

# **Cambridge Technicals Business**

## **Unit 3: Business decisions**

Level 3 Cambridge Technical in Business  
**05834 - 05837 & 05878**

## **Mark Scheme for January 2024**

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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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## MARKING INSTRUCTIONS

### PREPARATION FOR MARKING

### MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the traditional 40% Batch 1 and 100% Batch 2 deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by: Messaging within RM-Assessor (linking from the script in question), or telephone or by email.

5. **Crossed Out Responses**

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

**Multiple Choice Question Responses**

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then zero should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

**Contradictory Responses**

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions** (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. (The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)

**Short Answer Questions** (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

**Longer Answer Questions** (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional lined pages if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add an annotation to confirm that the work has been seen.
7. Assistant Examiners will email a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period. Your report should contain notes on particular strength displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

## 8. 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)
OFR	Own figure rule

## 9. 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)		<div><div>1 Financial</div><div>2 Effect on reputation</div><div>3 Familiarity and competence</div><div>Option 3 might not earn enough revenue to cover its costs.</div><div>JGT has no experience of operating a dine-in restaurant.</div><div>There is a chance that the government will reduce taxes.</div><div>Customers may not trust the brand if the restaurant is a failure.</div><div>Ling is a fully qualified chef.</div></div>	3	1 mark for each of three correctly drawn lines.  If there are two or more lines extending from a box on the left: for these lines only mark as TV and award zero marks.										
1	(b)		<table><tr><th>Information:</th><th>Historic information? Please tick (✓)</th></tr><tr><td>Customer reviews on social media between 2017 and 2022</td><td>✓</td></tr><tr><td>Inflation rates in the UK for the next decade</td><td></td></tr><tr><td>JGT's revenue for the last five years</td><td>✓</td></tr><tr><td>Number of employees needed from 2024 to 2028</td><td></td></tr></table>	Information:	Historic information? Please tick (✓)	Customer reviews on social media between 2017 and 2022	✓	Inflation rates in the UK for the next decade		JGT's revenue for the last five years	✓	Number of employees needed from 2024 to 2028		2	1 mark for each of two correctly placed ticks.  If three or more ticks: mark all as TV and award zero marks.
Information:	Historic information? Please tick (✓)														
Customer reviews on social media between 2017 and 2022	✓														
Inflation rates in the UK for the next decade															
JGT's revenue for the last five years	✓														
Number of employees needed from 2024 to 2028															

Question		Answer	Marks	Guidance
1	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• If unemployment rises/falls then people may have higher/lower income.</li> <li>• Changes in income affect how much people will spend on takeaway food.</li> <li>• So revenue of JGT will be higher/lower as a result.</li> <li>• High unemployment means more people looking for work</li> <li>• JGT might be able to pay lower wages...</li> <li>• ...which will lower the revenue expenditure (cost) of Option 3.</li> </ul> <p>Example responses:            If unemployment is higher then people will have less money (1) to spend on takeaway food (1) so Option 3 will earn less revenue (1).            Lower unemployment means they will earn more revenue (1) so the ARR could be higher than forecasted (1) making Option 3 more attractive than forecasted (1).</p>	3	<p>For full marks there must be a clear link between the level of unemployment and the impact on Option 3.</p> <p>The impact on Option 3 may be indirect (e.g. the impact on revenue).</p> <p>Allow static responses (e.g. accept “if unemployment is high...” etc).</p>
2	(a)	<p>ARR=Average annual net cash flow/Number of years x100 (1)            Average annual cash flow = cumulative net cash flow/number of years (1)</p> <p>Cash outflow (Year 0) = £300,000            Cash inflows (Year 1 – 5) = £300,000            Cumulative net cash flow = £300,000 - £300,000 = 0</p> <p>Average annual cash flow £0/5 years = £0.</p> <p>ARR=0/300,000x100=0(%) (3)</p>	3	<p>Up to three marks</p> <p>No workings required. Award 3 marks for the correct answer if written at the bottom of the answer space or clearly indicated as the answer.</p> <p>Else award:            1 mark for 5x60,000 = 300,000            1 mark for 300,000-300,000=0            1 mark for 0/x            1 mark for x/5            to a maximum of 2 marks            no mark for stating -300,000, 300,000 or 5 or 0 unless used as above</p>

