

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 3 Summer 2024 series

Contents

Introduction	3
Unit 3 series overview	4
Question 1 (a)	5
Question 1 (b)	5
Question 1 (c)	6
Question 2 (a)	7
Question 2 (b)	7
Question 2 (c) (i)	8
Question 2 (c) (ii)	8
Question 3 (a)	9
Question 3 (b)	9
Question 3 (c)	10
Question 4	10
Question 5	11
Question 6 (a)	11
Question 6 (b)	12
Question 7	13

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. A selection of candidate answers is also provided. 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 and the mark scheme can be downloaded from OCR.

Would you prefer a Word version?

Did you know that you can save this PDF as a Word file using Acrobat Professional?

Simply click on **File > Export to** and select **Microsoft Word**

(If you have opened this PDF in your browser you will need to save it first. Simply right click anywhere on the page and select **Save as . . .** to save the PDF. Then open the PDF in Acrobat Professional.)

If you do not have access to Acrobat Professional there are a number of **free** applications available that will also convert PDF to Word (search for PDF to Word converter).

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.

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 for Question 7 the impact on business performance, reflecting the nature of the organisation and its main objectives. For Question 5, responses should consider the impact on the decision-making process itself. 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. While 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 receive higher marks.

The number of candidates sitting the exam was similar to those in some recent sessions. The following comments reflect the responses given by the candidates who sat the exam.

Candidates who did well on this paper generally:	Candidates who did not do well on this paper generally:
<ul style="list-style-type: none"> demonstrated good understanding of investment appraisal techniques used in the Case Study (e.g. Payback, Average Rate of Return) demonstrated a good understanding of the business impact of business decisions and internal/external influences - for example, the impact of changes in exchange rates on Option 2 in answering Question 5, focused on the impact of Safe as Houses' (SAH's) decision-making process of conducting an internal organisation audit in answering Question 7, considered the significance for each option and the relative merits of each option in the information contained in the case study. 	<ul style="list-style-type: none"> demonstrated a lack of understanding of concepts used in the Case Study, e.g. by confusing revenue expenditure with revenue, confusing payback period with investment rate of return used vague and ambiguous language in responses and so did not demonstrate clear understanding of concepts and the linkage between them, for example 'if exchange rates change then SAH will lose money on Option 2' made claims about the business that were not supported by the case study, for example that the service to be introduced if Option 1 were chosen would have no competitors.

Question 1 (a)

1

(a) Managing Safe As Houses plc (SAH) involves taking many business decisions.

Some of these decisions are tactical.

Identify with a tick (✓) the **two** tactical decisions in the table below.

You should only tick **two** boxes.

Business Decision:	Please tick (✓)
Expanding operations into a new market	
What type of market research to do	
Whether to increase prices of existing products	
Who to purchase office stationery from	

[2]

'Expanding operations into a new market' is a strategic decision and 'Who to purchase office stationery from' is an operational decision. Relatively few responses correctly identified the two tactical decisions.

Question 1 (b)

(b) Amaya is concerned that the other directors might be against some of the expansion plans.

Explain how this might affect the accuracy of the information these directors present to Amaya about the three options.

.....

.....

.....

.....

.....

..... [3]

Most responses recognised that some directors might choose to present information to Amaya that favoured their own preferred option(s). Successful responses linked this to the information in the case study concerning the financial interests of the directors.

Question 1 (c)

- (c) Amaya is worried that if **Option 2: Operate in Europe** is chosen, it could leave SAH vulnerable to changes in the external economic environment.

Explain how **one** change in the external economic environment could negatively affect the success of **Option 2**.

.....

.....

.....

.....

.....

..... [3]

Most responses identified a relevant external economic factor likely to affect the success of Option 2, with the most commonly offered factor being exchange rates. These responses were less successful in explaining how a change in exchange rates would affect Option 2 – typically because the response made a reference to ‘changing exchange rates’ without being specific. Better responses identified a possible change, such as a fall in the value of the pound against the euro, and then explained how this might affect a business based in the UK but operating in France.

Question 2 (a)

2

- (a) Amaya would like to know the estimated gross profit ratio for **Option 1: Offer new services to UK homeowners**.

Amaya has the following estimates for **Option 1**:

- Gross profit = £33 million
- Sales revenue = £85 million.

Using the information above, calculate the gross profit ratio for **Option 1**.

Show your workings

Gross Profit ratio _____ %

[2]

Most responses calculated the ratio correctly. The most common reason for an incorrect response was to divide 85 million by 33 million.

Question 2 (b)

- (b) Explain the difference between gross profit and net profit.

.....

.....

.....

..... [2]

Relatively few candidates were given full marks for referring appropriately to cost of sales for gross profit and all expenses for net profit. Many responses were given a mark, typically for stating that all costs/expenses are deducted to obtain net profit. Some responses confused gross/net profit for a business with gross/net income for an employee.

