

Tuesday 21 May 2024 – Afternoon

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878 Unit 3: Business decisions

Time allowed: 1 hour 30 minutes

C423/2406

You must have:

- a clean copy of the Pre-release (inside this document)

You can use:

- a calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

Date of birth

D	D	M	M	Y	Y	Y	Y
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INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.

INFORMATION

- The total mark for this paper is **60**.
- The marks for each question are shown in brackets [].
- This document has **12** pages.

ADVICE

- Read each question carefully before you start your answer.

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]

- (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.

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[3]

- (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**.

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[3]

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]

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

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..... [2]

- (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]

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

.....
 [1]

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]

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

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 [3]

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

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..... [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.

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..... [4]

- 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]

[illegible]

[3]

[2]

7 Recommend which option SAH should take.

Justify your answer.

[16]

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