/disadvantages, began to consider other options which MSDL could use, so failing to answer the question set.

The better answers did consider the context by referring to the volatile raw material costs and/or poorly researched prices. Very few candidates appreciated the possibility of break-even analysis being used to appraise the likely success of the new products, alongside better market research, although when they did it tended to allow them to access Level 4. This part of the question proved a good differentiator of knowledge of the specification and examination skills.

- 3 This question highlighted the classic issue of the candidates not reading a question carefully enough or failing to focus on what the question required. The question asked about the possible impact of changes to leadership style. The examining team lost count of how many candidates spent the first whole page of a three-page answer writing about the current leadership situation and what was right or wrong with it. All of this was not answering the question and wasting time. Many candidates had only achieved, at most, two marks by the end of the first third of their answer!

A common high level approach was to suggest that Tony could become more democratic and that this would lead to less staff resistance in the future, but that autocratic leadership could be useful in the short-term due to the current need for speed of decision-making. Other good answers considered how a democratic approach might work and whether this was ever likely to be achievable by Tony (given what we know about him) or whether the staff would just take advantage of this as a weakness. Other good approaches considered that the company was in a crisis state and, therefore, needed an autocratic approach rather than a democratic one.

However, there were also a number of common errors of understanding and technique, leading to a large differentiation in responses. As so often is the case with the human resources question, many answers were vague and far too reliant on copying out sections of the case study. Such responses also did not understand the difference between democratic or paternalistic, nor was laissez-faire well defined (or spelt!) There was confusion over McGregor's Theory X and Y, applying it to the type of worker rather than to the perspective of the leader. Another common theme among the weaker answers was that they did not answer the actual question set concerning the impact any changes may have on minimising the resistance to change.

- 4 This was by far and away the least well answered question in Section B, with over 20% of the candidates obtaining no marks. This was wholly due to them not having any idea what economies of scale are. Given that this concept is frequently examined (usually with very good responses) and there were clear references to the benefits of size and growth in the pre-issued material, the examining team were extremely surprised by this outcome.

Many candidates could identify types of economies of scale, although some were confused about technical/technological(sic) economies, but were then unable to describe how they occur or apply them to MSDL (despite obvious links to Table 2 and the waste/reject levels and the lack of a sales expert). Often, attempts to consider external economies of scale and diseconomies of scale were made, which did not answer the question, and so gained no reward. Also, many candidates attempted to analyse by questioning the success of the new venture, although the question said to assume it was successful – another case of the candidates not reading the question carefully enough, so leading to wasted effort.

The best responses focused on bulk-buying and managerial economies and saw how the current situation of fluctuating input prices, as well as Tony's leadership style and reluctance to spend money, would restrict the chance of any economies of scale occurring.

- 5 Candidates clearly put a great deal of effort into their answers to this question and there was plenty of evidence of them using the case study material and being prepared for a question on promotion. Most candidates easily achieved a high Level 2 mark from an understanding of a wide range of methods or low Level 3 by making use of Tony's objective of cheap promotion or the general lack of sales experience. There was also some good discussion linking different methods; for example, leaflets to the website and sponsorship to word-of-mouth. However, it was disappointing that some candidates still confuse above- and below-the-line promotion, thinking that it is to do with the amount of money spent or the size of market targeted, rather than whether or not an intermediary is used. Therefore, some candidates thought that some forms of advertising were acceptable, for which no reward was possible. (A significant minority of candidates, about 5%, failed to gain any marks as their whole answer referred to above-the-line methods.)

Many answers could, quite easily, have been made to be much better. Any analysis was often underdeveloped and many candidates did not consider often enough Tony's points about low risk/low cost, Bex's lack of experience or the actual nature and features of the new products. In addition, candidates too frequently failed to recognise that these were new products which would appeal to a completely different market and require completely

different promotional methods and approaches (especially for a firm that was used to business-to-business promotion). Many candidates assumed that you could just send out a direct approach to existing clients and hope for a positive response! Many methods were also rather unrealistic given the nature of the new product range.

Summary

- No evidence at all of timing problems, with most answers of an appropriate length.
- Ironically, a good grasp of key business terms in the (unseen) Section A but a much weaker grasp of the key business terms in Section B.
- A significant lack of preparation of some of the key concepts which were likely to be asked in Section B, especially economies of scale.
- Many candidates' answers were hampered by not reading the question carefully enough and producing a response that directly answered which question.
- Questions 1(b), 2(b) and 4 were least well answered and Questions 1(a), 1(c), 1(d), and 1(e) were answered best.

