

## **A LEVEL**

*Exemplar Candidate Work*

# ***BUSINESS***

**H431**

For first teaching in 2015

## **H431/02**

### **Summer 2017 examination series**

Version 1

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# Introduction

These exemplar answers have been chosen from the summer 2017 examination series.

OCR is open to a wide variety of approaches and all answers are considered on their merits. These exemplars, therefore, should not be seen as the only way to answer questions but do illustrate how the mark scheme has been applied.

Please always refer to the specification (<http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/>) for full details of the assessment for this qualification. These exemplar answers should also be read in conjunction with the sample assessment materials and the June 2017 Examiners' Report to Centres available on the OCR website <http://www.ocr.org.uk/qualifications/>.

The question paper, mark scheme and any resource booklet(s) will be available on the OCR website from summer 2018. Until then, they are available on OCR Interchange (school exams officers will have a login for this).

It is important to note that approaches to question setting and marking will remain consistent. At the same time OCR reviews all its qualifications annually and may make small adjustments to improve the performance of its assessments. We will let you know of any substantive changes.

## Question 1

Businesses can be classified as private sector, public sector or third sector.

Explain what is meant by the 'third sector'.

[2]

0 out of 2 marks

Refers to businesses which sell products or services directly to consumers/customers. For example, retail businesses.

[2]

### Examiner commentary

The 'third sector' is a new term on the specification and one which this candidate did not appear to know. A business in the 'third sector' may be goods or service related but this

characteristic does not define it. The key issues which the examining team were looking for were that a 'third sector' firm is 'not for profit' and is a charity or other voluntary organisation.

## Question 1

Businesses can be classified as private sector, public sector or third sector.

Explain what is meant by the 'third sector'.

[2]

2 out of 2 marks

The Third Sector is generally reserved for Charities or religiously organised businesses that's primary concern isn't for Profit and is usually non-profit.

[2]

### Examiner commentary

This is a near 'textbook' answer although it could have been briefer as there is some unnecessary repetition.

## Question 2

State **two** characteristics of a business with a tall (or vertical) organisational structure.

[2]

1 out of 2 marks

- 1 It may have slower communication from the top level of the hierarchy to the bottom.
- 2 There is a clear chain of command in that each level of the hierarchy has a leader who reports to <sup>another</sup> above.

[2]

### Examiner commentary

The first answer is correct, although it could have been much shorter "Slow communication" is enough for the one mark available.

The second answer, although relevant to any hierarchical structure, is not unique to a 'tall' structure. A characteristic such as a 'narrow span of control' is specific to a tall structure.

## Question 2

State **two** characteristics of a business with a tall (or vertical) organisational structure.

[2]

2 out of 2 marks

- 1 narrow span of control
- 2 more layers of communication between the manager and employees: - decision making process becomes difficult

[2]

### Examiner commentary

A good answer although the second part could have been shorter and it would still have gained a mark.

## Question 3

The Body Shop operates most of its stores as franchises.

Outline two advantages to a business, such as The Body Shop, of operating as a franchisor.

[4]

### 0 out of 4 marks

- ① An advantage to business, such as The Body Shop, of operating as a franchisor is that the body business already exists with a reputation. Therefore the business can grow and expand without spending money as <sup>franchisors</sup> ~~franchisees~~ fund this through purchasing the franchise (the right to trade and sell goods under the body shop brand).
- ② Another advantage of operating as a franchisor is that the marketing and advertising strategies are all already in place.

[4]

### Examiner commentary

This question was about the benefits to a franchisor (not franchisee) of operating as a franchise. This answer is typical of those where the candidate either misread the question or did not understand the difference between the two sides of the franchise arrangement.

The first answer is setting out the benefits to the franchisee of buying into a 'ready-made' business (with some mistakes included) and the second answer is another benefit to the franchisee (of the franchisor carrying out the marketing).

## Question 3

The Body Shop operates most of its stores as franchises.

Outline two advantages to a business, such as The Body Shop, of operating as a franchisor.

[4]

### 4 out of 4 marks

1 growth can be quicker as capital doesn't have to be raised solely by the franchisor but the franchisee has to fund the opening and running of a franchise

2 Royalty payments from a franchisee to a franchisor offer additional income in the form of commission or set payments that can occur monthly.

[4]

### Examiner commentary

Both answers are well written and clearly about the franchisor.

## Question 4

A business is considering a long-term marketing campaign with an initial cost of £150 000. The campaign will last for four years and is estimated to produce annual cash flows as shown in the table below.

Year	Net cash flow (£)
0	(150 000)
1	220 000
2	120 000
3	50 000
4	20 000

Calculate the average rate of return (ARR) for the marketing campaign.

[4]

0 out of 4 marks

Handwritten student work on a grid background:

1: 20,000 Profit ✓  
 2: 120,000 —  
 3: 50,000 —  
 4: 20,000 ✓

$210,000 \div 4 \text{ years} = 52,500$

Answer = ~~52,500~~ 65,000 [4]

### Examiner commentary

There is nothing to reward in this answer. The figure of £65,000 appears to be the correct average profit figure but is, in fact, an incorrect mathematical answer from the preceding working. Even if the figure of £65,000 is assumed to be the average profit figure nothing is then done to it. The mark scheme sets out that this number needs to be divided by £150,000 (the initial cost) to gain any reward.



# Question 4

A business is considering a long-term marketing campaign with an initial cost of £150 000. The campaign will last for four years and is estimated to produce annual cash flows as shown in the table below.

Year	Net cash flow (£)
0	(150 000)
1	220 000
2	120 000
3	50 000
4	20 000

Calculate the average rate of return (ARR) for the marketing campaign.

