

CAMBRIDGE NATIONALS

Examiners' report



ENTERPRISE AND MARKETING

J819

R064 Summer 2018 series

Version 1

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Introduction

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

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

Paper R064 series overview

This was the first session for this new Cambridge Nationals examination in Enterprise and Marketing concepts. The size of the candidate entry and the general quality of scripts produced by those candidates was good. Centres have clearly and quickly come to terms, in the vast majority of cases, with what was required in this examination. There were some excellent scripts, gaining more than 65 marks out of 80 and the examining team did not encounter too many scripts where candidates could not access the material and show some knowledge and understanding of the topic areas.

Key point call out

The following topic areas were covered least well and centres would be advised to focus on ensuring candidates are more familiar with them in future:

- external factors
- legal changes
- technological factors
- break-even graphs and calculations
- Operations and HR functions of a business
- uses of the product life cycle
- the role of business angels.

It appears that candidates were able to manage their time well during the examination. In fact, some candidates wrote answers to Questions 17 and 30 which were overly long. The answer space provided for each question is chosen carefully and should be an indication of the absolute maximum of how much a candidate needs to write.

There is no negative marking in any examination. Therefore, candidates should not be afraid of making an attempt at any question. This is especially true in Section A where a candidate should never leave an answer blank.

This report should be read in conjunction with the mark scheme for each of the questions.

Section A overview

It was good to see that so many candidates performed well on the multiple-choice questions. It was not unusual to see candidates get all 16 correct and many candidates scored ten or more marks on this section. It was rare to find any candidate getting less than seven of them correct.

There were only three questions which many candidates found challenging, with less than fifty per cent of them getting Questions 9, 12 and 15 correct.

Question 9

9 Which of the following is a legal external factor which could affect product development?

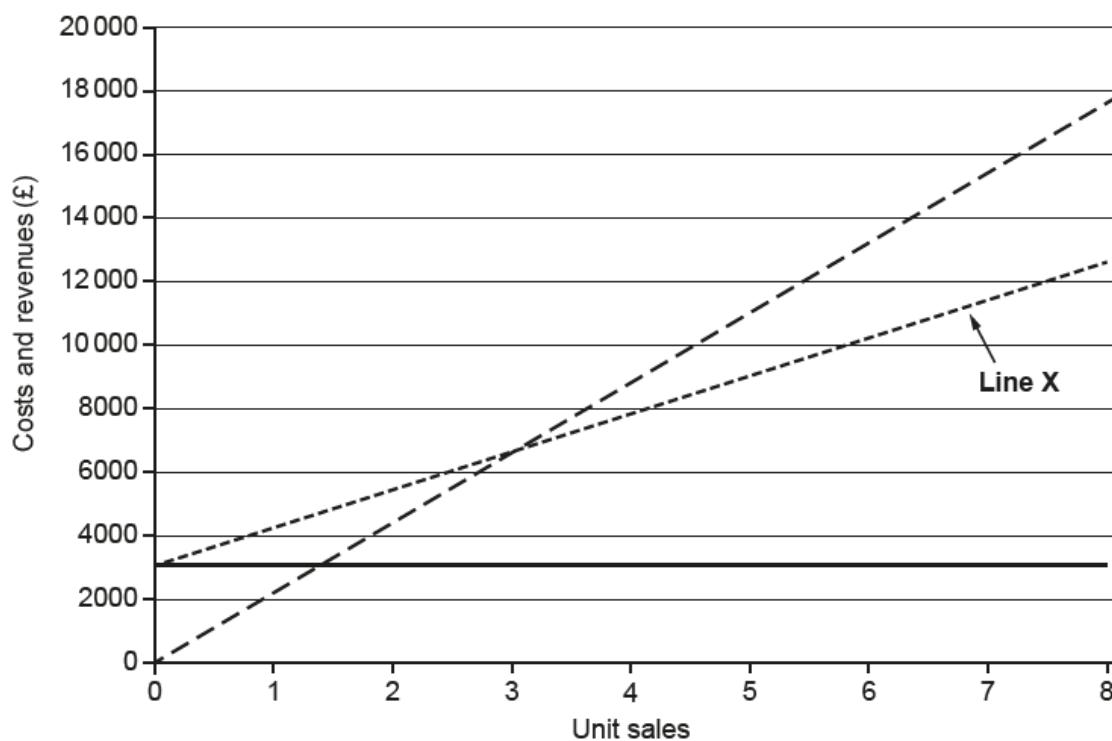
- (a) Copyright challenge
- (b) Economic recession
- (c) Interest rate rise
- (d) Launch of a new mobile operating system

[1]

Some candidates appeared to be not entirely clear about what constituted a legal factor and confused them with economic factors, as answers (b) and (c) were common.

Question 12

12 A break-even graph is shown below.



What does Line X represent on the break-even graph?