F293 Marketing

General Comments

The Marketing option is one which allows the candidates to be creative and think about how a business could fulfil its objectives using a Marketing approach.

The context of SOL 'smoothies' gave the candidates a type of business which was well understood and used by the majority, if not always in sufficient detail. Added to this was the use of social network marketing, particularly Facebook, which candidates took to well and used to good effect. However, it was inevitable, with such a popular medium for younger people, that some candidates would waste time in the examination writing as much as they knew about the social networks which they use. Much extra content was often described in detail but did not add to the context already given and, most importantly, did not aid the analysis or evaluation. Candidates are not expected to have any knowledge about the given industry in an unseen case study, except that provided in the case study itself. Centres should prepare candidates to use the information given and not to spend their precious minutes rewriting or adding to the case study.

Whilst it is understood that this is a time pressured examination, there is still a need for the candidates to spend a reasonable amount of time reading and understanding the case study. There was so much information and context which was generally not used and which would have given candidates more routes into analysis and evaluation. It was obvious that many candidates only looked at the context and perhaps glanced through the case study before attempting their responses. This led to a great deal of mediocre responses using the context in only a superficial way.

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 which are more likely to attain high analysis and evaluation marks.

Most candidates seemed to have enough time to complete all of the questions, although there was still evidence of some candidates spending too much time on question 6. It was not unusual to find candidates having written twice or three times as much for the last question as they did for questions 2 and 4, which also required evaluative responses. It should never be necessary for candidates to write for a disproportionate amount of time on Question 6 and those candidates who place too much emphasis on these questions are unlikely to achieve the highest grades. There can be a temptation, if the last question is tackled early, for the candidates to spend too long on it because it is such an open ended question. This is in contrast to the candidate who is forced to prioritise their arguments because they are time restricted. Both candidates have an equal chance of producing an evaluative answer to the question, but the former candidate may not also have the time to complete the rest of the paper to such a high standard.

Comments on Individual Questions

- 1 Price elasticity of demand is an important concept in the Marketing specification and is always likely to divide candidates into those who can handle numbers well and those who do cannot. Sadly, a significant proportion of the candidates either had no idea how to tackle this question or simply did not attempt it. For those who did make an attempt the most common mistakes were:

- using actual changes in the numbers, rather than the percentage changes
- getting the figures the wrong way round (ie $(\% \Delta P / \% \Delta QD)$)
- using the wrong figure as the basis for the percentage change (ie dividing by £1.99 instead of £1.89 or using 96 instead of 102).

There were also a number of candidates who had such a high number which common sense should have indicated that they recalculate. A four mark question on this paper should have a maximum of six minutes given to it. This gives plenty of time for most candidates to calculate and then check their answers.

- 2 Candidates could (and should) have taken their answer from Question 1 and used it in Question 2. Whatever their answer, this would have shown some understanding of PED, if used correctly. Too many candidates described the relationship between price and demand and did not show any understanding of the responsiveness or sensitivity which is essential for PED.

The question required two pieces of Marketing theory to progress to the top of Levels 3 and 4. Specifically PED and pricing strategies. Candidates should have been able to analyse the usefulness of PED to these specific pricing strategies. The specification specifically mentions; skimming, penetration, competition-based, psychological, cost-based, absorption, marginal, contribution, target-based, full-cost based; and price discrimination. Some candidates used these to good effect, but it was relatively rare to find a candidate who linked the usefulness of PED to a specific pricing strategy.

Candidates need to read a question and understand the specific pieces of Marketing theory to which the question relates. It is impossible for a candidate to analyse and evaluate without an understanding demonstrated of this theory.

- 3 Many candidates answered this question well. The candidates were able to come up with reasons for the initial distribution strategy and to analyse them in context. Most of the analysis focussed around reducing costs and risk for SOL which was the most obvious route into this question.
- 4 Social network marketing is a huge influence on marketing in the modern world and most of the candidates were able to take the case information about social network marketing and apply it to their knowledge of the theory of marketing strategy. There was no need for the candidates to know anything beyond the case material about Facebook or other such sites and those candidates who did spend time describing this in detail often did not have enough time to fully analyse and evaluate.

Many candidates had lots of suggestions and seemed to be able to relate to their own experience, ie a consumer perspective. Although this can be insightful, there was a danger of missing the business perspective of SOL which could hamper analysis.

Candidates could judge that the use of social network marketing was a good idea or a bad idea, but most Level 4 responses suggested that it was best combined with other strategies, which was a reasonable and sensible conclusion.

