



**GCE**

**Applied Business**

Advanced GCE **A2 H426/H626**

Advanced Subsidiary GCE **AS H026/H226**

**OCR Report to Centres June 2015**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

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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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## F242 Understanding the Business Environment

Talesofgems.com is a somewhat unusual business scenario which is based on a real business. Due to the slightly different way the business operates, the case study contains details of how the business carries out its sales and how it generates revenue. It was evident from most candidates' responses that the case study had been well understood and that most candidates were well prepared for the exam as a result.

As evident from some candidates' responses to questions 1(d), 2 and 5(b), there is an urgent need to ensure that questions are fully understood before attempts are made to answer them. It is good practice for candidates to keep referring to the questions while writing their responses, to ensure that they are actually answering the questions. It is a waste of time to go beyond the scope of the question, as was seen in some responses to question 3b where some candidates discussed suitable sources of finance for leasing equipment instead of focussing their discussion on funding the new shop frontage and decoration.

The performance on break-even analysis was generally disappointing, with a large number of candidates being unable to draw a break-even chart. The lack of equipment such as a ruler has cost some candidates accuracy marks. Calculation of break-even points was marginally better, even though weaker candidates seemed to be confused by the share of the fixed costs. However, it was pleasing that the majority of candidates showed their workings and made sure that formulas were written clearly. This good practice should be encouraged and continued.

1(a) Whilst it would appear that the majority of candidates understood the consequences of not keeping accurate financial records, many responses were too vague for any marks to be awarded. The mark scheme requires a specific financial record to be identified before marks can be awarded. This question is therefore best answered using examples. It was pleasing that a good number of candidates understood that it is a legal obligation for businesses to keep their financial records accurately.

1(b) Most candidates understood that spreadsheets are primarily used for keeping financial records because formulas could be used to carry out calculations. Good examples of how databases could be used in a business were described, showing good understanding of the difference between these two pieces of software.

1(c) It was evident that the majority of candidates did not know the features of an accounts package or how it could be used. By contrast, most candidates could describe the features offered by word-processing programmes and how these could be used to improve presentation.

1(d) This question tests candidates' understanding of the benefits of using IT for external communication. As such, a general analysis of the benefits of using IT, e.g. ease of editing, storage capacity, e-commerce, was not acceptable. It was evident that a good number of candidates had misinterpreted the rubric. For candidates who interpreted the question accurately the challenge was to include context in their answers. Using IT for external communication is vitally important for the success of Laura's business and there are numerous examples candidates could have used in the case study.

2 This question specifically asks candidates to carry out a SWOT analysis on talesofgems.com's current position. The case study provided ample examples of the four elements of SWOT and the majority of candidates performed well on at least three of the four elements. Only the more able candidates understood, however, that opportunities are external factors beyond a business's control so therefore 'Laura could expand' is not an opportunity as it is a decision that she can make for her business. Some candidates failed to read the question accurately and analysed Precious Pips instead.

3(a) Generally answered well by most candidates who could give good examples of both short-term and long-term sources of finance. Bank loans could be both short-term or long-term but they are generally considered as long-term. In view of this, if bank loans were identified as a short-term source

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of finance then the term of a loan of less than one year has to be stated clearly for a mark to be awarded. This applies to hire-purchase and leasing, which are generally taken to be short-term; the term of more than one year has to be stated clearly for these sources of finance to be accepted as long-term.

3(b) The most common mistake that candidates made was the suggestion of a mortgage. The question specifically states that the sum of £20 000 is required for the new shop frontage and decoration, not for the purchase of the premises. Therefore, mortgage would not be an appropriate source of finance for this purpose. Some candidates suggested using hire-purchase or leasing for the new equipment; whilst these are perfectly acceptable answers, no marks were awarded as the question is about funding for the new shop frontage and decoration only. Candidates are reminded to read the question carefully and to refer to it constantly to make sure that they do not waste time writing an answer that is not required. Some candidates suggested retained profit, which shows that more care needs to be taken while reading the question.

4(a) It was evident that the majority of candidates did not know how to draw a break-even chart. Some responses suggested that candidates did not even know the lines that should be drawn on a break-even chart. Overall, it was a very disappointing performance. Candidates are reminded to equip themselves adequately for this exam - including a ruler.

4(b) This question demonstrates how break-even analysis can be used as a modelling tool. However, in order to work out the break-even points accurately, candidates were required to work out Pippa's share of the fixed costs of £8 000. Candidates who failed to work this out were offered marks if they showed good understanding of how break-even point is calculated using their own figures. It is, therefore, a good idea to show workings.

4(c) A typical question for this paper, it tests candidates' understanding of how external factors could impact on the success of a business. It was very well answered by a good number of candidates who were able to apply their knowledge to the case study, including good use of the information contained in the appendices. However, level four proved to be problematic, with only the more able candidates identifying the factor that would have the most impact on the business. Candidates are reminded that context should be used in their conclusion for marks to be awarded. A small proportion of candidates discussed internal factors; this could be either because they did not read the question properly or because they were not able to distinguish the difference between internal and external factors.

5(a) Candidates generally performed well on this question, showing the distinction between legal and ethical responsibilities. Examples are rewarded in this part of the question.

5(b) A good number of candidates misinterpreted this question and described two ways in which Precious Pips could operate ethically. This question requires candidates to describe two benefits of operating ethically, e.g. improved reputation, increased customer base, etc.

5(c) This question differentiated well, with a good proportion of candidates demonstrating good understanding of how pressure groups could persuade businesses to act more ethically. Weaker candidates, however, lost marks for not describing clearly methods that could be used by pressure groups, such as protest, boycott, etc.

6(a) Judging from the responses, the majority of candidates did not understand the purpose of drawing up a deed of partnership and consequently found it difficult to explain the consequences of not having one. Most candidates described the consequence of not having roles and responsibilities clearly stated on a deed of partnership gaining two marks. Only a small number of candidates described the fact that profit will be split equally amongst the partners without a deed of partnership, and in some cases this is unfair, leading to conflict.

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6(b) It was clear from the majority of responses that most candidates were well prepared for this question, as the issue of a suitable type of ownership was flagged up in the case study. The main challenge for most candidates was to write the response in context which the weaker ones failed to do. As a consequence, their responses remained at level one. The case study contains ample examples that candidates could use including the different skills and knowledge that Laura and Pippa could bring to the partnership. Some excellent analysis was seen from the more able candidates, who realized that Laura and Pippa could actually work together even though they are not partners; however, the splitting of the costs of sharing the premises could cause conflict if they were to remain sole traders. Candidates are reminded that they should include context in their conclusions for level four to be awarded.

## F243 The Impact of Customer Service

### General Comments:

The paper was accessible to all candidates taking the examination. It is clear that Centres are preparing candidates well in most cases for the examination, as most were able to refer to the issues and themes in this syllabus with general clarity. The mark scheme identifies characteristics of successful responses.

The case study being based on a dental practice enabled most candidates to reference to the practice, booking of appointments, etc., which enabled them to access the context necessary to secure application, analysis and evaluation. For some however, there is still a clear opportunity to secure the higher marks by systematically answering in context. Centres are reminded to refer to previous mark schemes which show the progression through the levels on extended questions, supported by related context.

Most candidates finished the paper, providing answers to all questions. There is still an opportunity for some candidates to complete the levelled longer questions, which are in some cases left unanswered.

Given the length of this paper, Centres are advised to prepare candidates for extended hand written responses, to support the clarity and stamina needed to complete a written examination. Some responses were well written and handwriting was not an issue; for the majority, however, this was not the case and some responses were difficult to read.

Attention to the detail associated with legislation titles and the explanation of legislation is improving. This said, Centres may wish to pay particular attention the Health and Safety at Work Act, as it still often being referred to more loosely, with a vague description.

### Comments on Individual Questions:

#### Question No.

1(a)

Generally well answered, with a clear understanding of what a customer is, candidates often referring to both the receipt of products and services.

1(b)

Generally well answered; however in some cases candidates duplicated their responses. Good answers to this question identified a range of benefits with specific development.

1(c)

Most candidates identified four specific customer groups from the case to achieve the maximum mark, but some were too vague, offering general public as a response. Candidates are advised to be as specific as possible.

1(cii)

In a similar manner to (ci), this question was generally well answered with examples taken from the case.

1(d)

Generally well answered with candidates referring well to the case, which secured the marks awarded.

2(a)

To secure the higher marks for this question, candidates needed to write in context and develop the answer with balanced analysis and evaluation. Often responses did not include the evaluative comments needed to respond to the question fully.

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2(b)

To be awarded higher marks in this question, candidates should have a clear focus for each identification point they wanted to make, checking to avoid duplication.

2(c)

Some candidates answered correctly but some missed marks by referring to other forms of research method, such as focus group, and not to types of questionnaire. Centres are advised to remind candidates to read the question closely and check on the exact nature of the question asked.

3(a)

This question tested the candidates' ability to suggest criteria for assessment and was generally not well answered. Centres would be advised to revise this area of study, as it appears to be an area for further development for most candidates. As with some of the other listed identification questions, the responses to this question suffered from duplication. Centres are advised to remind candidates to check any listed response for repetition.

3(b)

Most candidates were able to identify issues relating to the use of a suggestion box in the case, in response to the question, and to answer in context. However, they appeared to struggle with the evaluative element of the response. Guidance is advised for all candidates prior to the examination, on the progression through the levels to level 4. The mark scheme provides a clear of example of how this can be achieved.

4(a)

Many of the responses to this levelled question provided clear analysis in context, if rather extreme, without qualification, referring to almost immediate bankruptcy and closure. Good answers were more measured and realistic, focusing on reputation being lost and the opportunity cost of time taken to deal with the issue for a small owner managed business.

5(a)

Often well answered, good responses often contained a well-developed point with 2 explanation points to secure the full mark.

5(b)

A range of answers to this question highlighted the issue of the candidates reading the question and having a clear idea of what was being asked.

5(c)

Some candidates had a clear idea of the organisations offering advice. Some referred to how a complaint should be processed with FDP, possibly a result of not reading the question. Good responses contained reference to The General Dental Council and the British Dental Association.

5(d)

Often well answered, but many responses to this question contained repetition. Good responses made a clear distinction between the identifications and avoided duplication.

