

Cambridge Technicals

Business

Unit 3: Business decisions

Level 3 Cambridge Technical in Business
05834 - 05837 & 05878

Mark Scheme for June 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

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 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)

9. Subject-specific marking instructions

For Level of Response marked questions marked over 4 levels:

- Knowledge (relevant to the question) not provided in the case study (allow rewording showing understanding) can be awarded Level 1
- Explanation of the Level 1 statement is awarded Level 2
- Analysis of the impact of the Level 2 discussion can be awarded Level 3. For Question 5 this must address the impact on the decision-making process. For Question 7 this must address the impact on the business (e.g. financial or strategic).
- Level 3 analysis is required before Level 4 evaluation can be accessed.

Question			Answer	Marks	Guidance										
1	(a)		<table><tr><th>Business Decision:</th><th>Tactical Decision? Please tick (✓)</th></tr><tr><td>Expanding operations into a new market</td><td></td></tr><tr><td>What type of market research to undertake</td><td>✓</td></tr><tr><td>Whether to increase prices of existing products</td><td>✓</td></tr><tr><td>Who to purchase office stationery from</td><td></td></tr></table>	Business Decision:	Tactical Decision? Please tick (✓)	Expanding operations into a new market		What type of market research to undertake	✓	Whether to increase prices of existing products	✓	Who to purchase office stationery from		2	One mark for each correctly ticked item. If three or more items ticked, mark all as TV.
Business Decision:	Tactical Decision? Please tick (✓)														
Expanding operations into a new market															
What type of market research to undertake	✓														
Whether to increase prices of existing products	✓														
Who to purchase office stationery from															
1	(b)		<p>Responses include:</p> <ul style="list-style-type: none">• Information might be biased• Might give inaccurate/misleading/one-sided information• Might not contribute useful research <p>Example responses:</p> <p>Information might be biased (1) because they want to favour one option over the others (1) so they ignore negative information about that option (1).</p> <p>Directors might only think of their own short-term financial interests (1) so they are biased towards one of the options (1) and so only give information to support this option (1).</p>	3	<p>1 mark for a valid impact on the information (e.g. biased) plus up to 2 marks for explanation.</p> <p>Credit examples of relevant actions the Directors could take.</p> <p>Note: Question asks about information presented by the Directors, so do not credit discussion of information presented by Amaya.</p>										

Question			Answer	Marks	Guidance
1	(c)		<p>Responses include:</p> <p>Economic factors:</p> <ul style="list-style-type: none"> • interest rates • exchange rates • inflation • unemployment • taxation <p>Economic factors in France may move unfavourably, e.g.:</p> <ul style="list-style-type: none"> • increasing interest rates • decreasing value of pound/ increasing value of sterling • increasing inflation • increasing unemployment • increasing taxation <p>Impact on Option 2:</p> <ul style="list-style-type: none"> • decreased sales • rising costs • falling revenue • reduced profitability • reduced profits once returned to the UK <p>Example response:</p> <p>Interest rates (1) might rise in France (1) this reduces the number of people buying houses (1).</p> <p>Interest rates (1) move unfavourably (TV) this reduces the number of people buying houses (1) so SAH receive less revenue (1).</p>	3	<p>This question assesses synoptic knowledge from Unit 1 LO6: Understand the external influences and constraints on businesses and how businesses could respond</p> <p>1 mark for an economic factor, 1 mark for an unfavourable movement Up to 2 marks for the impact on Option 2.</p> <p>Accept other relevant economic factors e.g. income</p> <p>Do not consider financial, legal, ethical, political, social, environmental and technological factors unless their economic implications are discussed.</p>

Question			Answer	Marks	Guidance
2	(a)		<p>Indicative content:</p> <p>38.82 / 38.8 / 39 (2)</p> <p>33 / 85 * 100 (1)</p> <p>Any correct division of GP by SR not multiplied by 100, e.g. 0.3882 (1)</p> <p>Gross Profit / Sales Revenue * 100 (1)</p>	2	<p>Up to two marks</p> <p>No workings required. Award 2 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 correct formula 1 mark for a correct division of GP by SR not multiplied by 100.</p> <p>No OFR.</p>
2	(b)		<p>Possible responses:</p> <ul style="list-style-type: none"> Net Profit = Gross Profit – Business overheads/Indirect costs Gross Profit = TR – Cost of Sales and Net Profit = TR – TC GP only deducts Cost of Sales where NP deducts all business expenses. <p>Example responses:</p> <p>Gross profit is the profit made from making and selling products (1). NP is the profit remaining after all other expenses are paid (1)</p> <p>GP is revenue minus cost of sales (1), NP isn't (TV). Net Profit is profit after expenses (1 BOD) Gross Profit is Revenue minus variable costs (1 BOD)</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>Award 2 marks for accurate definitions of both GP and NP.</p> <p>Award 1 mark for an accurate statement about either GP or NP.</p>
2	(c)	(i)	<p>Possible responses:</p> <ul style="list-style-type: none"> Takes into account the time value of money/inflation takes into account all the cash flow over the life of the project 	1	<p>1 mark for a valid benefit.</p> <p>Do not accept responses that give a generic benefit of Investment Appraisal e.g. 'Enables comparisons to be made'</p>

Question			Answer	Marks	Guidance
2	(c)	(ii)	Possible responses: <ul style="list-style-type: none"> • Hard to decide on an appropriate discount rate • Choice of discount rate affects the outcome 	1	1 mark for a valid drawback. Do not accept responses that give a generic drawback of Investment Appraisal e.g. 'Predictions may be inaccurate'
3	(a)		Possible responses: <ul style="list-style-type: none"> • Impact on revenue • Impact on net profit and revenue • Resulting impact on Net Profit Ratio (NPR) Example responses: The price cut could reduce revenue (1) so the net profit ratio would get smaller (+1) The price cut could increase customers so revenue could increase (1) so the net profit ratio will increase (+1)	2	1st mark for the impact on revenue 2nd mark for the resulting change in net profit ratio Although not required or anticipated, credit accurate and relevant discussion of net profit that reflects understanding of how NPR is calculated.