- 5 The most obvious route into this question was to analyse the limited usefulness of secondary data to PIL. Candidates who followed this route found that they could apply case material and analyse the implications of secondary data.

Some candidates attempted to actually analyse the data rather than the source of the data, which, whilst a valid route, was far more difficult to analyse from the perspective of PIL, the venture capitalists.

- 6 The format for this question remains the same as in previous series and there was some obvious attempt to apply a formula to many candidates' answers. Whilst there is a need to teach technique to answer this type of question, simply mentioning the terms 'depends upon' and 'short term/long term' is not sufficient to be rewarded Level 4, unless there is some analytical and evaluative justification. Some of the weakest answers spent a large amount of time following the formula and not actually tackling the question.

Surprisingly, there were a number of candidates in this series who only focussed on marketing arguments or who totally ignored the marketing element. This will always restrict marks on this question and centres obviously need to remind candidates of this requirement.

There were a number of different arguments and no two responses were the same on this question. Candidates needed to set up a chain of analysis within their answer and come to a conclusion based on their own chain of analysis. Too often the candidates provided some good analysis but their attempts at evaluation were simply a judgement. An evaluative answer must lead the reader through the analysis and then specifically show how the analysis leads to the evaluation. It is not enough to expect the examiner to 'fill in the gaps'.

Preparation Points for Centres

- 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 2 where many candidates correctly identified that an elastic response would mean that the business should not use skimming, but did not go to show why. This is not good enough for Level 3. It leaves the reader asking 'so what is the implication for the business?' To take it further and analyse the likely impact on costs, sales and profits to SOL was good Level 3 analysis and such an approach should be encouraged in preparation for this examination.
- At the heart of Level 4 evaluation is actually answering the question. Too many candidates provided analysed points to questions 2, 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 the candidates. Too many candidates produced answers which were one long paragraph, making it very difficult to follow the twists and turns in their arguments.
- On the other hand, some candidates produced bullet point answers, or paragraphs containing only one basic sentence. This type of answer is unlikely to produce the depth required for analysis and can rarely justify or support any judgements made.

F294 Accounting

General Comments

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

There was some variability in the level of understanding of accounting methods and concepts - this was particularly noticeable in the quality of the responses to questions 3 and 5. The quality of the candidates' written communication was sound and, as a general observation, seems to have improved upon past examination series.

Comments on Individual Questions

- 1 This was a numerical question requiring the candidates to calculate the gross and net profit margins for one of the businesses. The vast majority of the candidates were able to recall the correct formulas and use the numbers supplied in the resource materials to achieve maximum marks.
- 2 This question required the candidates to identify two reasons for the decline in profitability. The vast majority of the candidates were able to identify appropriate resource information and analyse it in order to achieve high marks.
- 3 This question required the candidates to discuss one disadvantage of using a reducing balance method for depreciation. There was far more variation in the quality of responses to this question than the other questions on this question paper and, surprisingly, a good number of candidates demonstrated only a vague understanding of the method. Even when candidates did demonstrate a better level of knowledge and understanding, it was disappointing to find that they were unable to apply this learning to the specific context of the business. The better candidates identified that the fixed assets were 25 years old and despite this advanced age still seemed to reflect a considerable sum on the balance sheet. They then discussed the impact on the business of these assets being overvalued in the accounts.
- 4 This question required the candidates to demonstrate and apply their accounting knowledge and understanding to the decision to continue with or to discontinue a specific business venture.

The key here was a candidate's knowledge and understanding of absorption costing and contribution. It was then a question of whether the candidates were able to discuss how this information might assist in the decision making process.

The better candidates discussed how the allocation of overheads might influence the specific business venture's net profit. Some even discussed that the 10% apportionment of existing overheads did not reflect a high enough apportionment if the value of sales revenue was used as a method of overhead allocation.

However, it was disappointing to discover that very few candidates discussed the positive contribution this venture made to the overall business.

Unfortunately, too many candidates felt more comfortable in discussing marketing and human resource issues and failed to appreciate that the core response required an in-depth analysis of the financial and accounting issues available in the resource materials.

- 5** This question required the candidates to discuss the importance of asset valuation when attempting to place a financial value on a business. Financial accounts for both businesses were made available in the resource materials. Unfortunately, too many candidates saw this question as an opportunity to reel out all the financial ratios which they could recall and calculate. This approach is acceptable providing the calculated ratios were then used to answer the question.

The better candidates demonstrated their knowledge and understanding of accounting concepts and conventions; for example, the relevance of prudence but the irrelevance of materiality when the context of minimal levels of stocks was identified.

