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OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Thursday 14 January 2021 – Morning

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878

Unit 3: Business decisions

Time allowed: 1 hour 30 minutes plus your additional time allowance

You must have:
a clean copy of the pre-release (Insert C424 - found with this document)

You can use:
a calculator

Please write clearly in black ink.

Centre number									
Candidate number									
First name(s)									
Last name									
Date of birth	D	D	M	M	Y	Y	Y	Y	

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS

Use black ink.

Write your answer to each question in the space provided. If you need extra space, use the lined page(s) at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 60.

The marks for each question are shown in brackets [ ].

ADVICE

Read each question carefully before you start your answer.

Answer ALL the questions.

1 (a) Running 'Heavenly Scented Soaps by James' 'HSSJ' involves taking many business decisions, some of which are tactical.

Identify with a tick (✓) the TWO tactical decisions from the table below.

You should ONLY tick TWO boxes. [2]

Business Decision	Tick (✓)
Deciding to change the supplier of the perfumes	
Deciding to conduct market research using a focus group	
Deciding to introduce a new range of novelty handmade soaps	
Deciding when to launch an advertising campaign	

(b) Explain how a strategic business decision is different to an operational business decision.

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_____ **[2]**

(c) Business decisions involve opportunity costs.

Identify ONE possible example of an opportunity cost to 'HSSJ' if OPTION 3 - Introduce a new range of novelty soaps is chosen.

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_____ **[1]**

(d) Sarah has provided James with financial forecasts for all three options.

Explain why Sarah's forecasts might be biased.

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_____ [3]

2 The cash flow statement below shows actual cash flow for 'HSSJ' for the first five months of trading.

	July	August	September	October	November
	£	£	£	£	£
Cash inflows	2500	3400	4000	4200	4400
Cash outflows	3000	2800	2500	2600	2800
Net cash flow	-500	600	1500	1600	1600
Opening balance	???	100	700	2200	3800
Closing balance	100	700	2200	3800	5400

(a) **Calculate the opening balance in July. Write your answer in the box below. Do NOT write on the cash flow statement.**

Show your working [2]

Opening balance for July: £ _____

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(b) Explain the difference between net cash flow and profit.

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_____

_____ **[2]**

(c) If OPTION 2 - Increase production of existing products is chosen, 'HSSJ' would need to spend £10 000. This would be financed by a loan of £5000 from the bank and £5000 from cash currently held by 'HSSJ'.

Explain the likely impact on 'HSSJ's' CASH FLOW if all three movements of cash take place in the same month. [2]

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3 If OPTION 2 - Increase production of existing products is chosen, James would need to employ a part-time worker to assist with production and sales.

(a) Explain how James could use a skills audit to help him recruit a suitable employee.

[3]

(b) Explain ONE benefit to 'HSSJ' of providing the new employee with on-the-job training.

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_____ **[3]**

4 **Sarah thinks that, if OPTION 3 - Introduce a new range of novelty soaps is chosen, 'HSSJ' needs to do more than simply copy the competitive strategies of its potential competitors. Sarah is aware of Porter's Generic Competitive Strategies (see FIG.1 below).**

FIG. 1

Scope	Cost	Differentiation
Broad	Cost leadership	Differentiation
Narrow	Cost focus	Differentiation focus

Source of competitive advantage

(a) **Explain ONE reason why a 'cost leadership' strategy is unlikely to be successful for 'HSSJ'. [3]**

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(b) Explain how ‘HSSJ’ could use a ‘differentiation focus’ strategy if OPTION 3 is chosen.

[3]

5 **Sarah is of the opinion that business decisions should be based on whatever makes financial sense for the business. All other considerations, including business ethics, should be ignored.**

Evaluate the benefits and drawbacks to 'HSSJ' of making decisions using financial criteria alone. [12]

6 Whichever option is chosen, 'HSSJ' would benefit from the use of contingency planning and a risk register.

(a) One risk to 'HSSJ's' soap production is the non-arrival of raw materials from a major supplier.

(i) State TWO suitable contingencies that James could make to lessen the impact should this event occur.

1 _____

_____

2 _____

_____

[2]

(ii) State ONE drawback to 'HSSJ' of contingency planning.

_____

_____ **[1]**

(b) Describe what a risk register shows.

[3]

7 Recommend which one of the three options is most suitable for 'HSSJ'. Justify your recommendation. [16]

END OF QUESTION PAPER

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 margins – for example, 1(a) or 6(b).

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