

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS



Unit 3 January 2019 series

Version 1

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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 can be downloaded from OCR.

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.

Candidates who did well in this unit demonstrated the following strengths:

- good knowledge and understanding across the whole unit content
- an ability to analyse the business impact of decisions and the factors influencing business decisions
- an ability to perform accurate calculations and summarise numerical information
- the ability to apply relevant content from Unit 1.

There were many responses with a good understanding of the case study and an ability to apply it appropriately when answering questions. Compared with recent sessions candidates more generally gained marks from across the whole paper (with the exception of Question 2 where many candidates did not achieve good marks).

Candidates generally performed better when they discussed the implications of the issues outlined in the case study rather than introducing new scenarios and contexts. For example, some candidates discussed what options the business might pursue if the transport museum were to close – this fell outside the scope of the paper which is to consider the implications for business decision-making of the issues identified in the case study (the potential closure of the other museum would be a risk factor affecting Option 3, not an opportunity to consider additional options).

An area for improvement shown this year was in relation to qualitative data/research. Many candidates appeared to have a misconception that such data cannot be analysed. Centres may wish to devote more teaching time to demonstrate how qualitative data such as customer comments can be analysed – this is also an important aspect of the mandatory component 5 (Marketing and Market Research).

Two questions on this paper are high tariff extended response questions worth 12 and 16 marks respectively. 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, costs, profits, cash flow, customer loyalty, reputation, future performance and, in the case of Question 5, business decision-making. 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. Whilst 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 will be rewarded more highly.

Question 1(a)

- 1 (a) Carl is concerned that *Chalk Coast Fishing Museum (CCFM)* is not keeping pace with current trends and developments in the leisure market.

Identify **two** possible changes in the leisure market that could reduce the number of visitors to the museum.

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

[2]

Most candidates achieved full marks on this question for identifying two external influences which could reduce demand for the museum. Weaker responses discussed actions that the museum itself could take. These would not be wider actions in the leisure market affecting the museum.

Question 1(b)

- (b) Explain how Carl's own attitude to risk could influence his decision about the future of *CCFM*.

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

[2]

Carl could either be risk averse or be a risk taker. Most responses recognised this and so gained at least 1 mark. Good responses then established how this attitude to risk would either result in high risk-high reward/failure options being chosen or the opposite. Very good responses linked this to the three options under consideration. Some responses could have been improved by discussing Carl's attitude to risk, instead of discussing why he would be resistant to change.

Question 1(c)

- (c) Carl has found the following report in his local library:
“Terminal decline – why museums need funding support now!”
A report by the National Society of Independent Museums, 2007.

Carl is considering using this report to help him choose between options 1, 2 and 3. Explain **two** reasons why the validity of this information might be limited.

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

2.....
.....
.....
.....
.....

[4]

This question was answered well by most candidates. Most responses discussed how the report was either out of date and/or potentially biased in favour of the needs of museums. Some responses could have been improved by demonstrating an understanding of the factors affecting the validity of information.

Question 2(a)

2 Carl has identified the following financial information about *CCFM*:

- Fixed costs: £16 000 per year
- Variable costs: £0.50 per visitor
- Admission price: £4.00 per visitor.

(a) Calculate the unit contribution.

Show your workings

Unit contribution = £

[2]

Candidates who knew how to calculate the unit contribution were able to achieve full marks. Other responses tended to achieve no marks – mainly because they attempted use the fixed costs figure to calculate break-even, ending up with an impossibly large final answer.

Question 4(b)(i)

(b) Carl has conducted research into the current users of the museum.

Over a two-week period Carl asked every visitor their age. Carl asked 600 visitors. 540 gave their age.

Carl has summarised the results in a pie chart, see Fig. 1 below.