[4]

## 3 out of 4 marks

$$\begin{array}{r}
 220\,000 \\
 120\,000 \\
 50\,000 \\
 20\,000 \\
 \hline
 410\,000 \\
 (150\,000) \\
 \hline
 260\,000 \\
 \div 4 \\
 \hline
 65\,000
 \end{array}$$

$$\frac{65\,000}{150\,000} = 43\%$$

$$\frac{260\,000}{150\,000} = 68\%$$

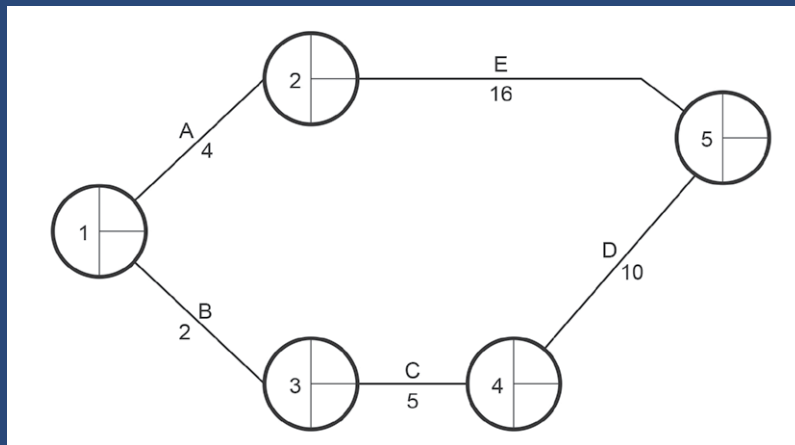
Answer = ..... 6.8% ..... [4]

## Examiner commentary

This answer is not well set out and has made the examiner 'work' to find awardable marks. There is evidence that average profit of £65,000 has been calculated and this has then been divided by the initial cost to get 43% (this is the correct answer). Unfortunately, the candidate has then had second thoughts about their method and calculated a second average profit figure without first subtracting the Year 0 net cash flow. The examiner has to take the candidate's final answer of 68% which is worth three marks (see the mark scheme guidance)

# Question 5(a)

A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(a) Calculate the total duration of the project.

[2]

0 out of 2 marks

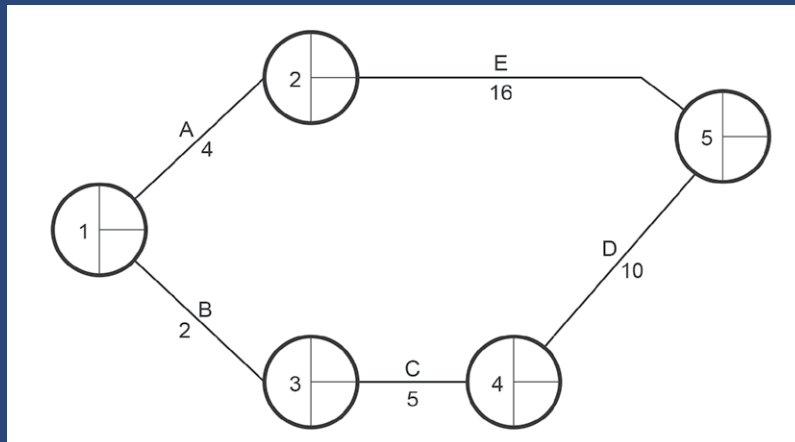
.....  
 $4 + 16 + 10 + 5 + 2$   
 .....  
 $= 20 + 15 + 2$   
 .....  
 $= 20 + 17$   
 .....  
 $= \underline{\underline{37 \text{ days}}}$   
 .....  
 Answer = ..... 37 days ..... [2]

## Examiner commentary

This answer shows a common error seen with the candidate adding up all five of the durations.

# Question 5(a)

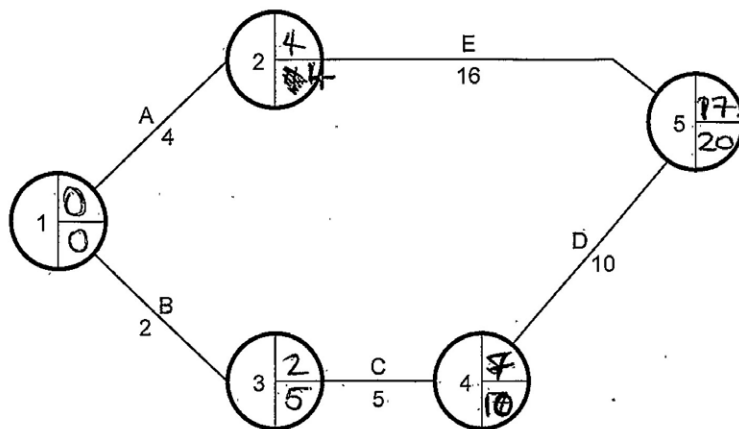
A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(a) Calculate the total duration of the project.

[2]

2 out of 2 marks



.....  $4 + 16 = 20 \text{ days}$  .....

.....  $2 + 5 + 10 = 17 \text{ days}$  .....

.....  $20 > 17$  .....

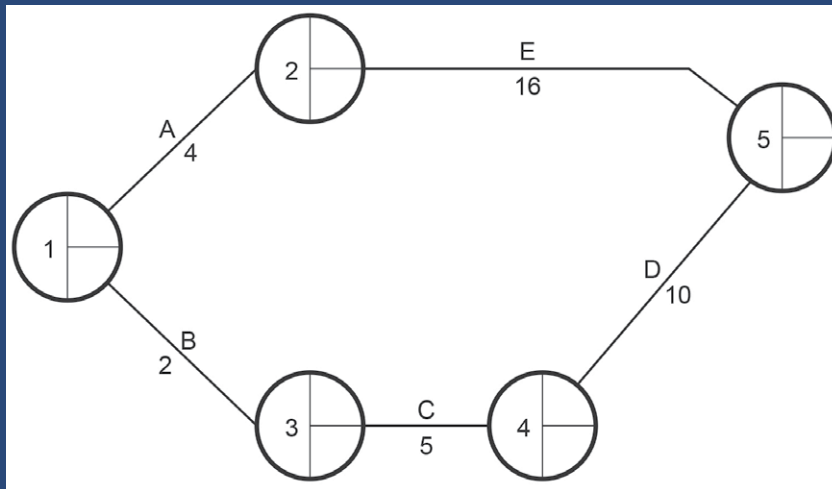
..... Answer = 20 days, ..... [2]

## Examiner commentary

This answer is correct for full marks.

