

**Cambridge Technicals
Business**

Unit 1: The Business Environment

Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for June 2017

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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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1. 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
SECTION A			
1	Indicative content: C	1	For one mark.
2	Indicative content: D	1	For one mark.
3	Indicative content: B	1	For one mark.
4	Indicative content: C	1	For one mark.
5	Indicative content: A	1	For one mark.
6	Indicative content: C	1	For one mark.
7	Indicative content: D	1	For one mark.
8	Indicative content: C	1	For one mark.
9	Indicative content: A	1	For one mark.
10	Indicative content: A	1	For one mark.
11	Indicative content: D	1	For one mark.
12	Indicative content: B	1	For one mark.
13	Indicative content: B	1	For one mark.
14	Indicative content: C	1	For one mark.
15	Indicative content: A	1	For one mark.
16	Indicative content: C	1	For one mark.
17	Indicative content: D	1	For one mark.
18	Indicative content: A	1	For one mark.

Question	Answer	Marks	Guidance
19	Indicative content: D	1	For one mark.
20	Indicative content: C	1	For one mark.
SECTION B			
21	Responses include: <ul style="list-style-type: none"> • owners/sole trader/partners/shareholders/employers • employees/assistants/operatives/workers/staff • directors/CEO • managers/senior management team • supervisors • apprentices • trade unions. 	2	One mark for each correct identification up to a maximum of two identifications. Stakeholders must be internal. Accept specifics e.g. if business is a hospital, accept 'doctors' as 'employees'; or if business is a school, accept 'government' as 'owners'. Do not accept 'patients' or 'students' as these would be customers and, therefore, external stakeholders.
22	Responses include: <ul style="list-style-type: none"> • recruitment e.g. create job description and person specification, design job advertisement, issue application forms • selection e.g. short listing, interviewing, criminal record check • manpower planning e.g. redundancies, dismissal • reward systems e.g. motivation package, remuneration, payroll • discipline e.g. dismissal, redundancy • grievance procedure e.g. formal discussion • training e.g. needs analysis, induction, on-the-job, off-the-job, professional development • workforce performance e.g. monitor indicators, appraisal • health and safety of workers e.g. safe working environment 	4	One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two developments. NB Description not explanation required. (How, not why). Identification mark – what. Second mark – description - how.

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • employer/employee relations e.g. consultation, negotiation, employment law • dismissal e.g. redundancy. <p>Exemplar response:</p> <p>Name of business: Origin Chemicals Ltd Activity of business: Chemical processing plant The human resource function at Origin Chemicals Ltd is responsible for hiring staff (1). The HR function does this by arranging interviews for prospective candidates (1).</p>		
23	<p>Indicative content:</p> <ul style="list-style-type: none"> • safe goods • goods as described • goods of satisfactory quality • goods fit for purpose • services provided with reasonable skill and care • services provided within a reasonable timeframe • goods and services provided at a reasonable price • offer refund if defective • offer replacement if defective • offer repair. <p>Exemplar response:</p> <p>Name of business: Martin's Toys Activity of business: Toy retailer</p> <p>Consumer protection legislation requires shops to only sell goods which are safe (1). Martin's Toys does this by only selling toys which have the CE safety mark (1)</p>	4	<p>One mark for each correct identification of a legal issue up to a maximum of two legal issues.</p> <p>One mark for each of two examples/explanations of how achieved.</p> <p>Accept examples written in the inverse i.e. accept examples of non-compliance.</p> <p>Example mark can be awarded even if legal issue is not explicitly identified.</p> <p>Must relate to:</p> <ul style="list-style-type: none"> • Consumer Rights Act (Sale & Supply of Goods Act; Supply of Goods and Services Act) • Consumer Protection Act. <p>Do not award answers which relate to Data Protection Act, Equality Act, Health and Safety at Work Act etc.</p>

Question	Answer	Marks	Guidance
			If two examples given, check they cover different legal points. 'Good standard' – too vague (TV) .