Question		Answer	Marks	Guidance
2	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>Option 2 uses cash-reserves to fund the first three months of trading/after three-months the Option should generate sufficient cash to fund revenue expenditure</li> <li>Cash reserves are limited/have an opportunity cost</li> <li>Cash flow management will help to reduce cash outflows/increase inflows/increase net cash balance</li> <li>This will help to reduce the amount of cash reserves used</li> <li>This will maximise the amount of cash reserves left after three months/reduce risk of insolvency</li> </ul> <p>Example responses:</p> <p>Option 2 is partly financed by JGT's cash reserves (1) so if they don't manage cash carefully their outgoings might be too high (1) and they use up all their reserves (1).</p> <p>If they don't manage their money carefully they'll spend too much and run out of money (1).</p>	3	<p>Up to 3 marks for explanation.</p> <p>Maximum of 1 mark for generalised understanding of the benefits of cash-flow management, i.e. not linked to Option 2 requiring the use of cash reserves during the first three months of trading.</p> <p>Do not credit discussion that confuses cash-flow and profitability.</p>



Question			Answer	Marks	Guidance
3	(a)		<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Workforce planning helps to ensure the business employs the correct amount of staff</li> <li>• The new outlets are likely to have a similar pattern of demand as the existing outlets</li> <li>• More staff will be needed when JGT is busiest (evenings Thursday-Saturday)</li> <li>• If the business is under-staffed...</li> <li>• ...then customer service is worsened</li> <li>• If they are over-staffed...</li> <li>• ...then costs are too high</li> </ul> <p>Example responses:</p> <p>Workforce planning will help to ensure that JGT isn't understaffed (1) when it is busiest (1) as service will be too slow as a result (1)</p> <p>The new outlets could also be busiest in the evenings at the end of the week (1) so workforce planning will help ensure they have enough workers (1).</p>	3	<p>Up to 3 marks for explanation.</p> <p>1 mark for knowledge of workforce planning.</p> <p>For full marks responses must address JGT's need to prevent being understaffed when it is busiest or overstaffed when it is quiet.</p>
3	(b)		<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Coaching</li> <li>• Mentoring</li> <li>• Job rotation</li> <li>• Shadowing</li> <li>• Observation</li> </ul>	3	<p>1 mark for each of three methods of on-the-job training.</p> <p>Accept examples which can be linked to indicative content e.g. "training under a chef", "sitting next to Nellie"</p> <p>Do not accept examples with no clear link to the indicative content, e.g. "helping out in the kitchen".</p> <p>Do not accept 'learn by doing'.</p>

Question		Answer	Marks	Guidance
4	(a)	<p>Indicative content:</p> <p>Kai would need to know:</p> <ul style="list-style-type: none"> <li>the market growth rate (in London)</li> <li>the market growth rate (in the North East)</li> <li>(JGT's) market share (in London)</li> <li>(Ken's Wok Delight's) market share (in the North East)</li> </ul> <p>Example response:</p> <p>Kai needs to know how much takeaway sales are increasing (1) as well as their own share of this in London (1) and the business in the Northeast (1)</p> <p>Kai needs to know how much the market is growing (1) and JGT's market share (1)</p>	3	<p>1 mark for each item.</p> <p>For full marks there must be a reference to the data needed for both regions (London and North East)</p> <p>To award 'growth' or 'share' there must b</p>
4	(b)	<p>Indicative content:</p> <p>Relationship:</p> <ul style="list-style-type: none"> <li>Strong</li> <li>Positive</li> </ul> <p>Evidence</p> <ul style="list-style-type: none"> <li>Data grouped around a trend/few outliers</li> <li>As (disposable) income rises so does spending</li> </ul> <p>Example responses:</p> <p>There is a positive (1) with no big outliers (1)</p> <p>There is a strong (1) positive (1) relationship.</p> <p>There is a positive (1) correlation. As income rises so does spending (1)</p> <p>As one goes up so does the other (1)</p>	3	1 mark for each of three valid points.