- (a) Fixed costs
- (b) Sales revenue
- (c) Total costs
- (d) Variable costs

[1]

The other break-even question (Question 4) was answered very well. In this question, very few candidates were able to identify the line as 'Total costs'. The important thing to notice is that it starts from part way up the Y-axis, so it cannot be 'Sales revenue' or 'Variable costs'.

Question 15

15 Which of the following would **not** be carried out by the Operations function of a business?

- (a) Ensuring compliance with employment legislation
- (b) Logistics
- (c) Production planning
- (d) Quality control

[1]

The word 'not' was possibly missed by some candidates. This is a type of question which will only occasionally be used (sometimes it is difficult to ask the question in a positive sense) but the word 'not' will always be in bold. However, based on other questions in the examination, there is evidence that some candidates are not sure of what each functional department does in a typical business.



OCR support The typical activities of each functional department are listed on page 14 and 15 of the specification at <http://www.ocr.org.uk/Images/338513-specification.pdf>

Section B overview

This new style of paper (which contains much less context than its predecessor) switches the focus of the candidate to applying what they have studied into a personal real-life setting. This can be seen from the way in which the brief context is set out in the first person. This is the plan for all future examinations of this component and although the amount of context appears to be inconsequential, it is vital that candidates are reminded to read it carefully. In future examinations, there may be more information in this introduction but less added to it as you move through the questions. Many of the questions, especially those with higher tariffs (and especially the final question) will require the candidate to ensure that their answer is specific to the business (and its characteristics). Given the nature of this examination, the business is always going to be a small start-up business.

This component is assessed by a number of different question types. Most candidates coped well with this. The paper-setting team will always aim to ask the questions in a logical order, so this will mean that the actual structure of the paper will vary from session to session (with the exception of the last question). In other words, it must not be implied that a 6 mark question will always be the first question; it was just the most logical question to ask first in this particular case.

Candidates tended to write a little too much for the 2 and 4 mark questions, as these answers do not need to be written in sentences. On the other hand, the 6 and 8 mark questions are best not written using bullet points.

Question 17

You are planning to set up a small business selling cases for mobile phones. The business will be run as a partnership with your friend Raj.

17 Analyse two benefits of starting your business as a partnership rather than as a sole trader.

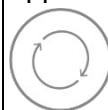
Benefit 1

Benefit 2

[6]

This 6 mark question, coming first in Section B, did not overawe candidates and was answered quite well, with most gaining 4 or more marks. There was some confusion about limited liability, which does not apply to a normal partnership, and occasionally answers were too formulaic by referring to "up to 20 partners" when this was just about you and Raj.

The command word on the 6 mark questions is 'Analyse' and it was clear that some candidates did not appreciate what this required them to do.



AfL

AfL ‘Analyse’ requires the candidate to show an impact on, or reaction by, the business (or you and Raj in this case). For example, there will be more capital to set up the business as Raj will contribute as a partner. Therefore, *the business may be able to grow more quickly.*

Question 18

18 Explain **one** reason why a business plan may be needed for your new business.

[3]

This was again well answered. Most recognised that it was linked to setting goals or obtaining finance.

Question 20

20 State and explain **two** decisions which the product life cycle may help you to make.

Decision 1

.....

Explanation
.....

.....

Explanation

[4]

With this question, candidates seemed either to answer well (and get full marks) or to ignore the part of the question about decisions which the product life cycle may help you with (just explaining stages of the cycle) so scoring no marks.

Question 22

22 You are considering doing some market research using a focus group to gain customers' views on five mobile phone case designs which you are developing.

State and explain **one** advantage and **one** disadvantage of carrying out your market research using a focus group.

Advantage

.....

Explanation

.....

Disadvantage

.....

Explanation

.....

[4]

This question discriminated exceptionally well with an almost equal split of candidates on each mark. Some candidates clearly knew plenty about focus groups, although many found it easier to state and explain a disadvantage (usually the cost involved or participants not being honest). Many advantages were too general about 'getting opinions' and could have been improved by recognising that these opinions would be quite limited, as focus groups tend to be very small.

Many of the answers which scored zero marks were generally about market research and could have been true of any method the question may have been about. There were also many answers which wrongly assumed that any focus group was only likely to contain current customers.

Question 23

23 State and explain **two** methods which you could use to differentiate your mobile phone cases from others available in the market.

Method 1

.....

.....

Method 2

.....

.....

.....

.....

.....

.....

.....

[4]

Most candidates were able to state two methods, usually a USP or a brand/logo. Some were able to provide the necessary explanation, and were credited more than 2 marks. The topic of differentiation is found in the product part of the marketing mix. This means that answers of setting a certain price or having a special promotion cannot be credited.

Question 24

24 Raj is going to be responsible for the Human Resources function in your business.

State and explain **two** activities which Raj may need to carry out as part of the Human Resources function.

Activity 1

.....

Explanation

.....

Activity 2

.....

Explanation

.....

