

Cambridge Technicals Business

Unit 3: Business decisions

Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for January 2020

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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
1	(a)		<p>Possible responses:</p> <ul style="list-style-type: none"> Discounting/price reductions for longer, from Black Friday onwards Increased use of online shopping. <p>Exemplar responses:</p> <p>Black Friday discounting lasts for two weeks (1) so fewer sales are made just before Christmas (1).</p> <p>More people are shopping online (1) meaning shops with website benefit from additional sales (1).</p>	4	One mark for each identification up to a maximum of two identifications plus one mark for each of two explanations.
1	(b)		<p>Possible responses:</p> <ul style="list-style-type: none"> Henry works as an investment analyst for a bank Henry likes to gamble with other people's money Henry is a risk-taker Henry likes to act on his instincts Henry does not seem to see the benefit of doing any market research Henry may be time-poor as he is still in employment Henry is Sonja's partner <p>Do not accept "Henry hasn't done any market research".</p>	2	One mark for each identification up to a maximum of two identifications.
1	(c)	(i)	<p>Possible responses:</p> <ul style="list-style-type: none"> Choosing one course of action may prevent other action(s) from being taken. The next best alternative/option (foregone) 	1	1 mark for a valid definition. Definitions may refer to single or multiple alternative(s) foregone.

Question			Answer	Marks	Guidance
1	(c)	(ii)	Acceptable responses: <ul style="list-style-type: none"> • Option 2 • Option 3 • Option 2 or 3 • Options 2 and 3 • 'All other options'. • A suitable example e.g. "they could not afford to create the website as well" 	1	1 mark for a valid example.
2	(a)		Indicative content: Net cash flow = total inflow - total outflow (1) or = 3500-5600 (1) or = closing balance – opening balance (1) or = 4400-6500 (1) = -2100 (2) Award full marks for the correct answer: -2100.	2	<p>This question assesses synoptic knowledge from Unit 1 LO4: Be able to use financial information to check the financial health of businesses</p> <p>Up to two marks.</p> <p>No workings required. Pound sign not required.</p> <p>Award full (2) marks for -2100.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula, if seen, whether in words or numbers.</p> <p>Award max 1 mark for 2100.</p>

Question		Answer	Marks	Guidance
2	(b)	<p>Indicative content</p> <p>Cash Inflow = Cash outflow + Net Cash Flow (1) or = 15100 + 8500 (1)</p> <p>= 23600 (2)</p> <p>Award full marks for the correct answer: 23600.</p>	2	<p>This question assesses synoptic knowledge from Unit 1 LO4: Be able to use financial information to check the financial health of businesses</p> <p>Up to two marks.</p> <p>No workings required. Pound sign not required.</p> <p>Award full (2) marks for 23600.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula, if seen, whether in words or numbers.</p>

Question		Answer	Marks	Guidance
2	(c)	<p>Indicative content:</p> <p>Alternative 1: Net cash flow would be higher/improved... ...because cash outflows would be smaller/they would be paying out less each month for stock.</p> <p>Exemplar responses:</p> <p>Net Cash Flow would be improved (1) because monthly payments for stock would be less (+1).</p> <p>Net Cash Flow will be a higher figure (1) because they will be spending less on stock (+1).</p> <p>Net Cash Flow will be better (1) because they will be holding less stock (TV – repeats the question, no reference to cash outflows).</p> <p>Answer must relate to cash-flow. Do not credit “they are reducing their costs” as this is not related to cash flows.</p> <p>Mark “positive” effect on cash-flow as TV.</p>	2	<p>This question assesses synoptic knowledge from Unit 1 LO4: Be able to use financial information to check the financial health of businesses</p> <p>1 mark for recognising that the net cash flow each month would be improved.</p> <p>1 mark for recognising that this is because less cash will outflow each month.</p>

