

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS



05834-05837, 05878

Unit 1 January 2020 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.

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Online post series external feedback

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Paper Unit 1 series overview

This series has uncovered at least three areas of the specification where candidates needed to be better prepared – organisation charts, pressure groups and corporate social responsibility. However, those candidates who showed a sound understanding across the entire Specification, coupled with an ability to analyse and evaluate, did well on this paper.

Weaker scripts continue to show limited preparation by candidates. In particular these scripts showed little evidence of preparation for Section B, the one area of the paper where candidates can prepare in advance. Some candidates appeared to have done little research or had, apparently, overlooked the guidance given in this series' pre-issued research brief on what issues to focus on. Centres are advised to devote adequate time to the preparation of candidates for Section B of this paper.

Candidates who did well on this paper demonstrated four particular strengths:

- a broad base of knowledge across the entire specification
- researched a wide variety of businesses, targeted to the research brief
- the ability to answer contextually (in Sections B and C)
- the ability to weigh up arguments from the business' perspective

Section A was generally well answered by most candidates. A minority of candidates lost marks because they ticked two responses, say B and D, such hedging cannot be awarded. Candidates should be instructed not to take this approach. Where a candidate indicates an answer and subsequently changes their mind, they should clearly cross out their original tick. Once again this series, some candidates also lost marks by leaving an MCQ question blank. Candidates should be encouraged to indicate a response to all 20 questions.

Section B was better answered than in previous series, but is still not as well answered as might be expected, given the clear guidance given in this series' pre-issued research brief on areas to focus on.

The research brief linked to the questions in Section B as follows

- Functional areas in secondary sector organisations.
- The use of social media as a promotional tool.
- Compliance with employee protection legislation.
- Hire purchase and its impact on business operations.
- How business ideas are developed.

- Question 23 Describe two tasks performed by the production function in a business that you have researched.
- Question 24 Analyse one advantage and one disadvantage to a business that you have researched of using social media to promote the business.
- Question 21 Identify two ways that a business you have researched complies with the Working Time Directive.
- Question 22 Explain one benefit and one drawback to a business that you have researched of using hire purchase as a source of finance.
- Question 25 Explain how a business that you have researched develops its business ideas.

The wording of Questions 22, 24 and 25 linked extremely closely with the wording of the pre-issued research brief but some candidates still showed very limited knowledge or understanding. In some cases this appeared to be a centre-wide problem (especially on Q24 on promoting via social media); such centres are advised to emphasise to candidates the importance of focussing their business research on the topics indicated in the corresponding series' research brief.

Evidence suggests that those candidates who chose to answer all five questions in Section B on the same business appeared to do less well than those who selected a business according to the question. Candidates should be encouraged to vary the business they use depending on the question i.e. to choose a specific business for which their understanding is suitable for answering the question. This was especially important for Question 22, where the business chosen needed to use hire purchase as a source of finance.

As always, Section C contained three high tariff extended response questions. These questions were level of response marked. Candidates needed to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks.

An analytical response must contain implications to the business.

Analysis requires candidates to develop their answers to include impacts on the business as an organisation.

Examples could include impacts on costs, revenue, cash flow, profit, output, improved decision-making, customer loyalty, quality, reputation, labour turnover and absenteeism.

It should be noted that phrases such as "this will impact on profit" or "this will affect the firm's reputation" cannot be awarded because the direction of the impact is unclear. Candidates need to make explicit the nature of the impact i.e. more profit or less profit, a better reputation or a worse reputation.

An evaluative response must contain a justified judgement.

Evaluation requires a reasoned decision that answers the question. E.g. the best method to use to try and stop the proposed restructure (Question 29b), the best CSR activity for the business to use (Question 30b), and a judgement on the overall impact on a business of an increase in wage rates and interest rates (Question 32).

Candidates should be encouraged to reach decisions and give detailed justification to support their argument using contextual information. While an accurate judgement that applies to most businesses would achieve a Level 4 mark, an answer which argues using the particular circumstances of the business scenario would be more highly rewarded.

Areas which caused most problems on this paper were confusion over ethics and legality (question 5), the calculation of revenue (Question 9); the interpretation of an organisation chart (Question 11); social media as a means of promotion (Question 24), pressure groups (Question 30a) and corporate social responsibility (Question 30b). On the other hand, Question 23 on the production function, Question 25 on how business ideas are developed, Question 27b explaining the liability of a public limited company, and Question 29b on how employees can attempt to change business behaviour, were extremely well answered.