5(e)

Nearly all scripts completed this question, which is in keeping with the observed trend of this question being attempted. The nature of the question this year enabled most students to reach level 2, as they referred in context to the contribution made. More successful respondents took this application and analysed in context, developing this further, through to evaluation of the individual's contribution to commercial success.



# Moderation Report on A/S Units

## General Comments:

The majority of centres which submitted work for this moderation session followed OCR procedures, adhered to set deadlines and accurately completed documentation which enabled the moderation process to progress smoothly. Centres do need to note that when entering candidates for the qualification using the code 01 this means that the centre is going to submit its work via OCR Repository. The code 02 is for postal moderation only.

Most centres adhered to the 15<sup>th</sup> May deadline for the receipt of marks to OCR and the allocated Moderator. Centres were generally also aware that for entries of ten candidates or fewer the portfolios of all of the candidates should be sent straight to the Moderator with copies of the marks. If a centre has more than ten candidates, the sample request sent via email from OCR must be responded to within **three** days from receipt of the email. Requests for a sample are emailed to the centre's registered email address.

Centres must ensure that all sections of the Unit Recording Sheet have been completed accurately, including the correct total marks for the unit, candidate number and centre number, teacher comments and the location of evidence, in order to facilitate the moderation process. Centres must also ensure the marks submitted to OCR, for example on the MS1 form, match the marks on the Unit Recording Sheet for each candidate and each unit. Clerical errors were also evident this series and this does slow the moderation process down significantly.

## Assessment

Many Assessors demonstrated good practice by annotating candidate work with assessment criteria references and by giving clear and constructive written feedback. The teacher comments section of the Unit Recording Sheet enabled Assessors to justify the marks awarded for each assessment objective. It was helpful when page numbers were included within the location section of the Unit Recording Sheet. Some Assessors failed to provide written comments or to annotate candidate work. In these circumstances it was not clear to the Moderator how assessment decisions had been made. Without this information it becomes more difficult for the Moderator to confirm the marks awarded to the candidates.

Where assignments had been used, it was most helpful for copies to be submitted with the actual work. This gave a clear indication of the tasks which were given to candidates.

It is a requirement of the specification that a Centre Authentication Form for Coursework (CCS160) be signed by the Assessor(s) and should accompany each unit submitted. Possible plagiarism is becoming an increasing problem and centres must be on the lookout for work which has been copied straight from the Internet prior to submission for moderation.

Some candidates had produced detailed bibliographies, which is excellent practice. Centres need to ensure that any material used from the Internet is correctly attributed. Where material is taken directly from a source, candidates must supplement it with their own explanation, demonstrating their understanding. It is surprising how many candidates cut and paste diagrams and pictures from the Internet (Boston Matrix, product life cycle, Maslow's hierarchy of needs, etc.) without sourcing the evidence. Where candidate work contains inaccuracies, Assessors should annotate the work to this effect, thus enhancing the candidate's own learning. This also indicates to the Moderator that the work has actually been assessed accurately.

Assessors are reminded that they should make direct reference to the unit specifications when writing assignments and seeking clarification of the type of evidence candidates' are required to include within their portfolios. When assessing candidates' work, Assessors should make reference to two documents

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– one, the performance descriptors which are found on pages 109-110 of the specification; and, two, the assessment objective amplification grids which are located on pages 112-122 of the specification.

It was also noted that those centres which had followed the assignments written by OCR had, on the whole, been able to better structure their candidates' work, enabling them to access the higher grades. The teaching and learning support materials can be downloaded from the website.

There were low entries this series for the double award AS units. Centres are, therefore, advised to refer to the Principal Moderators' report from the June 2012 examination series for information relating to units not detailed in this report. This report is available on the OCR website. In addition, centres which submitted marks for moderation this series are advised to read their individual moderation reports available from OCR Interchange.

**Comments on Individual Units :****F240: Unit 1 Creating a Marketing Proposal**

The banner of the assessment evidence grid requires candidates to produce a marketing proposal to launch a new product or service. Some candidates are still failing to choose suitable products and are often merely trying to re-launch an established product. This ultimately results in candidates only changing, at best, two parts of an already established marketing mix. In some cases the product was actually currently available and the only modifications being specified were a new colour. Centres should check the suitability of candidates' proposed new products/services prior to them completing their initial research. This should help prevent candidates selecting products which are (a) unsuitable or (b) already available on the market.

Centres should also note that candidates **are not** required to **develop a brand new product**. If they do, it makes their research very difficult. For example, candidates are often asking respondents if they would buy a product, e.g. a 'new ice cream' when, in fact, respondents would have no idea what it would actually look or taste like. It is much better if candidates select a product which is already available but not sold by their selected business. It could be a form of diversification.

Assessors are also required to use the witness statement supplied within the OCR specifications to justify the marks awarded for AO2. This is now located on pages 140-141 of the specification.

The banner states that candidates are required to investigate a medium to large sized business. However, it was noted that the majority of candidates in previous moderation sessions had focused on small/medium sized businesses which were locally based. This enabled them to conduct relevant research which was used to good advantage throughout their delivery of AO2. These candidates also found it easier to develop their judgements as to the likely success of their marketing proposal.

On reflection, it is now felt that candidates could extend their investigations into smaller local businesses, as long as they are able to gain sufficient information in order to meet all the assessment objectives.

### Assessment Objective One

This section, on the whole, was covered well by the majority of candidates sampled. Assessors must remember that this section does not need to be related directly to the selected business and mark band 3 marks can be achieved by the candidate who produces purely theoretical coverage which is considered to be clear and comprehensive. Candidates should be encouraged to use generic examples to help demonstrate breadth and depth of coverage of each section.

The candidates sampled this series were on occasions struggling to explain in depth how each functional area supports marketing. Centres should note that candidates are not required to explain the specific role of each functional area; the focus must be on how the functional area supports marketing activity. Centres must also avoid candidates discussing how functional areas work together. Candidates often found the use of a 'made up' scenario (for example, the selected business is just about to launch a new product) helped them demonstrate a clear and comprehensive understanding of this section.

Candidates do appear to struggle with the concept of marketing objectives. Coverage of this section was often muddled with the general aims and objectives of a business. Candidates often explain the aims and objectives of their selected businesses under the heading of marketing objectives – which frequently they are not.

Candidates need to demonstrate that they understand that marketing objectives are one of the techniques a business will use to achieve its overall aims. For example, the overall aim of a business might be to increase profit by 6% over the next six months. The marketing department would then be set the objective of running an advertising campaign during, say, July and August in order to increase repeat custom for product X by 5%. Alongside this the production department would be set the objective of reducing wastage by 3% throughout the next six months. Both of these objectives would ultimately help the business achieve its initial aim of increasing profit by 6%.

The marketing mix was often covered in detail and fully explained, with candidates demonstrating a clear and comprehensive understanding of this section of the assessment objective.

Candidates should be encouraged to use generic examples to demonstrate a clear and comprehensive understanding, allowing them easier access to mark band 3.

### Assessment Objective Two

Candidates must include their presentation slides, prompt cards and, where appropriate, the notes used to accompany the presentation. As mentioned above, Assessors are required to complete the witness statement supplied by OCR. The more detailed this evidence is, the easier it is for the Moderator to agree the centre's marks. Some candidates' portfolios do not contain a witness statement or any other evidence to indicate that the presentation has actually taken place. It then becomes impossible for Moderators to agree the marks awarded for this assessment objective.

In order to achieve mark band 3, candidates' evidence must be clearly targeted to their selected customer and every section of their marketing proposal must be fully substantiated from **both** primary and secondary research.

Within their presentations, candidates must clearly state what their selected product is, how they will promote it, where they will sell it, and what price they will charge for it. These decisions must be supported by **primary and secondary research**. A lot of candidates lost marks because they merely stated what they 'might' do with no reference back to the research undertaken. (An example would be: 'I will charge 30-50p for my product'. The candidate here has failed to state a specific price and gives no clear indication of how or why they have come to such a decision.) Candidates are also required to **change** at least **three** parts of the marketing mix if they decide to develop a product which already has an established marketing mix. Centres must remind candidates to fully research their proposed methods of promotion. For example, if the candidate wishes to promote their new product in a

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magazine, the candidate must state which one. Their decision should relate to who the target audience is for the magazine and also the readership numbers and, where possible, a link between potential costs and budget available.

Candidates should not be awarded mark band three unless they have supported at least three parts of the marketing mix with both primary and secondary research. A thorough investigation into the competition is a good way of gaining further research,

A problem seen this series was that some centres had awarded candidates mark band 3 marks with the decision being supported by an extremely detailed witness statement. The witness statement implied each part of the marketing mix had been supported by both primary and secondary research. Upon further investigation into the candidates' work, however, there was no evidence of this research in AO3 and the candidate's evidence to support the presentation also lacked this information. It then becomes very difficult for the Moderator to agree the marks awarded by the centre.

### **Assessment Objective Three**

This assessment objective had a number of inherent problems. Candidates often failed to collect their primary research from the correct target audience. If the new product is aimed at people over the age of 19, the majority of the candidate's primary research should **not** be conducted within the 16-19 age range. Another problem was candidates who had collected vast amounts of secondary research which they then failed to analyse or use.

When analysing their data, candidates must make reference to the section 'Research in a market' on pages 15-16 of the specification. This clearly sets out the techniques candidates are expected to use in order to complete their statistical analysis. Particular attention is drawn to the fact that candidates are required to use the marketing tools SWOT and PEST. These should be used to draw together the candidate's research and focus on the new product/service not the business. Centres should also note that the Boston Matrix, Ansoff's Matrix and the product life cycle are **not** requirements of this unit and as such do not attract marks.

Too often candidates' analysis simply included the production of pie charts and graphs through computer software, and then a simple explanation which consisted of the terms 'the majority', 'most people', etc. This type of evidence can, at best, achieve only the lower end of mark band 2. Candidates must be encouraged to analyse their research clearly, stating how it will inform the development of their marketing proposal. Multiple pages of internet printout do not count as analysis.

Candidates need to be aware that, in order to achieve mark band 3, their suggested product, price, place and promotion must be supported through primary **and** secondary research.

