GCE

Business

Advanced GCE **H431**

OCR Report to Centres June 2017

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Advanced GCE Business Studies (H431)

OCR REPORT TO CENTRES

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H431/01 Operating in a local business environment

General Comments:

It was clear that the overwhelming majority of candidates had been well taught in terms of subject content but examination technique was often lacking and played a very important part in the marks awarded on questions 16 to 20. The specimen papers published previously have all emphasised that context is an essential part of an answer. Responses which are correct in a textbook sense are not going to score well if there is no mention of the business in the resource booklet. Examiners were looking to award credit wherever possible but responses such as 'a business could', 'you could', or 'a company is affected by' (which was not correct as Will's Fish and Chips operates as a sole trader) were generic and inappropriate.

This was particularly apparent on questions 16 and 17. Simply mentioning the name of the firm 'WFC' was not sufficient; some reference to 'meals', 'fast food/takeaways' 'being a sole trader' 'capital purchases like fish frying equipment' would all have gained marks for contextual application and hence led the way for marks for analysis and evaluation. However, without context the ability to do this was not possible, although examiners did try and give the benefit of the doubt where they felt they could. This issue is a major one for centres to address as a matter of urgency.

In a large number of instances the quality of communication was very poor indeed; some answers comprised what can only be described as 'scribble'. These responses were very hard (or occasionally impossible) to read, and, whilst not being penalised, are not likely to score highly because the candidate's argument is difficult to follow. This is a real issue for some and another one which centres need to address if a candidate is to reach his/her potential.

On the other hand, many scripts were well laid out with the arguments clearly set down in paragraphs and with a concise evaluative conclusion (not just a re-statement of what had already been said) at the end. These scripts were a pleasure to read.

There was no evidence of time pressure on the paper and even with the inclusion of multiple choice questions on a paper it was apparent that the correct amount of time had been spent tackling them and that candidates had clearly left themselves adequate time to answer the rest of the questions.

Comments on Individual Questions:

The Multiple Choice Questions (1-15)
Multiple choice questions are a new feature at 'A' level. It was very uncommon to see a question unanswered which, of course, demonstrates a pragmatic knowledge of examination technique on this type of question. Perhaps inevitably, some questions generated a very high level of correct responses whereas others did not. Given that a large number of responses to the two numerical questions based on the case material (19a and 20a) were incorrect it might have been expected that the quantitative questions in this section might also have presented a challenge but this was not always the case This was encouraging because it demonstrates that 'the fear of numbers' can certainly be overcome.

The questions with the lowest proportion of correct answers by some margin were numbers 9 and 15. These were concerned with marketing which was surprising as this has been, in the past, usually a relatively straightforward topic for candidates. Candidates do need to have a knowledge and understanding of all of the areas of the specification on every paper.

Although this was the first time these questions have formed part of the assessment process in this subject at this level their inclusion looks to have been a success. Candidates who performed well on the rest of the paper also often performed well here. For those less successful on the other questions they often provided something of a 'lifeline' and it is unlikely this was down to pure guesswork.

16 Other than helping to raise finance, analyse one likely advantage to Will of producing a detailed business plan for the start-up of his business (6)

Whilst is was encouraging that the knowledge base shown by candidates was very sound here, examination technique was often not. Many wrote about the benefits of a detailed plan to 'a business', 'the store' or even 'Will's factory'. Marks for application and analysis require context and this was frequently absent. It was frustrating to be able to award only one mark (the one available for knowledge) because there was no clear use of context. Simply stating 'WFC' or 'Will' was not enough.

Contextual reference simply needed to be along the lines of Will being a sole trader, the 'fast food'/meals he sells, or his operating in a competitive environment. Those who did this scored well and full marks on this question were not uncommon.

17 Analyse one legal factor which might affect the operation of WFC (7)
Popular choices for legislation were health and safety, employment law (including the minimum wage) or reference to the legal structure of the business as a sole trader. Once again as in question 16, sound knowledge was shown but context was, again, an issue here and once again more than one mark could not be awarded unless this was present. For example when candidates were considering health and safety they could have made reference not just to 'equipment' but to a 'fish fryer', knives, or 'hot fat'. Alternatively instead of just mentioning 'training', reference could have been made to staff at Will's fish and chip shop having to be trained how to handle, store, and cook raw meat and fish.