Section A

Question 5

5	Pay	ing the living wa	age is an example of:	
	(a)	being an ethica	al employer	
	(b)	employee emp	powerment	
	(c)	meeting legal ı	requirements	
	(d)	sustainability		[1]
The cor suggest	rect ting t	answer was ans hat there is little	nderstanding of ethical factors as distinct from environmenta swer (a), being an ethical employer. Very few candidates choe confusion between ethical and environmental factors. Howe ting confusion between ethical and legal factors.	ose (d)
	-	_		
		AfL	Centres are advised to give candidates plenty of practice di between legal and ethical issues. The difference could be re regular basis as part of lesson starter or plenary activities.	einforced on a

what the law requires.

specification ethical practices should be taken to mean doing above and beyond what the law requires. Therefore, while employers must pay the national minimum wage, paying the living wage goes above and beyond

[1]

Question 9

9 A sole trader predicts that he will be able to make and sell the following products in the coming year:

Item	Quantity	Cost	Selling price
Personalised phone cases	400	£6	£20
Personalised tablet cases	200	£15	£35

The sole trader's revenue for the coming year is expected to be:

(a)	£5400	
(b)	£9600	
(c)	£15000	
(d)	£20400	

This question was testing the candidates' ability to calculate revenue given a range of numerical data. The question was poorly answered, with very few candidates giving the correct answer (c), £15 000. While on a multiple-choice question it is impossible to determine why, some workings provide an insight. A large number of candidates attempted to deduct costs from their figures, suggesting that they had confused revenue with profit.

	AfL	It is important that candidates clearly understand the difference between costs, revenue and profit. Centres are advised to give candidates plenty of practice calculating costs, revenue and profit from financial data throughout their programme of study.
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11 J	ob roles on the same level of an organisation chart have:	
(8	a) equal spans of control	
(ł	p) equal status	
(0	c) identical key tasks	
(0	d) identical workloads	[1]

This question was testing a candidates' ability to interpret an organisation chart. The correct answer (b), equal status, was rarely seen. Incorrect answers were equally distributed across answers (a), (c) and (d), suggesting that this is an area of the specification where understanding needs to be improved.

Section B

Question 21

21 Identify two ways that a business you have researched complies with the Working Time Directive.

Name of business	
Activity of business	
1	
2	
	[2]

As mentioned earlier in the series overview this question tests knowledge of compliance with employee protection legislation (bullet point three of the pre-release research brief), in this case the Working Time Directive.

Examiners were looking for accurate knowledge of the Working Time Directive. Those candidates who showed evidence of this were awarded the marks. The most common correct answers were 'limiting the working week to 48 hours' and 'providing paid annual leave'.

Vague answers e.g. 'give suitable breaks' could not be awarded because, say, a break of five minutes in an eight hour shift would be a break, but it would not meet the legal minimum requirement of 20 minutes every six hours.

22	Explain one benefit and one drawback to a business that you have researched of using hire
	purchase as a source of finance.

Name of business	
Activity of business	
Benefit	
Drawback	
	[4]

Hire purchase was indicated in bullet point four of the research brief. Despite this, many candidates wrote about bank loans, hiring/leasing and trade credit. Those candidates that were clearly focused on HP as a source of finance did well on this question. The most common correct answers related to payment by instalments and additional cost.



AfL

Centres are advised to make sure candidates are fully familiar with the preissued research brief and use it to focus candidates' research during the weeks before the examination. Failing to focus on the content of the research brief is likely to severely disadvantage a candidate in Section B of the examination paper.

23	Describe two tasks performed by the production function in a business that you have
	researched.

Name of business	 	 	
Activity of business	 	 	
- 1			
2			

[4]

To achieve marks on this question, candidates needed to show knowledge of two different tasks that the production function undertakes. This question was generally well answered using good context. Such answers were liberally awarded. The most common correct answers were 'manufacturing' and 'quality control'.

Of those who did not to score on this question, the most common error was suggesting tasks appropriate to a different functional area, most commonly marketing or human resources.

[6]

Question 24

24	Analyse one advantage and one disadvantage to a business that you have researched of
	using social media to promote the business.

lame of business
ctivity of business
dvantage
isadvantage

Some answers described how a business uses social media, without answering the question about benefits and drawbacks of promoting using social media. Examiners were looking for the particular strengths and weaknesses of using this medium for the purposes of promotion. To gain full marks, these strengths needed to be explained and the impact on the business analysed. Few candidates achieved this. Please see the published mark scheme for a list of suggested answers.