[4]

Some candidates who were able to name two activities could have been credited the second mark if their answer would have gone beyond repeating themselves. For example, "Raj will do the recruitment – he will recruit staff for the business" was a common type of answer.

Many candidates did not know two basic activities of the HR function (Health and Safety and recruitment were the most common).



Misconception The HR function does not 'make sure customers are happy' (that would be Marketing) or 'get the product made' (that is Operations).

Question 25

25 You plan to finance the production of the new range of mobile phone cases by obtaining capital from a business angel.

State and explain **two** benefits of obtaining capital from a business angel.

Benefit 1

.....

Explanation

.....

Benefit 2

.....

Explanation

.....

[4]

It was quite obvious that a good number of candidates did understand the concept of a business angel. Some found it more difficult to explain two benefits. Those who answered correctly generally went with the fact that no interest was charged and that you could benefit from their expertise.

A lot of candidates struggled to answer this question well, with nearly half of the candidates getting no marks for it. Centres need to ensure that all of the sources of finance listed in the specification are covered in their teaching.

Common incorrect answers tended to be things like 'quick money' and 'a low interest rate' or were generally about it was a way of raising capital (which is stated in the question).

Question 26

26 You plan to sell your new range of mobile phone cases for £9.99 per case and forecast that you will sell 25 cases per week.

Question 26(b)

(b) Calculate the total revenue which you expect to earn from the sale of this range of mobile phone cases over four weeks. Show your workings.

[3]

This was very well answered with the majority of candidates obtaining full marks. The most common mistake was not to multiply by four weeks, although this answer still gained 2 marks.

Question 27(a)

27 Your mobile phone cases have been very successful and you are now planning to introduce a new range of computer tablet cases. Raj suggests that you use the following break-even formula to help you to decide whether to introduce the new product line.

Fixed costs

(a) Using this formula, calculate the break-even point per month for the new range of computer tablet cases using the following forecasted figures:

Fixed costs	£8 000 per month
Selling price per unit	£30
Variable cost per unit	£10

Show your workings.

[2]

Again, the vast majority of candidates were able to calculate an answer of 400. Unfortunately, nearly half of these then gave incorrect units (typically £). It is vital that candidates are clear that break-even calculates a level of output at which costs will be covered by revenue. The answer therefore has no units (other than the units of output, in this case, computer tablet cases.)

Question 27(b)

(b) Explain **one** external technological factor which may affect the accuracy of the forecasted figures used to calculate the break-even point.

.....

[2]

Some candidates were able to identify a relevant factor and could have improved their answers by explaining how it would affect the break-even point. Most candidates found it challenging to explain what was meant by 'external', 'technological', or both of these words; with many seemingly random answers about variable costs or economic factors.

Question 27(c)

(c) After carrying out some market research you forecast that you will sell 300 computer tablet cases per month.

Calculate the amount of profit or loss which you will make per month, based on this forecast. Show your workings and state whether you will make a profit or a loss.

.....

.....

.....

.....

.....

[4]

This was the most demanding of the three calculation questions and about a quarter of the candidates gained full marks while some candidates did not make an attempt at the question.



Misconception Candidates can still gain marks for a calculation question, even if they get the answer wrong. Encourage candidates to 'have a go' at part of the answer as, in this question, calculating the sales revenue and the variable costs was quite undemanding and scored 2 marks.

Question 28

28 You plan to launch the new range of computer tablet cases with a sales promotion.

Identify **three** sales promotion techniques which you could use.

1

2

3

[3]

There are many forms of promotion techniques found in the specification, of which **ONE** is 'advertising'. Many candidates gained only 1 or 2 marks for this question as they provided two or more examples of advertising (e.g. radio advertising, TV advertising, social media). In the same vein, duplicate versions of 'special deals' were often given (e.g. BOGOF, 2 for the price of 1, 3 for the price of 2).

Question 30

30 To support the launch of your range of computer tablet cases you are considering either running a social media campaign or advertising on local radio.

Recommend which method you think should be used. Justify your answer.

[8]

It was good to see that more than one in five candidates scored 7 or 8 marks on this question and very few scored less than 4 marks.

This is the one question in the examination which requires some use of the context which candidates have been provided throughout the questions, to access the top half of the marks. It is necessary to briefly consider the pros and cons of each option and to link it with what they know about the business (e.g. in this case, it is a small start-up, technology-based and introducing a new product). Please note that this final question will *always* be 8 marks and assessed on the LO4 part of the specification.

Better answers recognised that the sort of people buying cases for their mobile devices might be young or tech-minded and more likely to use social media. On the other hand, many of these same people do not listen to radio, as they stream playlists or subscribe to companies such as Spotify.

There were equally good answers which decided that radio was better, as it was only aimed at the local market which was appropriate at this stage of the business development.

The actual decision made by the candidate is unimportant – what matters is how that decision is made and how it is justified.

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