

Cambridge Technicals Level 3

Business

05834-05837, 05878

Unit 1 The Business Environment

OCR Report to Centres June 2018

About this Examiner Report to Centres

This report on the 2018 Summer assessments aims to highlight:

- areas where students were more successful
- main areas where students may need additional support and some reflection
- points of advice for future examinations

It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the examination.

The report also includes links and brief information on:

- A reminder of our **post-results services** including **reviews of results**
- Link to **grade boundaries**
- **Further support that you can expect from OCR**, such as our CPD programme

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Level 3 Business
(05834-05837, 05878)**

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Unit 1 The Business Environment

1. General Comments:

Once again, examiners have been pleased to see some exceptionally good scripts this session. Equally, however, there have been some extremely poor scripts that show inadequate preparation by candidates.

Candidates who did well demonstrated five particular strengths:

- good knowledge and understanding across the entire unit
- research of a wide variety of businesses, targeted to the research brief
- the ability to apply understanding to the unseen scenario in Section C
- the ability to analyse and evaluate
- numerical skills of calculation and interpretation.

Section A of the paper was generally well answered by most candidates. Disappointingly, some candidates lost marks by leaving an MCQ question blank. This is poor examination technique. Candidates should be encouraged to indicate a response to all 20 questions. A minority of candidates also lost marks because they ticked two responses, say A and D, such hedging cannot be awarded. Candidates should be instructed not to take this approach. Where a candidate indicates an answer and subsequently changes their mind, they should clearly cross out their original tick.

Section B appears to reveal that those candidates who chose to answer all five questions on the same business appeared to do less well than those who altered the business they used to suit the question. Candidates should be encouraged to vary the business they use depending on the question i.e. to choose a specific business for which their understanding is suitable for answering the question. This was especially important for question 24, where businesses organised by location are few and far between.

Section C contained three high tariff extended response questions. These questions are level of response marked. Candidates need to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks. An analytical response must contain implications for the business, for example impact on sales revenue, costs, profits, cash flow, breakeven, improved decision-making, customer loyalty and reputation. In addition to analysis, an evaluative response must contain a reasoned decision i.e. a judgement. Candidates should be encouraged to reach decisions and give detailed justification to support their argument using contextual information. Whilst an accurate judgement that applies to most businesses would achieve a low Level 4 mark, an answer, which argues using the particular circumstances of the business scenario given in Section C, will be rewarded more highly.

Areas which caused most problems on this paper were confusion over business sectors (question 1), deed of partnership (question 10); organisation by geographic location (question 24), and interest rates (question 31). On the other hand, question 22 on ways to be environmentally friendly, question 28 reasons for business failure and question 32 evaluating consequence of not listening to the workforce, were extremely well answered.

The ability of candidates to answer questions requiring numerical skills, both in the multiple choice section (questions 8 and 14) and Section C (question 30a), varied significantly. Centres

are advised to give their candidates a great deal of practice at answering both calculation and numerical interpretation questions.

2. Comments on Individual Questions:

Section A

The questions, which appeared to cause most difficulty in this section, were 1, 8, 10, and 14.

Q1 This question tested candidate understanding of third sector organisations. The most common incorrect answer was 'a library'. This potentially indicates confusion between the public and third sectors.

Q8 Pleasingly over half of candidates were able to calculate '£800,000'. However, too many of these candidates opted for the Answer (a) a loss of £800,000 rather than Answer (c) a profit of £800,000. It might help candidates to stand back from their calculation and consider whether cost or revenue is greater, before committing to an answer.

Q10 Very few candidates got this question right. By a wide margin, the most common answer was (a). A deed of partnership is not required by law when setting up a partnership; rather it is a recommended document, which should aid the running of a partnership. Centres are advised to emphasise to candidates that unlike the Articles of Association and Memorandum of Association, which are mandatory documents for companies, a deed of partnership is recommended, but not legally required, when setting up a partnership.

Q14 This question provided revenue and profit data for a company and its two competitors. Candidates were required to work out which of the four suggested answers was correct. Candidate responses were relatively equally split between all four answers, indicating limited understanding. The key to answering the question is to understand that profit = revenue – costs. And, therefore, costs can be calculated by deducting profit from revenue.