Question	Answer	Marks	Guidance
5	<p><b>Use level of response criteria</b></p> <p>Responses include:</p> <p>Benefits include:</p> <ul style="list-style-type: none"> <li>Improves Kai's decision-making ability</li> <li>Able to use more accurate information</li> <li>Able to compare each option better</li> </ul> <p>Drawbacks include:</p> <ul style="list-style-type: none"> <li>Kai might use this knowledge to skew information/decision-making framework</li> <li>May result in Kai's preferred options looking more favourable</li> <li>Will limit Ling's ability to offer counter-arguments</li> <li>May cause Ling to feel demotivated</li> <li>May cause disagreements</li> </ul> <p>Exemplar response</p> <p>If Kai attends this course he will acquire new knowledge and skills in decision-making (L1). This could result in the information for each option being more accurate (L2) and he will be able to make better comparisons between the three options (L2). This will improve the quality of decision-making resulting in JGT making a better decision (L3). On the other hand if only Kai attends the course then Ling will not have these skills (L1) so Ling may feel that Kai is using this information to make his own preferred options look better (L2). This may cause arguments between them (L2) which could slow down the decision-making process (L3) or result in an incorrect/biased decision being made (L3). To conclude, only having Kai attend is a problem because it gives Kai more influence over the decision-making process (L4) and Kai already has a majority stake (CONT). This means decisions are more likely to be determined by Kai and this may mean that the decisions made lose the benefit of being jointly agreed. (L4+).</p>	12	<p><b>Levels of response:</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates benefit(s)/drawback(s) on JGT's decision-making process of Kai, but not Ling, attending the course.</p> <p><b>Level 3 (7 – 9 marks)</b> Candidate analyses benefit(s)/drawback(s) on JGT's decision-making process of Kai, but not Ling, attending the course.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains benefit(s)/drawback(s) on JGT's decision-making process of Kai, but not Ling, attending the course.</p> <p><b>Level 1 (1 – 3 marks)</b> Candidate identifies benefit(s)/drawback(s) on JGT's decision-making process of Kai, but not Ling, attending the course.</p> <p><b>L4 evaluation:</b> Award 10 marks for a general justification. Award 11 marks for a general justification with context. Award 12 marks for a detailed <i>or</i> specific contextual justification.</p> <p><b>L3 analysis:</b> analysis must discuss the impact on decision-making, not the choice of option.</p> <p>No marks for identifying knowledge/skills that might be acquired by attending the training.</p> <p>Discussion must address the impact on the decision-making process. Do not credit responses which confuse this with the outcome of the process (e.g. impact on business performance).</p>

Question			Answer	Marks	Guidance
6	(a)		<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• make prior contact with a temp agency</li> <li>• agency can supply workers at short notice</li> <li>• can supply specialist staff e.g. food preparation/waiters/front-of house or general staff (e.g. kitchen support staff)</li> <li>• use flexible/'zero hours'/'on-call' contracts</li> <li>• ask staff to work 'overtime'</li> </ul> <p>Example response:            Use a temp agency (1) who can supply table-waiting or other staff at short-notice (1+CONT).            Use an agency (1) who can provide cover when staff are absent (1)</p>	3	<p>Up to 2 marks for explaining a contingency plan.            1 additional mark for context.</p>
6	(b)		<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• RFID tags are attached to raw ingredients</li> <li>• A tag reader detects whether the raw ingredients are in range</li> <li>• If raw ingredients are taken beyond the range of the reader</li> <li>• An alarm sounds</li> <li>• (An alarm) alerts staff that the raw ingredients have been removed from the premises</li> <li>• Can help to track an item/determine an item's location <u>on the premises</u></li> </ul> <p>Example response:            A tag is fixed to the raw ingredients (1) and if the raw ingredients are removed from the premises (1) then an alarm goes off (1).</p> <p>Helps to track (1) whether an item is on the premises or is missing (1)</p>	3	<p>1 mark for each of 3 explanatory points.</p> <p>No context required.</p> <p>Do not accept discussion based on incorrect knowledge of RFID tags:</p> <ul style="list-style-type: none"> <li>• RFID has a very limited range so cannot track items once they have left the premises.</li> <li>• Cannot be used to trace the identity of a thief.</li> <li>• Does not give 'remote access' to an item</li> </ul>

