

Cambridge Technicals

Business

Unit 1: The business environment

Level 3 Cambridge Technical Certificate/Diploma in Business
05834 - 05878

Mark Scheme for January 2018

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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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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)

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

SECTION B				
21		<p>Responses include:</p> <ul style="list-style-type: none"> • political instability/government instability • change of government • government initiatives • general election • control of trading partners • war • Brexit. 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Must be a political factor. E.g. do not award 'taxation' (economic factor) or 'legislation' (legal factor).</p>
22		<p>Responses include:</p> <ul style="list-style-type: none"> • strength e.g. skills of owner, industrial experience, USP, quality products, market leader, effective loyalty schemes, etc. • weakness e.g. lack of funds, inflexibility, limited expertise, poor reputation, excessive prices, etc. • opportunity e.g. consumerism, specific consumer trends, emerging markets, etc. • threat e.g. new legislation, inflation, competition/competitors, etc. 	4	<p>One mark for each correct identification up to a maximum of four identifications.</p> <p>Strengths and weaknesses must be internal e.g. what is good or bad about the business itself.</p> <p>Opportunities and threats must come from an external source i.e. outside of the business' control.</p> <p>Do not award vague answers such as 'expensive', 'customer service' or 'durable'. However, award 'charges high prices', 'poor customer service' or 'makes durable products'.</p>
23		<p>Responses include:</p> <ul style="list-style-type: none"> • many layers • long chain of command • slower decision making • more complex decision-making process • likely to be more formal meetings • slower communication • poorer quality communication • confusion/misunderstandings • tardy, slow to change • less responsive to market forces • staff alienation 	4	<p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Impacts can be positive or negative.</p> <p>Accept explanation as to cause or further impact.</p> <p>Do not award answers relating to centralisation/decentralisation.</p> <p>Do not award 'clear job roles' or 'number of employees' because it applies to all structures.</p>

SECTION B					
			<ul style="list-style-type: none"> narrower span of control existence of middle management more efficient management of employees more opportunities for promotion. <p>Exemplar response: Name of business: Darren's Bikes Activity of business: Cycle retailer</p> <p>Employees at the bottom of the organisation may lack motivation (1) because they feel undervalued by those at the top of the organisation (1).</p>		Do not award 'affects communication' or 'affects decision-making' as this could mean an improvement in communication/decision-making.
24			<p>Responses include:</p> <ul style="list-style-type: none"> automation e.g. self-checkouts computerisation robotics communication technologies e.g. social media, instant messaging, online chat mobile technologies e.g. smart phones smart technology e.g. Apps touch screen technology e.g. tablets remote access to data e-commerce/online sales e-banking/online banking EPOS technology e.g. bar codes electronic stock control digital payment methods e.g. Paypal, Apple Pay, Bit Coins, etc contactless payments GPS. <p>Exemplar response: Name of business: Bunting Soft Furnishings Ltd</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>Do not award telephones/phones, text messaging or email as these are not recent advances in technology. Do award smart phones, instant messaging or online chat.</p> <p>In each case, third mark must be business-facing analysis i.e. a consequence to the business (not its stakeholders). Examples include profit, sales, wider target market, increased efficiency, able to meet demand, increased output, reduced cost, competitive advantage.</p> <p>Look for type of technology first.</p>

SECTION B					
			Activity of business: Soft furnishings producer E-commerce (1) created opportunities for the firm to deal directly with its consumers and offer a personalisation service for its cushions (1) . Unfortunately, the firm was slow to create its website and lost customers to the competition (1) .		
25			<p>Use level of response criteria.</p> <p>Responses include: HOW:</p> <ul style="list-style-type: none"> • visits potential suppliers • uses the Internet/online research • contacts/talks to/emails/phones potential suppliers • puts out to tender • uses supplier database. <p>WHAT</p> <ul style="list-style-type: none"> • quality • lowest price • from local suppliers • where obtain supplies from e.g. farms, markets, wholesalers, China, local suppliers • use regular suppliers • regularly checks for new deals • does research. <p>Exemplar response: Name of business: Monks Wing Activity of business: Private hospital</p> <p>It holds a meeting with pharmaceutical representatives (CONT) (L2 – how – 4 marks).</p>	4	<p>Levels of response</p> <p>Level 2 (3 - 4 marks) Candidate describes how a business sources its products using specific context (relating to purchasing).</p> <p>Level 1 (1 - 2 marks) Candidate describes how a business sources its product without context.</p> <p>Award top of the appropriate level for a practical 'how'. Award bottom of level for 'what'. i.e. Award: 4 marks for HOW with context. 3 marks for WHAT with context. 2 marks for HOW without context. 1 mark for WHAT without context.</p> <p>Answers must be 'what'/'how' not 'why'.</p> <p>For purchasing context look for evidence of type of business – what it purchases or what it sells or a specialist supplier e.g. coffee, sugar, t-shirts, buttons, medical supplies, farms, etc.</p>

