

# **Cambridge Technicals Business**

## **Unit 3: Business decisions**

Level 3 Cambridge Technical in Business  
**05834 - 05837 & 05878**

## **Mark Scheme for January 2023**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## MARKING INSTRUCTIONS

### PREPARATION FOR MARKING

### MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the traditional 40% Batch 1 and 100% Batch 2 deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or by email.

5. **Crossed Out Responses**

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

**Multiple Choice Question Responses**

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 zero should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

**Contradictory Responses**

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions** (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. (The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)

**Short Answer Questions** (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

**Longer Answer Questions** (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional lined pages if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add an annotation to confirm that the work has been seen.
7. Assistant Examiners will email a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period. Your report should contain notes on particular strength displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

## 8. Annotations

Annotation	Meaning
Tick	Valid point, mark awarded
Cross	Incorrect
Question mark	Response unclear
BOD	Benefit of doubt (mark awarded)
TV	Too vague (mark not awarded)
REP	Repetition (no additional marks awarded)
NAQ	Not answered question (incorrect focus)
L1	Level 1 response (identification)
L2	Level 2 response (explanation)
L3	Level 3 response (analysis)
L4	Level 4 response (evaluation)
CONT	Context (required for high L4 award only)
OFR	Own figure rule

## 9. Subject-specific marking instructions

For Level of Response marked questions marked over 4 levels, the candidate can access at L1 or L2. In either case, they can analyse the point made and proceed directly to L3.

L3 analysis is required before L4 can be accessed.

Question			Answer	Marks	Guidance										
1	(a)		<table border="1"> <thead> <tr> <th>Business Decision</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>Deciding the staffing rota for the veterinary assistants</td> <td>✓</td> </tr> <tr> <td>Deciding when to service the clinic's equipment</td> <td>✓</td> </tr> <tr> <td>Deciding whether to introduce a new partner into the business</td> <td></td> </tr> <tr> <td>Deciding whether to relocate to new premises</td> <td></td> </tr> </tbody> </table>	Business Decision	Tick (✓)	Deciding the staffing rota for the veterinary assistants	✓	Deciding when to service the clinic's equipment	✓	Deciding whether to introduce a new partner into the business		Deciding whether to relocate to new premises		2	<p>One mark for each correctly ticked item.</p> <p>If three or more items ticked, mark all as TV.</p>
Business Decision	Tick (✓)														
Deciding the staffing rota for the veterinary assistants	✓														
Deciding when to service the clinic's equipment	✓														
Deciding whether to introduce a new partner into the business															
Deciding whether to relocate to new premises															
1	(b)	(i)	<p>Drawbacks include:</p> <ul style="list-style-type: none"> <li>• Cost (of hiring)</li> <li>• Time (to hire)</li> <li>• Lack of knowledge of context/OTVC</li> </ul>	1	<p>One mark for a valid drawback.</p> <p>Do not credit answers showing a lack of understanding of the role of an external consultant in the decision-making process, e.g.:</p> <ul style="list-style-type: none"> <li>• disagreements/differences of opinion between consultant and partner(s)</li> <li>• less control over decision-making process for partners</li> </ul>										

Question			Answer	Marks	Guidance	
1	(b)	(ii)	<b>Information:</b> <b>Qualitative information?</b> <b>Please tick (✓)</b>	2	One mark for each correctly ticked item.  If three or more items ticked, mark all as TV.	
			A recording of an interview with a new customer			✓
			A review of <i>OTVC</i> posted online by a recent customer			✓
			The average score given by <i>OTVC</i> 's customers on a ratings website			
			The number of customers who visited <i>OTVC</i> in 2022			
1	(c)	Drawbacks include: <ul style="list-style-type: none"> <li>The wrong option could be chosen</li> <li>Poor management decisions during the change process</li> <li>Disagreements may get unresolved</li> <li>Additional resources needed to make the decision e.g. time, money, personnel</li> </ul> Example responses: The partners may make the wrong decision (1) because they don't have the skills to compare the investment returns properly (1) this may result in the business losing out on potential profits (1).  The partners may need to hire a consultant (1) because they lack the skills needed to manage the process (1) and this could be expensive (1)	3	One mark for a valid drawback plus one mark for each of two explanatory points but allow development.  Explanations may cover either the cause of the problem and/or its consequences.  For full marks the explanation must state the impact on the business.		