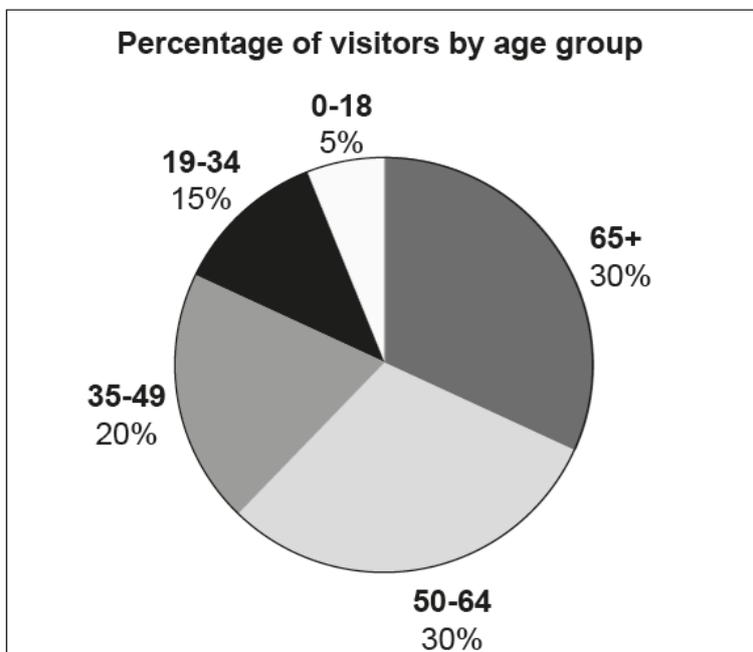


Fig. 1

(i) How many visitors gave their age as 65 or older?

Answer: [1]

Most responses correctly calculated the correct answer.

Question 4(b)(ii)

(ii) State **one** reason why the pie chart in Fig. 1 may give misleading information.

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

Most candidates could offer a valid reason. The most common being that people could lie about their age or that sixty people did not respond and this could create a biased sample.

Question 5

5 Carl has access to the following types of information:

- historic (e.g. the number of visitors to coastal museums between 2006 and 2018)
- forecasted (e.g. the predicted number of visitors to coastal museums between 2019 and 2024).

Evaluate the usefulness to *CCFM* of using historic and forecasted information when choosing between options 1, 2 and 3.

[12]

This question invited candidates to evaluate the two types of information. Candidates seem to be increasingly aware that this requires them to identify and then discuss strengths and weaknesses of each method. Most candidates were able to identify at least one strength and at least one relevant weakness and so achieve a Level 1 mark (1-3 marks). Where the response explained these issues it was possible to award a mark in Level 2 (4-6 marks), perhaps half of candidates achieved this. Of these some were able to then analyse the implications of this for the business and so achieve a mark in Level 3 (7-9 marks). When they offered a valid overall assessment of the two methods this was credited with a mark in Level 4 (10-12 marks). Some good responses discussed how forecasted data might be more useful for Option 3 as it involves a move to a new location where historic data may be less relevant. Some responses discussed the three options and could have been improved by discussing how historic and forecasted data might help or hinder the decision-making process.

Question 7

- 7 Recommend which one of the three options under consideration at *CCFM* would best secure the long-term future of the museum. Justify your view.

[16]

.....
.....

This high tariff question is based heavily on the information contained in the case study about the three options together with the information in Appendix 1 and 2.

Candidates in general did seem to be better prepared for this question than in recent series and a number of analytical responses were given a mark in Level 3 or higher. There were some very descriptive responses which only repeated whole sections of the pre-release material without adding anything original.

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 identifying that Option 2 was the cheapest option and Option 3 had the longest payback period. Candidates who merely repeated information from the case study (e.g. by stating that Option 1 had a payback period of five years and Option 2 had a payback of three years) 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 the benefit to the business of choosing Option 2 because it has the shortest payback period is that the business will start to earn profits from this option earlier than either Option 1 or 3.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they analysed the implications of the information identified previously for the overall performance of the business. For example the benefit to the business of choosing Option 2 because of its fixed rate loan would be that it could budget for interest payments with certainty, resulting in more accurate cash flow forecasting and hence improved cash flow management, helping the business to remain solvent.

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 bakery 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.

Areas for improvement on this question included:

- a more specific discussion of the 'risk' involved in each decision identifying a valid reason for the risk (for example many candidates stated that Option 3 was risky because it was the most expensive but the amount of the investment is not, of itself, a reason for risk). Discussion of risk should be based on one of the types of risk identified in the specification, for example an option identified as being diversification (Ansoff) would be more of a marketing risk than an option involving only market development.

- basing discussion on points mentioned in the case study. For example some responses discussed at length possible benefits of using the money saved in Option 2 to launch an advertising campaign. This was not part of one of the three options being considered and so could not be a valid part of the discussion.
- a clear understanding of the information provided. For example many candidates stated that the museum would share its profits with the transport museum, when in fact it was planned to have a revenue sharing arrangement on any joint-tickets purchased.

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