Question			Answer				Marks	Guidance
7				<b>Option 1: Increase its chain of London takeaway outlets</b>	<b>Option 2: Open a dine-in restaurant in central London</b>	<b>Option 3: Purchase a takeaway business in the Northeast of England</b>	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><b>Levels of response</b></p> <p><b>Level 4 (13 – 16 marks)</b> Candidate recommends and justifies which option JGT should take, to help ensure its future success, based on analysis.</p> <p><b>Level 3 (9 – 12 marks)</b> Candidate analyses one or more options under consideration at JGT.</p> <p><b>Level 2 (5 – 8 marks)</b> Candidate explains issue(s) relating to one or more options under consideration at JGT.</p> <p><b>Level 1 (1 – 4 marks)</b> Candidate identifies issue(s) relating to one or more options under consideration at JGT.</p> <p><b>L4 evaluation:</b> Award 13 marks for suggesting the most beneficial option for JGT with 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>
			Capital cost	£60k x 2 = £120,000	£80,000	£300,000		
			Payback	45 months (3 years 9 months)	48 months (4 years 0 months)	60 months (5 years 0 months)		
			ARR	7.5% over five years	5% over five years	5.71% (seven years), 0% five years (or OFR from question 2a)		
			Capital cost financed by:	£80,000 loan (10%/5 years) plus £37,500 (approx.) cash reserves	£80,000 loan (10%/5 years) plus no cash reserves	£200,000 loan (8%/7 years) plus all cash reserves		
			Revenue expenditure p.a.	£100,000	£350,000	£280,000		
			First 3 months revenue expenditure financed by:	Not stated	All existing cash reserves.	Bank overdraft at 15% APR		
			Ansoff	Market penetration	Product development	Market development		

Question	Answer	Marks	Guidance
7	<p>Example response:</p> <p>Option 1's capital cost lies between Options 2 and 3 (L1) but its revenue expenditure is the lowest (L1) so its impact on business costs is the lowest (L2). Option 1's ARR is the highest (L1) so the percentage return on the initial investment is higher than the other two options (L2). The payback period is the shortest (L1) so JGT will see the money invested paid-off fastest if they choose this option (L2).</p> <p>The financial risks of Option 2 are high (L1) because all of the cash reserves are being spent to fund the first three months of trading (L2). If the restaurant is not an immediate success then the business may not have enough cash to pay its bills (L1) and this could make the business insolvent (L2) forcing it to close (L3). This could happen if there is another recession then people will not go to London as much and will be less likely to eat in restaurants.</p> <p>Option 3 is also risky (TV – no specific type of risk identified). It is an example of market development (L1) as it involves selling the existing foods in a new geographical area (L2). The option is also risky as sales depend heavily on government policy: if the new developments happens then people's incomes will rise (L1) so they will spend more on takeaway food (L2) meaning that JGT's revenues will increase resulting in higher profits (L3). On the other hand if the new developments do not happen then disposable incomes will fall (L1) and so will sales (L2) and so revenue will be worse than forecasted (L3).</p> <p>Overall, I would choose Option 1. It carries less financial risk as it has the highest ARR and shortest payback period (L4) and will use less cash reserves. Also, because it involves selling its food in similar places to the existing takeaways (CONT), the owners can be more certain that demand will be as predicted (L4). It is also less dependent on the state of the economy, unlike options 2 and 3 (L4).</p>		

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