

## AS LEVEL

*Examiners' report*

# **BUSINESS**

**H031**

For first teaching in 2015

## **H031/01 Summer 2019 series**

Version 1

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## Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

## Paper 1 series overview

Teachers appear to have used OCR resources (including last year's paper) to good effect to help to prepare candidates for this examination. Those candidates who had been fully prepared for this examination generally performed well.

### ***Key point call out***

Preparation for this examination needs to include practice at answering multiple-choice questions and scenario-based questions.

When practising multiple-choice questions, it is important to develop the skills of time management (to make sure sufficient time is left to complete the rest of the examination paper) and include plenty of practice for numerical questions (including calculation and numerical interpretation). Candidates should be encouraged to make a selection for every multiple-choice question. Although the omit rate was low, it was still disappointing to see some candidates leaving a multiple-choice question entirely blank. In addition, this series there have been several instances of candidates ticking two boxes, such hedging cannot be awarded. Extreme care should be taken by candidates when changing their mind as to an answer, the original tick needs to be clearly crossed out.

It is important to remind candidates that Section B questions which include the name of the business in their wording should be answered contextually. It is important that the resource booklet is read very carefully by the candidate and used as appropriate when answering the questions. The resource booklet will include details about a specific business, in this case Siemens, and gives candidates valuable information on which to base many of their answers. This should allow candidates to apply their answers, enabling them to access the higher marks on the paper. The ability to analyse (consider the impacts or consequences) and the ability to evaluate (make a judgement with justification) also needs to be developed through regular practice in order to best answer the 12 and 20 mark questions.

The range of questions presented on this year's examination paper gave candidates of all abilities the opportunity to demonstrate their understanding. The vast majority of the scripts showed that the candidate had, at least, attempted to answer all of the questions set, with a consequent very low question omit rate on the whole paper (with the exception of question 18). The questions addressed a wide range of topics taken from the specification and were a true test of a candidate's ability to apply their knowledge and understanding of business. The higher tariff, 12 and 20 mark questions, gave higher ability candidates the opportunity to fully demonstrate their understanding using contextual application, analysis and evaluation.

## Section A overview

The majority of multiple-choice questions were well answered. In addition, there was a marked improvement this series in the ability of candidates to answer the numerical multiple-choice questions in this section. Only one numerical question appeared to cause difficulty (question 10); other multiple-choice questions that were answered less well were questions 1, 5 and 9.

### Question 1

1 Which of the following is **not** a form of employee participation?

(a) Division of labour

(b) Industrial democracy

(c) Quality control

(d) Work councils

[1]

This question had the greatest proportion of incorrect answers. The most common, but incorrect answer, was (c), Quality control. Perhaps this was because it was the first question on the paper and candidates were still settling down. On the other hand, given the nature of the question, it may suggest that this area of the specification needs greater emphasis, especially when revising.

### Question 5

5 A UK company has set an objective to expand sales to the global market.

This is an example of:

(a) a departmental objective

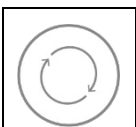
(b) an operational objective

(c) a strategic objective

(d) a tactical objective

[1]

The correct answer to this question is (c). The objective is strategic because it is a long-term goal that will affect the entire company. Candidate responses were split almost equally between the four options. This shows a general lack of understanding of the distinction between different types of objectives, or possibly the ability to apply that understanding to specific examples.



**AfL**

Centres are advised to give candidates plenty of practice at classifying different objectives. This could be done on a frequent basis as part of a lesson starter or plenary.

## Question 9

9 Which of the following might be a barrier to a firm exiting a market?

- (a) Branding
- (b) Sunk costs
- (c) Tariffs and quotas
- (d) Trade restrictions

[1]

The most common, but incorrect, answer to this question was (d), Trade restrictions. This seems to indicate some confusion between international trade and firms exiting a market. In addition, it may be that many candidates are not familiar with the term 'sunk costs'.

## Question 10

10 Prowess Ltd makes sports equipment. In 2018, its ordinary share capital was £110 000 and its non-current liabilities were £230 000. Its profit for the year was £20 000.

Prowess Ltd's return on equity in 2018 was approximately:

- (a) 5.9%
- (b) 8.7%
- (c) 18.2%
- (d) 47.8%

[1]

As mentioned above, this question was the only numerical multiple-choice question that seemed to cause difficulty. The most common, but incorrect answer was (a), 5.9%. This suggests confusion between return on equity and return on capital employed. The formula for return on equity is profit for the year divided by shareholder's equity. Shareholder's equity does not include non-current liabilities. Please see the published mark scheme for further information.