Question 2 (c) (i)

(c) Amaya would like to compare the net present value (NPV) of the investment return from each of the three options.

(i) State **one** advantage of using net present value (NPV) as a method of investment appraisal.

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

A few candidates correctly identified that net present value takes inflation into account (time value of money). Most gave a generalised benefit that could apply to any investment appraisal method.

Question 2 (c) (ii)

(ii) State **one** disadvantage of using net present value (NPV) as a method of investment appraisal.

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

A few candidates gave a valid disadvantage. Most responses gave a generalised drawback that could apply to any investment appraisal method.

Question 3 (a)

3

- (a) If **Option 1: Offer new services to UK homeowners** is chosen, Amaya knows of a large organisation called Inspire, a home improvement and lifestyle business, that would like to offer these services to its members.

Inspire would like to negotiate a special-order discount for its members.

Explain the impact that a special-order discount would have on SAH's net profit ratio.

.....

.....

.....

..... [2]

This question required candidates to apply their understanding of the net profit ratio and how it is calculated. More successful responses recognised how revenue might change (total revenue could either increase or decrease, depending on the circumstances outlined) and then correctly stated how the ratio would change as a result.

An acceptable alternative was to explain how net profit itself might change, and then state the resulting change in the ratio. Less successful responses did not recognise that a change in the ratio would result from a change in either of these two variables.

Question 3 (b)

- (b) What impact might a special-order discount have on Inspire members' opinions of the new service?

.....

.....

.....

.....

.....

..... [3]

Most candidates recognised that the discount would have a favourable response as members would consider the offer to represent good value for money and these 'Inspire' members would consider whether to use the new service. Other acceptable responses discussed how the low price might cause some to question its quality. Lower scoring responses asserted that members would use the service without explaining how this would be the result of their opinion of the service.

Question 3 (c)

- (c) Explain how Porter's Generic Competitive Strategies could help to make **Option 1: Offer new services to UK homeowners** successful.

.....

.....

.....

.....

.....

..... [4]

There were relatively few very good responses to this question. This perhaps reflects candidates' lack of preparation for this topic being assessed.

The best responses tended to discuss how a knowledge of cost/differentiation and narrow/broad options would help the business to decide, for example, whether to supply a small but high added-value niche or seek to be the main low-cost supplier in the mass market. Such responses were very rare, however, and most marks were given for generalised references to niche products with unique selling propositions (USPs).

Question 4

- 4 If **Option 2: Operate in Europe** is chosen, SAH will have a need for employees with good foreign language skills.

Explain how a skills audit could help ensure that SAH has enough employees with good foreign language skills.

.....

.....

.....

.....

.....

..... [4]

Most candidates recognised that a skills audit assesses the skills of the existing workforce. Most of these then identified how this could help the business either by training existing workers or employing new ones in order to close any skills-gaps identified through the audit. Relatively few responses used the context to explain how this would help with Option 2. Some responses did not show any understanding of a skills audit, typically confusing it with the selection process during recruitment – these did not gain any marks.

Question 5

- 5 Amaya wishes to conduct an internal organisational audit to help decide which of the three options to choose.

Assess the possible advantages and disadvantages to the decision-making process of conducting an internal organisational audit.

[12]

Relatively few responses demonstrated a good understanding of internal organisation audits. These are defined in the specification as: *Internal organisational audit includes all internal factors relevant to the decision to be made; including (but not limited to) attitude to risk, core competencies, portfolio analysis, market research, SWOT.* In other words, the audit helps to assess the extent to which the organisation is able to adapt to change.

Most candidates were able to identify at least one benefit or drawback of conducting the audit and so achieved a mark in Band 1 (1-3 marks), for example by saying how the audit would help identify if the organisation's core competencies were better suited to one of the options in particular. Responses that were able to explain the identified benefit/drawback were able to achieve Band 2 (4-6 marks), for example by explaining why knowledge of the core competencies might be useful. Relatively few candidates developed their response by analysing the implications of this for the decision-making process, for example by explaining how different aspects of the audit might give conflicting information and how this might make the decision-making process harder and more time-consuming.

Less successful responses demonstrated the lack of understanding of an internal organisational audit by discussing instead the role of the consultant conducting the audit or falsely arguing that this would mean that the decision would not be based on external factors.

Question 6 (a)

6

- (a) Explain how a risk register could help with the planning for **Option 3: Buy a US health insurance business.**

.....

.....

.....

.....

.....

..... [3]

Most candidates recognised how a risk register could help in the process of identifying risks and planning how to mitigate risks, were they to occur. A few candidates applied this to Option 3, for example by giving an example of a relevant risk that could be mitigated.

Question 6 (b)

(b) Amaya is concerned that some of the directors are resistant to change.

Explain **one** reason why some of the directors might be resistant to change.