18 Evaluate how a fall in the interest rate could affect WFC (15)
Although there was occasionally some confusion of interest rates with exchange rates, by and large this question was well answered with the majority of candidates recognising that there was likely to be a dual effect; on consumers via increased spending power because of lower mortgage payments and on WFC via lower interest on the loan Will had taken out when he established the shop - which would lower his fixed costs. There was the incorrect assumption that a lower interest rate was synonymous with 'ease of access to a bank loan'. This may be true but is not necessarily the case - it certainly was not in the years following the 2008 crash. It was also often assumed that the low rate meant that Will would necessarily want to take out another loan to buy another shop. There was no mention of this in the resource material where his stated objective is to maximise his capacity utilisation at the existing location. It is worth mentioning that some wasted valuable time by considering the effects of rates rising again. Whilst they surely will at some point this was not the question and no marks could be gained from doing this.

Having said that, some good analysis was present here and the topic had clearly been well taught. Consideration was given as to what Will might do with the 'extra profit' such as advertise more, buy new cooking equipment, or overpay on the loan so that it could be paid off more quickly. These were all valid and sensible pieces of analysis. However, without evaluation the maximum mark available was 8/15. Evaluation could have come from a consideration of (say) whether Will had taken out a fixed rate loan, the extent to which increased consumer spending power would increase the demand for his fish and chips, or the extent and duration of a fall in the rate.

The methods of evaluation used on the previous specification were, of course, also valid: which effect(s) of the rate fall is/are the most significant to Will or/and a consideration of short and long run effects on his fish and chip shop.

19a Assume that WFC's fixed costs are £4000 per month and that the variable cost of a meal averages £2.75. Calculate WFC's break-even level of sales per month (4)

It was disappointing that a large number of candidates could not correctly calculate WFC's monthly break-even point and a sizeable number did not attempt the calculation at all.

Calculating it via the contribution per unit should have been relatively straightforward especially as two of the three necessary figures were given in the question. A statement of how break-even is calculated gained one mark and it was worth doing this because examiners applied the 'own figure rule' whereby if it is clear what the candidate is doing but a figure is misapplied then the final figure can still gain some credit (although obviously not full marks) even if it is not correct.

The figure that had to be found from the resource booklet was the current average selling price (£6). This enabled the contribution to be calculated (£3.25) and when this was divided into £4000 it gave a figure of (just under) 1231. Some candidates lost a mark by stating the figure was £1231 which was incorrect. The figure for break-even point should be given in units (in this case meals) not pounds.

19b Discuss the usefulness of break-even analysis as a decision making tool for Will in running WFC (15)

Most candidates got off to a good start by correctly defining the concept even if they had not made the correct calculation on the previous question. They then stated how it could be used to set goals, how it enables the margin of safety to be identified, and how it is easy to use. This immediately enabled the marks for knowledge to be awarded.

Having done this, stronger answers concentrated in a straightforward way on the standard advantages of break-even analysis in the context of Will's fish and chip shop (being a small business run by a person not skilled in financial decision making, reference to the fact that Will does not like to continually change prices - line 54 or the calculation made in 19a) and then going on to evaluate these. Weaker answers lacked the context of Will's shop and tended to be generic. There was also, in some instances, a tendency to veer well away from the question by making a statement such as "If Will raised his prices he would break even more quickly and so he'd have more profit to spend on staff training. This is very important to Will and is his USP. Perhaps he could now afford off the job training which is expensive but good and if his shop did this he could maybe gain more sales raising his profit again. This would be very good for Will". This 'stream of consciousness' *might* be true but is simply not answering the question which was concerned with the usefulness of break-even as a decision making tool. Candidates should not be trying to 'turn' the question into one they had hoped would be on the paper.

