

**A LEVEL**

**Examiners' report**

**BUSINESS**

**H431**

For first teaching in 2015

**H431/01 Summer 2022 series**

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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. A selection of candidate answers is also provided. 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 and the mark scheme can be downloaded from OCR.

### Advance Information for Summer 2022 assessments

To support student revision, advance information was published about the focus of exams for Summer 2022 assessments. Advance information was available for most GCSE, AS and A Level subjects, Core Maths, FSMQ, and Cambridge Nationals Information Technologies. You can find more information on our [website](#).

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## Paper 1 series overview

This component focuses on the local business environment, in this case a small private limited estate agency who had been in business for 10 years. The concept was accepted by most candidates although there were a few who thought that LDEA owned the houses which were either being sold or rented, even though it stated quite specifically in the brief that these were being sold on behalf of their owners.

Some responses were very hard to read, this means that they are not likely to score highly due to the argument being difficult to follow.. On the other hand, there were many scripts were very well laid out with the arguments clearly set down in paragraphs and with a concise evaluative conclusion.

There was no evidence of time pressure in the examination and very few candidates 'ran out of time'.

This report has been written based on the feedback from the entire team of examiners and should be read in conjunction with the published mark scheme.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> <li>• provided detailed contextualised responses</li> <li>• gave well developed analysis in Question 16, where they recognised that this was a people centred business where the loss of key employees could impact on the achievement of the sale/rental of houses therefore impacting on the ability to achieve the objective of £90,000 net profit for each of the next two years</li> <li>• understood the focus of Question 17 and were able to discuss the factors which are likely to make the chosen method successful in its aim of evaluating the contribution an employee makes to be business</li> <li>• understood the implications of a rise in interest rate (Question 18)</li> <li>• were able to link to the property market as a whole and the impact on the mortgage repayment/loan repayment (Question 18)</li> <li>• understood that a small increase in the interest rate would have negligible impact on the business (Question 18)</li> <li>• used the quantitative information provided in Question 19 (a) and 19 (b)</li> <li>• considered the risks involved, developed strong chains of analysis, thought about the consequences of not purchasing Carrolls compared to those of purchasing (Question 21).</li> </ul>	<ul style="list-style-type: none"> <li>• lacked context</li> <li>• did not recognise that they were being asked to analyse an <i>internal</i> cause of uncertainty (Question 16)</li> <li>• wrote about Leo's possible failing marriage (Question 16)</li> <li>• within Question 17, did not compare and contrast, focused on employee motivation and did not evaluate the method of evaluating contribution</li> <li>• did not understand the role of an estate agent (Question 18)</li> <li>• did not show understanding of a change in the interest rate (Question 18)</li> <li>• did not provide evaluation</li> <li>• only gave a list of reasons for and against in Question 21.</li> </ul>

## Section A overview

The multiple-choice questions proved a very effective discriminator on this paper. Inevitably, some questions generated a very high level of correct responses whereas others did not.

Question 5 which was on supply and demand is one that stood out as being poorly answered, and it is invariably the calculation questions that seem to be answered less well. Whether that is due to time pressure and the candidate making mistakes with their calculations or candidates have not revised that area of the specification is unknown. However, there were plenty of candidates who demonstrated excellent knowledge of topics and scored more than 12 marks.

It should also be noted that there were a small number of candidates who missed out one or more answers in this section. Centres are reminded to inform candidates that there is no negative marking and so any response is better than none. There were also other candidates who marked more than one box. When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark can be given, as it is not possible to determine which was the first response selected by the candidate.

A detailed rationale of the multiple-choice answers is provided in the mark scheme.

## Section B overview

Most candidates were able to use the case material from the resource booklet in their responses, which is key to being able to access the higher skills of analysis and evaluation. Many candidates, however, tended to focus on the same pieces of context in many of their answers, such as the selling of houses or the need for a mortgage. Although this is not wrong, it can give a response which is non-selective in the use of context and can make it more difficult for them to access analysis and evaluation marks. There was a wealth of data available in the resource booklet and also from the two calculation questions where responses could have then been used to further analyse and evaluate, especially in Question 21 which required candidates to discuss whether Leo should purchase Carrolls. However, the calculated data was simply not used.

It should be stressed to candidates that the calculated data is an ideal source of information that can provide justification on whether to go ahead with a strategy as detailed in the brief. Most candidates were able to make very good use of the information provided in the resource booklet, however, there were also a good proportion of candidates who simply gave theoretical responses or only mentioned the owner's name, this was especially evident in Question 20. Responses which only mentioned 'Leo' or 'LDEA' were not able to achieve the contextual application marks meaning that they were also unable to gain the marks for analysis and evaluation.

Candidates should make thorough use of the Resource Booklet to answer the questions in context. Good use of context will pull together two or three pieces of information from the case study. This is an area which centres should focus on to allow their candidates to gain access to the higher marks.



## Exemplar 1

LDEA may be affected by staff leaving. As the property market in Bristol is dominated by national chains, employees may be inticed to leave to join a bigger firm as it may offer better pay, benefits and job security. If employee turnover increases then potential future or ongoing property deals may breakdown and the £90000 per year net profit target may become unrealistic. If ~~turnover~~ Leo does not ~~have~~ quickly respond to what may happen then his firm may not be able to survive in such a competitive market. and employees leaving multiplier effect.

This response demonstrates a clear, contextualised line of analysis which is developed and gained the candidate full marks.