Question	Answer	Marks	Guidance
24	<p>Responses include:</p> <ul style="list-style-type: none"> • birth rate • ageing population • change in education levels • change in income • shift in profession/occupation groups • gender (in)balance • shift in race/ethnic balance • migration • change in marital status • change in size of family. <p>Exemplar response:</p> <p>Name of business: Bunting Mobility Ltd Activity of business: Mobility aids retailer</p> <p>An increase in the number of elderly people in the local area (1) has led to an increase in sales for the shop (1) and this has improved its cash flow position (1).</p>	6	<p>One mark for a correct identification up to a maximum of two identifications, plus one mark for each of two explanations and a further one mark for each of two analyses.</p> <p>In each case, the third mark must be analytical. Accept any type of impact or consequence for analysis, including positives and negatives.</p> <p>Do not accept ‘disposable income’ or ‘social trends’ as these are not demographic changes.</p> <p>Watch out for repetition of demographic change. E.g. if both responses relate to, say, society ageing, then the maximum mark would be 5 (please annotate the repeat issue as REP).</p> <p>Demographic change required.</p>

Question	Answer	Marks	Guidance
25	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • flat organisational structure • decentralised organisational structure • encourage safe failure • require accountability • support independence • encourage flexibility • allow employees space and freedom • be positive/constructive. <p>Exemplar responses:</p> <p>Name of business: Mechelow Farm Activity of business: Dairy Farm</p> <p>At Mechelow farm, labourers are given the freedom to try and solve problems themselves (L1) without the farm manager constantly watching their every move. This encourages the farm labourers (CONT) to use their own initiative without fear of immediate reprisals or criticism (L2).</p> <p>Name of business: Mechelow Farm Activity of business: Dairy Farm</p> <p>Employees at Mechelow farm are encouraged to be flexible (L1), this encourages them to be independent and develops their own self-confidence (L1).</p>	4	<p>Level of response criteria:</p> <p>Level 2 (3 – 4 marks) Candidate gives a contextual explanation.</p> <p>Award: 4 marks for identification plus a detailed and contextual explanation. 3 marks for identification plus a contextual explanation.</p> <p>Level 1 (1 – 2 marks) Candidate gives a non-contextual answer.</p> <p>Award: 2 marks for identification plus non-contextual explanation. 1 mark for identification with no explanation.</p> <p>An answer which does not state the name of the business = max Level 1.</p> <p>Empowerment allows and encourages workers to make their own decisions. Answer must be about empowerment. Do not award arguments about motivation, training or delegation.</p> <p>Context must be more than the name or type of business.</p>

SECTION C				
26			Indicative content: <ul style="list-style-type: none">private limited company.	1 One mark for a correct identification. Do not award incomplete answers e.g. 'private company', 'private limited' or 'limited company' or 'Ltd'. Please annotate as too vague (TV).
27			Use level of response criteria. Responses include: <ul style="list-style-type: none">significant amount of profit – even the lowest is several millionindustry total revenue falling 0.5% per annum in recent years<i>Leisure Magazines Ltd's</i> total revenue falling by at least 1.5% per annumsales revenue and advertising revenue fallingcost of sales increasinggross profit fallingexpenses risingamount of tax paid fallen due to fall in Operating profitnet profit fallingreduced dividendsretained profits constantly low2017 projected net profit percentage 4.7%2017 net profit percentage target 5%competitor net profit percentage benchmark 3.5%significant borrowing (£1.1m interest)insufficient information on cash flow, assets, liabilities and capitalcash flow statement and statement of financial position required.	12 Levels of response Level 4 (10 - 12 marks) Candidate evaluates the financial performance of <i>Leisure Magazines Ltd</i> . Level 3 (7 - 9 marks) Candidate analyses the financial performance of <i>Leisure Magazines Ltd</i> . Level 2 (4 – 6 marks) Candidate explains <i>Leisure Magazines Ltd's</i> financial performance issue(s). Level 1 (1 – 3 marks) Candidate identifies <i>Leisure Magazines Ltd's</i> financial performance issue(s). Do not award causes/reasons or solutions/contingencies (please annotate NAQ). The question solely relates to data response. NB The question only relates to financial performance, do not award arguments relating to other types of performance. L1 – states from information given e.g. sales revenue in 2015 was £16.9 million.

Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>e.g. <i>Leisure Magazines Ltd's</i> net profit in 2016 was £2.6 million (L1). The net profit level has been falling for the last three years (L2). If profit levels continue to fall at the same rate <i>Leisure Magazines Ltd</i> is likely to make a net loss, and may even lose shareholders (L3).</p> <p>However, profit projections for this year indicate net profit to be 4.7% (CONT) of revenue. If this is the case then the company will have enough funds to pay dividends to its shareholders and its position may not be as bad as it first appears. In addition, whilst 4.7% is below the company's target, this may be an unrealistic target especially given that the closest competitor's benchmark figure is only 3.5% (L4).</p>		<p>L2 – explains trends or uses comparisons e.g. the company's sales revenue is falling.</p> <p>L4 – overall judgement of the business' financial performance which builds from previous analysis. Award 10 marks for a generic argument. Award 11 marks for an argument with context. Award 12 marks for a detailed, specific, contextual argument.</p> <p>NB Do not award general statements e.g. financial performance has declined. Candidates need to be specific e.g. net profit has fallen, revenue has dropped etc.</p>
28	<p>Responses include:</p> <ul style="list-style-type: none"> • strength e.g. market knowledge, expertise, well established, well known, well respected, good brand, market leader, largest magazine publisher, enviable reputation, popular, net profit percentage better than competitor's. • weakness e.g. failing to meet profit objective, old fashioned, no website, not online, falling profit, falling revenue, increasing expenses, cost of change in strategy (£40 m), need external finance. • opportunity e.g. technological trends e.g. increased use of the Internet; social trends e.g. growing popularity of minority sports, healthy lifestyles, interest in global issues; digital age e.g. mobile technologies, tablets, e-readers; increase in ethical 	4	<p>Up to four marks.</p> <p>Strengths and weaknesses must be internal. Opportunities and threats must be external.</p> <p>Common errors: Opportunity: 'publish online' (0) (this is an internal decision). Threat: 'falling profits' (0) (this is a weakness).</p>

Question	Answer	Marks	Guidance
	<p>consumerism.</p> <ul style="list-style-type: none"> • threat e.g. social factors, digital readership, national readership decline, economic factors, competitor activity, legal factors, political factors, environmental factors. 		
29	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • loss of customers • unlikely to enter new markets • market saturation • falling sales/readership • reduced revenue • reduced profit • make a loss • weaker cash flow position • fewer potential investors • financial difficulties • poor reputation • fall in customer satisfaction • bad publicity • protests/boycotts • effect on corporate image e.g. CSR profile, old fashioned, out-of-date, out of touch with readership • lose out on further opportunities e.g. digital marketing • lose out to the competition • competitor magazines may become more successful 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates likely consequences to <i>Leisure Magazines Ltd</i> if it does not listen to its customers.</p> <p>Level 3 (7 - 9 marks) Candidate analyses likely consequence(s) to <i>Leisure Magazines Ltd</i> if it does not listen to its customers.</p> <p>Level 2 (4 – 6 marks) Candidate explains likely consequence(s) to <i>Leisure Magazines Ltd</i> if it does not listen to its customers.</p> <p>Level 1 (1 – 3 marks) Candidate identifies likely consequence(s) to a business of not listening to its customers.</p> <p>Consequences must be on the business, can be positive or negative.</p> <p>L4 – Candidates must choose a consequence and justify why it is, say, the biggest/most serious/long-term consequence, supported by previous analysis. Award 10 marks for a generic argument. Award 11 marks for an argument with context. Award 12 marks for a detailed, specific, contextual argument.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • customers likely to use competitor websites • reduced advertising revenue • de-motivated employees • loss of competitive advantage • loss of market share • lose position as market leader • go out of business/close down • no need to alter strategy • no need to restructure the company • no resistance to change to overcome • no change management process to monitor • concentrate on markets it knows well • less uncertainty • save time (a change of strategy takes time to plan) • save money (a change of strategy is expensive (£40 m)). <p>Exemplar response:</p> <p>e.g. If <i>Leisure Magazines Ltd</i> does not listen to its customers they may go elsewhere (L1) to find digital content provided by a competitor (L2). This would mean that the company's market share would fall (L3).</p> <p>Another consequence of not listening to its customers is that the company may gain a poor reputation (L1). This may lead to some customers boycotting the company (L2) reducing sales revenue and negatively impacting on cash flow (L3).</p> <p>The greatest consequence to <i>Leisure Magazines Ltd</i> of not listening to its customers is likely to be losing customers who require digital content. This is because whilst many of <i>Leisure Magazines Ltd's</i> competitors may</p>		