AfL

Centres are advised to spend adequate time considering social media as a form of promotion since it is becoming increasingly popular with businesses. Candidates often have more experience of using social media than their teachers, however this does not mean they have a greater understanding of the benefits/drawbacks of using social media for the purposes of business promotion.

[4]

Question 25

25

Explain how a business that you have researched develops its business ideas.				
Name of business				
Activity of business				

Some excellent answers were seen to this question. Candidates often went into great detail about the methods the business used and gave specific contextual examples. Most candidates achieved at least half marks, and many gained full marks. Those candidates who did less well on this question invariably described the business idea, rather than explaining <u>how</u> the idea had been developed.

Section C

Business scenario: BOSCO plc

BOSCO plc is an oil extraction company. It owns a fleet of seven oil rigs that drill for oil in the North Sea, off the east coast of Great Britain. Founded in 1919, the company employs 230 workers at its head office in Middlesbrough, a town in the north-east of England. A further 420 workers are contracted to work off-shore. 90% of the oil BOSCO plc extracts is sold to oil refineries involved in the production of petrol, diesel and aviation fuel. The remainder of its oil is sold to the plastics industry.

Historically, despite the oil industry experiencing significant negative media publicity, *BOSCO plc* has ignored any corporate social responsibility, for fear it would conflict with maximising returns for its shareholders. Its current financial objective is to outperform its nearest competitor by returning a profit in excess of 6.1% of sales revenue.

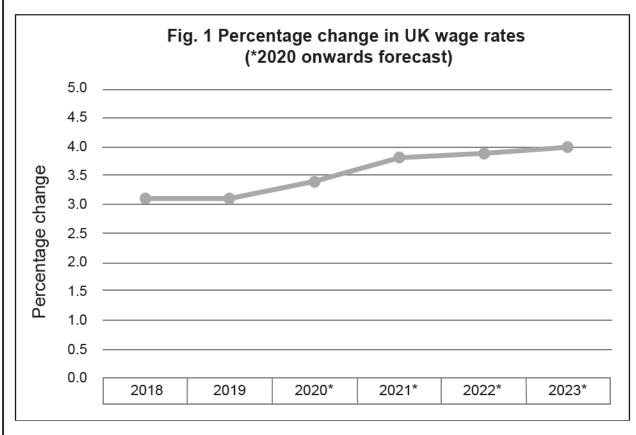
The oil industry is not an easy industry to survive in – it is heavily regulated and subject to high rates of taxation. *BOSCO plc*'s survival for over 100 years is primarily due to its strong growth objectives. Over the years it has purchased several struggling rival businesses. Its most recent purchase, in 2004, increased the company's market share of North Sea oil extraction to 3.8%.

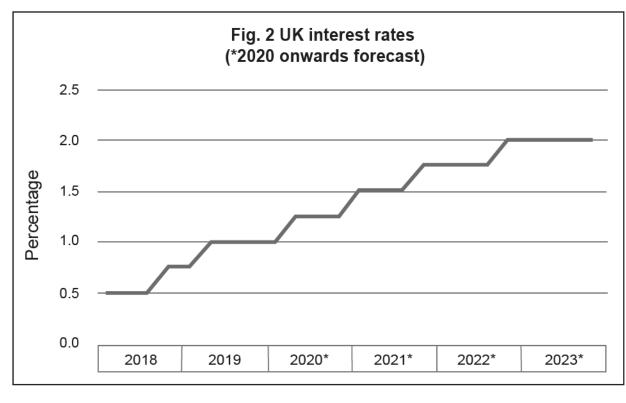
The current directors believe that the company would benefit from changing its organisational structure. The directors have proposed a radical flattening of the organisational structure at the head office. Off-shore workers would not be affected.

The proposed restructure for the head office would involve removing two complete layers of the organisational structure – the supervisory layer and the middle-management layer. After the proposed restructure, employees at the bottom of the organisational structure would report directly to their functional area's senior management. The proposed restructure would lead to 92 redundancies. Those that remain at head office would face a significant increase in workload.

While head office employees remain concerned for their jobs, the directors are focussing on preparing for the upcoming Annual General Meeting. They plan to show shareholders some recently published forecasts (see Figs. 1 and 2 overleaf). These forecasts might have a significant effect on the long-term success of the company.