Others wrote at length (incorrectly) as if it were a universal tool for almost any financial and/or accounting aspect of WFC; from determining the payback period on an investment like a fish fryer to determining which costing method would be the most appropriate for Will to use. The technique certainly could be linked with some other financial issues in the business but these needed to be *appropriate* and clearly analysed in context. Also, the interchanging of the words 'cost' and 'price' here, by quite a large number of candidates, did not help matters.

It was quite in order to discuss how other tools, such as a decision tree or a SWOT analysis might enhance break-even as a decision making tool for Will but it was not appropriate to attempt to evaluate by stating something like "Break-even is useful for some things but isn't a useful decision-making tool for things like recruitment because he'd need to a draw up a job

specification for that", or "it is not useful for how best to cook the fish" These sorts of statements, like the ones above may well have been true but could not count as evaluation.

Evaluation could have been in terms of how the shop's sales were likely to be in cash therefore making the model more useful than a business that sells a lot on credit. Or that despite the fact that data can be inaccurate using such a tool, WFC had been in existence for ten years and so Will could expect it to be fairly reliable.

Answers making reference to either the current situation of the business or when it was established in 2007 (and therefore when predictions of cost, revenue and profit are likely to have been particularly important to Will as a sole trader) were perfectly acceptable.

20a Calculate the percentage increase in sales per month Will would need to achieve in order to reach his objective of WFC operating at capacity by 2020 (3)

Like the break-even calculation this question was surprisingly poorly answered and it is clear that a large number of candidates do not know how to calculate a percentage. This is a skill that an advanced level student of Business really should be able to demonstrate. Sadly, sometimes the calculation was not attempted at all. This was a pity given that calculations are there to be used and not generating an answer here (again the own figure rule was applied) could have meant that candidates disadvantaged themselves on question 20b.

The most common error was to simply divide the current level of sales (3100) by the intended target of 5000 rather than taking the difference and dividing it by the 'starting figure'. 1900/3100 gave a figure of .6129 and an answer of 61%, 61.2% or 61.3% were all acceptable.

Some candidates took the calculation further, reasoning that if there were 30 months until the start of 2020 then the monthly increase would be around 2.03%. Such an approach, while not anticipated by the examining team, certainly demonstrated an admirable degree of analytical thinking and was fully rewarded.

20b Using quantitative and qualitative evidence, discuss a strategy for Will to reach his objective of increasing sales so that the shop's capacity can be fully utilised by 2020. Justify your view. (15)

A sizeable number of candidates treated this question as if it had simply asked 'How might Will increase his sales'? Such an approach could obviously still gain marks but was a mistaken approach for two reasons. Firstly, the question asked for a strategy not just a series of different ideas that might be used in order to sell more. Those who developed a logical series of steps for Will to follow scored much more highly than those who produced a glorified list of possibilities. Secondly the key concept of *capacity utilisation* was being ignored. It was not a matter of increasing capacity but utilising existing capacity. WFC is open for a fixed number of hours and operates from a single location, therefore references to 'opening longer' or 'moving the shop to where there may be more customers' were not valid. It does pay to take time to consider what the question is actually asking for.

Key to scoring well was, once again, context. This business is a small one operating in a local market. The resource booklet gave the information that most custom comes from households nearby and that fish and chips do not 'travel well'. Most picked up on this and recognised that advertising even on local radio might therefore be an expensive waste of money.

The cost of the strategy was a sensible consideration for a small business such as WFC. Advertising in the local paper was certainly one option for Will to take. Some very good 'real world' knowledge was demonstrated here by many in that it was pointed out that often papers are not read by younger people and if this age group was the intended growth group for sales

then social media might be much more effective. This was exactly the sort of comment that could score well.

Nevertheless the local paper remained the advertising method of choice for many but there were sometimes some rather unrealistic statements made concerning it as a way to increase sales and move towards capacity. The cost of the double column in the local paper was quoted as £33.36 per week. Whilst it was good to see this quantitative data being explicitly used, statements such as 'If this doesn't work it could lead to Will losing lots of money and having to close the shop' were not well made. Given WFC's current financial position spending £33.36 a week, even if it generated no additional sales at all, was not going to cause the business to cease trading. More astute candidates analysed that at the current selling price of £6 it would only take six extra meals a week to be sold for Will to recoup the expenditure.