Question			Answer	Marks	Guidance
2	(a)	(i)	<p>Indicative content:</p> <p>3.4 years/3 years and 4.8 months/3 years and 5 months/40.8 months/41 months (2)</p> <p><math>10,000/25,000*12 = 4.8</math> (1)</p>	2	<p>Up to two marks</p> <p>No workings required. Award 2 marks for the correct answer if written at the bottom of the answer space or clearly indicated as the answer.</p> <p>Else award: 1 mark for correct calculation of the number of months in the break-even year (4.8 or 5 months)</p> <p>No OFR.</p>
2	(a)	(ii)	<p>Possible responses:</p> <ul style="list-style-type: none"> <li>• Ignores the time-value of money</li> <li>• Ignores the effects of inflation</li> <li>• Ignores the impact of income flows after payback is reached</li> <li>• Ignores <u>overall</u> profitability over the life of the project</li> <li>• <i>OTVC</i> are not in cash-flow difficulty</li> </ul>	1	<p>One mark for a valid drawback.</p> <p>DNA generic responses that could apply to any method of investment appraisal, e.g. 'only an estimate', 'figures could be inaccurate' etc.</p> <p>DNA 'ignores profitability' as TV</p>



Question		Answer	Marks	Guidance
2	(b)	<p>Responses include:</p> <ul style="list-style-type: none"> <li>skills-mismatch (wrong skills) <b>or</b> skills audit (assessment of required skills)</li> </ul> <p>Example responses:</p> <p>A skills mismatch is when a business has the right number of staff but they have the wrong skills (1). <i>OTVC</i> could use a skills audit to avoid a mismatch by making sure that the veterinary staff employed have the skills needed to treat different types of animals (CONT) (+2).</p> <p>A skills mismatch is when a business has the right number of staff but they have the wrong skills (1). <i>OTVC</i> could use a skills audit to avoid a mismatch by making sure that the staff have the skills needed to do their jobs (+1).</p> <p>A skills audit would show what skills the existing staff lack if equine care is to be provided (1 but TV for CONT) so they could make sure that the new partner has these skills (+1 and CONT)</p>	3	<p>Award:</p> <p>One mark for knowledge of skills mismatch <b>or</b> skills audit.</p> <p>AND/OR</p> <p>Two marks for a contextual example explaining how a skills mismatch can be avoided.</p> <p>OR</p> <p>One mark for a non-contextual example explaining how a skills mismatch can be avoided.</p> <p>Credit responses that understand that a skills audit identifies the skills of existing workforce to help close any skills-gaps.</p> <p>For context: accept any valid application to Option 2. Do not accept 'equine care' on its own as context - this is a repeat of the question.</p> <p>Max 1 mark for general idea that a skills audit helps to identify skills of <i>existing</i> workforce.</p>

Question		Answer	Marks	Guidance
3	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• Break-even level of output will increase (1)</li> <li>• Costs will increase (1)</li> <li>• Salaries are a fixed cost (1)</li> </ul> <p>Example response: Break even will increase (1) because costs have gone up (1). Break-even will increase (1) because fixed costs have gone up (1 for costs and 1 for fixed)</p>	3	<p><b>This question assesses synoptic knowledge from Unit 1 LO4: Be able to use financial information to check the financial health of businesses</b></p> <p>One mark for stating that break-even level of output will increase plus up to two marks for explanation.</p> <p>Question states that vet will be paid a salary, this is a fixed cost.</p>
3	(b)	<p>Indicative content:</p> <p>Productivity before Option 3 introduced: <math>1580/2=790</math> customers per vet</p> <p>Productivity after Option 3 introduced: <math>1950/3=650</math> customers per vet</p> <p>Productivity will fall by <b>140</b> customers per vet.</p>	3	<p>Up to three marks.</p> <p>No workings required. Award 3 marks for the correct answer if written at the bottom of the answer space or clearly indicated as the answer.</p> <p>Award full marks for the correct answer i.e. 140.</p> <p>Else award one mark for each of the following, if seen: 790, 650.</p> <p>OFR: Award 2 marks if one productivity calculation correct and one incorrect and then correct OFR subtraction made.</p>