Section B

Q21 Most candidates were able to score at least one mark on this question. The most common routes to the mark were to suggest an advertising medium e.g. 'television advertising' or 'on social media' or suggest the content of the advertising e.g. 'special offers' or 'new products'. Those who did both, gain full marks. Of those candidates who did not achieve full marks, the most common error was failing to take account of the command word in the question i.e. describe. Candidates were asked to describe how a business promotes itself, rather than explain why a business promotes itself.

Q22 There were some very pleasing answers to this question, which showed that candidates had made good use of the research brief. A very wide range of answers were offered and accepted. The most common ones included recycling, using electric vehicles, using solar panels and reducing the amount of product packaging. In each case, the second mark was for explaining the benefit of the method to the environment e.g. reducing waste sent to landfill or lowering co² emissions etc.

Q23 The vast majority of candidates were able to suggest a legal and non-legal consequence of breaking the law, thus gaining at least two marks on this question. The most popular legal consequence was 'a fine' and the most popular non-legal consequence was 'damage to reputation'. Those candidates who scored full marks gave an explanatory answer, i.e. suggesting what the business might have done wrong to fail to comply with the Equality Act. For the legal consequence, an answer such as 'the business might be fined for discriminating against female workers' would have sufficed for full marks. Likewise, an answer such as 'refusing to employ workers with ethnic minority backgrounds might lead to a bad reputation for the business', would have sufficed for full marks for the non-legal consequence.

Q24 Despite being clearly indicated on the pre-issued research brief, this question was very poorly answered. Centres would be advised to ensure that candidates clearly understand the concept of being organised by geographic location. Having many branches or being located all over, the world does not mean that a business is organised by geographic location. In fact, in the globalised world fewer and fewer businesses are organised by this method. Fifty years ago, without instant communication by phone, mobile or the internet, branches needed to have senior personnel on site at all locations to make immediate important decisions. Now, more often than not firms can quickly communicate with head office and do not need expensive personnel working at each branch. Please see the mark scheme for a list of acceptable answers to this question.

Q25 Many candidates were able to correctly identify a human resource function e.g. hire, interview and train staff. Far fewer were able to correctly identify an operations management function e.g. production. Similar to last session, many responses confused operations management with senior management, and incorrectly suggested that operations management would distribute staff to the rest of the firm. Of those answers, which did grasp the role of both functional areas and were, therefore, able to fully answer the question, most responses lacked context. Answers without context were limited to 3 of the available 4 marks. Answers which used the word 'product', rather than referring to a specific type of item manufactured were all too common. Although there were other ways to do it, simply replacing 'product' with 'groceries' (if writing about Asda) or 'cars' (if writing about BMW) would have put the answer into context, moving from 3 to 4 marks.

Section C

Q26 This question revealed a basic lack of understanding by many candidates. A large proportion of candidates were unable to identify that a builder is active in the secondary sector. This is an area of the specification that may warrant further consideration. Candidates should understand that the primary sector extracts raw materials, the secondary sector manufactures goods and the tertiary sector provides services. As such, a builder fits clearly within the secondary sector. Candidates would benefit from plenty of practice at identifying the activity types of various businesses.

Q27 Most candidates scored full marks on this question by suggesting two items that should be included in a business plan. The most common correct answers were 'cash flow forecast', 'resource requirements' and 'market research findings'.

Q28 The range of answers received for this question was very pleasing. Candidates appeared to have a good grasp of why new businesses fail. Answers ranged from financial factors, through to staffing issues and marketing strategies. Some candidates attempted to identify what

might cause RB Builders to fail. While not required by the question, it was a valid approach and was awarded.

Q29 This question is a data response question, which required the candidate to consider the data provided. Although a small amount of data relating to a >12% return was included in the text, the vast majority of the data was found in the cash flow statement. The question did not require candidates to suggest the causes of any issues identified or, indeed, any solutions to any issues identified. However it did require candidates to understand that the document given was historic i.e. a statement and not a forecast, in order to correctly interpret the figures.

