

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 3 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. 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.

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Unit 3 series overview

This unit is a mandatory paper for the Foundation Diploma, Diploma and Extended Diploma. It may also be taken by students entered for the Certificate and Extended Certificate.

Two questions on this paper are high-tariff extended-response questions worth 12 and 16 marks respectively. Candidates need to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks. An analytical response must contain implications for the business, for example for Question 7 the impact on business performance, reflecting the nature of the organisation and its main objectives. For Question 3, responses should consider the impact on the decision-making process itself. In addition to analysis an evaluative response must contain a reasoned judgement. Candidates should 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 low Level 4 mark, a response which argues using the particular circumstances of the business in the pre-release scenario will be rewarded more highly.

The number of candidates sitting the exam was higher than in some recent sessions. The following comments reflect the responses given by the candidates who sat the exam.

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"> demonstrated good understanding of investment appraisal techniques used in the Case Study (e.g., Payback, Average Rate of Return) demonstrated a good understanding of the business impact of business decisions and internal/external influences. For example, the impact on the ability of the organisation (STC) to meet the objectives identified in the pre-release case study. Used this approach when answering Question 7 in answering Question 3, focused on the impact to the organisation (STC) of consulting with stakeholders during the decision-making process. 	<ul style="list-style-type: none"> demonstrated a lack of understanding of concepts used in the Case Study, e.g., by confusing revenue expenditure with revenue, confusing payback period with investment rate of return demonstrated a lack of understanding of the business context in the case study (i.e., that STC is a local council, and the Park and Ride scheme is a not-for-profit activity with wide-ranging financial and non-financial objectives) used vague and ambiguous language in responses and so did not demonstrate clear understanding of concepts and the linkage between them. For example, 'production slows down and their ability to deal with customers is affected and money is lost' ignored the specific focus of questions. For example, in Question 5a discussed the impact of training on the bus drivers rather than the employer.

Question 1 (a)

1 *Seaton Town Council (STC)* has conducted some market research into its current Park and Ride (P&R) service.

(a) Complete the **three** unshaded boxes in the table below to show how Porter's Five Forces Model applies to *STC's* P&R service.

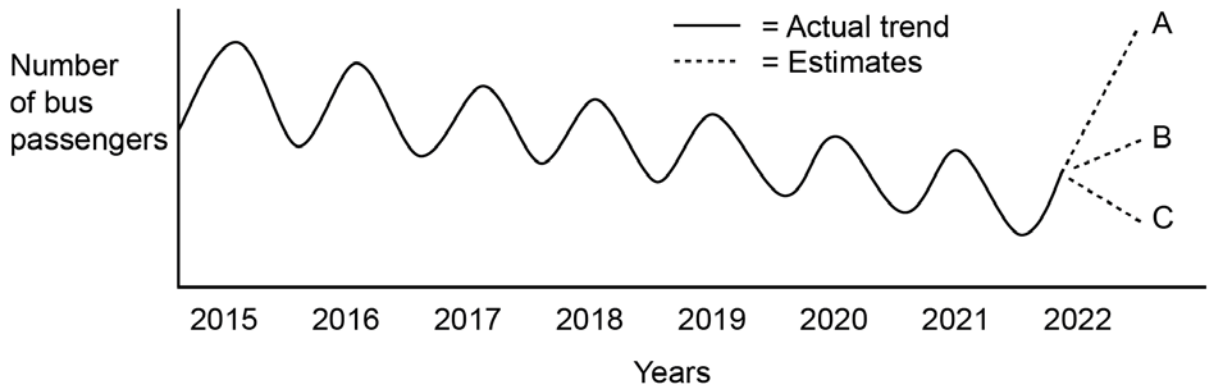
Porter's Five Forces:	High or Low?
Bargaining power of suppliers	
Bargaining power of buyers	
Degree of rivalry	
Threat of new entrants	
Threat of substitutes	

[3]

Most candidates managed to achieve at least 1 mark for this question.

Question 1 (b)

(b) A sketch showing the recent trend in the number of bus passengers on *STC's P&R* service is shown below. Three estimates have been made for the number of bus passengers expected in six months' time. These have been labelled A, B and C.



If the trend shown continues, identify which of the three estimates (A, B or C) is most likely to be accurate. Explain your answer.

Estimate most likely to be accurate

Explanation

.....

.....

.....

[3]

Most responses recognised that C would continue the trend. Most explanations explained the trend but not all then explained why C was the only option to continue it.