Question		Answer	Marks	Guidance
4	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• Place is where the product/service will be made available to customers</li> <li>• Location should be convenient to customers</li> <li>• Services provided at the location should be appropriate to customers</li> <li>• A suitable location helps to increase sales</li> </ul> <p>Example response: This should be somewhere convenient to customers (1)</p> <p>Example response: Place is where the product/service will be sold (1). This will need to be somewhere convenient (1) because it will be hard to transport injured horses to the vets long-distance (CONT)</p>	3	<p>1 mark for understanding 'place' in the marketing mix. 1 mark for its importance to marketing. 1 additional mark for context in the explanation.</p> <p>Credit responses that understand that a well-chosen location makes it more likely that customers will use the business' services.</p> <p>Place can involve consideration of facilities at the location.</p> <p>Context must address the meaning of 'equine care' i.e. horses needing medical intervention.</p>
4	(b)	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• Power to negotiate strongly</li> <li>• Demand lower prices</li> <li>• Demand better service</li> <li>• Negative impact on cash flow</li> <li>• Reduce revenue</li> </ul> <p>Example response: If customers have a high bargaining-power they might be able to negotiate harder (1) for lower prices (1) and this could result in lower revenue for OTVC (1).</p>	3	<p>One mark for each valid point of explanation to a maximum of three such points.</p> <p>For full marks the explanation must state the impact on the business.</p> <p>Award 1 mark max for general idea that fewer/large customers results in lower prices etc.</p>

Question	Answer	Marks	Guidance
5	<p><b>Use level of response criteria</b></p> <p>Responses include:</p> <p>Benefits include:</p> <ul style="list-style-type: none"> <li>• Keeps stakeholders informed</li> <li>• Newspaper can be used to obtain feedback from stakeholders (e.g. via letters in the newspaper or comments on website)</li> <li>• Helps OTVC get its message across to the public/helps OTVC to 'control the story'</li> </ul> <p>Drawbacks include:</p> <ul style="list-style-type: none"> <li>• Time spent talking to media could have been spent managing the change process</li> <li>• Could provoke unfavourable comments from stakeholders</li> <li>• Puts OTVC at risk of losing control of 'the story'</li> <li>• Could provide information to competitors</li> <li>• The partners need to agree a common message that they present to the media</li> </ul> <p>Exemplar response</p> <p>The partners will need to spend time talking with the local newspaper (L1). This will also require them to decide in advance what their message is and how to deal with any difficult questions (L1). All of this will take out time from managing the decision-making process (L2) as a consequence the quality of decision-making may be poorer (L3). Also they may be tempted to choose an option that is popular with the paper and its readers (L1) which could mean that they choose an option that is not in the best interests of the business (L3).</p> <p>However talking to the press does mean that they can find out what the public think (L1) but reading the comments on the paper's website (L2) and this will give them more information that can increase the chances of them making the right decision (L3).</p> <p>Overall the benefits of talking to the media are greater than the drawbacks because the media can give them additional qualitative information from local residents that may have pets (CONT) that they wouldn't otherwise be able to collect and this additional information means that the decision-making should be more effective (L4).</p>	12	<p><b>This question assesses synoptic knowledge from Unit 1 LO5: Understand the relationship between businesses and stakeholders.</b></p> <p><b>Levels of response:</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates benefit(s)/ drawback(s) on OTVC of keeping the local newspaper informed during its decision-making process.</p> <p><b>Level 3 (7 – 9 marks)</b> Candidate analyses benefit(s)/ drawback(s) on OTVC of keeping the local newspaper informed during its decision-making process.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains benefit(s)/ drawback(s) on OTVC of keeping the local newspaper informed during its decision-making process.</p> <p><b>Level 1 (1 – 3 marks)</b> Candidate identifies benefit(s)/ drawback(s) on OTVC of keeping the local newspaper informed during its decision-making process.</p> <p><b>L4 evaluation:</b> Award 10 marks for a general justification. Award 11 marks for a general justification with context. Award 12 marks for a detailed or specific contextual justification.</p> <p><b>L3 analysis:</b> analysis must discuss the impact on decision-making, not the choice of option.</p> <p>Impact must be on OTVC not its stakeholders. No marks for knowledge of the skills needed to communicate with the local media.</p> <p>Discussion must address the impact on the decision-making process. Do not credit responses which confuse this with the outcome of the process or generalised marketing/promotional benefits (e.g. communicating the chosen option to customers).</p>

