

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878

Unit 3: Business decisions

Monday 11 June 2018 – Afternoon

Duration: 1 hour 30 minutes
C423/1806



You must have:

- a clean copy of the pre-release (insert C424)

You may use:

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional answer space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.

INFORMATION

- The total mark for this paper is **60**.
- The marks for each question are shown in brackets [].
- This document consists of **12** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
1	/8
2	/6
3	/6
4	/6
5	/12
6	/6
7	/16
Total	/60

Answer **all** the questions.

- 1 (a) Identify **two** changes in the external business environment that could affect future decisions made by *PACM*.

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

[2]

- (b) Explain how each of the following risk factors could affect *PACM*.

Financial risk

.....
.....
.....
.....

[2]

Risk of damage to the reputation of the business

.....
.....
.....
.....

[2]

- (c) Identify **one** internal stakeholder of *PACM* and state how they are likely to be affected by decisions made by *PACM*.

.....
.....
.....
.....

[2]

2 Carlos has produced the following figures to support **Option 2: Dedicated production facility**.

- Total net profit over 5 years = £180 000
- Project lifetime = 5 years
- Initial cost = £200 000.

(a) Calculate the average rate of return (ARR) for **Option 2**.

Show your workings

Average rate of return (ARR) = _____ %

[2]

(b) Explain **one** benefit and **one** drawback to *PACM* of using average rate of return (ARR) data to support investment decisions.

Benefit

.....

.....

.....

.....[2]

Drawback.....

.....

.....

.....[2]

- 4 Carlos is concerned that the profit level earned by *PACM* is too low. Carlos is aware that Porter's Five Forces Model can help him understand the factors that affect how much profit *PACM* can make.

Explain how each of the following forces will affect the amount of profit that *PACM* could make.

The threat of new entrants

.....
.....
.....
.....
.....
.....
.....[3]

The bargaining power of suppliers

.....
.....
.....
.....
.....
.....[3]

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s) – for example 1(a) or 2(b).

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines across the page, providing space for writing answers.

A series of horizontal dotted lines for writing, spanning the width of the page.

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