## Section B overview

Candidates should use the information provided in the resource booklet when answering the questions in Section B.

### Key point call out

Questions in Section B that contain the name of the business (in this case Siemens) need to be answered contextually.

Candidates should be encouraged to check whether the name of the business is given in the question before writing their response; in many questions failure to give an applied or contextually appropriate answer will limit the number of marks that the examiner can award. This is especially true for the two extended response questions on the paper where a generic answer would be limited to a maximum of two marks out of an available 12 or 20.

### Question 16

16 Identify **two** sources of finance which Siemens may have used when building the new factory in Hull.

1 .....

.....

2 .....

.....

[2]

This question was well answered. Most candidates were able to suggest at least one appropriate source of finance for Siemens.

Where marks could not be given it was invariably because the source of finance suggested was not suitable for the purpose (i.e. for building a new factory). For example, an overdraft or credit card would be unlikely to stretch to £310 million and would certainly not be a long-term source of finance.

### Question 17

17 Identify **one** possible problem caused by Siemens choosing to install the latest technology in the new factory.

.....

..... [1]

This question was extremely well answered, perhaps because the use of the latest technology is part of the candidates' real-life experience. Many suggestions were offered but by far the most common related to the initial purchase cost, ongoing maintenance costs and the need for training.

### Question 18

18 Explain **two** benefits to a business of using lean production methods.

1 .....

.....

.....

.....

.....

2 .....

.....

.....

.....

[4]

This question was testing understanding of the benefits of lean production. Responses were often vague or inaccurate. Many candidates jumped straight to 'more profit' with no link to lean production methods, such answers could not be rewarded. In addition, this question had the greatest number of blank responses of any question on the paper; this suggests insufficient coverage of this topic.

Examiners were looking for some explicit knowledge of lean production methods coupled with what benefit this brings to a business. For example, 'using just in time stock control would reduce storage costs' or 'minimising wastage should improve profit margins', etc. Please see the two exemplars below.

#### Exemplar 1

1 one benefit of lean production is that the employees will be more motivated to work as they know specifically what they're doing

2 Another benefit of lean production is that the business's workforce will become more productive.

[4]

This is an example of a response that could not be rewarded because the answers are either inaccurate or vague.

The first response given is inaccurate, there is no direct link between lean production and motivation. And, even if there was, the benefit to the business is not stated.

The second response is better, there is a clear link between lean production and productivity, but the answer is too vague to award because there is no explanation of why lean production would make them more productive.



Exemplar 2

1 one benefit of using lean production is that they have low wastage. This means that they can use all resources and reduces the costs to the business if goods are especially perishable.

2 Another benefit is <sup>low storage rates</sup> economies of ~~scale~~. This is because less money products are needed to be stored, so they can use the money saved from a smaller storage area on other vital aspects [4]

This exemplar is closer to what the examiner is looking for. Although a little repetitive, it was given full marks.

The first response shows understanding that lean production reduces wastage leading to reduced cost. The second response shows understanding of the financial benefits of needing less storage.

Question 19

19 Calculate the percentage change in employment levels in Hull from June 2016 to June 2017.

.....

.....


.....


.....

Answer ..... [2]

This was generally well answered with most candidates being able to make a decent attempt at calculating the percentage change.

Where full marks were not achieved, candidates invariably managed to calculate the absolute change i.e. 4000 workers, but then divided this by 117,500 rather than 113,500.

	<p><b>AfL</b></p>	<p>Centres are advised to give candidates plenty of practice at calculating percentage change, preferably revisiting such calculations frequently using data from different areas of the specification. Close attention should be paid as to whether the candidate is using the correct divisor i.e. the <b>original</b> value.</p>
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	<b>Misconception</b>	A common misunderstanding by candidates is that when calculating percentage change the absolute difference should be divided by the new value. This is not the case; the denominator should always be the <b>original</b> value.
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### Question 20 (a)

20 (a)\* Evaluate the effectiveness of the selection methods used by Siemens when recruiting the workforce for the Hull factory. [12]

The key to getting good marks on this question was to answer it contextually. The question does not ask for an academic debate on a range of selection methods, rather it asks for a judgement of the effectiveness of the specific selection methods used by Siemens.