SECTION B				
			<p>It finds a supplier that it believes can provide best value for money for the dressings and bandages (CONT) it needs to buy (L2 - what – 3 marks).</p> <p>It rings round potential suppliers to discuss price (L1 – how – 2 marks).</p> <p>It chooses to buy its stationery from ethical suppliers (L1 – what – 1 mark).</p>	

SECTION C					
26			Indicative content: <ul style="list-style-type: none"> owned by shareholder(s). controlled by director(s)/the executive/managing director/CEO. 	2	Up to two marks.
27			<p>Responses include:</p> <ul style="list-style-type: none"> advantages e.g. better reputation, good corporate image, attract ethical consumers, increased brand loyalty, may be able to charge a higher price, may be able to attract ethical investors. disadvantages e.g. higher cost, conflict with profit motive, lower shareholder returns, operations more complex, unable to tap into the low end discounted market. <p>Exemplar response:</p> <p>e.g One advantage of operating ethically is that the business is likely to be able to charge a higher price for its cereals (CONT) (2).</p> <p>e.g. One advantage of operating ethically is that <i>Lushcereal Ltd</i> may be able to attract more consumers (1).</p> <p>e.g. One disadvantage of operating ethically is that farmers will need to be paid a decent price for the grain (CONT), reducing profits (2).</p> <p>e.g. One disadvantage of operating ethically is that employees need to be paid good wages, increasing business costs (1).</p>	4	<p>Up to two marks for an explanation of an advantage, plus up to two marks for an explanation of a disadvantage.</p> <p>In each case, award two marks for a contextual explanation (✓✓). Award one mark for a non-contextual explanation (✓).</p>
28			Use level of response criteria.	12	Levels of response

SECTION C	
<p>Responses include:</p> <ul style="list-style-type: none"> • communicate with stakeholders – inform, negotiate • timing of communication with stakeholders - before, during and after the expansion • take a proactive, rather than reactive, approach • emphasise the benefits to the area • reduce anxiety about the perceived negatives • listen to stakeholder viewpoints • monitor stakeholder opinions and actions • respond to stakeholder concerns • use a mediator • offer pacifiers • compromise • be open and transparent • hold public meetings/open consultations • use public relations, media • two-way communication • invest in the local community • promote the firm’s ethical practices. <p>Exemplar response: e.g. Local residents should be invited to a public meeting to inform them about the proposed expansion (L1). This should be done before the information goes out to the press (L2). Informing the residents should stop rumours and misinformation, which may increase the intensity of conflict, from being circulated (L3).</p> <p>In addition, the meeting must allow for two-way communication (L1). Local residents must be actively listened to when they raise their concerns (L2). This will show that the company is mindful of local residents’ needs, lowering external stakeholder anxieties and encouraging a more positive response from the local residents (L3).</p>	<p>Level 4 (10 - 12 marks) Candidate evaluates how to manage any external stakeholder conflict caused by the proposed expansion.</p> <p>Level 3 (7 - 9 marks) Candidate analyses ways to manage any external stakeholder conflict caused by the proposed expansion.</p> <p>Level 2 (4 – 6 marks) Candidate explains ways to manage any external stakeholder conflict caused by the proposed expansion.</p> <p>Level 1 (1 – 3 marks) Candidate identifies ways to manage stakeholder conflict.</p> <p>Do not award ‘locate elsewhere’ as that would be conflict avoidance not conflict management.</p> <p>Do not award ‘this would reduce conflict’ as analysis, because that is the question.</p> <p>L4 – overall justification of why the methods suggested would be beneficial to the business (which builds from previous analysis). Award 10 marks for a generic argument about the benefit(s) e.g. methods good because ... (no context) Award 11 marks for a contextual argument about the benefit(s) e.g. methods good because ... (with context). Award 12 marks for a comparative, contextual argument about the benefit(s) e.g. method the best to use because (with context).</p> <p>NB A counterargument is analytical.</p> <p>L3 – stop protests, convince stakeholders, reduce complaints, less reluctant to oppose.</p>