Question			Answer	Marks	Guidance
3	(a)		<p>A skills audit:</p> <ul style="list-style-type: none"> reviews the skills of the present workforce (and compares them with future needs) can help write a person specification can help identify the skills and characteristics of successful applicants. <p>Exemplar responses:</p> <p>A skills audit compares the skills of current employees with potential future needs (1). This enables the business to identify the selling skills that the existing workforce lacks (1 CONT) helping to ensure that the future workforce matches future needs (1).</p> <p>A skills audit helps identify skills missing from the present workforce (1) so they know the type of person to appoint (1).</p>	3	<p>1 mark for knowledge of a skills audit.</p> <p>Up to 3 marks for explaining how a skills audit can help when recruiting new sales assistants.</p> <p>Maximum 2 marks if no context (e.g. examples of skills needed for a new sales assistant).</p>
3	(b)	(i)	<p>Possible responses:</p> <ul style="list-style-type: none"> Low cost/cheaper than off-the-job training Limited disruption to the workplace/staff can work at the same time as receiving training Can benefit from the knowledge of more experienced colleagues The shop can open earlier 	1	<p>1 mark for a valid benefit to <i>Yuletide Joy</i>.</p> <p>Do not credit benefits to others e.g. the employee.</p>
3	(b)	(ii)	<p>Possible responses:</p> <ul style="list-style-type: none"> Staff may share bad habits/working practices Can disrupt business operations/slow-down transactions The shop must be open for business before the staff can receive training. 	2	<p>1 mark for each of two valid drawbacks to <i>Yuletide Joy</i>.</p> <p>Do not credit drawbacks to others e.g. customers</p>

Question		Answer	Marks	Guidance
4	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> • the goods being advertised must be: <ul style="list-style-type: none"> ○ of satisfactory quality ○ fit for purpose ○ as described ○ match the sample ○ safe. • any promotional/advertising material must: <ul style="list-style-type: none"> ○ avoid false descriptive ○ make no attempt to deceive ○ make true claims. <p>Exemplar responses:</p> <p><i>Yuletide Joy</i> must not make false claims in its advertising (1), this means the description of the goods in the advert must accurately represent the goods being advertised (1), for example a pack of six candles must contain six candles (1 CONT).</p> <p>The shop must only advertise goods that are safe (1). Henry must not use a picture of fairy lights being used outside to suggest the lights are safe for outdoor use if the lights are safe for internal use only (1 CONT), as this would be an attempt to deceive (1).</p> <p>Any advert which Sonja creates must be accurate (1). She must not claim that the baubles are made of glass if they are actually made of plastic (1 CONT) as this could mislead the customer (1).</p>	3	<p>This question assesses synoptic knowledge from Unit 1 LO6: External influences and constraints on business.</p> <p>Up to 3 marks for explaining how legislation constraints affect marketing – marks can be awarded as separate or linked points.</p> <p>One mark may be awarded for naming a relevant law e.g. ‘Consumer Rights Act’ or ‘Consumer Protection Act’.</p> <p>Do not award marks for ‘Sale of Goods Act’ or ‘Sale and Supply of Goods and Services Act’ as these laws have been superseded by the Consumer Rights Act for business-to-consumer transactions.</p> <p>Context required to award full marks.</p>

Question		Answer	Marks	Guidance
4	(b)	<p>Responses include:</p> <ul style="list-style-type: none"> • less money means less marketing expenditure • cost of advertising/promotional activity • timing of spending • return from advertising spend • opportunity cost. <p>Exemplar responses:</p> <p><i>Yuletide Joy</i> would need choose a promotional method that it can afford (1). For example, a local leafleting campaign advertising its new stock of baubles (1 CONT) as it would not be able to afford to advertise the baubles on national television (1).</p> <p>The business may only be able to afford to advertise on the local radio for two months of the year (1), therefore it should choose carefully which two months of the year would be most appropriate (1). Possibly September and October, in the run up to Christmas would be best (1 CONT).</p> <p>The amount of finance that a business has available is limited (1). If the business spends a lot of money on stocking new decorations (1 CONT) it may not be able to afford as extensive and advertising campaign as it had hoped (1).</p>	3	<p>Up to 3 marks for explaining how financial constraints affect marketing – marks can be awarded as separate or linked points.</p> <p>Context required to award full marks.</p>

Question	Answer	Marks	Guidance
5	<p>Use level of response criteria</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Potential conflict between Henry and Sonja • Dominance of one partner • Neither partner satisfied with decision • Decision harder to make • Decision more time consuming • May be impossible to reconcile • Both partners may need to compromise • May need to involve an external consultant 	12	<p>This question assesses synoptic knowledge from Unit 1 LO5: Understand the relationship between businesses and stakeholders</p> <p>Levels of response:</p> <p>Level 4 (10 – 12 marks) Candidate evaluates how Sonja and Henry’s differing attitudes to risk may affect their ability to choose between the three options.</p> <p>Level 3 (7 – 9 marks) Candidate analyses how Sonja and Henry’s differing attitudes to risk may affect their ability to choose between the three options.</p> <p>Level 2 (4 – 6 marks) Candidate explains how Sonja and Henry’s differing attitudes to risk may affect their ability to choose between the three options.</p> <p>Level 1 (0 – 3 marks) Candidate identifies how Sonja and Henry’s differing attitudes to risk may affect their ability to choose between the three options.</p> <p>L4 evaluation: Award 10 marks for a non-contextual justification. Award 11 marks for a contextual justification. Award 12 marks for a detailed contextual justification</p>