Extract C of the resource booklet clearly bullets Siemens' selection process. Examiners were looking for a discussion of the advantages and disadvantages to the business of using one of more of the following: face to face interviews, practical tests involving basic tools, online questionnaires, physical test of wellbeing, and a team task. Preferably followed by an overall judgement of the effectiveness of Siemens' selection process.

Those who did well on this question focused on no more than two selection methods that Siemens uses and analysed the advantages and disadvantages of using these methods. For example, a face to face interview allows Siemens' to gain an insight into personality and motivation but is time consuming and expensive and cannot assess whether the candidate actually has the skills to do the job.

### Question 20 (b)

(b) Explain **one** benefit to Siemens of offering a 'competitive reward package' (Line 42) for employees at the Hull factory.

.....

.....

.....

..... [2]

The vast majority of candidates gained one mark for this question. The most common correct answers related to increased motivation, improved retention and a wider pool of applicants. To gain full marks the answer needed to be applied to Siemens, since the question asks for a benefit to Siemens (rather than to any business). For example, 'Offering a competitive reward package would lead to employees working harder, increasing the number of wind turbines produced', this response would be given the full two marks because it is answered contextually.

On the rare occasion were a candidate did not score any marks, the error was invariably to give a benefit to the employee or applicant rather than to the business. Answers such as 'feeling happier' or, better, 'increased job satisfaction' could not be rewarded.

**Key point call out**

When answering questions about benefits/drawbacks care needs to be taken to make sure the benefit/drawback is given from the correct perspective i.e. the benefit/drawback to whom? The vast majority of questions will require a benefit/drawback to the business (as an organisation) but occasionally it may be to one of its stakeholders (e.g. employees, customers, suppliers, etc).

**Question 21**

21 Explain what is meant by the term 'market share'.

.....

.....

.....

..... [2]

Despite appearing to be a relatively simple question, a myriad of incorrect answers were seen. These ranged from confusion with shareholders' funds and share issues, to sharing out profit, to sharing the market with competitors.

Some candidates who appeared to understand the concept had difficulty putting it into words. It should be noted that the examiner cannot award the word 'share' as part of an explanation on the meaning of the term 'market share', because the word used for explanation is one of the words within the term itself. For this reason, answers such as 'the share of the market a business has' were too vague to be rewarded.

The examiner was looking for a technically accurate answer for full marks. Answers that gave partial, but not incorrect answers, were given one of the two available marks. Please see the following examples for further clarification.

**Exemplar 3**

Market share is an amount  
of a certain market  
that a business holds.

..... [2]

The response from this candidate clearly shows that they have some understanding of the meaning of the term 'market share'; however, the term 'amount' is not technically accurate because market share is measured as a proportion (be that a percentage, ratio or fraction). One mark was given, for a partially correct answer.

Exemplar 4

Market share is the percentage of the market that a business occupies or has. This shows how ~~profit~~ <sup>strong or powerful</sup> popular a business may be within a market. [2]

This exemplar is just what the examiner is looking for. The response has gained full marks by the end of the first sentence.

Question 22

22\* Businesses use investment appraisal techniques to help make decisions.


Evaluate how useful these techniques may have been for Siemens when deciding to build the factory in Hull. [20]

This was the highest tariff question on the paper. Marks for this question are given for knowledge (maximum 2 marks), application (2 marks), analysis (8 marks) and evaluation (8 marks). Answering in context is crucial to gaining more than two marks.

Those candidates who were able to identify a specific investment appraisal technique e.g. payback period, average rate or return, net present value, etc. and gave a contextual answer, were well rewarded. Many candidates however appeared to confuse investment appraisal techniques with something more vague i.e. general decision-making criteria. Such answers discussed the degree of risk or the economic situation in Hull without making reference to any specific investment appraisal techniques. Such answers could not be rewarded.

For analysis examiners were looking for the advantages and disadvantages of using the various investment appraisal methods. Some of those who attempted this did extremely well; others confused the methods, for example incorrectly stating that Average Rate of Return (ARR) accounts for changes in the value of money or that Net Present Value (NPV) tells you when the cost of the initial investment will be recouped.

To score high marks for evaluation candidates needed to make an overall judgement as to the usefulness of investment appraisal techniques to Siemens. Those whose explanation was detailed and contextual were liberally rewarded.

	<p><b>Misconception</b></p>	<p>Many candidates are suggesting that the payback period calculates how long it will take to pay back a loan. This is incorrect and shows a total misunderstanding of investment appraisal. The payback period calculates how long it will take to recoup an original investment and, therefore, how soon any profit could be made on that investment.</p>
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