

**CAMBRIDGE TECHNICALS LEVEL 3 (2016)**

**Examiners' report**

**BUSINESS**

**05834–05837, 05878**

**Unit 3 Summer 2023 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 candidates entered for the Certificate and Extended Certificate.

Two questions on this paper were high-tariff extended-response questions worth 12 and 16 marks respectively. Candidates needed to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks. An analytical response needed to 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 5, responses needed to consider the impact on the decision-making process itself. In addition to analysis, an evaluative response must contain a reasoned judgement. 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 low Level 4 mark, a response which argues using the particular circumstances of the business in the pre-release scenario would be rewarded more highly.

The number of candidates sitting the exam was similar to those 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:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> <li>demonstrated good understanding of investment appraisal techniques used in the case study, e.g. payback, average rate of return (ARR)</li> <li>demonstrated a good understanding of the business impact of business decisions and internal/external influences, e.g. the impact on the ability of the charity to meet the aims of its two founders and current trustees by pursuing each of the three options</li> <li>in answering Question 5, focused on the impact on the charity's decision-making process of collecting information using primary research.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>demonstrated a lack of understanding of the business context in the case study, e.g. that CFD is a charity that is currently in deficit and needs to return to a surplus)</li> <li>used vague and ambiguous language in responses and so did not demonstrate clear understanding of concepts and the linkage between them, e.g. 'locating on the edge of a city centre means fewer people and less money'</li> <li>made claims about the business that were not supported by the case study, e.g. that the charity faced a choice between choosing Option 2 and remaining as a charity).</li> </ul>

### Question 1 (a)

- 1 (a) Sam and Sundip are concerned that the two founding trustees of CFD are unwilling to take financial risks.

Other than financial risks, identify **two** types of risk.

1.....

.....

2.....

.....

[2]

The specification lists a number of risks. Unit 1 lists a number of external influences. Less successful responses gave one-word responses, e.g. 'legal' that did not make it clear what the risk was. More successful responses used information from the case study to identify relevant risks, e.g. the risk of losing existing volunteers or being unable to gain new volunteers.

### Question 1 (b)

- (b) Sam has been trained in the use of decision-making tools.

Explain how receiving training in the use of decision-making tools could affect the quality of decision-making.

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..... [3]

Most candidates were able to recognise that training would improve decision-making. Very few responses were able to explain how, for example by discussing a specific decision-making tool.

### Question 1 (c) (i)

(c) Sam and Sundip have held a meeting with an external consultant.

(i) State **one** advantage to CFD of using an external consultant when taking business decisions.

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

Most responses gave a valid benefit, for example a different, external perspective, or the skill/knowledge of the consultant.

### Question 1 (c) (ii)

(ii) State **two** disadvantages to CFD of using an external consultant when taking business decisions.

1 .....  
.....  
2 .....  
..... [2]

Nearly all responses gave at least one valid drawback. Less successful responses either reversed the benefit given in part (i) or did not recognise the role of a consultant in a decision-making process (i.e. to provide information/recommendations, but not to have decision-making powers).

## Question 2 (a)

2 For **Option 2 – Open a computer store**, Sam has estimated the following:

- fixed costs (monthly): £3000
- variable costs per computer: £50
- average selling price per computer: £150.

(a) Calculate the unit contribution for each computer sold.

Show your workings

Unit contribution: \_\_\_\_\_

[2]

Relatively few candidates had the knowledge needed to accurately calculate the unit contribution. Less successful responses attempted to use all three items of information provided.

## Question 2 (b)

(b) Calculate the level of output required to break even each month.

Show your workings

Break even level of output: \_\_\_\_\_

[2]

Most responses gained full marks. The candidates who gained 2 marks here but none for part (a) may have a good ability to use the break-even formula but lack understanding of its components (particularly contribution).

### Question 2 (c)

(c) State **two** actions CFD could take to lower the number of computers it needs to sell to break even.

1.....  
.....  
2.....  
.....

**[2]**

Most responses gained full marks. Less successful responses gave vague responses (such as 'increase revenue') or actions unrelated to break-even (such as 'use a bank loan').



### Question 3 (a) (i)

- 3 (a) Sam has obtained the following information as part of his research into **Option 2 – Open a computer store** (see table below).

Percentage of households with internet connection by annual household income, Scotland 2014	
Household income bands	% of households with an internet connection
£0 – £6000	60
£6001 – £10 000	51
£10 001 – £15 000	63
£15 001 – £20 000	78
£20 001 – £25 000	85
£25 001 – £30 000	93
£30 001 – £40 000	96
£40 001 and over	99

- (i) According to the information shown in the table above, what is the correlation between household income and the percentage of households with an internet connection?

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..... [2]

Nearly all responses gained 1 mark for the overall trend. Most gained a second mark, either for referring to evidence that supports the trend, or for stating that the correlation is positive.

### Question 3 (a) (ii)

(ii) State **one** reason why the information in this table may not be useful for CFD.

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

Most responses identified a valid aspect of the data that does not relate to CFD's context. Less successful responses gave reasons that did not apply to the data, e.g. that CFD would have an internet connection in the Birmingham store.

### Question 3 (b)

(b) The founding trustees, Charlie and Jack, are concerned about the ethical impact of CFD's business decision-making.

Explain how **one** ethical constraint on marketing could affect CFD's business decision-making.

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..... [3]

There were few successful responses to this question. Mostly because candidates had a limited understanding of how marketing decisions are constrained by ethical considerations. More successful responses understood how ethical marketing concerns such as promoting inclusivity or not being dishonest in advertisements might affect how marketing decisions are made. They also understood how this might lengthen the time needed to develop marketing campaigns or increase their cost by requiring plans to be audited by experts in marketing ethics.