26 Circle the business sector and activity type of BOSCO plc.

You should only draw two circles.

Business sector: Private Public Third

Activity type: Primary Secondary Tertiary

[2]

The answers to this question are 'private' and 'primary'. Most candidates scored one mark for 'primary', far fewer identified that as a public limited company BOSCO plc operates in the private sector.



Misconception

It is a common misconception among candidates that a public sector business operates in the public sector, it does not. A public limited company operates to make profit for its shareholders, therefore it is a private sector organisation. A public sector organisation is owned by the state and controlled by the government, it is not owned by private investors.

Question 27 (a)

- 27 BOSCO plc is a public limited company.
 - (a) Identify who owns BOSCO plc.

______[1

A public limited company is owned by its shareholders. Many candidates got this right, however a considerable number gave the answer 'the government', once again suggesting confusion between a public limited company and a public sector organisation.

Question 27 (b)

(b)	Identify the type of legal liability the owners of <i>BOSCO plc</i> possess and explain what this means.	
	Type of liability	
	Explanation	
	[2]	

Despite being a question on a more abstract area of the specification, this question was generally well answered. It was pleasing to see candidates show a clear understanding that limited liability means that the personal assets of the owners could not be used to pay off the debts of an insolvent company.

Those who did not score full marks, seemed to have no concept of liability at all, instead naming laws or giving examples of ethical business practice. Few confused limited and unlimited liability.

Question 28

28	In 2019 BOSCO plc sold 3.4 million barrels of oil at an average price of £60 per barrel. The company's operating costs averaged £16 million per month.
	Calculate BOSCO plc's profit for 2019.
	[3]

Most candidates made a good attempt at this calculation and achieved at least one of the 3 available marks. Very few candidates solely wrote down the answer, instead they showed their workings. This is good examination technique and, where necessary, allowed examiners to give credit for interim calculations even when the final answer was incorrect.

Where candidates did not score full marks, there were three common errors. The most common error was failing to take account of the time frame of the operating costs i.e. per month. The second was to mismanage the number of zeros. The third was to omit the units, the answer was '£12 million', not '12 million' or '12 million barrels'.



AfL

Centres are advised to stress to candidates the importance of stating the correct units when giving the answer to any numerical calculation. Depending on the question, it could cost them a mark.

Question 29 (a)

- **29** BOSCO plc's directors want to flatten the organisational structure at the company's head office. The proposed restructure is not popular with head office employees.
 - (a) Identify two benefits to BOSCO plc of changing to a flatter organisational structure.

1	 	 	 	
2				
∠	 	 	 	
				[2]

This question asked for two benefits, rather than two features. Those candidates who grasped the difference between features and benefits tended to score full marks. The most common correct answers were 'faster communication' and 'better decision-making'. Too many candidates scored zero on this question because they gave features instead. Answers such as 'few layers' or 'a short chain of command' could not be awarded because they do not make clear the benefit to the business.



Misconception

It appears to be a misconception among candidates that features and benefits are one in the same. They are not. In order to answer a 'benefit' question it is important to note to whom the benefit is for i.e. benefit to the business, benefit to employees, benefit to customers, etc. In this case a benefit to the business was required.

Question 29 (b)

(b)	Evaluate ways employees at <i>BOSCO plc's</i> head office could try to stop the proposed restructure from going ahead.	
		[12]

Candidates made lots of suggestions as to how the employees might stop the proposed restructure going ahead. Some were particularly unusual and showed an originality of thought. The most common answers were strike, hold a meeting and complain to the directors. Some suggestions could not be awarded because they were deemed to be too vague e.g. 'explain' or 'discuss' but without saying who to.

Those who scored most highly were able to analyse their suggestions e.g. they could go on strike (L1) by withdrawing their labour (L2), causing the directors to realise the value of these staff and rethink their decision (L3), thus gaining a minimum of a Level 3 mark.

Given that this was an 'evaluate' question a judgement was also required. Examiners hoped to see a conclusion which selected the best method and justified why this was the method of choice. Those candidates who did this achieved Level 4 and scored a minimum of 10 marks. Many candidates having suggested several methods, ended their answers abruptly, making no attempt at weighing up the methods they had suggested.



AfL

Centres are advised to reinforce to candidates that all 'evaluate' questions, indeed all 12-mark questions on this paper, required a judgement to be made. The easiest way to achieve this is to sum up the arguments at the end of the answer and support the argument with some valid justification.