### **Assessment Objective Four**

Judgements on the potential success of a marketing proposal were often weak and lacked the depth required to achieve mark band 3. In order to achieve the higher marks, candidates must consider their proposal, making two-sided judgements, considering both the possibility of success and failure. This was often lacking within the work of candidates seen. Candidates should be encouraged to consider disadvantages and advantages, short term versus long term and the internal and external impact of their proposal on their selected business.

Within this section, candidates need to focus on all the elements of their marketing proposal. For example, will the price set for the new product meet the needs of the potential consumers; will the suggested promotional campaign reach the target audience? Too often candidates focus just on the potential success of their product and forget the other three elements of the marketing mix. Candidates should make reference to the section 'How to judge potential success', found on page 17 of the specification.

**F241: Unit 2 Recruitment in the Workplace**

This unit remains quite a logistical challenge for some centres. There was some evidence of very good practice, but at the other end of the scale very little evidence of candidates' own work. The best portfolios were based on jobs which were realistic for the candidate to apply for. For example, receptionists, clerical positions or part time jobs based in shops. Where inappropriate jobs had been chosen, potential applicants found it very difficult to complete application forms, as they did not have the necessary qualifications for the position being interviewed. It was also rather disappointing to witness some candidates failing to take the role play situation seriously and completing application forms with inappropriate information. Centres' attention is also drawn to the final paragraph under the section headed 'The recruitment process', on page 19 of the specification. It states 'Please note: candidates will be assessed both on their ability to produce relevant and appropriate recruitment documentation specific to their chosen job role and recruitment documentation relevant to the post(s) advertised by their group peers'.

Moderators find that often they are unable to distinguish between original recruitment documents, candidates' own documents and those of the group. Centres must ensure that candidates clearly label each of their documents. They need to provide a road map for the Moderator – is this document one the candidate produced or the final one which was used by the group for the interviews? It is also recommended that candidates include copies of the original documentation of the selected business' so that the Moderator can assess the degree of original and individual work.

Whilst candidates can work in groups to actually perform the interview, they are required to produce individual evidence that they have met the requirements of the assessment grid. These are the documents which their AO2 mark should be based upon. There was still evidence of Candidate B designing the job advertisement and Candidate C designing the person specification, etc. This is not acceptable. Under the sub-heading AO2 there is a flow diagram which illustrates the process candidates should follow if they are (a) working individually or (b) working in a group.

**Assessment Objective One**

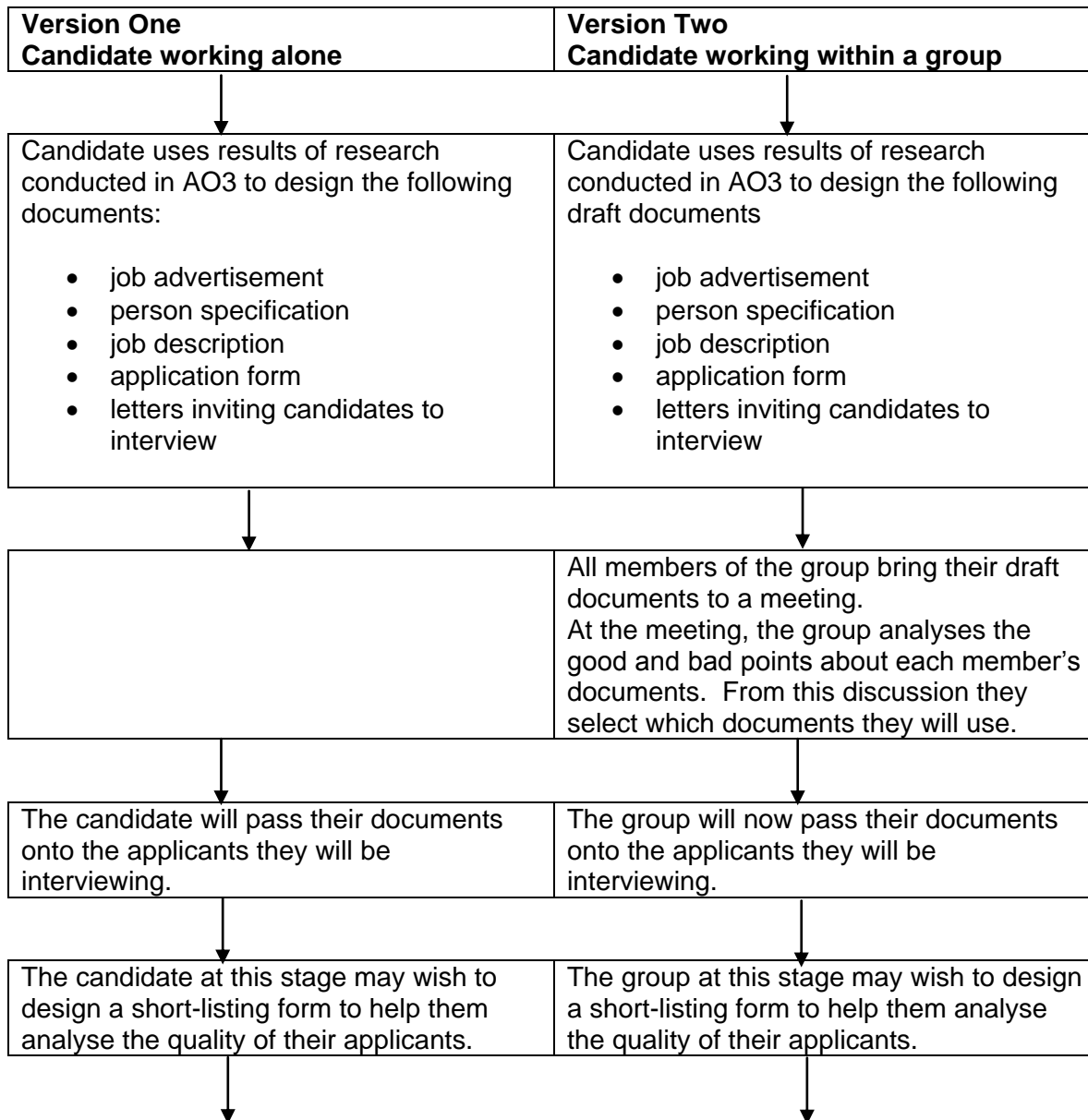
The majority of candidates sampled were able to produce a detailed description of 'The recruitment process' but coverage of 'The selection process' was often patchy. Candidates do need to ensure that they cover all the required bullet points in this section. Candidates' coverage of induction was patchy, ranging from extremely detailed to simple identification of the topics which would be covered in an induction programme. Candidates' coverage of motivation should focus on the section 'Employee motivation' found on page 20 of the specification. Candidates are only required to cover financial and non-financial motivators. They are not expected to cover motivational theorists. Coverage of the legal framework is still the section which gives centres the most problems. Centres should also note that candidates are required to use the Equality Act 2010. They are required to consider how this act would impact on the recruitment and selection process. For example, when designing a job advertisement what factors would a business have to consider – could they state Young Energetic Male required? If not why not – which acts would this statement breach? How will each act affect the way in which a business conducts their interviews? What do they have to consider when designing their questions? This aspect needs to be developed if candidates are to be awarded marks in the mark band 3 range. Centres should also note that theoretical coverage of the section 'Job roles', is not required. Examples used to support 'The legal dimension' must also relate to recruitment and selection and not to breaches in legislation relevant to general employment law.

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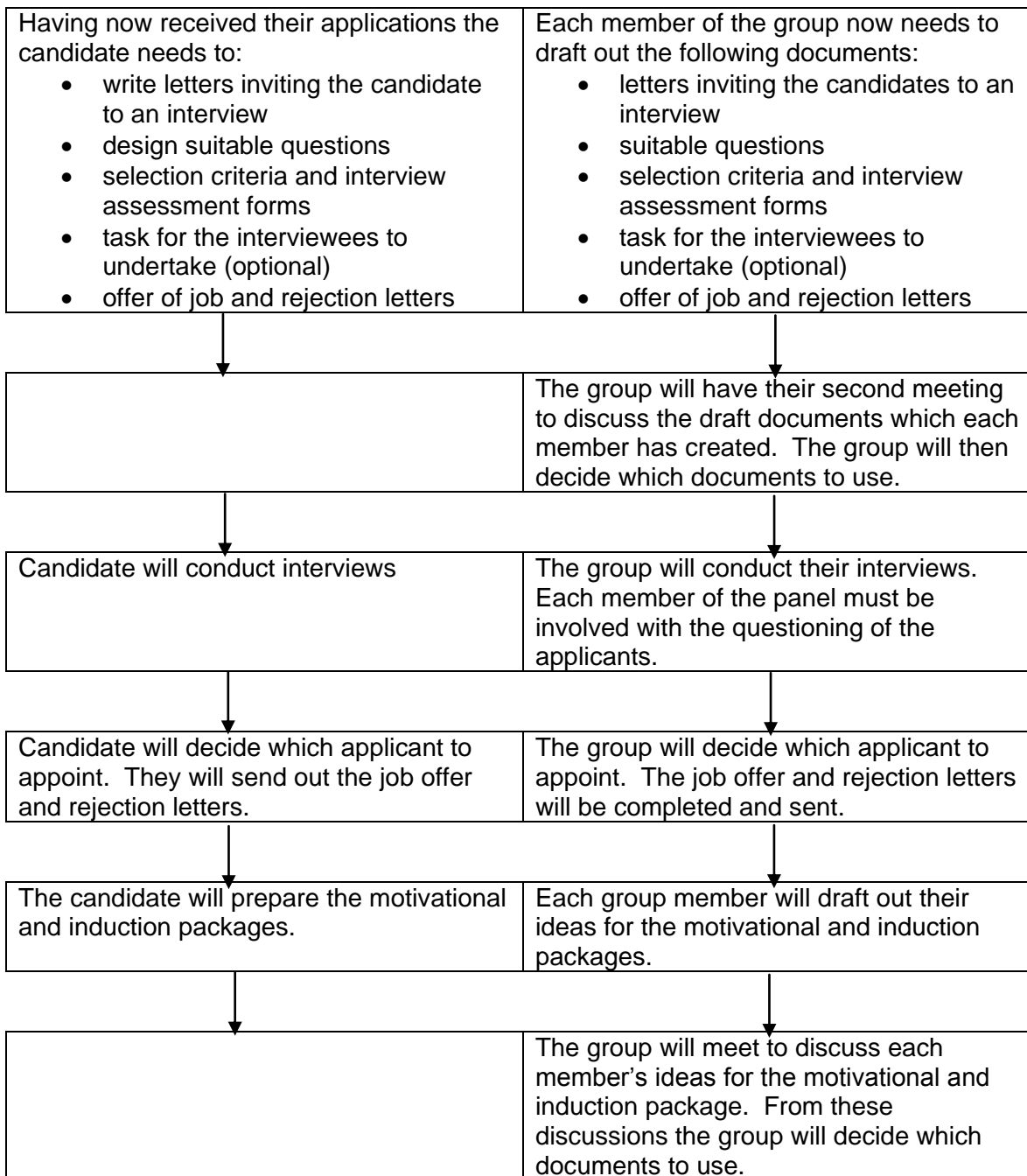
## Assessment Objective Two

This assessment objective assesses:

- the candidates' materials produced to recruit and select an individual – including job advertisement, person specification, job description, application form, letters inviting candidates to interview, interview selection documentation;
- the actual interview;
- the motivational package;
- the induction package;
- letters informing successful and non-successful candidates.