Question 2 (c) (i)

(c) Layla, *STC*'s Head of Transport Services, has asked an external consultant to help her investigate the three options.

(i) State **one** benefit to *STC* of using an external consultant to help investigate the three options.

.....
.....
..... [1]

Most responses gave a valid benefit to the organisation of using an external consultant. Their lack of bias or their ability to offer an independent perspective being the most common responses.

Question 2 (c) (ii)

(ii) State **two** drawbacks to *STC* of using an external consultant to help investigate the three options.

1

.....

.....

2

.....

..... [2]

Most responses gave at least one valid drawback; with the financial cost and potential delays to the decision-making process being the most common responses. Weaker responses gave drawbacks that contradicted the benefit given.

Question 3

- 3 Analyse the benefits for *STC* of consulting with the local community during the decision-making process.

Which of these benefits is most important for *STC*? Justify your view.

[12]

Most responses could identify at least one benefit to *STC* of consulting with residents during the decision-making process and so achieve a mark in Band 1 (1-3 marks). Good responses then developed this by explaining how this would benefit *STC* and so achieve a mark in Band 2 (4-6 marks). Better responses then analysed how this could have an impact on *STC*'s decision-making and so achieve a mark in Band 3 (7-9 marks). For example, residents could give a variety of opinions, giving different perspectives that would provide *STC* with more detailed information with which to arrive at a better decision that helps it to meet its stated objectives. Having achieved Band 3 responses that could give a valid reason for the benefit with the greatest impact could achieve a mark in Band 4 (10-12 marks). Weaker responses instead either discussed the impact on residents or gave reasons that misunderstood the context (for example that residents are the main users of the park and ride service) or discussed the impact on *STC* and/or residents of choosing one of the three options. Such responses tended to remain in Band 1 as they lacked a focus on the issues relevant to the question.

Question 4 (a)

- 4 (a) As part of investigations into **Option 1 – New bus lanes**, Layla has collected the following figures:

- current number of P&R bus passengers: 120 000 per annum
- expected number of P&R bus passengers if the new bus lanes are introduced: 180 000 per annum
- P&R bus fare per passenger: £2.50.

Calculate the expected increase in annual revenue if **Option 1** is chosen.

Show your working

Expected increase in annual revenue: £ _____

[2]

Most responses calculated the correct amount (£150,000). The most common incorrect response was to only calculate the new total revenue (£450,000).

Question 6 (b)

(b) Other than offering financial rewards, state **two** actions *STC* could take to reduce any resistance to change from the bus drivers.

1

.....

.....

2

.....

.....

[2]

Most responses scored few marks, mostly because the actions given were financial in nature (for example giving workers more paid holidays or offering them bonuses for accepting the changes). Good responses demonstrated an awareness of the relevant specification content.

Question 7

7 Recommend which option, or combination of options, is the best way forward for *STC*.
Justify your answer.

[16]

This high-tariff question is based heavily on the information contained in the case study about the three options together with the information in Appendix 1 and 2.

Candidates who achieved a mark in Band 1 (1-4 marks) did so because they used the information in the case study to draw valid conclusions that would be helpful when making the business decision. For example, that Option 2 had the lowest capital expenditure or that Option 1 is likely to result in more users of the park and ride service. Candidates who merely repeated information from the case study gained no marks.

Candidates who achieved a mark in Band 2 (5-8 marks) did so because they explained the significance or usefulness of the information identified previously. For example, if Option 1 results in more park and ride users then local shopkeepers should also see an increase in the number of customers. However, responses demonstrating no understanding were not given, for example a statement that Option 2 would achieve the highest profit because its ARR is highest was judged too vague because it potentially confuses total profit with profit as a percentage of investment. Equally, responses stayed in Level 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they linked the impact of the option under discussion to one of STC's stated objectives. For example, if Option 1 results in more park and ride users then local shopkeepers should also see an increase in the number of customers and therefore their revenue, and this helps STC to meet its objective to "support local businesses, especially retailers".

Candidates who achieved a mark in Band 4 (13-16 marks) did so because, having achieved Band 3 (analysis) they could offer a reasoned conclusion (i.e., they gave valid reasons for their choice of which option the business should choose). The reasons, to be valid, would need to be based on the information in the case study. To achieve a mark above 13 the justification would need to be in context and to achieve a mark above 14 the justifications would need to have greater detail.

Misconception



Some candidates confused the Average Rate of Return (ARR) with the payback period – for example by incorrectly stating that having the lowest ARR means that the investment will be paid back the quickest.

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