The better candidates also made a full analysis of the valuation of assets, e.g. the inflated valuation of 25 year old boats with high maintenance and repairs costs. The fact that one business held a significant cash balance was also identified.

Such candidates then went on to discuss the impact of goodwill on the valuation of both businesses and whether one had greater goodwill than the other due to its long established reputation and high customer service ratings.

- 6** This question follows a standard format and, in order to make it challenging, examiners are constantly seeking to set new business scenarios. In this series the decision posed by the question was whether the two businesses should merge.

The vast majority of the candidates were able to access the relevant resource information and make an attempt at analysing the decision.

A far smaller proportion of the candidates were able to convert their analysis into evaluation.

One reason for this was that too many candidates believed that a simple repetition of all their analytical points would allow them to access the higher mark bands. Another group of candidates believed that the simple insertion of "in the short term" and/or "in the long term" had the same impact.

In neither case was this true. The better candidates appreciated that they had to arrive at a reasoned judgement which might, for example, prioritise their decision.

In this specific instance this might have been achieved through reference to how the merged business' financial performance might improve and/or why did the one business approach the other one? This was particularly relevant when one made a closer analysis of its financial performance and liquidity.

In other words, the priority to arrive at a decision had to be largely based on the financial information provided.

This leads back to an earlier message. Ultimately unit F294 is an accounting examination and the candidates need to demonstrate rigorous knowledge and understanding of accounting and financial methods.

F295 People in Organisations

Candidates again showed no sign of time constraints impinging on their performance. Although there were still too many instances when the handwriting was a challenge for the examiners to read.

For many candidates, more time could and should have been spent reading the case material in order to utilise that material and consequently answer in context. The case study is provided in order to enable the candidates to utilise the information within it, and to help frame their answers; many candidates did not take advantage of the case information and consequently could not gain access to the higher level marks. It is always worth ensuring that the candidates have a firm grasp of what the business is trying to achieve; often given through its objectives, which are either stated or implied within the case material. The objectives of EOFL could have then been used as a yardstick for several of the questions.

The context of the case proved to be a good discriminator between Level 2 and Level 3 answers, and particularly on Questions 2, 3 and 5.

The questions, once again, allowed the candidates to apply the business theory and terminology imparted during their course of study in order to justify their views. Although there was a noticeable improvement in the proportion of the candidates attempting to do this, it was still disappointing to read instances when the candidates did not do this, to their detriment. Quoting appropriate and accurate communicational and motivational theory, for example, is an obvious way to access higher marks. Those candidates who did use appropriate theories in the context of the question were well rewarded.

The ability to offer evaluative comments through justified judgements remains an issue for too many candidates. Weighing the evidence and suggesting which point is of most significance to EOFL were both obvious routes into the higher level marks which were available. Many opportunities to do this were missed, particularly on questions 3 and 5. Just offering a summary of what has already been stated is not evaluative, if a judgement is not offered in context of the question set. Similarly, there were too many instances when the candidates failed to access marks for analysis. Offering a sequential, linked implication in the context of EOFL was necessary to access such marks. On questions 3 and 5, far too many candidates only achieved Level 2 marks.

What was of concern was the proportion of the candidates who did not address the actual question set. This was especially noticeable on questions 3 and 6. It is perhaps worth reminding the candidates to constantly read the question, even while answering a particular question in order to ensure that their answer is actually addressing the question set.

Another concern was the number of candidates who wrote 'throw-away' comments such as, 'a waste of money', 'this will have a negative effect', 'this will motivate them' and 'this will make employees unhappy/happy', without any elaboration or justification. At the A2 level it is expected that the candidates are able to offer opinions which are coherent and in the context of the case, rather than the series of generic statements which were offered within many of the weaker answers. Similarly, many weak answers simply copied large extracts from the case material. Centres may want to remind their candidates that the case material is there to be used to support their answer, rather than to be their answer.

Again, there was a small minority of the candidates who used additional sheets and who subsequently failed to state the number of the question which was being tackled; this omission ought to be eliminated. This proved to be a particular challenge to the examiners when the questions were not necessarily answered in numerical order.