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In order to aid the moderation process, each of the documents produced throughout the different stages must be clearly labelled within the candidate's assignment.

It is good practice to include a witness statement which identifies how the candidate conducted/performed during the interviews. This could be completed by peer observers. This evidence would also enable candidates to develop their AO4 evidence.

As stated above, candidates need to include copies of the recruitment documents they completed as part of their role as an interviewee.

*OCR Report to Centres – June 2015***Assessment Objective Three**

A number of centres still submit work where there is no evidence of research having taken place. Placing copies of other businesses' recruitment and selection documents in an appendix does not count as analysis.

In order to achieve this assessment objective, candidates need to collect at least two of the following documents:

- job advertisements;
- person specifications;
- job descriptions;
- application forms;
- different types of letters – illustrating correct business layout and terminology;
- motivational packages (if possible);
- induction packages (if possible).

Having collected this evidence, candidates are then required to analyse each document, identifying what they feel are its good and bad points and whether they conform to the Equality Act 2010. Candidates are then required to explain how this analysis has helped to inform the design of their own documents. This last stage is vital if candidates are to achieve mark band 3.

**Assessment Objective Four**

The weaker candidates sampled often made judgements only about their own performance during the interview process and weak judgements concerning the documentation produced and its fitness for purpose. A new trend has seen candidates evaluating every document they produced, considering its fitness for purpose. They then omit to cover the other bullet points found under section 'How to judge effectiveness' on page 21 of the specification. Candidates are not required to do this – they should be considering the whole process. This will help them consider the overall impact of potential weaknesses and strengths.

Very few candidates were able to consider the impact that identified weaknesses had on their recruitment and selection documentation and subsequently on how the interviewee performed at the interview. They made simple statements such as 'in our application form we did not leave enough room for the candidates to write their qualifications in'. They then failed to make a judgement about the possible impact this could have had on the interview process. Candidates must be reminded that they need to consider how each of the bullet points would impact on the effectiveness of their recruitment and selection process.

Candidates are also encouraged to make reference to the section 'How to judge effectiveness' on page 21 of the specification which develops the areas candidates should consider when making judgements concerning effectiveness.

**Recommendations to Centres**

- Please continue to adhere to deadlines for submitting marks and candidate work to the appointed Moderator.
- Please ensure that marks sent to OCR for example by completing the MS1 forms match the marks awarded on the Unit Recording Sheet.
- Please ensure that the total marks for all strands of a unit are correctly totalled on the Unit Recording Sheet.



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- Please ensure that all sections of the Unit Recording Sheet have been completed accurately including candidate number, centre number, teacher comments and location of evidence.
- Where there are 10 or fewer candidates for any unit, send **all** the candidate portfolios with the MS1 form to the Moderator.
- If assignments are used, please include copies of assignment briefs with the work of the candidates.
- Assessors should provide clear written feedback to candidates, including what has and what has not been achieved.
- Candidates should be encouraged to adapt a structured approach to their work and present evidence clearly, e.g. the use of headings, page numbers and a contents sheet.
- Please include page numbers within the location section of the Unit Recording Sheet.
- Please encourage the use of Assessor annotation of candidate work.
- Please ensure that Assessors check the authenticity of evidence. Pages downloaded and copied from the Internet do not constitute evidence- this could be plagiarism.
- Ensure that internal moderation is carried out prior to external moderation.

# Moderation Report on A2 Units

## F249: Unit 10 A Business Plan for the Entrepreneur

The banner of the assessment evidence grid requires candidates to produce a business plan for a new business enterprise of their choice. Candidates are generally selecting smaller ventures and are able to construct realistic business plans. However, there are still a few candidates who select business ideas which are too complicated, as they involve the sale of multiple items which often causes problems due to the complexity of calculating potential sales and cost of sales. These difficulties greatly limit the candidate's ability to create a **realistic** plan in order to achieve the higher marks in AO2. The best plans were created by candidates who had selected small enterprises based on their own knowledge, interests and experience. This point is further clarified within the Teachers Handbook on page 38 – third paragraph.

### Assessment Objective One

In order to achieve this assessment objective candidates are required to provide theoretical coverage of sections 'Reasons for construction of a business plan; 'Information within a business plan' (all sections) and, finally, 'Constraints which impact on implementation'.

To help candidates achieve mark band 3, this is best tackled as an independent section with candidates using generic examples to help them demonstrate their knowledge and understanding of each of the sections. In order to complete the section 'Constraints which impact on implementation' candidates could be encouraged to relate this section to their own business idea. Clearly identifying the constraints relevant to their own business plan at this early stage will help candidates formulate their research (AO3) and then evaluate their impact in AO4.

### Assessment Objective Two

This section is the actual business plan and, as such, should be presented as a 'stand-alone' document which could be shown to a potential stakeholder. If candidates have decided to use a business plan format provided by a third party they must ensure that it allows them to fully meet the requirements of the section 'Information within a business plan'. This could involve adapting the layout or adding extra information. The information used within the business plan must be fully supported/justified by the candidate's primary and secondary research and subsequent analysis carried out in AO3.

There were a significant number of business plans which were based on unsubstantiated ideas and comments. Some of the common problems are outlined below:

- failure to fully research media selected for advertising – for example, if a newspaper had been selected, what is its target market, what are its readership figures? How much would the advertisement cost, how long will it be run?
- lack of justification for the price to be charged – what are competitors charging? Decisions should not just have been based on what X people stated in the candidate's primary research.
- lack of research into the machinery and equipment required. Only one set of prices researched. What would be the best buy? Why select that particular product?
- lack of justification and often unrealistic figures used for the number of the products the business would sell/number of people who would use the service. No reference to competitor numbers. Usually just based on the primary research or the candidate's own assumptions.
- no research into suppliers – who are the suppliers, what is the cost to buy in products? What quantities will be required? How often will stock need to be purchased?
- no correlation between purchases and sales, especially when candidates are running sandwich and juice bars.
- very few candidates considered the different stages of production in sufficient detail.

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- little consideration of timing of production to meet customer needs.
- break even forecasts were often difficult to understand as there was no explanation of where the figures had come from. Figures were often ‘plucked out of thin air’ and not based on analysis of research.
- cash-flow forecasts, although completed correctly, were often based on figures which appeared to be the candidate’s own assumptions and ‘gestations.’ Candidates **must fully justify** their sales and expenses.

These points are further clarified within the Teachers Handbook on pages 38-39.

### Assessment Objective Three

Centres should pay attention to the section ‘Appropriate research for a business plan’ on page 50 of the specification. This clearly states that candidates ‘need to ensure that research is wide-ranging’. This must include both primary and secondary research as laid out within this section.

Candidates are required to analyse the information, drawing out key information which should then be included in their business plan. Candidates should be advised that in order to access the higher marks, every decision should be supported by at least two different types of research. Candidates too often relied solely on their limited primary research to inform decisions within their business plan. Some business plans were based on extremely limited research and lacked any sense of viability or realism. Clarification of the depth of analysis required is further explained within the Teachers Handbook pages 38-39.

Candidates are required to use a variety of statistical techniques when analysing their data. The frequent use of ‘10 out of 20 stated’, and ‘the majority of respondents said’ will only achieve mark band 1 for analysis. Frequently, candidates produced pages of computer generated graphs and charts which lacked analysis and gained no marks. Candidates should be drawing conclusions throughout their analysis of the primary and secondary data which will then be used within their own business plans.

### Assessment Objective Four

In order to achieve this assessment objective, candidates are required to prioritise the constraint which they feel will have the greatest impact on their business plan. This was lacking in the work of the weaker candidates. If there is no evidence of prioritisation, candidates cannot achieve mark band 3. Prioritisation is not just putting the headings in order and stating ‘I think this will have the greatest impact’. This is only ranking – to move into prioritisation, the candidate needs to state why the selected heading will have the greatest or least impact on the business plan.

Having prioritised the constraints, candidates must then consider the impact each one would have on the implementation of their plan. Reference to initial research must be made. Candidates were unable to access the higher grades as they often failed to consider the ‘knock on’ effect which a constraint might have on other aspects of their business plan. For example, if we consider finance as the main constraint - without adequate funds the business may not be able to undertake the marketing it initially identified. This might then limit the number of customers who would become aware of the business and, hence, decrease the number of sales. Candidates often considered only ‘short term’ impacts, failing to consider the ‘long term’ implications of some constraints. For example, economic and environmental concerns are currently headline news and possible legislation could have an impact on the business in the long term. Under the heading social some candidates were considering social responsibility rather than social trends.

**F250: Unit 11: Managerial and Supervisory Roles**

This is a complex unit to complete and candidates need clear guidance as to how to differentiate their evidence for AO3 and AO2. Candidates need to be very clear about the information they are trying to obtain from their selected manager/supervisor.

The unit has the same behaviour patterns as unit 8, Understanding Production in Business, in the AS specification. Candidates need to undertake their research following the section 'Researching the business context and analysing the information that is collected' on page 53 of the specification. They should then produce a basic analysis of their questionnaire – pulling out examples which will support their report. Having completed their research, candidates should then complete their report which forms AO2. Some of their analysis will be evident within this report and, therefore, credit for AO3 can be awarded here as well.