SECTION C					
			Despite taking up a significant amount of time, holding a series of public meetings should minimise the likelihood of the residents organising a formal protest about, say, potential noise or congestion problems (CONT). In turn, protecting the company from negative publicity or damage to its reputation which would ensue if any form of protest went ahead (L4).		
29	a		<p>Indicative content:</p> <ul style="list-style-type: none"> cash flow statement: historic, past, actual, has happened, real figures, shows the (actual) flows cash flow forecast: prediction, estimate, future, target, guess, not yet happened, may not happen <p>Exemplar response: E.g. A cash flow statement shows what has happened in the business (1). In contrast, a cash flow forecast is only a prediction (1).</p> <p>E.g. A cash flow statement shows historic figures (1) whereas a forecast does not (0).</p>	2	<p>Up to two marks.</p> <p>Award two marks for an explicit difference. Else award one mark for a partial argument.</p> <p>Do not award 'statement' or 'forecast'.</p> <p>No context required.</p> <p>NB candidates are not required to state what a cash flow statement/forecast is.</p>
29	b		<p>Responses include:</p> <ul style="list-style-type: none"> negative opening balance for July positive closing balance for December net cash flow sometimes positive, sometimes negative closing balance hovering around £0 – sometimes negative, sometimes positive cash inflows show an improvement in the final quarter – possibly winter/seasonal sales cash outflows appear to have a cyclical pattern - £1.1m, £1.4m, £1.8m – possibly quarterly large payments overdraft facility was used from July to October 	4	<p>One mark for each piece of data analysis up to a maximum of four analyses, but allow development.</p> <p>Analysis for this data response question is taken to mean something the candidate has worked out from the data.</p> <p>Do not award direct quotes from the figures e.g. do not award 'the closing balance for December was £0.1m'. However, award 'the closing balance for December was positive'.</p> <p>Do not award references to 'profit' or 'loss'.</p> <p>Do not award vague comments such as 'good', 'bad', 'weak' or 'strong'.</p>

SECTION C				
		<ul style="list-style-type: none"> £0.4m improvement from opening balance in July to closing balance in December no significant spare funds unlikely to be able to fund the expansion with internal funds. <p>Exemplar response: <i>Lushcereal Ltd's</i> cash inflows have increased in the last quarter of the year (1). In some months cash inflows exceeded outflows, in other months they did not (1). The company had a negative closing balance from July to October (1), however it started the new year with a positive opening balance (1).</p>		Do not award 'cash inflows' increase every month'.
30		<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> advantages of the bank loan e.g. long term, pay in instalments, easy to budget, no loss of control, current shareholder stakes retained disadvantages of the bank loan e.g. debt funding has to be repaid, interest charged, rates may increase, additional monthly cash outflow, negative effect on net cash flow, negative impact on profit, effects last for 10 years, increased risk, penalties for late payment advantages of venture capital e.g. no upfront cost, no interest charged, equity funding does not need to be repaid, experience/expertise of venture capitalist, strengthen ethical commitment/ reputation disadvantages of venture capital e.g. difficult to find a suitable investor, even ethical investors have different priorities to each other, potential for conflict with current shareholders, loss of current shareholder stake, proportion of profit to be paid to 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates which of the two sources of finance <i>Lushcereal Ltd</i> should choose.</p> <p>Level 3 (7 - 9 marks) Candidate analyses the feature(s) of the source(s) of finance available to <i>Lushcereal Ltd</i>.</p> <p>Level 2 (4 – 6 marks) Candidate explains the feature(s) of the source(s) of finance available to <i>Lushcereal Ltd</i>.</p> <p>Level 1 (1 – 3 marks) Candidate identifies feature(s) of bank loans and/or venture capital as a source of finance.</p> <p>Do not award weak/general answers or answers that apply to both sources e.g. do not award 'fast', 'easy to obtain', get the money upfront' or 'will be able to afford to expand the company'.</p>