Similar to last year, the most common error was to confuse cash flow with profit or loss. Statements about the business making profits or losses in various months could not be awarded. Another concern, which again occurred in previous series, is the number of candidates who failed to interpret the figures given in brackets correctly. Whilst some candidates appeared to overlook the brackets entirely, others erroneously believed the brackets to indicate positive figures and assumed that all other figures were negative.

Q30a This question dichotomised candidates. Those who knew the formula and could apply it versus those who were grappling in the dark. Most who were able to quote the formula were able to calculate the correct answer of 7. Of those who did not, the most common error was to leave the answer unrounded, or to round down. Despite the calculation resulting in an answer of 6.44, the answer needs to be rounded up. The builder cannot sell 0.44 of a house, so until the seventh house has been sold the business has not broken even.

Some of the candidates who did not know the formula, had a good enough understanding of the concept of break-even to work it out longhand by calculating the revenue and cost for different numbers of houses, seeking the house where revenue began to exceed expenditure. Such candidates were also awarded full marks. Disappointingly some candidates made no attempt at answering the question and left the response space entirely blank

Q30b Many candidates were able to suggest two ways that RB Builders could lower its break-even point, even those who had been unable to calculate the break-even point in question 30a. The most common correct answers were 'finding a cheaper supplier to lower variable cost' and 'raising prices to increase revenue'. Some candidate responses revealed confusion between lowering the break-even point and reaching it sooner. A strategy of reducing house prices or increasing marketing might lead to more sales, so that the break-even point is reached earlier in the year; however, both methods have actually increased the number of houses, which need to be sold to break-even. A candidate response that suggested that the building firm should reduce its prices or increase its marketing spend could not be awarded.

Q31 Candidates who scored well on this question considered the impact on RB Builders of an increase of interest rates on its costs and on its revenues. Arguments about additional charges for the bank loan or the overdraft increase business costs were the most common. Arguments about reduced disposable income and more expensive mortgages impacting the building firm's revenue were seen less frequently. However when addressed, the arguments were well presented.

Most candidates who could identify at least one impact of an interest rate hike on RB Builders were able to analyse the impact. The most frequent analytical comments focused on a reduction in profit or an increased risk of insolvency. Such answers were awarded a Level 3 mark.

Unfortunately, some good and detailed answers stopped short of achieving the highest of marks because there was no attempt at a conclusion. A conclusion would allow the candidate to evaluate the overall impact of an interest rate hike on RB Builders, allowing the candidate access to a Level 4 mark. Those who attempted an overall judgement using contextual argument gained a minimum mark of 11 out of 12. Full marks was reserved for a candidate who could suggest which was the biggest impact on the building firm and justify why this might be the case.

Some candidates scored poorly on this question, far below their performance on the other two 12 mark questions on the paper. The main issue appears to have been a tendency to confuse interest rates with inflation. This confusion was far more common than examiners expected to see. Arguments suggesting that the costs of raw materials would rise could not be awarded. Likewise, arguments that house prices would rise could not be awarded. Candidates need a good understanding of how changes in the five economic factors given on the specification (interest rates, exchange rates, inflation, unemployment and taxation) can impact a business.

Q32 In contrast with question 31, candidates showed good knowledge of the consequences to a business of not listening to its workforce. They were able to explain their suggestions e.g. may quit their jobs (Level 1) because they feel the forklift truck is not safe (Level 2). Those who scored more highly were able to analyse their suggestions e.g. ... leaving RB Builders too short staffed to finish Mrs Tait's house in time to complete the sale.

Disappointingly few candidates attempted a conclusion or any such judgement on the severity of the consequences. For a Level 4 mark, examiners were looking for a judgement as to the likely effect of continuing to ignore the concerns of the workforce, or a judgement as to which was the most severe impact. Candidates need to understand that an evaluative question requires some form of overall decision to be made. Whilst not the only way to achieve Level 4 marks, the easiest way to guide candidates is to suggest that they write a conclusion summarising and ranking their findings and suggesting the overall or most severe impact.

Q33 A straightforward question to finish that was answered correctly by most candidates. Of those who did not achieve the mark the most common incorrect answers were advantages rather than disadvantages. Candidates should take care to read the question carefully. It is all too easy in the heat of the examination to misread 'disadvantage' as 'advantage' as several candidates appear to have done on this question.

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