The main problem with the unit is candidates muddling their AO2 and AO3 evidence. There is often no stand-alone report produced. Some candidates only focused their analysis and subsequent conclusions on management styles and motivational theorists. They omitted to describe how their manager performs their role (section 'The business context within which the report will take shape) – planning, organising, etc.

The higher scoring candidates were those who had been able to gain good access to their selected manager/supervisor through work experience or work shadowing. Candidates who had only interviewed a manager/supervisor were less able to gain sufficient information to fully cover the section 'The business context within which the report will take shape' due to a lack of an observation of their selected manager/supervisor 'in action'. The 'knock on' effect of this was that candidates were often unable to substantiate the statements they were making through the use of examples.

**Assessment Objective One**

In order to achieve this assessment objective, candidates need to produce theoretical coverage of the following sections: 'The business context within which the report will take shape' (both sets of bullet points); 'Researching the business context and analysing the information that is collected'; the section under secondary research titled 'Different types of managerial/supervisory styles, motivational theorists'; and, finally, the section headed 'Evaluation of the factors which can influence the environment in which a manager/supervisor performs her/his role'.

The theoretical section under 'Researching the business context and analysing the information that is collected' also forms part of the candidates' AO3 evidence. It was often apparent that candidates had only used one source when researching different manager/supervisor styles and motivational theorists. This has the impact of potentially lowering their AO3 mark.

Generally candidates completed this section successfully. The higher performing candidates used examples to illustrate the section 'Evaluation of the factors which can influence the environment in which a manager/supervisor performs her/his role' which worked particularly well and demonstrated their depth and breadth of understanding.

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### **Assessment Objective Two**

Candidates should produce a stand-alone report which clearly outlines how their selected manager/supervisor approaches his/her current managerial/supervisory role within the selected business. This report should be fully supported through the analysis undertaken by the candidate in AO3.

In order to gain the higher marks, candidates need to ensure that their report includes the following points.

How their selected manager/supervisor:

- plans
- organises
- motivates
- monitors and directs
- problem solves
- trains and mentors
- conducts appraisals.

All of these bullet points need to be supported with examples. For example, the candidates should use a scenario which clearly outlines how the manager/supervisor plans their day, week, month, etc.

The next stage is for the candidate to consider how each of the following affects the managerial/supervisory set-up within the selected business:

- culture of the organisation
- objectives of the organisation
- structure of the organisation
- availability of resources within the organisation.

This section could form part of the candidate's introduction to their report.

The final stage involves the candidate describing which type of management style(s) their manager/supervisor uses and how this links to motivational theorists.

The candidates sampled during this session generally had made good links with businesses and arranged interviews with relevant managers/supervisors. Their questionnaires were often correctly targeted but failed to provide sufficient information for the candidate to cover the first set of bullet points in sufficient depth. The higher scoring candidates were those who either worked with the selected manager/supervisor or who were able to work shadow their selected manager/supervisor. In order to achieve mark band 3, candidates are required to provide examples of how their manager/supervisor deals with each of the sections outlined above.

### **Assessment Objective Three**

In order to achieve this assessment objective, candidates need to focus on the sections 'Planning how to gather information for the report' and 'Researching the business context and analysing the information that is collected', found on page 53 of the specification. Primary research focuses on interviews with the selected manager/supervisor and fellow workers. Part of AO3 is written up within AO1 when candidates research the different types of managerial/supervisory styles and motivational theorists.

Candidates sampled in this session had obtained a face to face discussion with their selected manager/supervisor and often also fellow workers. There was also evidence of candidates following the guidelines on the type of questions which should be asked during the interviews. However, candidates

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were not always able to analyse this information in order to compile their report. Their analysis should enable them to cover the section 'The business context within which the report will take shape'.

**Assessment Objective Four**

Candidates must make reference to the section 'Evaluating the factors which can influence the environment in which a manager/supervisor performs her/his role' (page 54 of the specification) before tackling this assessment objective.

This section does not lend itself particularly well to prioritisation. Candidates often have to use possible scenarios in order to evaluate the factors which they think would have the greatest influence on the environment in which the manager/supervisor performs his/her role. It was, therefore, considered that mark band 3 could be awarded for this unit without the clear demonstration of prioritisation. However, candidates will still need to consider the short term and long term impacts of their statements in order to achieve mark band 3.

The key word in this section is 'influence the environment'. Therefore, candidates need to link the analysis of their research into the current culture, objective, structure and availability of resources (section – 'The business context within which the report will take shape') when undertaking this section.

**F251: Unit 12 Launching a Business On-line**

The interpretation of the evidence candidates need to produce has caused a number of centres a few problems. The banner clearly states that – 'You will produce an e-commerce strategy for a business which has yet to develop e-commerce provision'. Some centres had selected businesses which already have a website and provide the facilities for customers to purchase their products on line. The consequence of this was that candidates merely reiterated what the business was already doing.

Candidate's success in this unit is linked to the selection of the correct business. It is a unit which could lend itself to a case study, as long as it is sufficiently detailed to enable candidates to access the higher marks available.

**Assessment Objective One**

This assessment objective states – 'Your understanding of how e-commerce would be used by your chosen business, the benefits and drawbacks of e-commerce provision to your business and the issues in setting up and running a website'. Ultimately, OCR will accept evidence which is either linked to the selected business or presented in purely theoretical terms. Candidates need to ensure that they cover the three distinct sections 'The environment within which the strategy will take shape', 'Production of the front-end of the website', and 'Evaluation of the manageability of the back-end of the website'.

In order to help candidates achieve the higher marks, OCR would suggest that this section is tackled from a theoretical viewpoint, with candidates using a variety of examples taken from a range of different businesses to demonstrate clear and comprehensive coverage.

**Assessment Objective Two**

Candidates are required to produce the front end of the website, which is directly applied to the requirements of the selected business. The front end of the e-commerce strategy can be presented in one of three ways:

- PowerPoint slides;
- The Internet itself;
- Concept board with accompanying text.

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It was good to see some excellent practice, with candidates clearly illustrating how their website would work – this included the front page right through to the point of sale. Some candidates had only produced the home page of their website giving limited explanations of the recommended hyperlinks. As stated above, candidates need to produce a variety of slides, concepts or web pages which clearly show how at least one hyperlink would work right through to the final purchase of the product/service.

There should be clear evidence that the proposal is based on the analysis of the candidate's research undertaken in AO3.

In order to secure top marks for this assessment objective, candidates should consider explaining how their website would meet all the bullet points listed under the section 'Production of the front-end of the website'. This will also enable the candidates to clearly link their research to their final product.

**Assessment Objective Three**

Candidates must show evidence of planning their research in order to fulfil the demands of the section 'Research of the strategy and analysis of the information that is collected'. A well laid out plan should enable candidates to target their research correctly.

Candidates' primary research should focus on questionnaires and surveys with potential customers, discussions with website designers and, finally, a discussion with the selected business concerning what it hopes to achieve through the development of an e-commerce provision.

Candidates' secondary research should analyse websites which are marketing a similar portfolio of products to the selected business. Candidates are required to use the following headings when analysing competitor's websites:

- availability
- image
- product information
- accessibility
- security
- user-friendliness
- aesthetics
- ease of payment.

In order to achieve the higher marks, candidates should then draw a conclusion from their analysis clearly stating how this research will influence the development of their own website.

Top scoring candidates had used the above bullet points to structure their analysis, clearly stating how their findings would influence the development of their website. Unfortunately, a lot of candidates had completed only a simplistic analysis of competitor websites, often failing to follow the bullet points. Having completed their analysis, candidates then often failed to draw conclusions concerning how this would influence the development of their own website.

**Assessment Objective Four**

Candidate's evaluations should focus on what measures they would take to deal with the manageability of the back-end of the website. Candidates should be guided by the bullet points under the section 'Evaluation of the manageability of the back-end of the website' found on page 58 of the specification. Candidates need to prioritise the issue they feel would have the greatest influence on the manageability of the website for their selected business.

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Candidates can only achieve mark band 3 if their statements, conclusions and evaluations make direct links to the research undertaken in AO3. They also need to consider short term, long term success and potential failure whilst drawing their conclusions.

### F252: Unit 13 Promotion in Action

This is a particularly popular unit. However, there does appear to be some misunderstanding about the evidence candidates are expected to produce. Candidates are required to produce a promotional strategy (at least two promotional media) to promote a new product or service of their choice. On page 50 of the Teachers' Handbook it clearly states that candidates should 'choose a business with an already varied product portfolio, allowing them to suggest a new product to add'. It also states 'it would also help if the product chosen allowed candidates to demonstrate creative skills by coming up with an original idea, as otherwise candidates will be tempted to stick too closely to current promotional activity used by their chosen business.'

Candidates must remember that this is a unit based on promotion and not just **another re-run of their original marketing assignment**. There was a lot of evidence of candidates appearing to be confused about what they were actually trying to achieve whilst conducting their research. There was also evidence of candidates trying to 're-vamp' their marketing assignments in order to achieve this unit. Unfortunately this does not work, as the research will have the wrong emphasis, with candidates merely demonstrating a need for the new product or service, rather than their ideas concerning how it could be effectively promoted.

#### Assessment Objective One

Candidates are required to provide theoretical coverage of the section 'Producing a plan of action' – the various forms promotional activity can take, and how and when each form of promotional activity is used. From the final section (page 62), candidates need to cover internal and external factors which can influence promotional activity. OCR would encourage all candidates to use a wide range of examples throughout this section in order to demonstrate their breadth and depth of understanding.

On the whole this section was completed well by the majority of candidates. Some had chosen to link this section to their selected business which is quite acceptable, as long as each aspect is covered in sufficient depth.

#### Assessment Objective Two

Candidates are required to produce a promotional strategy which includes two final concepts of their promotional material and the rationale behind their development. Unfortunately, candidates often produced only the two concepts, with no explanation or reason behind their development. On occasions it was difficult to ascertain which piece of evidence represented the poster and which was a leaflet. Candidates must clearly label their promotional material. The promotional strategy must clearly explain when and where their promotional material would appear, for how long and what the potential cost of the campaign would be. These decisions need to be fully justified by the primary and secondary research undertaken in AO3. Without this information candidates cannot achieve the marks available within mark band three.