Question			Answer	Marks	Guidance
			<p><i>Exemplar response:</i></p> <p>Trying to reconcile the two different attitudes to risk will make the decision of which option to choose more difficult (L1). Sonja and Henry will need to spend a lot of time discussing their decision (L2). This may mean that the commencement of the chosen option is delayed, reducing long term profitability (L3).</p> <p>Sonja's attitude to risk means that <i>Yuletide Joy</i> is unlikely to choose an option with a high risk of failure (L1) that could potentially fail and cost the business money (L2) that could potentially cause the business to go bankrupt (L3). However Henry may be left dissatisfied (L1) as his attitude to risk may lead him to choose a more risky option with a higher potential return (L2) which may need to greater long term growth (L3)</p> <p>As the two owners are partners in life (CONT), as well as business, it is important that they reach a compromise however this will not be easy given the significant disparity in their attitudes to risk. They may need the help of an independent consultant to help make an independent objective decision on best way forward for their business. Although this advice will come at a financial cost, it should mean that both partners can get on board with the decision made and, going forward, fully support the chosen option (L4).</p>		
6	(a)	(i)	<p>Answer: 23 (1) (weeks)</p> <p>Do not credit 23 days.</p>	1	<p>1 mark for correct answer: 23.</p> <p>'Weeks' is not required for the mark.</p>

Question			Answer	Marks	Guidance
6	(a)	(ii)	<p>Answer: A – C – G – H – I (1)</p> <p>or</p> <p>Identify location and pay deposit Obtain finance Exchange contracts on the lease Install fixtures and fittings Pre-shop launch preparation (1)</p>	1	<p>1 mark for correct answer</p> <p>Letters must be in the correct order.</p> <p>Do not award if additional tasks are identified or a task is omitted.</p>
6	(a)	(iii)	<p>= 14 – 4 – 6 (1)</p> <p>= 4 weeks (2)</p> <p>= 4 (1)</p>	2	<p>For full marks units must be correct.</p> <p>2 marks for correct answer: 4 weeks</p> <p>Award 1 mark for:</p> <p>Correct method (14 – 4 - 6) but incorrect final answer</p> <p>Correct final answer but incorrect or missing unit (e.g. 4 days or 4)</p>

Question		Answer	Marks	Guidance
6	(b)	<p>Possible responses:</p> <ul style="list-style-type: none"> • They know by how much time preceding activities can be delayed • They know by how much time the start/end of Activity F can be delayed • They know by how much time the duration of Activity F can be extended • They know how long activity F can be delayed before it impacts on the overall project length • Can tell how long activity F can be delayed by whilst still hitting the August target for opening the second shop. <p><i>Exemplar response:</i> They know that the time taken for Activity F could be extended by 4 weeks (1) meaning they could take longer to recruit staff if they don't find someone suitable first time (1).</p> <p>Knowing the float time means they know by how much time Activity F can be delayed (1) without threatening to delay the opening past the August target date (1).</p>	2	1 mark for identification plus one mark for explanation.