# Question 5(b)

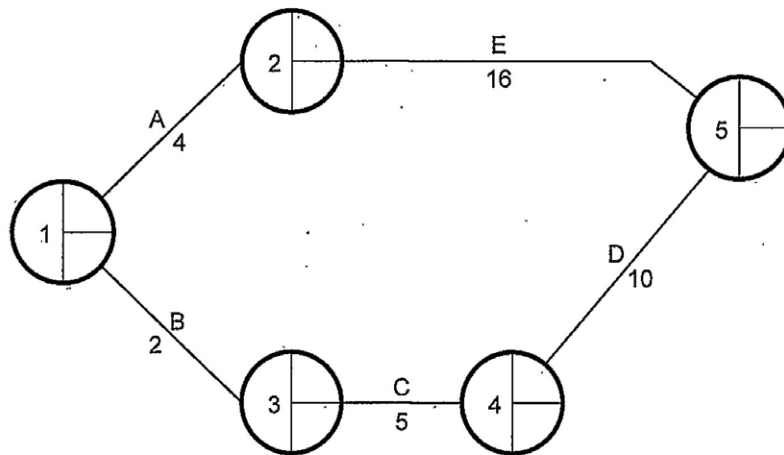
A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(b) Calculate the total float of activity C.

[1]

0 out of 1 mark



$$37 - 5 = 32$$

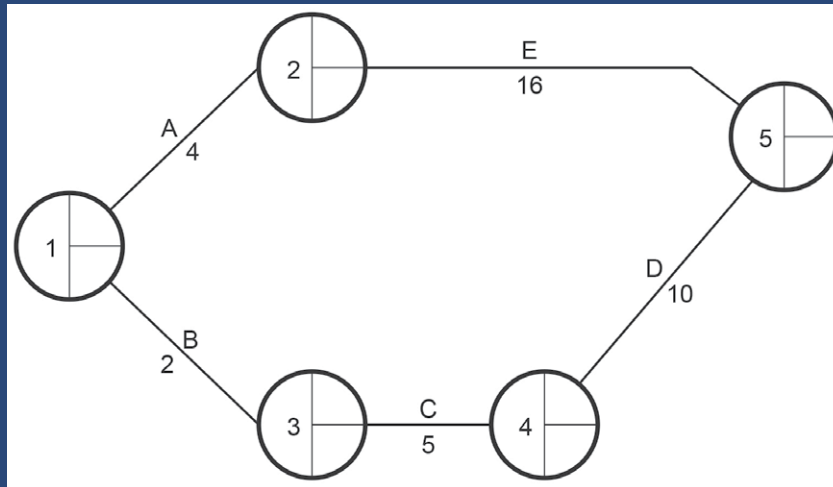
Answer = 32 days [1]

## Examiner commentary

This answer is incorrect.

# Question 5(b)

A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(b) Calculate the total float of activity C.

[1]

1 out of 1 mark

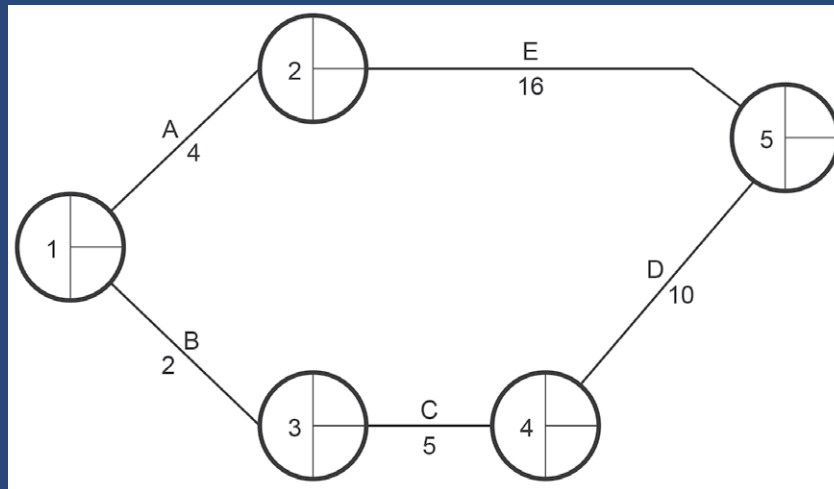
Answer = ~~17~~ 3 days. [1]

## Examiner commentary

This answer is correct (no working out required).

# Question 5(c)

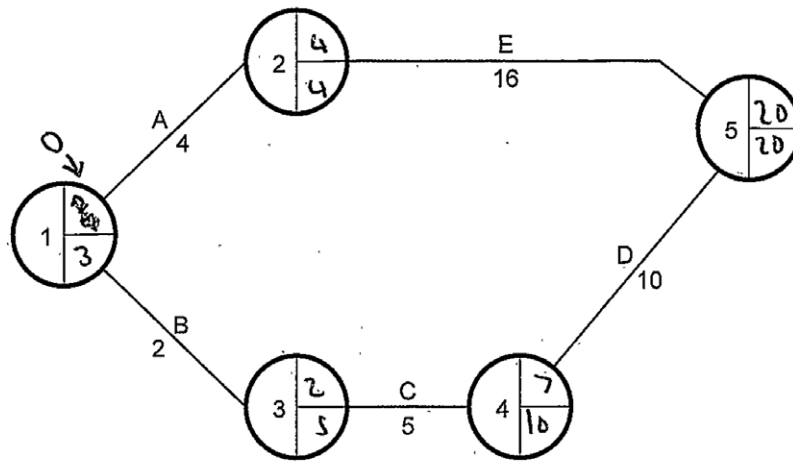
A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(c) State one activity which is on the critical path.