During moderation it was often extremely difficult for moderators to see the links between the candidate's research and their final promotional media. All too often candidates failed to produce any form of rationale for their choice of media. The main reason for this was their lack of targeted and accurate research carried out in AO3. There was often no strategy to support the material produced. Candidates failed to state timescales, costs and the reasons behind choices of selected media or subsequent design.



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### Assessment Objective Three

The starting point for this assessment objective is the section 'Planning of the strategy'. The second set of bullet points should help the candidates to focus on the type of questions they should be asking within their questionnaires.

If the candidates have not described how promotional activity takes place within their chosen business for its current range of products/services in AO1, then they need to do so as an introduction to this section. This evidence could support their AO1 mark.

Candidates need to make reference to the section 'Research of the strategy and analysis of the information which is collected' to establish the kind of research they should be conducting. Candidates need to ensure that they focus on the types of promotional features which attract customers to purchase products or services. They should also try and establish what types of promotional campaign will meet the second set of bullet points in the section 'Planning the strategy'. Too often candidates slanted their questionnaires too heavily to finding out what type of product/service customers wanted. To some extent candidates need to assume that there is already a demand for their selected new product or service and concentrate on how they are going to encourage people to 'buy in' through the use of promotional media.

Candidates' secondary research should focus on how other businesses, especially competitors, promote a similar range of products or services. When analysing this data, candidates should use the following headings:

- aesthetics
- message
- fitness of purpose
- originality
- communication.

A current trend is for candidates to create a table and grade each of the headings. If the candidate fails to provide a detailed explanation of the grading system and the criteria on which this is based, the analysis loses depth, focus and relevance. A table is a good starting point, but in order to gain mark band three this must be developed through a final summary.

Evidence of the use of these headings was often lacking in the work of the lower scoring candidates.

### Assessment Objective Four

Candidates need to prioritise the internal and external influences which they feel would have the greatest impact on their promotional activity. Their evaluations must clearly link back to their initial research. Often candidates were unable to evidence fully the internal constraints as they had not clearly stated what these were at the beginning of the assignment. Few candidates were able to show any understanding of costing, due to weak research.

Candidates' coverage of external influences was generally better as they could relate these areas to their own strategies.

Once again very few candidates considered possible failure and often did not consider a chain of events, or short and long term implications.

### F253: Unit 14: Creating a Financial Strategy

The work submitted by centres demonstrated a range of candidates' ability to grasp the concepts being assessed. However, it remains a concern to see that in a few centres all the candidates' work contained the same fundamental errors. This is an on-going concern which needs to be addressed by centres

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before further submissions. Where work is found to be identical in future submissions, the centre may be reported for malpractice. Some centres show evidence of good practice where candidates work under test conditions; in such cases candidates' evidence achieved the full range of marks.

Although OCR does not specify how the unit should be tackled, identical work for AO2 is not anticipated – except where it is 100% correct.

It appeared that many centres had addressed previous concerns and taken note that, as the unit currently stands, it does require a specialist accounts teacher to teach the unit or at least be available for help and guidance.

### Assessment Objective One

Candidates achieve this objective through the coverage of Task A. Candidates are required to provide detailed coverage of each of the sub-sections (i)–(iv). Most candidates provided detailed theoretical coverage of all the sections, though the depth of the work often tailed off through section (ii) 'consequences of not keeping accurate financial records' and the second section of (iii) in which the candidate needs to demonstrate their understanding of the information and purpose of various source documents, including invoices, credit notes, bank records, e.g. direct debits and till receipts. It was pleasing to see many centres are now encouraging their students to make use of the stimulus material for this task.

### Assessment Objective Two

Candidates achieve this assessment objective through the completion of Tasks B, C and D.

Task B – There was a mixed response to this task. It was encouraging to see that many previous concerns had been dispelled; enabling candidates to more clearly demonstrate their own knowledge and understanding. Some centres had undertaken the section under examination conditions with candidates producing highly individual work. Few centres made use of the three column cash book, preferring to use separate bank, cash, discount received and discount allowed accounts – an acceptable alternative. It was good to see a couple of centres using a two column cash book.

Task C – This task requires the identification of the suspense balance by producing a trial balance, a journal to correct the errors present, a suspense account showing the opening balance and the adjustments needed as well as the trial balance after the adjustments have been made. Not all centres had used the suspense account, which allowed candidates to move on and produce a corrected trial balance. For a minority of centres the journal was also a little unorthodox in its styling.

Task D – This task generally performed well.

### Assessment Objective Three

This assessment objective was based on responses to Tasks E and F.

There was a broad variety of evidence offered for Task E, most of which was acceptable to meet the requirements. Many candidates had collected a variety of different final account templates and most had offered some form of analysis. It should be noted that it is more appropriate for candidates to choose companies who are registered in the UK, so that examples are in sterling. Some centres need to place more emphasis on this task as it counts towards the grade which can be awarded for this assessment objective. The task should make comparisons in layouts and should consider the legal aspects.

For Task F, as stated previously the 'own figure rule' is applied, as this is the case candidates should be encouraged to show their workings. Generally, candidates were able to correctly calculate most ratios.

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Their interpretation of the ratios, however, was mixed. Some candidates simply stated the theory behind the ratio, many offered little beyond the obvious - that the ratio had gone up or down - failing to even state whether this improved or worsened the financial situation. Many candidates are still failing to make any links to the case study. The higher scoring candidates did try and relate their evidence back to the stimulus material, with a few candidates attempting to link the ratios together – for example, gross profit margin will have an impact on net profit margin. In some cases there was more analysis found in Task G, and this was taken into account. However for many, the inability to demonstrate integrated and strategic thinking left them unable to access mark band 3.

**Assessment Objective Four**

Completion of Task G is required in order to achieve this assessment objective. Although the case study did not indicate that candidates should prioritise their ideas, this is part of all AO4 criteria, and it was encouraging to see that some centres had acted on this point from previous reports. The task instructs candidates to write a report and it was evident that centres have taken this on board.

Many of candidates improved their initial AO3 mark here as they began to fully develop the analysis and the impact of the ratios calculated in AO3.

A lot of candidates lost marks as they failed to produce a financial strategy. Most candidates were able to identify the problems which the business were experiencing, and many gave consideration to a range of possible solutions, but the majority failed to actually make clear and justified recommendations.

The second part of this task is the requirement for the candidates to consider the different ways in which the business could expand and to recommend what the business should do in the future. Candidates need to be encouraged to use the information contained in the case study, profit and loss calculations and ratio analysis when making their financial recommendations. The key to this task is to recognise the financial problems the business faces, offer financial strategies to improve the situation and the final stage is to consider how these would impact on the businesses ideas for expansion.

**Please see Appendix A for a suggested response to the stimulus material for academic year 2014-2015.**

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**Recommendations to Centres**

- Please continue to adhere to deadlines for submitting marks and candidate work to the appointed Moderator.
- Please ensure that marks sent to OCR for example by completing the MS1 forms match the marks awarded on the Unit Recording Sheet.
- Please ensure that the total marks for all strands of a unit are correctly totalled on the Unit Recording Sheet.
- Please ensure that all sections of the Unit Recording Sheet have been completed accurately including candidate number, centre number, teacher comments and location of evidence.
- Where there are 10 or fewer candidates for any unit, send **all** the candidate portfolios with the MS1 form to the Moderator.
- If assignments are used, please include copies of assignment briefs with the work of the candidates.
- Assessors should provide clear written feedback to candidates, including what has and what has not been achieved.
- Candidates should be encouraged to adapt a structured approach to their work and to present evidence clearly, e.g. by use of headings, page numbers and a contents sheet.
- Please include page numbers within the location section of the Unit Recording Sheet.
- Please encourage the use of Assessor annotation of candidate work.
- Please ensure that Assessors check the authenticity of evidence. Pages downloaded and copied from the Internet do not constitute evidence- this could be plagiarism.
- Ensure that internal moderation is carried out prior to external moderation.

# Appendix A

## Applied Business F253 Mark Scheme TASK A – suggested responses

(i) In report form, accurate financial records are needed in the following areas:

- calculate profit and loss, to allow for planning and control, particularly with the proposed financing of asset acquisition and replacement and possible purchase of premises. It will be important to ensure the information is correct for tax calculations and to provide bankers/financiers with accurate information when seeking additional finance for *Byyte Solutions Limited*. Accuracy of financial records is very important to all businesses irrespective of the size of the business or the size of the transaction, thus enabling decisions to be based on reliable figures.
- meet legal requirements, to ensure that the correct information is provided to shareholders, Companies House, tax authorities, lenders, etc., to avoid potential damaging legal action for misrepresentation.
- show the assets and liabilities of *Byyte Solutions Limited* to assist in the planning of, for example, the replacement of equipment, to maintain sufficient stock levels, to monitor debtor collection and to ensure payment of creditors on time.
- compare the financial results of *Byyte Solutions Limited* to the prior year's results, enabling the shareholders to have a clear view of the company's success and to plan.
- prepare accurate budgets/forecasts for future years, to quantify what *Byyte Solutions Limited* is able to achieve. This will also highlight limiting factors and provide an indication of the extent to which the business is able to achieve its objectives over specific periods of time. *Byyte Solutions Limited* will need to be careful in the timing of expansion plans and the possible purchase of premises as this will have a significant impact on their cash-flow.
- obtain additional finance, *Byyte Solutions Limited* will need to provide information about its past and forecast profitability, liquidity, asset worth, etc, when applying for additional finance.
- plan any future expansion by quantifying the resources available and indicating the impact on resources, if expansion goes ahead.

(ii) Consider the following consequences for *Byyte Solutions Limited* if problems arise from:

- criminal action, potential fines or removal of key personnel from the business which would cause delays to the business and mean that the focus was on the criminal proceedings rather than the business. Bad publicity could potentially lead to the decline or failure of the business.
- cash-flow problems from a high tax bill or criminal action which could lead to business failure and hinder the ability of the business to expand. Poor cash-flow would also limit the ability of the business to borrow and would worsen the liquidity of the business.
- shareholders losing confidence and deciding to invest elsewhere. At present the main two shareholders are Kieran and Maryum who are committed to the success of *Byyte Solutions Limited*, but if they were to look to new shareholders to help finance the purchase of new premises for instance, then any new shareholder may seek more immediate financial stability and returns.