It was encouraging to see effective use made of the data in Table 1 and quite a large number of candidates used it to calculate price elasticity figures which were then used to support their argument. Others calculated how profit might change with sales. When this was linked to Will's objective there were some very high scoring answers. For example cutting price might mean selling more meals but could mean lowering profit. 'Is this what Will really wants?' was the sensible observation some candidates made.

An alternative approach was to consider which sorts of business tools Will might use. These could have included SWOT analysis, The Boston Matrix, Ansoff's Matrix, or product life cycle analysis. Market research was also a sensible suggestion made by some. Once again a consideration of the nature of the business, its financial resources, and Will's own expertise in knowing and using these concepts were key considerations.

Those who tailored their answer clearly to the business' objective, via a clear course of action for the owner to take, scored well. It is important for candidates to understand what 'a strategy' means and what 'a strategic approach' entails.

H431/02 The UK business environment

General Comments:

This was the first year of the 'new' linear A-Level and this component focuses on the UK market. The case material will typically be about a well-known business or brand and, for this first paper, the choice of Cineworld appeared to be a welcome one for most candidates.

Considering the greater demands of working with unseen case material, the examining team felt that the overall performance of candidates was on a par to that found on the legacy specification. It was felt that the information in the Resource Booklet about Cineworld (CGP) was well presented and not too complex for candidates to understand in the time available. Centres should be aware that, on this occasion, the information about the business was presented in a number of short extracts. This may not always be the case, as it may sometimes be more appropriate to write one continuous piece of prose.

There was very little evidence of candidates running out of time. In fact, the opposite was generally true, with many overly long answers for the shorter questions in both Sections A and B.

It appeared that most candidates had been well prepared to answer questions on most aspects of the specification, although there were many candidates who did not make any attempt at some of the numerical questions, especially the ones on network analysis and ratios. There are a significant number of topics new to the A-Level specification and Centres can expect these topics to be assessed over the next few years.

This report should be read in conjunction with the mark scheme which provides a number of correct (and incorrect) answers for each question and explains what the examining team did, or did not, reward marks for.

Comments on Individual Questions:

<u>Section A</u>

Question No. 1

The topic of the 'third sector' is new to the specification but candidates responded well to this question and most gained full marks, usually by referring to 'charities' and 'non-profit making'. Common wrong answers suggested that candidates had not read the stem of the question (provided to help them) as they gave answers linking the third sector to the public or private sectors.

Question No. 2

Another well answered question as most candidates had good knowledge of a tall organisational structure. Common wrong answers were generally about any structure, for example, "there will be delegation" or "there will be a hierarchy".

Question No. 3

There were many very good answers to this question about the advantages to a business of being a franchise. However, it was often the case that the second mark for an advantage could not be given as any explanation was not present or was too vague. For example, "the franchisor

will earn a regular income" as an answer lacks the necessary explanation of "as the franchisee will make regular royalty payments".

Unfortunately, a significant number of candidates misread, or misunderstood, the question and gave advantages to the franchisee which gained no reward. Another common mistake was to give answers which were generally about a business expanding, without it being clear how these advantages were specific to a franchised organisation.

A reminder that ALL the questions in Section A do **NOT** require context. The reference to The Body Shop in the stem of this question was merely to aid candidates, so that they were less likely to talk about the franchisee in their answers.

Question No. 4

The calculation of ARR was a common question in the legacy specification. It is therefore disappointing that there are still many candidates who appear unprepared to carry out this calculation, with about a third gaining no marks on this question. The most common mistake was to leave out the cash outflow in Year 0 (although a candidate who made this mistake could still gain up to 3 marks using the Own Figure Rule [OFR]). There were also a significant number of answers which only gained 2 or 3 marks as the units and/or scale of the answer were incorrect. A number of candidates confused ARR with payback method.