[1]

0 out of 1 mark



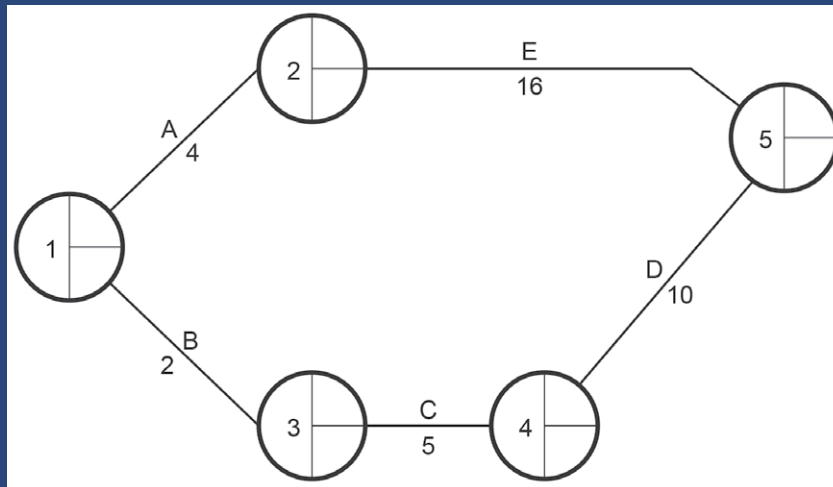
Answer = ..... B ..... [1]

## Examiner commentary

Incorrect answer.

# Question 5(c)

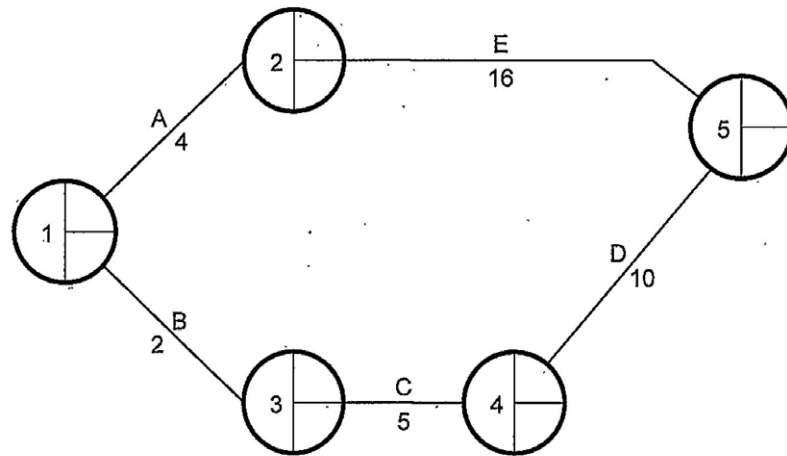
A building company uses critical path analysis to plan its production schedule. The diagram below is for one particular project. The duration of each activity is given in days.



(c) State **one** activity which is on the critical path.

[1]

1 out of 1 mark



Activity A : Node 2.

Answer = ..... A ..... [1]

## Examiner commentary

An answer of either A or E is correct.

## Question 6

Outline **two** situations where formal communication may be the most appropriate method of communication for a business to use.

[4]

### 2 out of 4 marks

1 When addressing a customer as to give off the interpretation the business is professional.

2 When a manager is delegating tasks so the employee knows to take it seriously and understand the importance/what is being asked off them.

[4]

### Examiner commentary

The first answer is an example of the common misunderstanding of the word 'formal'. To gain any marks it would need to refer to a situation concerning a customer, for example, "When dealing with a customer complaint, so that there is a record of it in case of any future legal action".

The second answer is good enough for both marks available. The task of delegation is, in itself, formal communication. The reference to the employee understanding the importance of the task is just good enough for a second mark, although some reference to the chain of command or the passing down of authority would have been better.



## Question 6

Outline two situations where formal communication may be the most appropriate method of communication for a business to use.

[4]

### 4 out of 4 marks

- 1 When there is a promotion offer made to an internal employee, a formal form of communication such as a letter would be best used as this is a job / title change and a significant business action.
- 2 ~~Pay slips~~ <sup>Salaries</sup> should be communicated formally in the form of payslips as they are a very confidential piece of information and an informal delivery of these would be inappropriate.

[4]

### Examiner commentary

The concept of 'formal communication' was often misinterpreted as meaning how a person spoke or appeared. This candidate does not make that mistake and produces an excellent answer which not only gives two different situations when formal communication could be used but also why it should be used in each case.

# Question 7

CGP can be classified as a large business.

Analyse one disadvantage for CGP's shareholders of owning shares in a large business.

[4]

## 2 out of 4 marks

A disadvantage of CGP's shareholders of owning shares in a large business, is that their shares will be small. Although the share prices would be lower in cost, the dividends per share that they receive will be a very small amount, as it is split amongst many other shareholders that have also purchased shares in the same large business. (in this case CGP)

[4]

## Examiner commentary

This answer shows knowledge of a disadvantage of owning shares in a large business, namely that dividends per share are likely to be small. There is also very weak context as there is reference to CGP. However, there is no analysis of the impact of this on the shareholders themselves. For example, a brief statement such as "This will reduce the financial benefit to shareholders of investing in CGP" would be enough to gain the two AO3 marks available.

The word 'analyse' in the question is an important one for candidates to pick up on as it is a 'step up' from the questions in Section A which only require a candidate to outline or explain.

## Question 7

CGP can be classified as a large business.

Analyse one disadvantage for CGP's shareholders of owning shares in a large business.

[4]

3 out of 4 marks

A disadvantage for CGP's shareholders of owning shares in a large business is that there are many others who have shares as well. Therefore, in decision making processes the shareholder may not feel valued as there are many other opinions drowning ~~there~~ theirs out. This can lead to dissatisfaction with ~~the~~ CGP and result in selling shares.

[4]

### Examiner commentary

This candidate identifies a different disadvantage, namely the potential lack of say in the decision-making process for shareholders in a large business. However, the final sentence just achieves some basic analysis by suggesting that the shares may be sold. It is not really very clear whether this impact is on the shareholder or CGP and so only one AO3 mark was awarded. A better answer may have been, "This may lead to decisions made by the Board of Directors, such as the purchase of CCI, going against the interests of an individual shareholder."

# Question 8

Evaluate the usefulness of SWOT analysis as a marketing resource for CGP.

[9]

4 out of 9 marks

Bad ← → Good - → strengths, weaknesses, opportunities, threats.

8 Evaluate the usefulness of SWOT analysis as a marketing resource for CGP. [9]

↓  
doesn't  
highlight  
consumer  
needs.  
↓  
what  
required  
to make  
them more  
competitive.