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- bad public image, bad publicity could lead to a loss of customers and employees may feel vulnerable and leave the business. Reputation is important to all businesses and so it is vital that *Byte Solutions Limited* maintains the quality of service it has established.
- changes to management structure, in a small organisation such as *Byte Solutions Limited*, where personal contacts are made through Kieran and Maryum, a change to this structure could be very damaging to the business and could significantly affect its success. While there is no hint that Kieran or Maryum wish to leave, change may be forced upon them through, for example, illness of Kieran or Maryum.

**(iii)** The following should be explained to Kieran and Maryum in a form suitable for non-accountants:

- capital and bank loans
- assets such as premises and vehicles, including items bought on credit
- expenses for running a business, e.g. wages and electricity
- items/services purchased for resale, including those bought on credit
- items /services sold, including those sold on credit
- invoices
- credit notes
- bank records, e.g. direct debits and till receipts.

A matrix style answer may be effective in producing this part of the report.

**(iv)** Continuing the report. (Answers could be in a written format or as a diagram or flowchart). Explanation showing understanding of each of the following processes:

- double-entry transaction recording
- accurately balancing off of the accounts
- the division of ledgers
- the creation of a trial balance.

Including understanding of the types of error which can occur when preparing accounts with examples including:

- omissions
- compensating errors
- errors of principle.

**Applied Business F253 Mark Scheme for Tasks B, C, D, E, F and G TASK B LEDGER ACCOUNTS**

Palmer, Plumb and Greenwell Solicitors (Debtors)					
Dr					Cr
2014	Details	£	2014	Details	£
1 April	Balance b/d	1 250	1 April	Bank	1 225
1 April	Sales	731	1 April	Discount allowed	25
			1 April	Balance c/d	731
		<u>1 981</u>			<u>1 981</u>
2 April	Balance b/d	731			

Graygables Hotel and Conference Centre (Debtors)					
2014	Details	£	2014	Details	£
1 April	Balance b/d	925	1 April	Bank	925
1 April	Sales	90	1 April	Balance c/d	90
		<u>1 015</u>			<u>1 015</u>
2 April	Balance b/d	90			

Kneller & Brooke Accountants (Debtors)					
Dr					Cr
2014	Details	£	2014	Details	£
1 April	Balance b/d	400	1 April	Bank	392
1 April	Sales	132	1 April	Discounts allowed	8
			1 April	Balance c/d	132
		<u>532</u>			<u>532</u>
2 April	Balance b/d	132			

Brook Laine Garage (Creditor)					
Dr					Cr
2014	Details	£	2014	Details	£
1 April	Bank	291	1 April	Balance b/d	191
1 April	Discount received	9	1 April	Motoring expenses	109
		<u>300</u>			<u>300</u>

Nuitparts (Creditor)					
Dr					Cr
2014	Details	£	2014	Details	£
1 April	Purchase returns	35	1 April	Balance b/d	1 185
			1 April	Purchases	320
1 April	Balance c/d	1 475	1 April	Carriage inwards	5
		<u>1 510</u>			<u>1 510</u>
			2 April	Balance b/d	1 475

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Dr			The Gadget Hatch (Creditor)			Cr		
2014	Details	£	2014	Details	£	2014	Details	£
1 April	Balance c/d	1735	1 April	Balance b/d	1735			
1 April		1735						1735
			2 April	Balance b/d	1735			

Dr			Sales			Cr		
2014	Details	£	2014	Details	£	2014	Details	£
1 April	Balance c/d	238250	1 April	Balance b/d	237126			
			1 April	PPG Solicitors	731			
			1 April	Kneller & Brooke	132			
			1 April	Graygables Hotel	90			
			1 April	Cash sales	151			
			1 April	Cash sales	20			
		238250						238250
			2 April	Balance b/d	238250			

Dr			Purchases			Cr		
2014	Details	£	2014	Details	£	2014	Details	£
1 April	Balance b/d	54197						
1 April	Nuitparts	320	1 April	Balance c/d	54517			
		54517						54517
2 April	Balance b/d	54517						

Dr			Rent and rates			Cr		
2014	Details	£	2014	Details	£	2014	Details	£
1 April	Balance b/d	13476	1 April	Balance c/d	14599			
1 April	Bank	1123						
		14599						14599
2 April	Balance b/d	14599						

Dr			Carriage inwards			Cr		
2014	Details	£	2014	Details	£	2014	Details	£
1 April	Balance b/d	132	1 April	Balance c/d	137			
1 April	Nuitparts	5						
		137						137
2 April	Balance b/d	137						



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Dr			Motoring expenses			Cr		
2014	Details	£	2014	Details	£			
1 April	Balance b/d	6725	1 April	Balance c/d	6904			
		109						
1 April	Brook Laine Garage	70						
1 April	Brook Laine Garage							
		<u>6904</u>				<u>6904</u>		
2 April	Balance b/d	6904						

Dr			Purchase returns			Cr		
2014	Details	£	2014	Details	£			
1 April	Balance c/d	367	1 April	Balance b/d	332			
			1 April	Nuitparts	35			
		<u>367</u>			<u>367</u>			
			2 April	Balance b/d	367			

Dr			Insurance			Cr		
2014	Details	£	2014	Details	£			
1 April	Balance b/d	672	1 April	Balance c/d	726			
1 April	Bank	54						
		<u>726</u>			<u>726</u>			
2 April	Balance b/d	726						

Dr			Bank interest received			Cr		
2014	Details	£	2014	Details	£			
1 April	Balance c/d	21	1 April	Balance b/d	21			
		<u>21</u>			<u>21</u>			
			2 April	Balance b/d	21			

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Dr					Cash Book					Cr
2014	Details	Disc £	Cash £	Bank £	2014	Details	Disc £	Cash £	Bank £	
1 Mar	Balance b/d	27	30	38327	1 Mar	Balance b/d	263			
1 Mar	Cash sales			151	1 Mar	Brook Laine Garage			70	
1 Mar	Cash sales		20		1 Mar	Brook Laine Garage	9		291	
1 Mar	Kneller & Brooke	8		392	1 Mar	Rent and rates			1123	
1 Mar	Graygables Hotel			925	1 Mar	Allova Insurance			54	
1 Mar	Palmer, Plumb & Greenwell	25		1225	1 Mar	Balance c/d		50	39482	
		60	50	41020			272	50	41020	
2 Mar	Balance b/d		50	39482						

OR

Dr			Bank			Cr
2014	Details	£	2014	Details	£	
1 April	Balance b/d	38327	1 April	Brook Laine Garage	70	
1 April	Cash sales	151	1 April	Brook Laine Garage	291	
1 April	Kneller & Brooke	392	1 April	Rent and rates	1123	
1 April	Graygables Hotel	925	1 April	Allova Insurance	54	
1 April	Palmer, Plumb & Greenwell	1225	1 April	Balance c/d	39482	
		41020			41020	
2 April	Balance b/d	39482				

Dr			Cash Account			Cr
2014	Details	£	2014	Details	£	
1 April	Balance b/d	30				
1 April	Cash sales	20	1 April	Balance c/d	50	
		50			50	
2 April	Balance b/d	50				

## OCR Report to Centres – June 2015

## Alternative approach for discounts

Dr			Discounts received			Cr
2014	Details	£	2014	Details	£	
1 April	Balance c/d	272	1 April	Balance b/d	263	
			1 April	Brook Laine Garage	9	
		<u>272</u>			<u>272</u>	
			2 April	Balance b/d	272	

## Alternative approach for discounts

Dr			Discounts allowed			Cr
2014	Details	£	2014	Details	£	
1 April	Balance b/d	27				
1 April	Kneller & Brooke	8				
1 April	Palmer, Plumb and Greenwell	25	1 April	Balance b/d	60	
		<u>60</u>			<u>60</u>	
2 April	Balance b/d	60				

## OCR Report to Centres – June 2015

## TASK C

(i)

Byte Solutions Limited  
Trial Balance as at 18 April 2014 (before adjustments)

	£	£
Sales		283 684
Purchases	60 426	
Ordinary share capital @ £1 each		4 000
Retained profit		1 653
Motor vehicles (cost)	24 760	
Provision for depreciation of motor vehicles		7 428
Equipment (cost)	8 610	
Provision for depreciation of equipment		2 150
Discount received		482
Discounts allowed	9	
Rent and rates	14 399	
Purchase returns		445
Telephone	630	
Electricity	420	
Insurance	1 635	
Advertising	460	
Carriage inwards	198	
Bad debts written off	152	
Wages	121 688	
Sundry expenses	167	
Interest received		29
Stock at 1 May 2013	8 837	
Bank (Dr)	46 186	
Cash	50	
Motoring expenses	7 978	
Creditors		2 348
Debtors	2 155	
Dividends paid	3 000	
Suspense	459	
	302 219	302 219

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## TASK C

(ii)		Journal		£	£
Error					
1	Discount allowed	Dr	163		
	Discount received	Dr	163		
	Suspense	Cr			163
	Suspense	Cr			163
2	Rent	Dr	200		
	Suspense	Cr			200
3	Purchase	Cr			29
	Purchase return	Cr			29
	Suspense	Dr	29		
	Suspense	Dr	29		
4	Telephone	Dr	17		
	Insurance	Cr			17
5	Suspense	Dr	9		
	Motoring expenses	Cr			9

Dr		Suspense				Cr
2014	Details	£	2014	Details	£	
18 April	Balance b/d	459	18 April	Discount allowed	163	
18 April	Purchases	29	18 April	Discount received	163	
18 April	Purchase returns	29	18 April	Rent	200	
18 April	Motoring expenses	9				
		<u>526</u>			<u>526</u>	

**TASK C****(iii)**

Byte Solutions Limited  
Trial Balance as at 18 April 2014 (After Adjustments)