### Question 4 (a)

4 If **Option 3 – Refurbish smartphones** is chosen, CFD will need to ensure that productivity is at an acceptable level.

(a) Explain how CFD could decide on an acceptable level of productivity for smartphone refurbishment.

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..... [2]

More successful responses referred to benchmarking and described how CFD could use it. Other responses explained how they could make use of existing targets/information such as their break-even level of output. Less successful responses showed a lack of understanding of how productivity is measured, and that CFD does not currently know how many smartphones it can refurbish.

### Question 4 (b)

(b) Sam is concerned that productivity levels amongst the existing volunteers are too low. Explain **two** methods that CFD could use to try and improve the productivity of its volunteers.

1.....

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..... [4]

More successful responses recognised that not all methods of motivation that apply to employees also apply to volunteers. Less successful responses instead described how CFS could pay their volunteers or use a payment/reward-by-results system that could not apply to volunteers.

### Assessment for learning



Candidates would benefit from greater understanding of how volunteers are different from employees and how this affects decisions such as how to manage them.

The following guide is an very good introduction to some of the key issues, which can be found on the [Eden Project Communities website](#).

## Question 5

- 5 Charlie and Jack believe that using primary research to help CFD take business decisions is a waste of time. They believe that secondary research is more cost-effective.

Evaluate the benefits and drawbacks to CFD of using primary research, rather than secondary research, when making business decisions.

[12]

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Nearly all responses identified at least one benefit or drawback of using primary research and so achieved at least some marks in Band 1 (1-3 marks). For example, by stating that primary research enables the charity to collect information specific to its needs. Most of these responses were then able to develop this point, demonstrating understanding and so move into Band 2 (4-6 marks). For example, by explaining how the charity could design a questionnaire including questions specific to each option and then decide who should complete it. Relatively few then developed their response by showing how this could affect the decision-making process and so reach Band 3 (7-9 marks). For example, by discussing how collecting specific information from people in the target market could improve the quality of decision-making by providing more relevant information than secondary research could. Equally this process could be more time-consuming than using existing secondary sources and so could lengthen the decision-making process and so delay the introduction of the chosen option. Relatively few responses achieved Band 4 (10-12 marks) by offering a reasoned judgement as to whether, on balance, primary research was worthwhile.

Less successful responses tended to use unsupported assertions that could equally apply to either primary research, and then did not justify them. For example, by asserting that primary research must be reliable and accurate, when this is a consequence of the methods used and is not inherently true of either primary or secondary research. Worryingly, many responses gave the view that secondary research is not reliable simply because it has been published on the internet where it could have been altered to include non-truthful information.

### Question 6 (a)

- 6 (a) If **Option 2 – Open a computer store** is chosen, CFD will need to secure the shop and its stock of computer devices.

Describe how the use of Radio-frequency Identification (RFID) could help to reduce the theft of computers from the computer store.

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..... [2]

Despite being in the specification, very few responses showed evidence that candidates had knowledge of how Radio-frequency Identification (RFID) can be used by retail organisations. Many responses assumed that RFID works in the same way as smartphone location-tracking. Such responses gained no marks. More successful responses had an understanding of how the limited range of RFID systems meant they could be used to trigger an alarm if a product left the shop but could not be tracked once the product had left the building.

### Question 6 (b)

(b) If **Option 3 – Refurbish smartphones** is chosen some of the existing volunteers have said they would be unwilling to change to working with smartphones.

Explain **two** reasons why some volunteers at CFD might be resistant to change.

1.....  
.....  
.....  
.....  
.....

2.....  
.....  
.....  
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[4]

Most responses had a good understanding of factors that might cause resistance to change. Less successful responses did not take into account the context, for example by claiming incorrectly that volunteers might be afraid of being made redundant.

### Question 7

7 CFD needs to return to surplus quickly so that its work can continue for many years to come. Recommend which **one** of the three options CFD should take. Justify your recommendation.

[16]

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This high tariff question was 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 3 had the longest payback period or that Option 2 carries the risk of theft from the new shop. 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, given that Option 2 is located on the edge of a large city centre, then CFD may well see an increase in the number of customers. However, responses demonstrating no understanding were not given marks, for example a statement that Option 1 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, especially because in this case the capital investment is smaller than Option 2. Equally, responses stayed in Level 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback. A number of less successful responses confused moving beyond the payback period of a specific option and the charity moving into surplus. For example, many asserted that Option 2, with the shortest payback period would see the charity as a whole move into surplus the quickest. This is unlikely for two reasons: Option 1 has a higher ARR and a payback period of only one month longer; and the size of the charity's deficit in four-and-a-half years' time is not known and so it is not possible to state when each option would contribute enough surplus on its own activities to bring the whole charity back into surplus.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they linked the impact of the option under discussion to CFD's business performance (thereby recognising the strategic impact of choosing the option). For example, if Option 2 results in more sales due to the new shop selling refurbished computers then CFD should see an increase in sales revenue (and therefore contribute to a return to surplus for the charity as a whole).

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



Less successful responses did one or more of the following things:

- did not take into account the charitable context (e.g. by focusing on profitability)
- made assertions based on their own value judgements rather than evidence from the case study and business-reasoning (for example by arguing for Option 1 because the ARR is 'very good' and so this would be 'a great result' for the business)
- showed a lack of understanding of the tools of investment appraisal and financial analysis (e.g. by confusing ARR and Payback or arguing that high revenue expenditure is good as it means a large income)

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