To some extent the SWOT analysis is useful as a marketing resource for CGP. This is because it highlights the strengths of the business both within the business and in relation to existing competitors in the market. A SWOT lists the strengths, weaknesses, opportunities and threats which allows them to get a rough idea of the market and the position that CGP are in. However, it does not consider consumer habits and or their requirements. It doesn't highlight ways in which CGP can remain competitive with other businesses in the same market. However, it does highlight gaps for the business to consider. For example, a threat to the business is that fewer people are going to the cinema in the UK. Therefore, CGP could use this to ~~research why~~ to research and find out why fewer people are going to the cinema. They can then manipulate their results to create a marketing strategy to encourage more people to attend the cinema. They could do this by competitive pricing strategies or ~~avoid~~ coming up with a unique selling point that makes their business (CGP) stand out from the rest.

## Examiner commentary

There are two key aspects to this question about SWOT analysis. First, it is about how SWOT analysis may be used. It was quite common to see many answers focus solely on what SWOT analysis is about, to the extent that the answer was just a regurgitation of what is in Extract D. This example starts in this vein. Second, the question is about SWOT as a marketing resource, rather than as a general decision-making tool.

This answer does recognise two uses of SWOT analysis in terms of “to get a rough idea of the market” and to “highlight gaps for the business to consider.” However, there is very little use made of the context (just a brief reference to fewer people going to the cinema). The answer significantly falls down with regards to analysis and evaluation (which make up five of the nine marks available). There is a reference to creating a marketing strategy to encourage more people to attend the cinema, using a competitive pricing strategy. Better analysis could have been shown by considering how this may benefit CGP, such as linking any strategy to the number of ‘big movies’ due for release.

This could then have led into an evaluation of whether this strategy may work, given what we know about the ‘strong competition from rivals’, the growth in streaming and recent rises in average ticket prices.

## Question 8

Evaluate the usefulness of SWOT analysis as a marketing resource for CGP.

[9]

6 out of 9 marks

SWOT analysis can be a very useful marketing resource for CGP.

One reason is that the opportunities that have been identified can be used as advertisements if CGP wanted to. For example, they could release an advert showing all of the 'big movies' due for release. As there are multiple films, this will probably get the attention for a number of different audiences based on genre. Therefore, a single advert could reach many target audiences of CGPs and arouse interest before the films release. Therefore, opportunities identified by SWOT analysis could be turned into promotion methods when properly suitable.

However, when it comes to the threats and weaknesses there is no real applicable use in marketing for them. While they may show some points that CGP ~~know not to state~~ <sup>will not want</sup> to show to the general public, such as the fact that online film streaming is growing in popularity, it provides no information to act upon when it comes to marketing. This essentially makes half of the analysis pointless in this regard.

Finally, the strengths could be used towards promoting

the sales of shares perhaps. Identifying facts such as a strong management team and Cineworld's outperformance of the market are sure to entice potential investors. CGP could also use some of these strengths to advertise their cinema, for example the use of outperforming the market again. These are excellent selling points to gain interest. Overall, while SWOT analysis can be useful in the sense it can identify points that can be used to ~~guide adv~~ ~~somewhat~~ as a marketing resource, it isn't all useful. For example, stating the strength that rising average ticket prices offset falling ticket sales isn't going to encourage customers to go to the cinema. As a result CGP will have to select only relevant points as marketing resources, making SWOT analysis only a moderately useful technique.

## Examiner commentary

This example gets straight into considering how the SWOT analysis can be used to create a targeted advertising campaign based on the information in Extract D. The first full paragraph builds to a strong piece of developed analysis (more than just A leads to B) and is very contextual.

Unfortunately, the next paragraph suggests that the threats and weaknesses part of SWOT analysis are useless for CGP, ignoring important issues such as the competition from rivals and growth in streaming.

The answer then moves off topic by considering non-marketing issues, such as the strong management team, before coming to a reasonable, if rather generic, evaluative point about CGP having to select the relevant points from the SWOT analysis.

This answer could have scored closer to full marks if there had been another use of SWOT identified, such as helping to develop a strategy to fight back against the growth in streaming, as well as stronger use of the context when making evaluative points.

## Question 9(a)

CGP had 265.2 million ordinary shares issued to shareholders in January 2015.

- (a) Calculate the earnings per share for the year ending 1 January 2015.

[2]

0 out of 2 marks

~~Dividend A~~  
~~Dividends~~

$\frac{54500000}{13.5} = \frac{\text{dividend proposed}}{\text{no of dividends}}$

$\frac{54500000}{4037037} = 13.5 \text{ pence}$

4037037 dividends

Answer = 13.5 pence [2]

### Examiner commentary

This example shows a common confusion between earnings per share and dividends per share. The latter was already calculated and given in Extract A of the Resource Booklet which should have been a clue.

Centres are reminded that the list of ratios which candidates may be asked to calculate, along with the formulae to be used, can be found on the OCR website (<http://www.ocr.org.uk/Images/295409-a-guide-to-the-financial-accounting-area-of-study-teacher-guide.pdf>).

## Question 9(a)

CGP had 265.2 million ordinary shares issued to shareholders in January 2015.

- (a) Calculate the earnings per share for the year ending 1 January 2015.

[2]

2 out of 2 marks

$$\text{EPS} = \frac{\text{profit for the year}}{\text{Shares issued}}$$

$$= \frac{54.5}{265.2} = 0.2055$$

$$= 0.21\text{p}$$

Answer = £0.21 [2]

### Examiner commentary

This example shows a fully correct answer which is very well set out and even has the correct degree of accuracy and units

(something not always seen in 'correct' answers).



## Question 9(b)

CGP had 265.2 million ordinary shares issued to shareholders in January 2015.

(b) Calculate the non-current assets turnover for the year ending 1 January 2015.

[2]

0 out of 2 marks

Non-current assets = 938.8      938.8 - 152.7 =

Non-current liabilities = 152.7      786.1

Answer = £786.1 m [2]

### Examiner commentary

This example is typical of many seen, as the candidate does not know what the formula is for 'non-current assets turnover'. They

have included the figure for non-current assets but has then compared it with non-current liabilities.

## Question 9(b)

CGP had 265.2 million ordinary shares issued to shareholders in January 2015.