	£	£
Sales		283684
Purchases	60397	
Ordinary share capital @ £1 each		4000
Retained profit		1653
Motor vehicles (cost)	24760	
Provision for depreciation of motor vehicles		7428
Equipment (cost)	8610	
Provision for depreciation of equipment		2150
Discount received		319
Discounts allowed	172	
Rent and rates	14599	
Purchase returns		474
Telephone	647	
Electricity	420	
Insurance	1618	
Advertising	460	
Carriage inwards	198	
Bad debts written off	152	
Wages	121688	
Sundry expenses	167	
Interest received		29
Stock at 1 May 2013	8837	
Bank (Dr)	46186	
Cash	50	
Motoring expenses	7969	
Creditors		2348
Debtors	2155	
Dividends paid	3000	
	302085	302085

## TASK D

(i)

Byyte Solutions Limited  
Trading, Profit and Loss and Appropriation Account for the year ended 30 April 2014

	£	£	£
Sales			291 252
Stock at 1 May 2013		8 837	
Purchases	62 622		
Carriage inwards	219		
Less purchase returns	474	62 367	
		<u>71 204</u>	
Closing stock at 30 April 2014		<u>9 714</u>	
Cost of sales			<u>61 490</u>
Gross profit			229 762
Discount received			319
Interest received			35
			<u>230 116</u>
Discounts allowed		172	
Rent and rates	14 599		
Less prepaid rent and rates	1 123	13 476	
Wages	62 688		
Add accrued wages	4 106	66 794	
Directors' remuneration		60 000	
Motoring expenses		7 978	
Telephone		720	
Electricity		610	
Insurance		1 850	
Advertising	460		
Add accrued advertising	140	600	
Sundry expenses		219	
Depreciation – vehicles (30% x (24760-7428))		5 200	
Depreciation – equipment (20% x 8610)		1 722	
Bad debts written off (152+237)		389	
Doubtful debt provision (5% x 2204)		110	159 840
Net profit			<u>70 276</u>
Retained profit b/d			1 653
			<u>71 929</u>
Ordinary share dividend – paid		3 000	
proposed		50 000	53 000
Retained profit c/d			<u>18 929</u>

**TASK D**

Byte Solutions Limited  
Balance Sheet as at 30 April 2014

	£	£	£
	Cost	Accumulated Depreciation	NBV
<b>FIXED ASSETS</b>			
Motor vehicles	24 760	12 628	12 132
Equipment	8 610	3 872	4 738
			16 870
<b>CURRENT ASSETS</b>			
Stock		9 714	
Debtors	2 204		
Less provision for doubtful debts	110	2 094	
Prepaid rent and rates		1 123	
Bank		49 674	
Cash		50	
		62 655	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors	2 350		
Accrued wages	4 106		
Accrued advertising	140		
Proposed dividend	50 000	56 596	
<b>NET CURRENT ASSETS</b>			6 059
<b>NET ASSETS</b>			22 929
<b>CAPITAL AND RESERVES</b>			
Ordinary share capital (4000 shares @£1 each)			4 000
Retained profit			18 929
			22 929

**NOTE:** The new International Accounting terminology and style for final account preparation is acceptable.



**TASK E**

Different formats for company accounts are required by law and amended by the accounting standards as appropriate. Different sizes of companies have different demands on them and a relatively small private company such as *Byte Solutions Limited* may produce final accounts in less detail and in a form less prescriptive than that required by large listed public companies and groups.

Nevertheless, all companies are subject to the Companies Acts, which call for specific formats and elements of disclosure both on the face of the financial statements and within notes to the accounts. In addition a directors' report is commonly produced and the accounts are audited within current legislative requirements.

Comparison with summary financial statements should highlight the way summary statements are driven more by perceived user needs, financial literacy and clarity than by legislative requirements. For example, in summary statements rounded figures highlight profits, asset values and earnings and dividend related information are provided. The rounding is there to simplify the financial information, making it more understandable and comparable, though in so doing it raises concern with materiality in mind.

**TASK F**

Ratio	Year ended 30/4/2013	Year ended 30/4/2014	
Gross Profit percentage	81%	$229762/291252 \times 100$	78.89%
Net Profit percentage	24%	$70276/291252 \times 100$	24.13%
Return on capital employed (different measures are acceptable)	495%	$70276/((22929+5653)/2) \times 100$	491.75%
Expenses as a percentage of net sales	n/a	$159840/291252 \times 100$	54.88%
Current ratio	1.69:1	$62655/56596$	1.11:1
Acid test ratio	1.10:1	$(62655-9714)/56596$	0.94:1
Stock turnover	91 days	$((8837+9714)/2)/61490 \times 365$	56 days
Fixed asset turnover	n/a	$291252/16870$	17.26 times
Debtor collection period	2 days	$(2204/(291252@90\%)) \times 365$ $(2094/(291252@90\%)) \times 365$	3.07 = 4 days 2.36 = 3 days
Creditor payment period	18 days	$(2350/(62622-474)) \times 365$	13.80 = 14 days
Earnings per share	£18	$70276/4000$	£17.57
Dividend cover	3 times	$17.57/(53000/4000)$	1.33 times

## Analysis and interpretation of ratios

Gross profit margin has decreased. The business was earning 81p for every £1 of sales in 2013, but this had decreased to just under 79p by 2014. While the reduction is quite small it would suggest that either the selling price has reduced (perhaps to compete in the recession) or that it is not passing on to its customers increases in purchase costs.

The net profit has increased very marginally from 24% to 24.13%. Therefore, the reduced gross profit may have been absorbed through an overall reduction in expenses.

The return on capital employed is very healthy and way above any other form of investment that might be found, and demonstrates that with a relatively small investment a good level of profit can be made. However, it has decreased between 2013 and 2014 by 3.25 percentage points; nevertheless this business would make a very attractive investment opportunity.

The current ratio decreased quite significantly from £1.69 being available to pay every £1 of debt to £1.11. Some text books would suggest that this should be nearer to £2 for every £1 of debt, so this is on the low side; that said a better measure is the acid test. Ideally this should be £1 available for every £1 of debt. This has fallen from £1.10 to just 94p which means that the business is unable to cover its debts, leaving it 6p short in every £1 owed. This is not ideal, and could be a sign that the business is overtrading.

The stock turnover has decreased from 91 days to 56 days a year. This is a good sign, but perhaps could reflect the fact that the business is only able to carry a limited stock due to a lack of space, which means frequent replenishment of stock is necessary.

The debtor collection period has increased from two days to four days. This reflects the fact that most of its customers are paying it on a monthly fee basis, set up as a direct debit. However, the fact that there have been some bad debts this year might suggest the business is not carrying out credit checks on its customers, and the increase in the collection period should be closely monitored to ensure that debtors pay quickly.

The creditor payment period has decreased from 18 days to 14 days. While it is preferable for the business to have as long as possible before paying its suppliers, the debtor collection period is still a full 10 days shorter, which means that money is coming into the business before it has to be paid out to suppliers.

Earnings per share have dropped slightly between the two years (43p per share), but the dividend cover has fallen more significantly from three times to 1.33 times. This represents the ease with which the business is able to cover the dividend from distributable profits. This could suggest that the dividends paid are too generous, stripping the business of vital profit retention and, potentially, causing liquidity problems.

There are limitations to ratio analysis:

- it only measures the historical financial health of the business
- it does not take into consideration non-financial happenings
- it does not take into consideration wider economic trends
- it does not take into account the 'goodwill' of a business (such as skills, service uniqueness, etc.).

Overall *Byyte Solutions Limited* is making very healthy profits, though the liquidity of the business is a little on the low side. This is largely being caused by the level of dividends proposed to the shareholders which if paid will leave the business short of cash. It would, therefore, be worth considering whether such a high dividend was necessary or prudent.

**TASK G**

**In report form, this should consider what financial strategy should be adopted using the information obtained from the scenario, the accounts and the ratios.**

**The following points can be brought out:**

- The relative advantages/disadvantages of property purchase versus rental, and a basic mortgage rate comparison as against rental cost, would be a good starting point, but things such as building maintenance should also be considered. Would the business be in a position to take out a mortgage? What can it offer as security? Would the banks view the business as too risky? Could more shares be created to help with the funding of expansion? The shares do not need to be repaid and there is no need to pay dividends, though shareholders are likely to expect some return on their investment. However, it is usual that shareholders have voting rights and a say in the company's operations. Unless many shares are issued, Kieran and Maryum would still maintain control; however, even a minority shareholder could cause conflict.
- Location considerations – the property to purchase is in a more rural location. This may provide new opportunities and, as the premises are larger than needed, this could be useful if the business expands still further. Alternatively the additional unused space could provide a rental income opportunity for the business. Downsides of purchasing the property being considered might include, for example, travelling to its current customers which may end up costing more in fuel and maintenance of the vehicles (additional 15 miles away) and cut down the hours available to work with clients due to time lost to travelling. How reliable are the vehicles? Will they need replacing? Depending on its location the opportunity to stock more consumable items may be lost as this will only work where there are other businesses which need those supplies. Have Kieran and Maryum checked out competition in the area being considered for property purchase?
- Expansion will also involve other costs – new equipment is also mentioned – how will this be paid for?
- There is no mention in the case study of any labour problems, but clearly this too is a consideration – *Byte Solutions Limited* will need reliable trained staff: how easy will it be to find new staff with the right qualifications? Any future changes to employment legislation will also have an impact on the business (for example, pension schemes).
- While the business is making good profits and has a healthy bank account, the liquidity ratios raise a few concerns. It may be better to retain more profits than to pay out high dividends, which would enable expansion to take place in a more planned, controlled way. As the main shareholders are Kieran and Maryum, their dividends, together with directors' remuneration, are quite excessive.
- Debtor collection periods and creditor payment periods are not significant and apart from the credit control which should be carried out there is no further action needed.
- Stock levels are not a significant part of the business but if space allowed there may be financial savings in buying stock in larger quantities which might attract discounts. This, therefore, has the potential to allow profits margins to increase.

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- Overall the business appears successful but a planned expansion utilising retained profits, where possible, would appear to make better financial sense. Therefore, it should be recommended that all the shareholders discuss this as a strategy. It should also be recommended that the options are fully explored and budgets produced before *Byte Solutions Limited* embarks on any expansion plans.

**The above are only an indication of aspects which the candidates may explore. This answer is not meant to be exhaustive and any other valid, alternative suggestions should be duly rewarded.**

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