- 1 As stated in previous reports, a pleasing majority of candidates gained full marks for this question. It is also pleasing to report that a large majority of the answers were well presented with clear signs of the calculations undertaken. It remains a worthwhile approach to always state the formula used, as a correct formulae can be rewarded even if the actual figures are incorrect. A significant minority of the candidates, almost 20%, failed to achieve any marks for this question. It is not reasonable to expect that an A2 candidates should realise that the answer was in a specific unit and subsequently that a kg sign ought to be have been utilised.
- 2 Less than half of the candidates gained access to Level 3 marks within this question, with a large percentage gaining four marks. Offering a clear link between the reason and productivity, in the context of the case, was essential to gain marks for analysis. Surprisingly, many candidates failed to use the context of the case to realise that much of the work undertaken by the employees was highly repetitive. Just stating that the employees had to deal with Chloe and were not consulted could not access the higher level marks.

The question clearly asked the candidates to analyse two human resource reasons for the fall in productivity. Too many of the candidates, however, offered more than two, which was unnecessary.

Very few candidates considered the actual number of employees involved. As the number of employees grows there may be issues with regards to supervision. Similarly, the case material mentioned the rapid expansion of the business (line 26) and the fact that during the harvest the employees have to work in all weathers (line 18); points which hardly featured in answers and yet the weather is surely a major factor in influencing the productivity of the employees.

- 3 Only approximately one sixth of the candidates accessed the marks for evaluation on this question. Despite the question asking for evaluation, few candidates offered a judgement as to which human resource implication would have the most impact upon EOFL. The very good answers focussed on the priorities for EOFL - given its objectives for the business and the situation it was in that this juncture.

Too many of the candidates did not answer the actual question set. The question did not ask for a debate as to whether appraisal ought to be introduced or the advantages and disadvantages of appraisal, which is what many of the weaker answers concentrated on.

Nevertheless, there were some very good answers which discussed the number of employees involved, the nature of the work the employees undertake, and the difference in the views towards appraisal between the highly qualified scientists and the additional staff taken on for harvesting.

It was stated within the case (line 22) that Don and Chloe run all aspects of the business. Consequently, there may be an issue with workloads, timing and the opportunity costs of spending time to set up and run an appraisal system, rather than spending their valuable time on the decision for electricity generation, for example. Incidentally a surprising number of answers referred to the 'PR Dept' even though the case clearly stated that Donald and Chloe run all aspects of the business.

Nearly a third of the answers stopped at Level 2 as a result of a lack of context. Generic answers cannot be awarded marks for analysis. In addition, answers which merely stated that 'appraisal would increase motivation' without suggesting how, in the context of the case, could not access the marks available for analysis.

- 4 Over 60% of the answers achieved between four and six marks on this question, which was encouraging. However, there were still too many candidates who offered more than one consequence for EOFL of complying with legislation to protect its employees from hazardous substances.

Similarly, too many responses failed to answer the actual question set and offered answers as to what would happen if EOFL did not comply. Consequently, this question proved to be a good discriminator. Ironically, some candidates offered effective evaluative comments which could not be rewarded as the question only asked the candidates to 'analyse'. This six mark question required depth in relation to one consequence rather than breadth in relation to many consequences.

Good answers realised it depended on the number of employees affected as to what a realistic consequence would be.

- 5 This question proved to be a good discriminator. The good answers concentrated on whether it would be right to pursue such a policy, whereas the weaker answers either answered a different question altogether or concentrated on what would happen if EOFL only employed Eastern Europeans.

There were a number of very vague answers which simply stated that '...all this will effect (sic) the productivity of EOFL which will effect (sic) revenue and profit...' This type of statement lacks clarity, or a sequential implication and importantly, any context. Similarly, weak answers suggesting that '...if operated in this manner they (sic), would be fined and this would seriously affect the business...' There is, of course, a need to ensure that the candidates realise they must offer a clearly linked implication as to how an issue might affect the business. (Knowing that a business is singular is still an issue for many of the candidates.)

Very good answers were able to suggest that if costly, for whatever reason, it would therefore increase costs and, assuming prices remain the same, lead to a smaller profit margin which may lead to a fall in profits and subsequently reduce the level of funds available for Chloe and Donald to purchase the required electricity generating process. Good answers highlighted a range of likely issues which included various pieces of legislation and fundamental issues such as gaining the right staff for the various tasks, not just agricultural workers employed at harvest time. The very good answers utilised the case to good effect, stating the objectives and the need to ensure any policy should, or could be judged on its ability to affect the fulfilment of said objectives for Donald and Chloe's business. Such answers were well rewarded.

- 6 Candidates obviously understand the need to consider human resources and other issues, judging from the answers read. However, too many responses failed to address the actual question. The question clearly asked the candidates to decide whether EOFL should invest in a new electricity generation process. The question did not ask for a choice as to which one ought to be selected! Although it was possible to access some marks by making a comparison, this was not expected as a matter of course. Again, realising the objectives of EOFL and the business environment in which it operates would also act as a very useful framework with which to answer the question. Those candidates who did this answered in a strategic manner and were well rewarded.