(b) Calculate the non-current assets turnover for the year ending 1 January 2015.

[2]

1 out of 2 marks

$\frac{\text{Fixed Assets}}{\text{Sales}} = \frac{988,800,000}{619,400,000} = 1.52 \text{ times}$

Answer = 1.52 times [2]

### Examiner commentary

This answer starts off with the wrong formula. However, negative marking is not allowed and the candidate proceeds to use the two correct numbers for revenue and non-current assets, but

inverts the answer. The mark scheme allows one mark to be awarded for this (the AO2 mark) as the correct data has been used.

## Question 10

Evaluate the financial and non-financial performance of CGP.

[15]

7 out of 15 marks

Financially, it is immediately clear to see the level of growth from 2014 to 2015 is substantial, as both revenue and profit have increased, with profit more than doubling. The net profit margin has increased from 5.17% to 8.90% in one year, an increase of 58.75%. This increase in profit may be due to the selling price of a ticket increasing or the cost to the rights of a movie decreasing, leading to higher gross and net profits for CGP.

Non-financial performance can be shown through the SWOT analysis as it is said that Cineworld dominate their market, increasing market share and the value of a share in the business, along with market dominance ~~in~~ in the film market. This may result in a potential monopoly for CGP however, which may be the reason some sites had to be disposed of, in order to reduce market holding and remain below the 25% threshold. This has negatively affected CGP as they are now limited in their ability to grow further due to market law.

The value of the brand image has also increased significantly, possibly due to the quick growth as a franchise, increasing the intangible assets and goodwill by 245.04% in a single year, clearly demonstrating the benefits to a business of franchising. This has increased the value of the business on the Statement of Financial Position and has made it easier for the business to obtain a large bank loan, potentially shown in the increase of non-current assets, which can then

## Examiner commentary

In comparison to the previous example, this is a more superficial answer which contains good contextual knowledge and analysis but no evaluation.

The financial performance is referenced via the increase in revenue and profit but the analysis is basic when considering what may have caused it. The discussion of non-financial performance is better, with consideration of how the UK Competitions Authority regulation may affect CGP's future market share.

However, there is no attempt to evaluate any of this evidence. For example, will any disposal of assets actually affect CGP or will a potential European expansion counteract this? How has the increase in profit come about and is it sustainable in the future?

Ultimately, with no attempt to evaluate, the candidate has restricted their maximum mark to eight out of fifteen. It is therefore vital that in the two 15-mark questions candidates make an attempt to evaluate.

## Question 10

Evaluate the financial and non-financial performance of CGP.

[15]

15 out of 15 marks

Financially speaking, CGP have been performing well in comparison to the previous years. In 2014 their ~~gross~~ revenue was £406.1 million and in 2015 it was £619.4 million, therefore ~~there~~ <sup>their</sup> revenue has increased by roughly 52.5% in one year. Also, the profit for the year in 2014 was £21 million and in 2015 was £54.5 million, therefore ~~there~~ <sup>their</sup> profit for the year has increased by 259.5% in just one year. What makes this impressive is that the two numbers are not proportional, reduce their costs in order to reach these heightened profit per the year levels. This increased profit level can allow CGP to reinvest into improving their performance even further, such as investing into technology that is cheaper to run in the long term.

There is also the fact that their net assets increase from £193.9 million to £506.3 million, an increase of over 261%. This ~~shows~~ implies good financial performance as in one year they gained over £300 million worth of assets, as well as increasing profits ~~the~~ The fact that they ~~did~~ improved both areas simultaneously despite the obvious overlap of required

C.G.P. is performing very well.

Non-financially there are some issues for C.G.P. one factor is that there is a fall in the popularity of cinemas as technology has pushed the population towards online streaming, using services such as Netflix. Therefore, C.G.P. are having to compete with a more advanced film provider that can offer customers viewing ability from home. While they may not have the upper hand in terms of competition with online providers this is not a good measure of their performance as ~~there is~~ the <sup>market areas</sup> ~~markets~~ are slightly different. Instead we can judge the fact that C.G.P. are not moving into this online market. They have the capital for investment as I have pointed out previously by their increased profits, therefore it can be argued that C.G.P. are not performing to the best of their abilities in trying to keep up with the trend. This can be read as under performance or a lack of it as nothing is being done, despite this ~~is~~ issue being identified as a threat for C.G.P. (where realistically it could also be an opportunity, it is still a threat to their cinemas though).

There is also the non-financial issue that C.G.P. don't seem to reach their own internal goals as they claim to provide equal opportunity for employees yet ~~there~~ their board of directors consists of <sup>nine</sup> ~~9~~ men and one female. While this may well may be down to qualification and skill, it does raise the question of whether there is a

Bias in the selection process for higher positioned roles. ~~There~~ There are 8 male ~~senior~~ senior managers and 6 female, this is ~~so~~ certainly more balanced as well as the other team members being 4,639 men to 4,016 females. ~~So~~ So why is it not the same on the board of director level? ~~This~~ This is not a judgement on CGP's performance of hiring more female directors, it is on their performance to do what they say they will. ~~And~~ and in this case it appears they failed on the higher levels of the selection process.

In conclusion, CGP are performing very well financially. ~~They~~ They not only expanded their assets to more than double, they also more than doubled their profits for the year showing incredibly successful performance in this area. However, there ~~is~~ certainly room for improvement non-financially. It is not so much that what they are doing is not performing well, it is more that they are not performing in certain situations at all. Such as a more gender balanced leadership or identifying an opportunity in a market that is clearly moving in a different direction that CGP would hope. Therefore, CGP perform very well financial and moderately well otherwise.

## Examiner commentary

This is an impressive answer which received full marks. It starts by considering financial evidence, but rather than just stating some data and saying this is a sign of good performance (as with many answers) it analyses the data by manipulating it to show that the increase in profit is relatively greater than the increase in revenue. Non-financial issues are not ignored, with reference made to the threats from new technology and some evaluation is seen when questioning CGP's ability to keep up with this trend. There is also some excellent analysis and evaluation when discussing the firm's own equal opportunity targets. The way in which the male and female employee numbers are considered in Extract E is quite a sophisticated piece of evaluation.