Question	Answer	Marks	Guidance
	<p>not choose to focus on ethical behaviour, most are likely to follow the social trend towards increased Internet use and mobile access via tablets. Industry experts suggest this is the main challenge for publishing houses, a challenge which might prove too much for <i>Leisure Magazines Ltd</i> if it does not embrace the opportunity (L4).</p>		
30	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • be environmentally friendly • use recycled paper • use email where possible • minimise unnecessary printing • tree planting scheme • use green/renewable energy • minimise use of fossil fuels • turn off lights/machines when not in use • reduce energy consumption e.g. heat and light • install solar panels on factory roof • improve energy efficiency • reduce waste • recycle waste • reuse resources • reduce carbon emissions • become carbon neutral • minimise the need for travel • use environmentally friendly transport e.g. bio-fuels • only deal with ethical suppliers • no child labour in supply chain • no animal cruelty in supply chain 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates how <i>Leisure Magazines Ltd</i> should improve its ethical profile.</p> <p>Level 3 (7 - 9 marks) Candidate analyses how <i>Leisure Magazines Ltd</i> could improve its ethical profile.</p> <p>Level 2 (4 – 6 marks) Candidate explains how <i>Leisure Magazines Ltd</i> could improve its ethical profile.</p> <p>Level 1 (1 – 3 marks) Candidate identifies how a business could improve its ethical profile.</p> <p>L4 evaluation – An overall conclusion as to why the method(s) recommended are the best to use. Award 10 marks for a non-contextual justification of the methods chosen. Award 11 marks for a contextual justification of the method(s) chosen. Award 12 marks for a detailed, contextual justification of the method(s) chosen.</p> <p>Do not award legal requirements e.g. Data protection.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • buy fair trade products where possible • pay fair prices to suppliers • treat suppliers well • buy raw materials from local businesses e.g. stationery • charge fair prices • donate percentage of profit/revenue to charity • raise money for charity • support local community projects • do not exploit the workforce • provide good terms of employment • treat workers fairly/well • ensure workforce is balanced e.g. gender, age etc • give employees fixed hour rather than zero hour contracts • pay employees a fair wage • pay employees more than the legal minimum/living wage • give employees a pay rise. <p>Exemplar response:</p> <p>One way to improve the ethical profile of the company is to reduce energy consumption (L1). This can be achieved by buying energy efficient machinery, turning down the heating thermostat and fitting lighting sensor to turn off the lights when not in use (L2). This would also reduce utility costs and improve the company's cash flow position (L3).</p> <p>Another way <i>Leisure Magazines Ltd</i> could improve its ethical profile is by using recycled paper for its magazines (L1). This would mean that fewer trees are cut down, benefitting the natural environment (L2).</p>		<p>Do not award 'treat workers equally' as that is a legal issue, rather than an ethical one.</p>