.....

.....

.....

.....

.....

..... [2]

Most candidates recognised at least one reason the directors might be resistant to change. Many of these did not make use of the information in the case study that might help explain their resistance (e.g. their financial interest in the business) but, despite this, most responses did give a valid explanation and so were given full marks.

Question 7

7 Recommend which option SAH should take.

Justify your answer.

[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 who were given 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 that Option 1 had the shortest payback period, or that Option 2 could be significantly affected by changes to the pound-euro exchange rate. Candidates who merely repeated information from the case study were given no marks.

Candidates who were given a mark in Band 2 (5-8 marks) did so because they explained the significance or usefulness of the information identified previously. For example, given that Option 3 involves a new product in a new market, this could be an example of diversification (Ansoff matrix) and so, according to Ansoff, would carry the highest risk. However, responses demonstrating no understanding were not given marks, for example the fact that Option 1 has the highest average rate of return does not mean that it will pay back the original investment the quickest – while Option 1 does have the shortest pay-back period this is coincidental. Equally, responses stayed in Band 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback.

Candidates who were given a mark in Band 3 (9-12 marks) did so because they linked the impact of the option under discussion to SAH's business performance (thereby recognising the strategic impact of choosing the option). For example, if Option 2 is pursued at a time when the European economy is growing faster than predicted then the investment appraisal calculations will turn out better than forecasted, making Option 2 a potentially more profitable option.

Candidates who were given 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 business should choose). The reasons, to be valid, would need to be based on the information in the case study. To be given 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.

Misconception



Responses often show limited understanding of the investment appraisal methods calculated by the business. For example, payback is often confused with average rate of return, and the rate of return is confused with the total profit earned during the life of the project.

Exemplar 1

Option 1 has the lowest capital expenditure of £40 million with the highest revenue expenditure of £15 million. The payback period is the shortest at 4 years, 6 months and has the highest ARR of 9.64%. This option has the benefits of it being the best financially and could become quite profitable. It will help form positive

Exemplar 1 is an example of a Band 1 response. The candidate takes the financial information in the case study and correctly compares Option 1's figures with those of Options 2 and 3. Had the implications of any of these items been explained, for example the significance of having the shortest payback period, then the response could be given a mark in Band 2.

Exemplar 2

Option 2 isn't the best as ~~it is not~~ there are external factors that can cause problems as well as the fact that they would be operating in a new country and the people who live there may be unused to how the business works so they may stick to already existing businesses instead. SAH also does not know

Exemplar 2 is an example of a Band 2 response. The response makes a valid point, based on the information provided in the case study that the business may not appeal to the country's customers (this achieves Band 1) and then develops this by stating that this might cause them to remain with existing suppliers. This development achieves Band 2. Had the implications for the business been explained (for example the implications for revenue and therefore profitability of Option 2), the response could have been given a mark in Band 3.

Exemplar 3

7		In conclusion, I think the the option I
		recommenel SAH should take is option 1
		as it has a low financial risk compared to
		the other and the idea of product Ansoff's
		Matrix using new services in the existing
		market brings more uniqueness which
		could potentially lead to more market share.
		Also this will bring more customers which will
		therefore lead to higher revenue and therefore

Exemplar 3 is a Band 3 response. It makes a valid point based on the information in the case study ('using new services in the existing market') and so achieves Band 1. This point is then developed ('this brings more uniqueness which could potentially lead to more market share') so achieving Band 2. The candidate then develops this point further by discussing the implications for the business ('more customers which will result in more revenue') and so is given a mark in Band 3.

Supporting you

Teach Cambridge

Make sure you visit our secure website [Teach Cambridge](#) to find the full range of resources and support for the subjects you teach. This includes secure materials such as set assignments and exemplars, online and on-demand training.

Don't have access? If your school or college teaches any OCR qualifications, please contact your exams officer. You can [forward them this link](#) to help get you started.

Reviews of marking

If any of your students' results are not as expected, you may wish to consider one of our post-results services. For full information about the options available visit the [OCR website](#).

Keep up-to-date

We send a monthly bulletin to tell you about important updates. You can also sign up for your subject specific updates. If you haven't already, [sign up here](#).

OCR Professional Development

Attend one of our popular CPD courses to hear directly from a senior assessor or drop in to a Q&A session. Most of our courses are delivered live via an online platform, so you can attend from any location.

Please find details for all our courses for your subject on **Teach Cambridge**. You'll also find links to our online courses on NEA marking and support.

Signed up for ExamBuilder?

[ExamBuilder](#) is a free test-building platform, providing unlimited users exclusively for staff at OCR centres with an [Interchange](#) account.

Choose from a large bank of questions to build personalised tests and custom mark schemes, with the option to add custom cover pages to simulate real examinations. You can also edit and download complete past papers.

[Find out more](#).