There were too many unsubstantiated statements which suggested 'productivity would be improved as would motivation', without offering how, or why in the context of the case.

It was a surprise that more answers did not concentrate on the financial implications for EOFL. Raising such sums of money was an issue, as were the purported cost savings. The opportunity costs were only offered by the good candidates who realised that EOFL

had several 'schemes' which it wants to undertake and that, therefore, difficult choices would need to be made. Even fewer, responses but nevertheless well rewarded, realised that the electricity generation process would possibly aid the business' objectives and the ethos of the business.

The very weak candidates just repeated the information in Appendix 1, without any attempt to use it in order to answer the actual question. Good answers realised it may depend on how accurate the information was and how the figures were obtained. Just stating that 'birdlife would be affected' could not be rewarded.

It is important to remind centres that if only a one sided answer is offered, evaluative marks cannot be achieved on Question 6.

F296 Business Production

General Comments

Unlike the unit F296 papers in recent sittings, the candidates found this paper a little harder to access in terms of this context. Candidates, who have reviewed past papers, would have been prepared for 'factory' or restaurant style situations where, generally speaking, there was an input at one end and an output at the other. In this case, the scenario was more about the 'bringing together' of materials and sub-contractors and of Gantt chart logistics. Clearly, it was harder to assimilate this information, judging by the relative lack of context in many answers. Those candidates who really read the case study closely and understood what was going on produced some outstanding answers. Candidates continue to struggle however, with the skills of analysis and (particularly) evaluation, but this is steadily improving. There were few issues of time, although the numerical question, in a number of cases, judging by the amount of calculations, must have taken an age!

Comments on Individual Questions

- 1 Nearly all of the candidates understood the basic principles of a Gantt chart and could write at length about the shuffling of the horizontal 'bars' so that start and end time changes could be accommodated. Most of the, but by far from all of, the candidates used some context but it was invariably 'thin'. The key to this situation was that WCL would suffer penalty clauses if it did not 'get it right'. This was not simply serving a meal late, but an entire building project! The best candidates really understood the context and the magnitude of an error/delay in the sequencing of the activities. It was so important that the candidates wrote about THIS firm! Those candidates who wrote about DISadvantages were not rewarded.
- 2 Many of the candidates expended a lot of time with huge volumes of calculations. Just under half got it completely correct – those who did usually arrived at the answer very quickly. A number of the candidates ignored indirect costs and provision was made to award three marks. It is essential that candidates are prepared to be 'light on their feet' with regard to calculations. Juggling some indirect and direct costs should be a straight forward skill.
- 3 This was a particularly wide question which really allowed a number of approaches. The key was 'in house' – should they or shouldn't they? There were a great many advantages and disadvantages which could be alluded to and some candidates chose to compare the various alternatives (fine). The 'own figure rule' was applied to those candidates who started with a (incorrect) cost saving and this was often a good way into this type of question '...it saves money, but...' Candidates generally used the context well because they were forced to write about the various sub-contractors and about perceived quality, time and other issues. Most of the candidates, therefore, analysed well (in Level 3) and then made a bid for Level 4. 'Weak' evaluation along the lines of 'to conclude' and then a little more than repetition of what had gone before could not be rewarded the bottom of Level 4. For a higher mark, it was essential that the candidates weighed up in depth. Unfortunately, most of them did not.
- 4 Those candidates who knew vicarious liability found it very straight forward to achieve five marks. The case study had, essentially, two legal issues – health and safety and vicarious liability. Some candidates quite skilfully introduced other areas, such as working hours (eg if WCL were pushed for time it might force more hours out of its employees) and were well rewarded. Other candidates simply threw in non-contextual law, such as sex discrimination. There was simply no reference explicitly or implicitly to it in the case study.

Areas of law seem to be neglected in many candidates' preparation and this cost many of them three or four marks as they simply had no meaningful legal understanding.