The conclusion (which is more than the typical couple of lines which just repeat what has previously been written in the answer) comes to a well reasoned judgment that CGP is performing well overall but with a few minor exceptions.

## Question 11

Evaluate the extent to which CGP may be more affected than other companies by the digital revolution. Justify your view.

[9]

5 out of 9 marks

CGP wouldn't be affected any more than other companies in the same market. All companies in the film and entertainment market would have to keep up with technology otherwise for some films they may not be able to show as it may be in 4D or in ultra-high definition meaning all cinema companies would be at a disadvantage if they did not have the up-to-date technology.

Also companies like CGP have ~~to~~ a responsibility to stop piracy of films and all need to be able to identify the technologies used by these people, therefore they all are affected by the digital revolution.

They are all also affected by the increase in popularity of streaming services. Although they can't do anything to prevent these services being popular, they are all affected by this advancement in technology which has caused consumer taste to change.



In conclusion, CGP is just as affected as the other companies as being in a market which relies on technology means all of them are affected by the same problems.

## Examiner commentary

Although this answer considers three areas in which CGP is affected by the digital revolution (ultra-high definition, piracy & streaming) there is little development of how these have an impact on CGP beyond the basic statement that cinema companies will be at a disadvantage if they do not stay up-to-date with technology. There is also no attempt to consider whether these issues will actually have any impact on CGP or whether it will be more or less affected than other firms. For example, with reference to the growth in home streaming, the candidate could have gone on to consider that CGP, by constantly improving its picture quality, sound and seating (lines 3 to 4 in the Resource Booklet) may still be able to offer a service over and above that available in the customer's own home.

# Question 11

Evaluate the extent to which CGP may be more affected than other companies by the digital revolution. Justify your view.

[9]

7 out of 9 marks

The digital revolution has pushed film watching from the cinema to at home, online. This causes serious issues for CGP as a cinema group.

All companies involved in films will be affected by this revolution, ~~however~~ however, CGP will likely be affected more than most. This is

because of CGP's size, as Cineworld has outperformed the market it shows they have the ~~biggest~~ most to lose should the digital revolution make cinemas redundant one day. In a sense,

CGP have put all their eggs in one basket in the cinema industry, and while this has led to success so far it is likely to ~~be a fit~~ end.

This is because most people in today's age would rather sit at home and watch a film online, more cheaply as well, than go to a cinema.

~~This movement~~ Should this movement go all the way, it is clear that CGP will be no more.

However, there is the opportunity that they could expand into this new market and thrive.

Yet they will still be more affected as these assets would become redundant and will have to be

sold (cinemas, machinery, staff, etc), causing a large  
 upset and effect on the part of CGP. As well  
 as the fact that it will have been a waste  
 that they more than doubled their assets in  
 the wrong area of the film's market.  
 Overall, the only reason CGP will be affected  
 more than other companies by the digital  
~~market~~ revolution is essentially because they  
 have more to lose ~~that~~ than the others. ~~They~~  
 CGP have more money and people invested  
 into the wrong side of the digital ~~market~~  
 revolution and therefore have more to deal  
 with should the revolution escalate to a point  
 that causes significant problems for CGP.

## Examiner commentary

This question about the digital revolution saw many answers along the lines of this example. The focus is on the impact on CGP of the growth of online/home cinema and streaming services. The first half of this answer is excellent and considers how CGP is affected by this trend and shows evaluation by considering how firms in this industry, such as CGP, may suffer from having "all their eggs in one basket".

The common failing of many answers like this one is that they do not consider how other companies (either in the same industry as CGP or not) are more or less affected which is what the question asks. It is virtually impossible to come to a justified judgment if an answer only considers one point. Those answers which went on to consider how another industry, such as supermarkets, are more or less affected, tended to go on to score eight or nine marks. For example, some candidates argued that the digital revolution in retailing has led to benefits for supermarkets, such as online ordering or self scanning, which has led to more demand rather than cinemas which have lost demand to home streaming of movies.

# Question 12

Analyse **one** benefit to CGP of having a corporate social responsibility policy.

[4]

3 out of 4 marks

~~A benefit to CGP of~~ A benefit to CGP of having a corporate social responsibility policy is that it outlines clearly the responsibility CGP have towards their employees by ensuring that ~~both~~ they receive the best training and by making sure that employees share holders, so that they have happy with the customer service provided. & This means that the customers will be happy, in the sense that the employees also have a [4] responsibility towards the consumer's interest. (access for all)  
 If consumers ~~to~~ are happy with the service provided, this leads to good customer feedback and repeat purchasing. Both which will benefit CGP's success.

## Examiner commentary

The start of the answer clearly shows how wrong, vague or irrelevant material should not be allowed to detract from the rest of the answer. There is nothing worth rewarding until the sentence starting "This means that..." There is also no requirement to show what a CSR policy is (that is clear from Extract E).

However, an impact on customers is then mentioned which does make limited reference to the context of CGP ('access for all') with a benefit to CGP in terms of repeat purchasing. The very weak context makes it difficult to award both AO2 marks. A more rewardable final sentence may have made better reference to the available context, for example, "CGP's access for all policy may act as a marketing tool which may help the business to attract more customers in a highly competitive and declining market".

# Question 12

Analyse one benefit to CGP of having a corporate social responsibility policy.

[4]

4 out of 4 marks

A benefit to CGP of having a corporate social responsibility is the ~~favoured~~ improvement to the brand name. People respect those who have respect for others, therefore if it is a well known fact that CGP is socially responsible then more customers and potential employees ~~will come~~ who appreciate this will come, which can help improve profits and brand image. [4]

## Examiner commentary

This answer was just good enough to be awarded full marks. Although it could have made a little better use of the context, it clearly sets out a benefit to CGP of having a CSR policy and how this occurs via both customers and employees.

# Question 13

A zero-hours contract is one example of a flexible working practice.

Evaluate the impact of flexible working practices on CGP's stakeholders.

[15]

## 9 out of 15 marks

13\* A not just zero-hours contract is one example of a flexible working practice.

Evaluate the impact of flexible working practices on CGP's stakeholders.