Question No. 5

Network analysis calculations were common on the legacy F297 unit. This quantitative technique is now likely to be examined in a more piecemeal fashion, as with this question. The vast majority of candidates could correctly calculate the total duration and identify one of the activities on the critical path. However, calculating the total float for activity C proved to be far more difficult for just over half of the candidates. The most common wrong answer for total float was 0, which is the free float for this activity. This suggests that these candidates did not understand the principle of network analysis, as an answer of 0 would have placed activity C on the critical path (although very few candidates gave this as an answer to part (c)).

Question No. 6

There is now a significant part of the 'Human Resources' specification which must be covered by all candidates (as opposed to it being in the optional unit, F295, in the past). The concept of 'formal' versus 'informal' communication is an important one. It was clear from the many incorrect answers that most candidates did not understand the concept of the word 'formal'. It does not refer to the language used or 'how professional the person looks'. It refers to the use of formal, as opposed to informal (e.g. grapevine), channels within the structure of the business.

The examining team did accept examples of appropriate formal communication, for example, a meeting to discipline an employee, as long as the reason for this was made clear. In most cases, the reason would be linked either to the need to follow legal procedure or to having a record of the communication.

There is much more detail on this question in the mark scheme.

Section B

Question No. 7

The most important thing for candidates to remember in Section B is that EVERY question is based on the context in the Resource Booklet. A fundamental problem with this question was the

large number (over 20%) of non-contextual answers (some of which had clear understanding and analysis) which could only be awarded a maximum of 1 mark.

Other answers, which usually gained no marks, were not specific to shareholders in a **large** business, or suggested that there was a higher risk of failure for a large business, thought that the shares would be less valuable or became side-tracked around the issue of the share price. The latter idea, that larger companies have a higher share price and smaller companies have a lower share price, can easily be corrected by using the share price listings page(s) from a newspaper when teaching this topic.

There were a good number of excellent answers to this question which usually focused on the likely low level of dividends per share or the level of influence which a shareholder may have on the business.

Question No. 8

This question about the usefulness of SWOT analysis was not answered at all well. Many candidates just repeated the strengths, weaknesses, opportunities and threats which CGP could assess, as a result of doing the SWOT analysis. Many spent too long just describing what they found in Extract D without saying how the SWOT analysis may be **used**. Other answers ignored the question's reference to SWOT as a marketing resource and proceeded to talk about the rising energy costs or strong management team. Generally, most answers either did not use the context, and so produced a purely theoretical answer (which could only gain 2 marks at most), or ignored how SWOT analysis could be used and just went through what CGP is good and bad at.

It would appear that centres need to put greater focus into their teaching of this topic on how SWOT analysis can be used rather than how to produce a SWOT analysis.

Question No. 9

The vast majority of candidates clearly had no idea how to calculate earnings per share or non-current assets turnover. The former was often confused with dividends per share, even though the figure for this was given in the Resource Booklet. Candidates also had problems with the magnitude of the numbers, even if they could remember the formulae. Centres must take notice of the mathematical skills which candidates need to be familiar with, contained in Annex 1 of the specification.

Centres should also be reminded of the accounting concepts, including the correct formulae for ratios and other financial indicators which need to be learnt, found on the OCR website, alongside many other useful resources to assist in delivering the specification. (http://www.ocr.org.uk/Images/295409-a-guide-to-the-financial-accounting-area-of-study-teacher-guide.pdf)

Question No. 10

This question about the financial and non-financial performance of CGP was reasonably well answered. There was probably a little too much focus on the financial issues in most candidates' answers although there was a reticence to calculate any ratios or to use any data from Question 9. There was also too much overlap in some answers with material that would have been better found in Questions 8 or 12. Some answers also became side-tracked, considering what CGP could do to solve any problems which had been identified.