- 5** Improving quality was a very broad question and one that, again, could be approached from a number of angles. There were those candidates who approached this question from the pragmatic 'simply get rid of staff/sub-contractors' approach to those who trotted out the various quality principles which they had been taught (TQM, quality circles, etc). Those candidates who adopted the former were often very vague and lacking theory – but at least in context albeit on a very basic level. The latter often wrote reams on the various quality principles without a shred of context – hence, a maximum of Level 2. The best answers used theory and then discussed why it would/would not work well IN THIS CASE. Context is everything and the more realistic responses quite rightly pointed out that on a building site enforcing quality principles is not easy. This was the question where a close grasp of the case study paid off. The usual problems with evaluation still occurred but there were some good answers.
- 6** Candidates cannot really fail to write answers to question 6 OUT of context (a few managed it). Those who did badly tended to list what WCL would need to do, not whether it was a good idea or not (ie advantages and disadvantages). Those candidates who did the latter tended to answer well and there were some exceptional answers. Those candidates who scored most highly really did evaluate throughout or gave a 'meaty' piece of evaluation at the end of the response which clearly weighed up why the business should or should not try to take on the project. Again, those candidates who understood the context, and the key issue here was simply the size of the project relative to anything which WCL normally undertake, tended to answer with more authority. There was a vast amount of material available and most of the candidates dealt with it well.

F297 Strategic Management

Almost the entire cohort was able to comprehend the business presented in the case study. However, not all were able to engage analytically with the case material to the extent expected of a pre-released case study. Regrettably, many answers simply repeated what was written in the case. Whether this was caused by the time lag between examination leave and the date of the examination can only be speculated upon.

The candidates' performance across the five questions was varied. Not one question was the 'best' on the script. However, Question 4 was frequently the most successful. Similarly, no question was always the 'worst', although many candidates found Question 3 challenging.

The instance of 'No Response' was rather higher this series than in the recent past. Where a candidate did not offer an answer there was no evidence within the entirety of the script to suggest that this was caused by time pressures. Time (and by implication, effort) allocation was generally good, with most responses enjoying the same development.

The paper is now marked 'online', enabling the examiner to magnify the response. Despite this facility poor handwriting can still hinder the examiner's comprehension. Basic grammar still frustrates. In extreme instances poor use of language serves to obscure meaning. Candidates can be reassured that their entire script is marked by one examiner.

The keys to gaining a high mark on any question on this paper remain the same. First, be strict and answer the question which is set. An answer which is tangential to the question is unlikely to score well. Second, use the subject's theories, concepts and vocabulary. Candidates are expected to write as someone who has successfully studied the subject for two years. Third, analyse the case evidence. Finally, ensure that the final judgment is justified by synthesis of both the subject and the case evidence. This process must be explicitly shared with the reader. In itself a choice is not evaluative. Rather evaluation is a reasoned conclusion which applies strictly to the context given.

All of the questions, except Question 1(a), are designed to be synoptic. Hence, the examiner is prepared to accept a wide range of content within any answer. However, some content is most appropriate in answer to a particular question. For example, a discussion of unemployment would most logically appear in a response to Question 2. If it also appears in answer to Question 3 then there is the risk that the discussion becomes repetitive. Consequently, candidates should be advised to read all of the questions before starting their answers. This way they can best identify and so plan what material best sits in answer to which question.

Comments on Individual Questions

1(a) The use of a numerate technique again proved to be an excellent discriminator. Marks ranged from the maximum, which is pleasing, through to zero, which is disappointing. A small minority of the candidates offered 'no response', which is perplexing. The modal mark was the maximum, with an expected EMVs for all thirteen nodes offered. Eight, for correctly calculating the event nodes 8 through to 5, was also a frequently awarded mark. Because different treatments of where to subtract branch costs lead to different nodal EMVs, the examining team accepted more than one possible value at nodes 8, 11, 4, 5, 2 and 3. Candidates who showed working could gain marks under the 'own figure rule' (OFR), if the 'incorrect' answer was consistent with an earlier error. A candidate who does not show working cannot benefit under this rule. Whilst it was anticipated that answers would be offered on page 2 of the answer booklet, values on page 3 were also credited. When marks were not gained it was largely due to one, or more, of three main causes. First, basic arithmetical errors. Second, transpositional errors such that a value to an

earlier node was not consistently brought forward, e.g. node 10 when calculating node 2. Third, conceptual errors at a decision node. Often candidates simply added the branches into a decision node rather than selecting the optimal one.

A small number of the candidates were confused as between the right hand column in the answer grid which indicated that responses should be given in hundreds of pounds and the figures on the actual decision tree which were expressed in thousands. The mark scheme was adapted so that a candidate who provided a consistent response in either hundreds or thousands was not penalised.

- 1(b)** Many candidates scored well on this part of the question by using their analysis of the decision tree to steer them to a view. The better candidates did this alongside considering CCL's three objectives in turn rather than generically. Hence, for example, it was often argued that sponsoring a road race would have limited impact on objective one. There was frequent discussion of a possible overlap between the cycle race and CCL's target markets. Further, the issue of which brand to use in promotion was often debated.