You will need an Interchange account to access our digital products. If you do not have an Interchange account please contact your centre administrator (usually the Exams Officer) to request a username, or nominate an existing Interchange user in your department.

Online courses

Enhance your skills and confidence in internal assessment

What are our online courses?

Our online courses are self-paced eLearning courses designed to help you deliver, mark and administer internal assessment for our qualifications. They are suitable for both new and experienced teachers who want to refresh their knowledge and practice.

Why should you use our online courses?

With these online courses you will:

- learn about the key principles and processes of internal assessment and standardisation
- gain a deeper understanding of the marking criteria and how to apply them consistently and accurately
- see examples of student work with commentary and feedback from OCR moderators
- have the opportunity to practise marking and compare your judgements with those of OCR moderators
- receive instant feedback and guidance on your marking and standardisation skills
- be able to track your progress and achievements through the courses.

How can you access our online courses?

Access courses from [Teach Cambridge](#). Teach Cambridge is our secure teacher website, where you'll find all teacher support for your subject.

If you already have a Teach Cambridge account, you'll find available courses for your subject under Assessment - NEA/Coursework - Online courses. Click on the blue arrow to start the course.

If you don't have a Teach Cambridge account yet, ask your exams officer to set you up – just send them this [link](#) and ask them to add you as a Teacher.

Access the courses **anytime, anywhere and at your own pace**. You can also revisit the courses as many times as you need.

Which courses are available?

There are **two types** of online course: an **introductory module** and **subject-specific** courses.

The introductory module, Building your Confidence in Internal Assessment, is designed for all teachers who are involved in internal assessment for our qualifications. It covers the following topics:

- the purpose and benefits of internal assessment
- the roles and responsibilities of teachers, assessors, internal verifiers and moderators
- the principles and methods of standardisation
- the best practices for collecting, storing and submitting evidence
- the common issues and challenges in internal assessment and how to avoid them.

The subject-specific courses are tailored for each qualification that has non-exam assessment (NEA) units, except for AS Level and Entry Level. They cover the following topics:

- the structure and content of the NEA units
- the assessment objectives and marking criteria for the NEA units
- examples of student work with commentary and feedback for the NEA units
- interactive marking practice and feedback for the NEA units.

We are also developing courses for some of the examined units, which will be available soon.

How can you get support and feedback?

If you have any queries, please contact our Customer Support Centre on 01223 553998 or email support@ocr.org.uk.

We welcome your feedback and suggestions on how to improve the online courses and make them more useful and relevant for you. You can share your views by completing the evaluation form at the end of each course.

Need to get in touch?

If you ever have any questions about OCR qualifications or services (including administration, logistics and teaching) please feel free to get in touch with our customer support centre.

Call us on
01223 553998

Alternatively, you can email us on
support@ocr.org.uk

For more information visit

 **ocr.org.uk/qualifications/resource-finder**

 **ocr.org.uk**

 **facebook.com/ocrexams**

 **twitter.com/ocrexams**

 **instagram.com/ocrexaminations**

 **linkedin.com/company/ocr**

 **youtube.com/ocrexams**

We really value your feedback

Click to send us an autogenerated email about this resource. Add comments if you want to. Let us know how we can improve this resource or what else you need. Your email address will not be used or shared for any marketing purposes.



I like this



I dislike this

Please note – web links are correct at date of publication but other websites may change over time. If you have any problems with a link you may want to navigate to that organisation's website for a direct search.



CAMBRIDGE
UNIVERSITY PRESS & ASSESSMENT

OCR is part of Cambridge University Press & Assessment, a department of the University of Cambridge.

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored. © OCR 2024 Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number 3484466. OCR is an exempt charity.

OCR operates academic and vocational qualifications regulated by Ofqual, Qualifications Wales and CCEA as listed in their qualifications registers including A Levels, GCSEs, Cambridge Technicals and Cambridge Nationals.

OCR provides resources to help you deliver our qualifications. These resources do not represent any particular teaching method we expect you to use. We update our resources regularly and aim to make sure content is accurate but please check the OCR website so that you have the most up to date version. OCR cannot be held responsible for any errors or omissions in these resources.

Though we make every effort to check our resources, there may be contradictions between published support and the specification, so it is important that you always use information in the latest specification. We indicate any specification changes within the document itself, change the version number and provide a summary of the changes. If you do notice a discrepancy between the specification and a resource, please [contact us](#).

You can copy and distribute this resource in your centre, in line with any specific restrictions detailed in the resource. Resources intended for teacher use should not be shared with students. Resources should not be published on social media platforms or other websites.

OCR acknowledges the use of the following content: N/A

Whether you already offer OCR qualifications, are new to OCR or are thinking about switching, you can request more information using our [Expression of Interest form](#).

Please [get in touch](#) if you want to discuss the accessibility of resources we offer to support you in delivering our qualifications.