Centres would be well advised to look carefully at the number of marks available for each AO skill in these longer tariff questions (see the last page or middle column of any mark scheme). There are only 4 marks for AO3 (analysis) and so answers which contain many separate measures of performance, however well analysed using the context, cannot score any more

marks. As a rule of thumb, two separate 'issues' (in this case, one financial and one non-financial) would be enough. This will then allow time for candidates to properly evaluate the issues (for which there are 7 AO4 marks available).

The better answers to this question, of which there were many, proceeded to tell the examiner what the evidence told us about CGP's performance and whether CGP was performing well or not. Some of the best evaluative comments considered whether CGP really was true to its CSR policy when you look at its gender breakdown in Extract E, which shows quite an imbalance at Board level relative to the rest of its employees. It was, however, surprising to only see a few answers which questioned the fact that only two years of data had been provided.

Question No. 11

As may be expected with the 'modern' teenager, this question about the 'digital revolution' was very well answered (although it was still a little surprising to find a small minority of candidates who did not appear to know what the term meant). As with the other 9-mark question (Question 8) many answers were overly long and tried to examine too many issues, considering the number of marks available both in total and for each AO.

Question No. 12

Generic answers were less of an issue here than on Question 7 (only around 10% of candidates). However, there were many good answers to this question (with over half of the candidates gaining full marks) about the benefits of having a CSR policy. Some, apparently good, answers gained little credit as they considered the benefit to employees or customers, rather than to CGP, as the question asked.

Question No. 13

Given the high profile of flexible working practices (and especially zero-hours contracts) in the media over the past 12 months, the examining team was surprised that this question was answered quite poorly by many. There was no evidence that candidates were running out of time. In fact, the problem with many answers was that they were overly long and lacked any real focus. Many answers rambled through a long list of stakeholders and explained how each, with no reference to the huge amount of context provided in Extracts F & G, would be positively or negatively affected by flexible working practices. These answers generally accounted for the more than 10% of candidates who gained no more than 2 marks.

There were some excellent answers which, for example, considered that the response from employees may depend on whether you were working at CGP as your main source of income or to top up other income as a student. Better answers also considered the benefits to customers for a business where customer service was listed as a key aim (and how flexible working allowed the business to respond to seasonal and unpredictable demand) and how, in such a competitive customer-facing market, this might be the only way to achieve the continued success shown by CGP. Better answers also recognised that the flexible working was part of a bigger 'package' offered to employees, making use of evidence from Extract F.

Summary points

- Centres need to be clear about the 'new' topics which are assessed in this specification.
- Candidates must make better use of the context in Section B answers. Centres are reminded that the skills of analysis and evaluation cannot be rewarded if they are not written in the context of the business in question.

- The four longer tariff questions have a relatively small number of AO1, AO2 & AO3 marks, so it is vital that better candidates spend enough time evaluating their answers to gain the larger number of AO4 marks available.
- Questions 1, 2, 5, 11 & 12 were answered best.
- Questions 4, 7, 8, 9 & 13 were answered least well.

H431/03 The global business environment

General Comments:

This was the first sitting of this paper which is based on a business in a global context – in this case British Airways (BA).

Most candidates interacted with the case material and used material from the resource booklet in their answers. One of the most important aspects of this qualification is the need to use context in the higher skills of analysis and evaluation. If a candidate does not use the resource material in their answers then analysis and evaluation marks will not be available and therefore centres should prepare candidates to read, understand and make good use of the context in their answers.

Some candidates kept re-using the same pieces of context in many of their answers. Whilst there is nothing wrong with this, it often gives an answer which has not been selective in the use of context and actually makes it more difficult to access analysis and evaluation marks. There was a wealth of data based on BA and by selecting the best data for each question it is easier to make good arguments and come to valid conclusions.

On the numerical questions, many candidates did not show the steps in their calculation in a logical and well thought out sequence. This is not a problem if the answer, on the answer line, is correct. However, when there is a mistake the examiner must try to find the steps that the candidate has made and award marks where possible. Candidates should make it as easy as possible for the reader to see what their line of thought was to gain as many marks as possible. This also includes making the end answer very clear in the answer line at the bottom of the working area.