Staff  
business owners.  
Customers. Locals  
government [15]

flexible working practices involve job contracts that do not have set working days ~~or~~ ~~or~~, but instead involve flexible hours and days from zero-hour contracts to flexible hour contracts.

Employers can ~~also~~ benefit from flexible working contracts as they can fit around their lifestyle and other commitments. They are not legally bound to work shifts assigned to them if they don't wish whilst on a zero-hour contract. This can help them to continue with their lifestyle as it's easier to take days off and holidays can be taken whenever the employee wishes. Therefore, if an employee wishes to go out on a Friday or Saturday night, they can say no to a shift, even though it is the busiest time of the week for Core. This flexibility allows employees freedom and the ability to take more control of their life than if they were on fixed day, fixed hour full-time contracts. However, an employee is also never guaranteed an income on a zero-hour contract and so planning for future expenses and financially committing to something can be uncertain.

and lead to money problems and debt if not careful. As 80% of employees at CGP are on zero hour contracts, there is a chance that one employee will get lots of hours in a week where another employee does not work. This imbalance can lead to uncertainty, lack of motivation and feeling undervalued within the business. This lack of motivation can then cause issues for customers who may receive poor customer service if a worker is not motivated or willing to offer high quality customer service. This can lead to a negative experience for the customer and they may leave feeling like they didn't get value for money and may not return to CGP. This can then cause CGP to have less repeat purchases and lack of loyal customers, reducing sales, revenue and consequently, profit for CGP, making it more difficult to expand internationally and increase the threat of the growing competition CGP is facing.

A benefit for CGP however would be that it could reduce costs, as fluctuating demand for cinema tickets can be matched with flexible contract workers. For example, an employee that may have a 10 hour contract per week, may be able to work their hours on valentines day which may fall on a Tuesday, rather than the Saturday shift they usually work, which may now have reduced demand as people celebrated during the week. This flexibility reduces costs compared to fixed hours that may have meant the employee had to work their 10 hours on Saturday.

and be give an additional shift on the Tuesday, when the Saturday shift may have been unneeded and so paying for this would increase costs unnecessarily. Another negative to the business may be that they don't have the staff available to cover the demand as zero hour contracts give employees the option to say no. For example, during holidays such as Christmas, employees may not want to work but demand will be high. This may lead to CGP being understaffed and not being able to deliver the service expected of them. This can cause customers to have a negative experience and they may go to a competitor next time, reducing the business's customer as well as sales and profit.

## Examiner commentary

This answer shows very good knowledge and analysis but has virtually no evaluation. First, it considers the impact on employees and works through some developed analysis (in context) to show how this may lead to improved customer service and hence profits. This is where there is a brief hint of evaluation, as there is reference to how this may affect CGP's ability to expand internationally or respond to the competitive threats mentioned, but this is not well developed.

There is also consideration of how flexible working may lead to lower costs (by implication an impact on shareholders) by matching the demand patterns during a typical week with the level of staffing.

Apart from a final paragraph which largely repeats earlier points or reverses earlier arguments, the answer comes to a disappointing end. There is no attempt to consider whether the impact on one stakeholder is more significant than on another. For example, will the ill feeling amongst some staff (mentioned in Extract G) cause problems with worker motivation and customer service or is this the same throughout the industry? Do the benefits of the 'gig economy', especially for younger workers who are the main employees in the cinema industry, mean that flexible working provides more positive impacts for employees and employers than negative ones?



## Question 13

A zero-hours contract is one example of a flexible working practice.

Evaluate the impact of flexible working practices on CGP's stakeholders.

[15]

### 13 out of 15 marks

Employees will be impacted upon the most as they are the only stakeholder of CGP who is directly affected by the flexible working practices. As there is no consistency to <sup>how busy a</sup> ~~the business of~~ cinema<sup>is</sup> other than, say, a new-big film being released it can be very frustrating for employees to ~~get~~ ~~to~~ not know how much they will be able to work. When you compare flexible practices to other markets such as theme parks or festivals it is clear their popularity varies on times of year, such as being most busy in the summer. In the cinema industry there is no such luxury of expectations other than new film releases and perhaps becoming slightly busier over weekends. Therefore, there is no way an employee can plan even weeks in ahead financially as there is no guarantee they will receive the hours they need. This will lead to disappointment and dissatisfaction with ~~the~~ CGP and therefore ~~that~~ ~~as~~ employees are negatively impacted. Managers will only be affected in the sense

that they will have to make the rotas for the flexible hours and ensure that the correct levels of staff are in at the appropriate time. As well as receive complaints by the employees should they be unhappy with the hours given to them. Therefore they are affected somewhat negatively.

The customers may be affected as the dissatisfaction of the employees may translate to poor customer service, making their experience at CBP's locations undesirable. They may also be put out should the manager not rota in enough employees. Overall, the employees are the most impacted upon by flexible hours practices as they are the ones who have to live off what <sup>hours they</sup> get. Managers have salaries and customers can go elsewhere, therefore the employee only has two options should they be dissatisfied with their zero-hours contract: leave CBP or have to deal with it regardless. This leads to unhappy employees and can likely be off putting for potential staff who are applying to work with CBP. Should they not mind it and are happy with the hours they receive then this is not an issue, but most working people need and appreciate consistency.

## Examiner commentary

This example really shows the benefits of quality over quantity in an answer. It only covers two stakeholders (employees and managers) but that should be enough as long as they allow some contrast. Employees are covered very well, with good contextual reference to seasonal issues in the cinema industry and the need to have flexible staffing to deal with big film releases which are not predictable. There is also some good evaluation around this point in terms of employees not being able to plan ahead financially which may cause them a problem. The section about managers is quite poor with no context and only weak reference to having to manage the rotas which may be true for any business regardless of flexible working.

However, the final fifteen lines of the answer, starting “Overall, the employees are the most impacted...”, takes this answer to a different level. It is a sophisticated and thorough discussion of the relative impact on managers and employees which ultimately comes to a justified judgment that it all depends on what the employees want from their work.

This answer could easily become a full mark answer by adding some context to the earlier discussion about the impact on managers (for example, the particularly long hours which need managing on the rota).



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