A common conceptual error was to confuse EMVs and actual cash inflows. Whilst the correct value for node 1 was £13,700 this is not a cash inflow which CCL would experience.

The best candidates exhibited contextual sensitivity in reaching their view. For many it was held that spending £10,000 on sponsorship was not material; CCL has £175,000 in cash and 2011/12 turnover of £13.293m. Hence, the maximum possible outlay, £11,500, is not actually worth worrying about. Similarly, if one takes the highest possible gain of £30,000 this is just 0.23% of turnover and so, again, not game changing.

Many candidates used this question as an opportunity to critique CCL's objectives. Typically these objectives were considered against a SMART framework. It was rare for candidates to comment in relation to overhead allocation and the achievement of objective one.

- 2** There were many answers to this question with sound analysis of the impact on CCL of a rise in UK unemployment. These answers often argued that CCL would experience a fall in demand, but not necessarily evenly across its three main income streams; Mailot Jaune, Peddlers and e-commerce. Careful reading of the question shows that this approach was only partial.

The better responses took this analysis a stage further and considered what CCL might do as a consequence response. This is what the question required, the recognition that the external impact might lead to some strategic response. What that response might be is for the candidate to establish, blending their grasp of the subject and their understanding of the context.

Typically seen suggestions were to focus on electric bicycles because these might be a substitute for travel by car. Similarly, some candidates suggested reducing prices. This, when accompanied by analysis of CCL's GPM and NPM, tended to be good. Even better was the recognition, supported by financial ratio analysis that CCL is ill-placed to engaged in price reductions. An alternative response was to reduce stock levels. Again, this was often supported by accurate use of ratio analysis.

Few candidates contrasted the rise in local unemployment (Table 1) with the growth of CCL's sales (line 120). This provided evidence that CCL has grown against a background of rising unemployment. As such it can be argued that employment is not the major driver for growth. Indeed, the growth may be driven by other factors, notably life style. If this is accepted then CCL's sales may not actually fall. Similarly, few candidates argued that what CCL might do should reflect the type of unemployment. Other routes into evaluation included size and speed of the external change.

- 3 This question often proved to be least well answered on many scripts. One can only speculate as to why. Successful responses tended to be of two main sorts. First, focusing on the seasonal nature of CCL's business, either across the year (Appendix 2) or across the week (Table 2). Other responses took changes in demand to be about society's attitude to cycling. Whatever approach was taken the key to high marks was to offer a strategy. Few candidates achieved this outcome. That said, many candidates offered very well analysed and reasoned tactics. Sadly, these fell short of being strategic because they were neither sequenced or prioritised.

Few candidates sought to analyse the performance of the three parts of CCL. Thus, if the change in market demand is for an increase in road bicycles then perhaps resources should be focused on the MJ brand. Further, because at MJ, the highest sales per employee (£387,250), an improvement in staffing can reasonably be expected to lead to an overall improvement for CCL. Similarly, it can be shown that Peddlers has the highest GPM (58.7%) and so a focus on this profit centre, which yields over 50% of the business' profits, might be a sensible strategic decision

Some candidates appeared to have skim read the question and so embarked on a consideration of how CCL might improve its profitability. Whilst these answers were often very well constructed and of interest their merit was marginal – given the question set.

- 4 This was a well answered question for many candidates. Often the decision was robustly supported by case analysis; most often though the use of investment appraisal techniques. Similarly, strategic frameworks, such as Ansoff's Matrix, were used to analyse the two options. Other approaches considered CSR, CCL's objectives and competencies. Whichever approach was used the final mark was determined by the quality of the argument presented.

Weak answers, of which there were not that many, simply offered a view. These tended to simply repeat what was in the pre-released case study. For example the golf option being an opportunity to 'diversify', but then no supporting development of what this is or how it might be beneficial was provided.

Many candidates calculated ARR as 8% (panels) and 7% (golf) and commented on this being above bank deposit rates. Whilst this use of subject techniques is applauded what would have impressed even more was a contrast between these values and the financial efficiency of CCL. With a ROCE of 11.24% one might reasonably argue that investment in the core business is a more sensible choice.

Similarly, some candidates argued that the golf option does not appear to be supported by any market research or competitive analysis. Hence, before any decision could be taken these were both necessary. There was also mention of CCL's abilities and product knowledge in this market. Given the lease acquisition is as a 'going concern' then this sensitivity is less of an issue when compared to thoughts about how it might contribute to CCL's stated objectives.

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