## Question 17\*

17\* Leo is considering introducing “a bonus system based on an employee’s contribution to LDEA.” (Line 34)

Discuss how Leo might evaluate an employee’s contribution to LDEA.

[15]

There were mixed responses for this question. Generally candidates understood that contribution could be measured through the use of appraisal methods such as 360-degree feedback and self-assessment or benchmark targets such as meeting property sales targets and were therefore able to achieve 4 marks with knowledge and application. However, they did not recognise that the question was about the method of contribution and not about how it motivated the employee and were therefore not able to access the higher marks. A small number of candidates were able to talk about the different ways Leo could evaluate the employee's contribution and analyse them as a tool identifying their pros and cons. Candidates should read the question carefully to make sure that they have a clear focus on what is required.



## Question 18

18\* Evaluate how an increase in interest rates might affect LDEA.

[15]

Some candidates were able to gain full marks on this question by demonstrating excellent knowledge of how a rise in the interest could impact on the property market due to the increase in mortgage payments. They also understood that it could have a detrimental effect on Leo's costs due to his outstanding loan. There were also some very good evaluative responses where the candidate was able to make a judgement on the level of impact that it would have on LDEA dependent on the size of the rise and duration. Some good use of knowledge relating to price elasticity and the short-term impact of interest rate increases/decreases versus long term and the "new normal".

However, there did seem to be some confusion between interest and inflation with other candidates believing that LDEA owned all the properties. Other candidates seemed to think increased interest rates increased house prices rather than the cost of borrowing.. There were also some cases of the candidate believing that the mortgage was paid to the house seller in instalments.

### Misconception



Some candidates were under the misconception that an increase in interest rate meant that the house price increased as opposed to the cost of borrowing.

Other candidates believed that the houses belonged to LDEA, and did not realise that they were the agent. This was made very clear in the first paragraph of the brief, which specifically stated that they sold properties on behalf of their owners.

## Exemplar 2

Overall, an increase in interest rates would have a adverse effect on Leo, because he is in a luxury industry where people must borrow money to purchase items, selling houses up to £800,000. Therefore, if the cost of borrowing money rose then people would be for less likely to purchase a house, at that time. Furthermore, Leo has his own £30,000 loan, meaning that he must pay more for his. This would be negative because he has 10 salaried staff and so their wages would not change, but demand for his service would decrease therefore having a negative effect on his revenue, which is already a regular issue. However, his could depend on how much the interest rate increases by, because 0.5% would be minor however, any higher like 2% would affect him greatly. Also, the extent and duration must be considered because a small increase over a short period of time would have very little consequence, but if these remained high then it would prevent his expansion plans in the future, due to not having the capital to fund it, giving more time to competitors like Purplebricks for their expansion.

This response demonstrates an excellent piece of evaluative text that clearly understands the impact of a change in the interest rate to LDEA.

### Question 19 (a)

19 Leo has been able to obtain Carrolls' sales figures for the start of 2022. These are shown in the table below.

Month	Sales	Three-month sales total	Three-month moving average
January	22		
February	25	75	25
March	28	81	27
April	28		
May	22		

(a) The average price of a property sold by Carrolls in March is £400 000. Carrolls currently charges a selling fee of 1% on the price of a property.

Calculate the total selling fee earned by Carrolls in March.

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Answer ..... [3]

Well answered with the majority achieving full marks. Some candidates multiplied by 0.1 rather than 0.01 and there was also evidence of calculators not being used that resulted in wrong answers.

### Assessment for learning



The advantage of showing workings is that an incorrect response can still score close to full marks. If the rest of the workings are correct (and clearly seen) the response could still achieve 1 mark.



## Exemplar 3

An advantage for Leo using Time Series analysis to forecast sales is that it gives an <sup>appropriate</sup> understanding of the financial aspect of LDEAs expenditures and how much revenue is left at the end of each month. This will give a detailed layout as to where every piece of money goes and is being put correctly in each section. This is a precise way to have all finances in one place and is easy to access when necessary. Time series analysis is accurate and reliable when trying to forecast sales and will benefit the business in the short term when using tactical objectives for targets.

This response clearly demonstrates a candidate who understands Time Series Analysis but did not apply it to the given context. They have therefore only scored 2 marks for the advantage and disadvantage (not shown). Analysis and Evaluation all require context. Therefore, a non-contextual (generic) response cannot gain more than 2 marks (the 2 Knowledge marks), even if it contains analysis and/or evaluation.

## Question 21

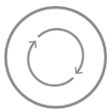
21\* Evaluate whether LDEA should buy Carrolls.

[15]

Probably the most well answered question on the paper.. Overall, the responses were well structured with lots of balanced justification provided. Very good evaluation where candidates thought about whether it would fit in with Leo's objectives and the uncertainty of the data provided, with lots of candidates advising that it would be better for Leo to concentrate on sorting out his own internal problems rather than taking on Carrolls at the moment. Some candidates suggested that Leo considered using the Delphi technique, which was not relevant in this instance.

Those responses which did not score as well lacked structure and context. Many listed reasons for and against, and although they earned multiple knowledge marks, they did not analyse and pick up on the information provided withing the brief. Candidates need to understand the importance of application to gain the higher marks, it is not sufficient to just make mention of the name of the owner or the business, they must look for the evidence in the brief.

### Assessment for learning



Both calculation answers can be used when analysing and evaluating other questions and can provide sound justification on whether or not LDEA should go ahead with the purchase of Carrolls. These are very rarely used and candidates should understand the value of using this information to provide a quantitative element for justification.

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