Question			Answer	Marks	Guidance
			<p>Recycled paper is also likely to be cheaper than the paper the company currently buys, reducing costs and increasing profit (L3).</p> <p>However, the company has an excellent reputation for its high quality print and the use of recycled paper might impact on this reputation. Instead, it would be better to concentrate on ways to improve its ethical profile which do not affect the quality of its output. Reducing energy consumption will contribute to the company's ethical profile without compromising the quality of its output. This seems a more appropriate approach for <i>Leisure Magazines Ltd</i>. It could even consider buying green energy from an eco-friendly supplier (L4).</p>		
31	(a)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> • loan (1) e.g. medium/long term, interest rate can be fixed, pay in instalments, easier to budget • re-mortgage (1) e.g. long term, lower interest rate than unsecured loans, pay in instalments, easier to budget • venture capitalist (1) e.g. advice, expertise, no interest charge • new investor (1) e.g. no interest charge, advice, expertise • crowd funding (1) e.g. marketing benefits • grant (1) e.g. does not need to be repaid, no monthly payments, no loss of control • funding circle/peer to peer lending (1) e.g. low interest rates • gifts (1) e.g. do not have to be repaid, no monthly payments, no loss of control. 	2	<p>One mark for a correct identification plus one mark for a valid reason.</p> <p>NB This question is about appropriate sources of finance (not any source that has an advantage).</p> <p>Source of finance must be external. Do not award internal sources.</p> <p>Do not award 'shares/shareholders' as these could be internal. Response must clearly indicate a new investor/shareholder. Please annotate 'sell shares' as too vague (TV).</p> <p>Do not award arguments relating to 'easy to get', 'quick to obtain', 'likely to obtain'.</p> <p>Do not award 'large sums available' or 'can get enough money' as that is the question.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>One appropriate source of finance would be a bank loan (1) because it can be paid back over a long period of time (1).</p>		<p>Source of finance required for explanation marks to be awarded.</p>

Question			Answer	Marks	Guidance
31	(a)	(ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> • overdraft (1) e.g. short term, insufficient amount, high interest rate, expensive • hire purchase (1) e.g. can only be used to obtain print machine and not for the whole project • credit card (1) e.g. short term, insufficient amount • trade credit (1) e.g. short term, insufficient amount • mortgage (1) e.g. only available for property/not for machinery etc. <p>Exemplar response:</p> <p>One inappropriate method of finance would be an overdraft (1) because the interest rate would be very high (1).</p>	2	<p>One mark for a correct identification plus one mark for a valid reason.</p> <p>NB This question is about inappropriate sources of finance (not any source that has a disadvantage).</p> <p>Source of finance must be external. Do not award internal sources.</p> <p>Source of finance required for explanation marks to be awarded.</p>
31	(b)		<p>Responses include:</p> <ul style="list-style-type: none"> • identification of proposal e.g. product/service/strategy/what money to be spent on i.e. digital magazines, ethical profile, new titles, website • aims and objectives, mission statement • rationale • CEO/directors' names • business location • business purpose/activities • market research • market plan e.g. promotional campaign, unique selling point, special offers, radio advertisement etc • marketing mix e.g. product, place, price, promotion • production/operations plan 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do not award sources of finance (answer relating to finance rather than sources of finance are acceptable).</p> <p>Must be an 'item' – do not award activities or strategies e.g. do not award 'cut costs', 'be more ethical' etc.</p> <p>'Financial forecast' – please annotate as too vague (TV) – specific required – e.g. cash flow forecast, profit forecast, predicted expenditure, etc.</p> <p>'Equipment', 'computers', 'land' – please annotate as too vague (TV) – however award 'required equipment', 'computers that are needed', 'land to be purchased' etc.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • human resource plan e.g. recruitment, skills gap analysis, training needs analysis, workforce restructuring • resource requirements e.g. premises, equipment • costings • expenses • cash flow forecast/statement • breakeven forecast • income statement (profit and loss account) • statement of financial position (balance sheet) • strengths, weaknesses, opportunities, threats e.g. SWOT analysis • risk analysis • how to protect a product or service • contingency plan. 		<p>'Marketing' – too vague (TV) as it could refer to the functional area – however award 'marketing methods', 'marketing strategy', etc.</p>
32	<p>Indicative content:</p> <ul style="list-style-type: none"> • interest rates • exchange rates • inflation • employment/unemployment • taxation • recession/boom. <p>Exemplar response:</p> <p>Interest rates (1) might affect the future success of the company. If interest rates increase then the cost of borrowing will increase (1) increasing the company's fixed costs (1).</p>	3	<p>One mark for a correct identification plus up to two marks for explanation.</p> <p>Factor required for explanation marks to be awarded.</p> <p>Annotate counter arguments as repetition (REP). e.g. Interests rates (1) may go up making borrowing dearer (1) or down making borrowing cheaper (REP).</p> <p>Do not award 'Brexit' as this is a political factor.</p> <p>Accept 'disposable income'.</p>

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