Question			Answer	Marks	Guidance
6	(a)	(i)	Answer: 1 week.	1	For one mark.
6	(a)	(ii)	Answer: 1 week.	1	For one mark.
6	(a)	(iii)	Answer: 11 weeks	1	For one mark.
6	(b)		<p>Possible responses:</p> <ul style="list-style-type: none"> <li>• Helps to identify shortest possible completion time...minimising delays and costs to the business</li> <li>• Helps to identify critical activities...so resources can be devoted to them</li> <li>• Helps to identify float time...allowing resources to be used elsewhere if needed</li> </ul> <p>Example response: It helps to identify any critical activities (1), such as renovating clinic 1 (CONT), so that OTVC can make it more likely that it gets completed on time (1). It helps to identify float time (1) so OTVC can spend more time completing clinic 2 if needed (1 + CONT)</p>	3	<p>One mark for a valid benefit. One mark for development. One additional mark for use of context.</p> <p>Credit responses that recognise that CPA is a planning tool which does not guarantee that projects will be completed on time.</p>

Question		Answer				Marks	Guidance
7			<b>Option 1 - Relocate to new premises</b>	<b>Option 2 - Introduce equine care</b>	<b>Option 3: Introduce care for exotic pets</b>	16	<p><b>This question assesses synoptic knowledge from Unit 1 LO8: Be able to assess the performance of businesses to inform future business activities</b></p> <p>NB: This question can be answered from a general business perspective or from the perspective of a specific pathway/function (or a hybrid of both). In all cases the same level of response criteria apply.</p> <p><b>Levels of response</b></p> <p><b>Level 4 (13 – 16 marks)</b> Candidate recommends and justifies which option <i>OTVC</i> should take, based on analysis.</p> <p><b>Level 3 (9 – 12 marks)</b> Candidate analyses one or more options under consideration at <i>OTVC</i>.</p> <p><b>Level 2 (5 – 8 marks)</b> Candidate explains issue(s) relating to one or more options under consideration at <i>OTVC</i>.</p> <p><b>Level 1 (1 – 4 marks)</b> Candidate identifies issue(s) relating to one or more options under consideration at <i>OTVC</i>.</p> <p><b>L4 evaluation:</b> Award 13 marks for suggesting the most beneficial option for <i>OTVC</i> with justification for the choice. Award 14 marks for suggesting the best option with contextual justification for the choice. Award 15 marks for a detailed <i>or</i> specific contextual judgement of the most suitable option.</p>
		Capital cost	£180,000	£80,000	£30,000		
		Payback	4 years 3 months	4 years 5 months (or OFR answer to 2ai)	3 years 4 months		
		ARR	4.44%	11.25%	16.67%		
		Capital cost financed by:	£180,000 cash reserves (£165,000 + £15,000)	£60,000 injection from new partner plus £20,000 reserves.	£30,000 reserves.		
		Revenue expenditure p.a.	Reduces by £20,000	£20,000	£70,000		
		Impact on break-even	Lowers break-even	Limited impact on break-even (new partner not employee).	Increases break-even (new salaried employee).		
		Impact on partners' financial risk	reduces financial risk	Increases financial risk for partners – requires pro-rate increase in income.	Increases partners' financial risk.		
		Ansoff	None – no Ansoff risk	Diversification ?/ high? risk	Product ? development/ moderate ? risk		

Question	Answer	Marks	Guidance
	<p>Example response</p> <p>Option 3 is the cheapest Option (L1), there is no need to move or expand to new premises (L1). However it does mean they need to employ a new vet (L1) and so will need to pay a salary (L2) this will increase break-even level of output and so increase the risk for Heidi and Amir that they will lose income if OTVC doesn't see a big increase in profits (L3).</p> <p>Option 2 is more expensive but less than Option 1 (L1) and they can continue at the existing site (L1) with the new equine centre being built out of town in a nearby village (L1). They will need a new partner and this is something Amir is reluctant to do (REP case study) and so this might introduce conflict into the business (L1). Amir might find himself out-voted in discussions about future developments (L1) and this could make Amir leave the partnership (L2) causing it to be dissolved (L3).</p> <p>Option 1 is in some ways the least risky option. By selling the existing property and moving to a new one they will reduce revenue expenditure (L1) making it more likely that they will increase profits in the future providing they can at least maintain the existing customer base (L3). However this option does make them reliant on trends in the pet market moving back towards pets they can care for (L1) and this is uncertain, so increasing their financial risk (L2).</p> <p>Overall I would choose Option 1 as this is the safest (TV) option for now. The reduced revenue expenditure gives them some breathing space for the next few years (L4) and although they will find it difficult to expand into the exotic pet business (CONT) they can always add a new equine partner later if they need to offer a greater range of services (L4+).</p>		<p>Award 16 marks for a detailed <i>and</i> specific contextual judgement of the most suitable option.</p>

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