Candidates were sometimes confused by the use of units in the Table 1 data. The data is clearly set out as to which is in millions and the production staff which is not. This led to some variations in what was considered a correct answer because of varying use of decimal places in the calculations. Again this is not a problem as long as the examiner can follow the stages of a calculation, but when this is unclear candidates are risking marks in the examination.

On the longer answer questions (Q3, Q4, Q5e, Q6 and Q7) the skills of knowledge, application, analysis and evaluation (evaluation only in Q's 4, 6 and 7) are all important and must all be demonstrated. This is one of the fundamental differences in how the legacy A-Level and the new A-Level are examined. There were examples of candidates who showed good evaluation skills but little analysis. Likewise there were answers which showed good analytical skills but no evaluation. Candidates must be prepared to show all three or four skills (where appropriate) in their answers. Centres should use sample and practice papers to guide them in the weighting of the different skills for these longer answer questions and emphasise the importance of showing the examiner all of the skills required.

Preparation Points for Centres

- Candidates must spend more time analysing and evaluating in context and less time repeating or quoting the case study or showing that they have a complete knowledge of the specification.
- 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 the full range of marks available in each of the skill areas.

- Candidates too often make a point and do not take it far enough. A chain of analysis is required for good analysis, so candidates need to show the full effect on the business. For example on Q3 where candidates would state that a reduction in tax might increase the revenue for BA from families. This leaves the examiner asking 'so what?'. A good answer goes further an develops this into a chain of argument showing the full effect on the business in terms of capacity, profits etc..
- There were many examples of candidates using a piece of isolated context and then using generic analysis based on this. Good uses of context pull together two or pieces of the data and are used through a chain of analysis.
- At the heart of evaluation is actually answering the question. Too many candidates provided analysed points to questions 4, 6 and 7 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 provided a justified evaluation.
- An answer is more coherent and convincing when there is good use of technical business language, business theory, sentences and paragraphs. Questions 4 and 6 are 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. Even in the six mark answers a good structure is essential to show a chain of thought/analysis.
- Centres should prepare candidates using more complex sets of numerical data. This can include data which is not used so that candidates can learn to be selective over what to use. If candidates have only practiced profit margins where they are given only the data needed then this is poor preparation for the examination and the real world of business.

Comments on Individual Questions:

Question 1
It was disappointing that many candidates could identify a diseconomy of scale but could not then explain it in terms of an increase in unit/average cost. This led to some overly long answers which still only gained a single mark on this question.
This question did not require any context to gain full marks. Although BA is mentioned in the stem of the question, the question itself refers to 'a business'. Therefore those candidates who spent time relating their diseconomy of scale to BA were not gaining any extra marks. Centres should prepare candidates for contextual and non-contextual questions.

Question 2
This question gave candidates a wide scope to identify many factors. Some of the possible answers were obvious (such as the fact that BA has customers in many countries) but the skill came from explaining how this enabled BA to become global. Many candidates did not gain the second mark for each factor because they did not go on and explain (the often obvious) reason why this enabled BA to become a global organisation.
A good example might be a candidate who recognised that the internet has enabled BA to become a global organisation, but then did not go on to explain that the internet would allow customers in many countries to easily purchase tickets to fly with BA therefore making it global.

Question 3
There was some misunderstanding over how taxation works, especially an indirect tax such as Air Passenger Duty (APD). Too many candidates thought a reduction in APD would reduce the profit margin for BA and could have a detrimental effect, therefore on BA.
However many candidates recognised the positive effect on revenue that the abolishment could have and it was especially pleasing to see candidates relating this to more families flying. There are significant marks available for analysis on this question and a good candidate would be expected to take their analysis further than basic effects/reactions. A good route to full marks

was to realise that all airlines (not just BA) would benefit from this, therefore there may be no significant change to the demand for BAs flights.

Alternatively candidates could take their analysis further than just an increase in revenue and profits and suggest that BA might want to invest in marketing to target families and/or an increase in capacity to cover the expected increase in quantity demanded.

Question 4

The focus of this question was on **why** BA use change management, not how the business should manage change. Candidates who spent the majority of their time telling the examiner about how BA should manage their changes were unlikely to access analysis or evaluation marks.