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7	<table border="1"> <thead> <tr> <th></th> <th>Option 1 – diversify the product range</th> <th>Option 2 – Open a second shop</th> <th>Option 2 – Open an online store</th> </tr> </thead> <tbody> <tr> <td>Capital cost</td> <td>£25,000</td> <td>£40,000</td> <td>£70,000</td> </tr> <tr> <td>Impact on revenue or costs</td> <td>None/ low increase in revenue expenditure (depending on stock range); more consistent all-year round revenue.</td> <td>Potential doubling of revenue expenditure due to employing a shop manager, 3 part-time assistants and additional stock; Potential doubling of revenue due to there being two outlets.</td> <td>Increased revenue expenditure due to additional stock, employing warehouse assistants and marketing the website; increased revenue from online channel.</td> </tr> <tr> <td>Ansoff matrix</td> <td>Product development</td> <td>Market penetration</td> <td>Market development/ Diversification</td> </tr> <tr> <td>Payback</td> <td>2 years 3 months</td> <td>3 years</td> <td>4 years</td> </tr> <tr> <td>ARR</td> <td>36% (£9000 pa)</td> <td>22% (£8800 pa)</td> <td>12% (£8400 pa)</td> </tr> <tr> <td>Finance</td> <td>Cash reserves plus £15,000 at 9% variable over four years.</td> <td>Cash reserves plus £30,000 at 7% variable over four years.</td> <td>Cash reserves plus £60,000 at 6% variable interest rate over four years</td> </tr> <tr> <td>External influences</td> <td>Retail outlets are a declining part of the retail sector.</td> <td>Retail outlets are a declining part of the retail sector.</td> <td>Online share of retail sector is growing.</td> </tr> </tbody> </table>					Option 1 – diversify the product range	Option 2 – Open a second shop	Option 2 – Open an online store	Capital cost	£25,000	£40,000	£70,000	Impact on revenue or costs	None/ low increase in revenue expenditure (depending on stock range); more consistent all-year round revenue.	Potential doubling of revenue expenditure due to employing a shop manager, 3 part-time assistants and additional stock; Potential doubling of revenue due to there being two outlets.	Increased revenue expenditure due to additional stock, employing warehouse assistants and marketing the website; increased revenue from online channel.	Ansoff matrix	Product development	Market penetration	Market development/ Diversification	Payback	2 years 3 months	3 years	4 years	ARR	36% (£9000 pa)	22% (£8800 pa)	12% (£8400 pa)	Finance	Cash reserves plus £15,000 at 9% variable over four years.	Cash reserves plus £30,000 at 7% variable over four years.	Cash reserves plus £60,000 at 6% variable interest rate over four years	External influences	Retail outlets are a declining part of the retail sector.	Retail outlets are a declining part of the retail sector.	Online share of retail sector is growing.	16	<p>NB: This question can be answered from a general business perspective or from the perspective of a specific pathway/function (or a hybrid of both). In all cases the same level of response criteria apply.</p> <p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which option <i>Yuletide Joy</i> should take, based on analysis.</p> <p>Level 3 (9 – 12 marks) Candidate analyses one or more options under consideration at <i>Yuletide Joy</i>.</p> <p>Level 2 (5 – 8 marks) Candidate explains issues relating to one or more options under consideration at <i>Yuletide Joy</i>.</p> <p>Level 1 (1 – 4 marks) Candidate identifies issues relating to one or more options under consideration at <i>Yuletide Joy</i>.</p> <p>L4 evaluation: Award 13 marks for suggesting the most beneficial option for <i>Yuletide Joy</i> with a non-contextual justification for the choice. Award 14 marks for suggesting the best option with contextual justification for the choice. Award 15 marks for a detailed <i>or</i> specific contextual judgement of the most suitable option. Award 16 marks for a detailed <i>and</i> specific contextual judgement of the most suitable option.</p>
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<p>Exemplar response:</p> <p>Option 1 is the cheapest option (L1) and will need the smallest amount of external finance (L1) meaning that this option is least affected by changes in interest rates (L2) which would increase costs and so reduce overall profits (L3). It would also improve cash-flow (L1) because sales would be more regular throughout the year (L2).</p>																																						

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7	<p>Option 1 has the highest ARR (L1) possibly because by selling more throughout the year in the same shop its revenue will go up much faster than its overheads, which should stay the same as they haven't invested in new premises (L2), increasing profitability (L3).</p> <p>Option 2 is in the middle on all figures (L1) making it is not as attractive as either Option 1 or Option 3 (L2). Option 2 also has the disadvantage of repeating the existing business model in a new shop (L1) which according to the Appendices is in a declining sector of the market (L2) meaning that in the long run it will face more and more competition from online stores possibly resulting in declining sales and profits (L3).</p> <p>Option 3 has the lowest ARR at only 12% (L1). This means that over the first six years it will generate the lowest rate of profit (L2). This is possibly because in terms of Ansoff's matrix it represents market development (L1) meaning it will increase sales of the existing products in a new market sector (L2). However this sector is very competitive (L1) because more and more firms are selling online (L2). Consequently sales will increase but the profit margin will be lower (L3).</p> <p>Overall I would recommend Option 1 because the wider range of products will achieve more even cash flow than reliance on the Christmas market only (CONT). Although Sonja thinks it is a high-risk option this is only because the store will have to diversify its product range. The diversified shop will be much lower risk because of the improved cash-flow making the business as a whole less at risk of running out of cash (L4)</p>		

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