SECTION C					
			<p>venture capitalist, less profit to invest in future ventures, loss of control.</p> <p>Exemplar response: One advantage of taking out a 10-year bank loan is that the payments can be spread over the long term (L1). However, these payments include interest charges (L1) and over 10 years a lot of interest will be paid (L2). This reduces the profitability of the company (L3).</p> <p>On the other hand, using a venture capitalist would mean that the company does not get into any further debt (L1). This is because a venture capitalist is providing equity funding and not lending the company money (L2). This will avoid putting additional demands on the company's already faltering cash flow position (L3).</p> <p>Given the company's current cash flow situation the directors maybe should use a venture capitalist. Not only will this stop any further strain on the company's cash flow, it will provide additional expertise and input that could help take the company forward in the coming years (L4).</p>		<p>NB A counterargument is analytical. E.g. One benefit of using a venture capitalist is that the money does not have to be repaid (L1) this lowers the cost of the investment (L2). However, there would be increased potential for conflict between the existing shareholders/directors and the venture capitalist (L3).</p> <p>NB Candidates must have achieved at least 2 L3s (one for bank loan and one for venture capitalist) before accessing L4.</p> <p>L4 – Candidates must choose one of the two sources of finance. Award 10 marks for a generic argument about the benefit(s) e.g. source good because ... (no context). Award 11 marks for a contextual argument about the benefit(s) e.g. source good because ... (with context). Award 12 marks for a comparative, contextual argument about the benefit(s) e.g. source the best to use because (with context).</p>
31			<p>Responses include:</p> <ul style="list-style-type: none"> Marketing could conduct research into new product features customers desire (1). R&D then designs a product to meet these customer needs (1). Marketing can identify customer needs (1) and communicate these to R&D so that they can develop a suitable product (1). R&D could develop a new product (1). Marketing can produce a campaign to advertise the new product (1). R&D could produce a prototype of a new product (1) which Marketing can test in a trial (1). 	2	<p>Up to two marks.</p> <p>Award one mark for activity of marketing or R&D function. Award second mark for the activity of the other function if the two activities support each other.</p> <p>NB The question asks for a way i.e. how – what activities does each function perform.</p> <p>Do not award 'the marketing function <i>markets</i> the product', please annotate as too vague i.e. TV.</p>

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32		<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Fig. 1 e.g. in addition to producing cereals for adults, there are opportunities to produce cereals for young children and older children, the senior citizen market also appears substantial • Fig. 2 e.g. opportunities to distinguish between sweetened and non-sweetened cereals, cereals do not need to be presented traditionally i.e. in a bowl with milk, modern markets such as cereal bars, on the go cartons and cereal drinks could be tapped • target a specific age group • marketing could emphasise the healthiness of their breakfast cereals e.g. high fibre, low sugar, containing superfoods • R&D could develop new varieties to meet new trends towards healthier eating e.g. high fibre, low sugar, containing superfoods • concentrate on hot cereals that are becoming increasingly popular • need to boost marketing efforts for cold cereals to boost sales against national trends • develop innovative new products to service the increasing demand for breakfasts on the go • expand its channels of distribution beyond supermarkets e.g. consider petrol stations, motorway service stations and newsagents as well as corner shops, railway stations and cafés • continue with the effective exploits of the marketing function e.g. lots of research, strong advertising, quality packaging • stress the unique selling points of the breakfast cereals and the business e.g. ethics a priority, organic produce, fully sourced in UK, quality 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates how <i>Lushcereal Ltd</i> could further improve its business performance.</p> <p>Level 3 (7 - 9 marks) Candidate analyses how <i>Lushcereal Ltd</i> could further improve its business performance.</p> <p>Level 2 (4 – 6 marks) Candidate explains how <i>Lushcereal Ltd could</i> further improve its business performance.</p> <p>Level 1 (1 – 3 marks) Candidate identifies ways in which a business can improve its performance</p> <p>L4 – overall justification of why the ideas recommended would be beneficial to the business (which builds from previous analysis). Award 10 marks for a generic argument about the benefit(s) e.g. idea(s) good because ... (no context) Award 11 marks for a contextual argument about the benefit(s) e.g. idea(s) good because ... (with context). Award 12 marks for a comparative, contextual argument about the benefit(s) e.g. idea(s) the best to use because (with context).</p>

SECTION C

- product, supports tree planting scheme, gives to charity, supports local community projects
- use market segmentation
 - change the market focus/target market
 - adjust the marketing mix – price, place, promotion, product (including packaging).

Exemplar response

One change the company could make is to develop new recipes which are lower in sugar and higher in fibre **(L1)**. This will mirror social trends towards healthy eating **(L2)** and help attract more health-conscious consumers to increase sales revenue **(L3)**.

The company could also tap into the increasing demand for breakfasts on the go **(L1)**. Cereals taken in a bowl with milk are not conducive to breakfast on the go **(L2)**. The company could increase cash inflows by developing alternative products e.g. an oat-based milk drink available in several fruity flavours **(L3)**.

Overall, innovation seems to be the key. Given the company's ethical stance **(CONT)** and its position in the premium market, I would recommend that it develops products that are consistent with this company image. The products need to emphasise not only the quality and premium quality of the ingredients but also have a modern twist. This should help to meet the needs of today's discerning, but time poor, consumers. For this reason, I recommend a range of superfood cereal bars targeted at busy professionals who are health conscious and love the planet **(L4)**.

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