Some candidates made good use of the change management theorists in their answers. These were a useful way into analysis and evaluation, but when too much time was spent explaining the theories then candidates often ran out of steam before actually answering the question. Analysis should have focussed on the benefits and costs of managing change to BA, with evaluation of the importance to BA. Most successful candidates showed evaluation skills within each argument that they made and then came to an overall judgement about the importance to BA at the end of the answer.

Some candidates ignored the need to evaluate in their answer and missed out on a significant number of marks. 8 out of the 20 marks available in this question are for evaluation, so this skill must be demonstrated throughout the answer.

Question 5a

Candidates who had a good understanding of productivity made quick work of this question and many answers gained full marks. However a significant number of responses showed little knowledge of productivity and tried to use many different combinations of figures to obtain a relevant answer.

Centres should practice questions where a variety of data is given to candidates and there must be some selectivity over which figures to use. Often resources focus on a particular skill, giving only the necessary figures that a candidate might need. However the skill of being able to take a large amount of numerical data and choose the relevant sections is essential to the real world of business and this examination.

Question 5b

Profit margin was a reasonably well understood concept. The main issue for candidates was confusion over revenue and costs of sales. Those candidates who had practiced this type of calculation may have simply looked for the word 'sales' and used this as a basis for calculating the net profit margin. Again this shows the need for using a variety of pieces of data so that candidates can prepare for larger tables of data.

Question 5c

Time series analysis and moving averages were generally well understood. Most candidates were able to pick the relevant data and find the average. Those who did not achieve full marks often forgot to divide by 3, or did not read the question fully and tried to average a much larger set of data from the table.

Question 5d

Again this was a reasonably well understood concept and candidates managed to calculate the correct cyclical variations and use these to find an average. Where mistakes were made it was often in simple addition or what was obviously a wrong button pressed on a calculator. Centres should encourage candidates to check their answers before committing to an overall answer, especially where the answer makes little common sense.

Question 5e

The focus of this question was ZLL, not BA and some candidates did not fully read the question. This may have hampered the use of context and without context the maximum marks on this

question was 2 out of 6. The data in Table 2 related to air traffic and good candidates made the link between ZLL, which supplies food to airlines, and a growing market for air travel.
This ability to look at data and apply it to an unfamiliar situation is very important in this examination and the skill of being able to use an unseen case study with significant pieces of numerical data is essential.

Question 6
Most candidates could identify external influences which might affect BA. The most obvious route through this question was to look at two external influences, in context, analyse the likely effect on the marketing of BA and then to make a judgement over the influence which is likely to most affect BA.
The difficulty that many candidates faced was not fully reading the question. The focus of the analysis had to be the effect on BA's ability to develop a marketing strategy, not just the effect of the external influence on BA. This led to some answers which showed analysis and evaluation, but did not actually answer the question.
For those candidates who did relate their answer to BA's ability to develop a marketing strategy, this was a relatively straightforward question to answer with some nice use of context in the analytical and evaluative points made.

Question 7
This was the final question of the examination but there did not seem to be much evidence of candidates running out of time.
This was not just a question about stakeholders, but about how stakeholders might judge the success of BA. Some candidates struggle to match together these two aspects of the question. Some candidates focussed only on whether BA is a successful organisation with little or no consideration of the stakeholders' perspectives. Other answers focussed merely on the various interests of different stakeholders with little consideration of success criteria.
A good answer was one which analysed and evaluated at least two stakeholders of BA and their differing points of view on the success of the business. Evaluation was made easier by choosing stakeholders with differing opinions. For example managers and owners are likely to share very similar views on the success of BA, whereas evaluation becomes easier when looking at owners and customers who may have very different opinions.
Weaker answers spent far too long going through many stakeholders and explaining their interest in the business. If a candidate is trying to analyse and evaluate more than 3 or 4 stakeholders then they are not showing any selectivity and are likely to run out of time to fully analyse and evaluate and, most importantly, answer the question.