Question 30 (a)

- 30 Pressure groups are calling for increased corporate social responsibility in the oil industry.
 - (a) What is a pressure group?

The key feature of a pressure group is that it is a group of like-minded people attempting to change business behaviour. This is all that examiners were looking for to award the mark. Many candidates gave accurate answers, however, far too many candidates left the answer space totally blank. Since pressure groups are listed on the specification as external stakeholders that businesses need to take account of, it is important that their impact on business is covered as part of the programme of study.

Question 30 (b)

(b)	Analyse three corporate social responsibility activities that BOSCO plc could introduce	e.
	Advise the directors which one of the three activities to choose. Justify your answer.	[12]

This question required candidates to suggest three corporate social responsibilities, explain each and analyse each, then advise the directors on which activity it would be best for BOSCO plc to choose. By far the most common correct suggestion was donating to charity. Beyond this there were a few more innovative answers including building a new hospital, offering tennis coaching sessions for young people and running an amateur dramatics event. Unfortunately, however, most candidates made suggestions which, although ethical, were not CSR activities and could not be awarded e.g. recycling or paying a fair wage. This shows general confusion between other ethical types of business behaviour and CSR in particular.

The specification lists five ways that a business can behave ethically – as an employer, as a trader, being environmentally friendly, sustainability and corporate social responsibility. Only those activities that fall into this latter section could be awarded. To be considered as a CSR activity it needs to be one which benefits society directly as a community of people, be that local, national or international. The specification suggests five such activities which candidates could have used in their answers – charity donations, humanitarian aid, health and welfare schemes, sponsorship of sport/educational/cultural event.

Corporate social responsibility is becoming an increasingly important consideration for businesses today and should not be overlooked.



AfL

Centres are advised to spend adequate time considering the five types of ethical behaviour as listed on the specification. It may also be helpful to give candidates examples, say on small cards, and ask them to sort them by category.

Question 31(a) and (b)

31 The cash flow forecast for BOSCO plc for the next four months of trading is shown below.

	Feb	Mar	Apr	May
Cash inflow:				
Sales revenue	£16.8m	£17.0m	£17.2m	£17.4m
Total inflow	£16.8m	£17.0m	£17.2m	£17.4m
Cash outflow:				
Labour costs	£6.3m	£6.3m	£6.3m	£6.3m
Finance costs	£4.0m	£4.5m	£4.6m	£5.1m
Other costs	£5.7m	£5.5m	£5.7m	£5.5m
Total outflow	£16.0m	£16.3m	£16.6m	£16.9m
Net cash flow	£0.8m	£0.7m	£0.6m	£0.5m
Opening balance	£0.7m	£1.5m	£2.2m	£2.8m
Closing balance	£1.5m	£2.2m	£2.8m	£3.3m

(a)	worse.
	[1]
(b)	Explain whether BOSCO plc is likely to need an overdraft during the next four months of trading.
	[2]

Questions 31(a) and 31(b) test a candidate's ability to interpret a cash flow forecast. Most candidates answer 31(a) correctly, the most common answer being 'finance costs'. With regards to 31(b) some candidates suggested that according to the cashflow forecast the business was likely to need an overdraft. This was not the case as there were no negative numbers on the forecast and the opening and closing balances show a continuously rising trend. Of those who did correctly identify that an overdraft was unlikely to be required, some did not gain full marks because their explanation related to profit rather than cash flow.

32	predicted in Figs. 1 and 2 on page 12.
	[12]

Candidate answers to the impact of increasing wage rates was robust. Many candidates entered Level 3 simply by saying that the business would need to pay its employees more, increasing business costs and reducing profit (L3), gaining a minimum of seven marks. Understanding of the impact of increasing interest rates was less robust. Those who reasoned that BOSCO plc would have to pay more on its borrowings, increasing finance costs and decreasing profit were well rewarded (likewise those who suggested it would receive more interest on its savings, increasing income and improving cash flow). Many however confused interest rates with inflation or exchange rates and were unable to gain marks for this aspect of the question.

Being an 'evaluate' question, the highest marks were reserved for candidates who, having analysed the impacts, could weigh up the effect on the long-term future success of the company. Those who did so contextually e.g. with a reference to 'oil' or the business' £5.5m+ finance costs or its 650 employees, etc achieved at least 11 of the available 12 marks.

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