Question			Answer	Marks	Guidance
3	(b)		<p>Responses include:</p> <ul style="list-style-type: none"> • Price will be lowered • Price can indicate quality • Customers might think the quality is low... • ...so less likely to pay for the service • ...so less likely to recommend the service to others • Customers might think the value for money is high... • ...so more likely to pay for the service • ...so more likely to recommend the service to others <p>Example responses:</p> <p>Customers often associate price with quality (1) so lowering the price (1) will make them think the product is poor quality (1).</p> <p>Members could see the service as excellent value for money (1) given the lowered price (1) and recommend Inspire to their friends (1).</p>	3	<p>1 mark for impact on customer opinion and up to 2 marks for explanation.</p> <p>No mark for rise or fall – credit explanations of the identified change.</p>

Question		Answer	Marks	Guidance
3	(c)	<p>Responses include:</p> <p>Knowledge of Porter's Generic Competitive Strategies model</p> <ul style="list-style-type: none"> • Cost leadership • Differentiation • Cost focus • Differentiation focus • Scope: Narrow/broad • Source of competitive advantage: Cost/Differentiation <p>Usefulness to Option 1:</p> <ul style="list-style-type: none"> • Provide a different range of services to the competition • Provide a premium service to a small group of clients • Provide a low cost service to as many clients as possible <p>Example response:</p> <p>The model suggests they could aim for differentiation focus (1) by selling unique products in a small market (1) they could do this by charging a high price (1) for a bespoke high-quality set of services aimed at high income clients (1).</p>	4	<p>Up to 4 marks.</p> <p>Up to 2 marks for knowledge of Generic Competitive Strategies model (e.g. cost leadership etc, Narrow/broad, Cost/differentiation).</p> <p>Up to 3 marks for how the model could help make Option 1 successful.</p> <p>To a maximum of four marks.</p> <p>Maximum 2 marks for relevant discussion with no specific knowledge of the Generic Competitive Strategies model – e.g. discussion of the importance of a unique selling proposition.</p>

Question	Answer	Marks	Guidance
4	<p>Responses include:</p> <p>Knowledge of a skills audit:</p> <ul style="list-style-type: none"> • Review of the skills of the existing workforce • Compared with the existing/future needs of the business • Identifies gaps between the two <p>How a skills audit can help with Option 2:</p> <ul style="list-style-type: none"> • Can identify existing employees with suitable/French language skills • Can identify how many staff with suitable/French language skills need to be employed • Can help determine extent to which gap can be filled by recruitment and/or training <p>Example response:</p> <p>A skills audit can help SAH identify the language skills of the existing workforce (1) and so identify any gaps (1). This will help them decide how to train existing employees (1) as well as the language skills to look for in new recruits (1).</p>	4	<p>Up to 4 marks.</p> <p>Up to 3 marks for knowledge of skills audits</p> <p>Up to 3 marks for how a skills audit could help with the implementation of Option 2.</p> <p>Maximum of four marks.</p> <p>No marks for a discussion showing no understanding of the role of a skills audit in the process.</p>

5		<p>Use level of response criteria</p> <p>Responses include:</p> <p>Benefits include:</p> <ul style="list-style-type: none"> • Amaya is aware of all possible internal factors affecting the decision and the decision-making process, e.g.: attitude to risk, core competencies, portfolio analysis, market research, SWOT • Can help to devise any strategies to overcome any potential problems • Can help to incorporate attitudes to risk of Directors and senior managers • Can lead to better informed decisions • Can reduce the risk of an incorrect decision being made <p>Drawbacks include:</p> <ul style="list-style-type: none"> • Time spent conducting the audit could have been spent managing the change process • Some factors involved in the audit may be subjective (e.g. attitude to risk) and so findings may be subject to bias/be unreliable • Could result in priority being given to factors that the audit identifies and ignoring any factors missed <p>Example response:</p> <p>An internal organisational audit can help Amaya to identify the relevant factors that are relevant to the decisions being made (L1). This means that the decision-making process makes use of relevant information only (L2) and so could result in a more appropriate choice of option being made (L3). However, the audit could take time (L1) and this could have been better spent analysing and comparing the three options (L2) and so potentially an inappropriate decision could be made (L3). Also, the person conducting the audit may have their own biases (L1) and this results in the audit ultimately only providing them with information which confirms their own opinions (L2) so is a waste of organisational resources (L3). Overall, I think it is worth doing, providing the costs in terms of time and resources are not too large and there is a team conducting the audit which contains a range of individuals so the overall report is not biased (L4+).</p>	<p>12</p> <p>Levels of response:</p> <p>Level 4 (10 – 12 marks) Candidate evaluates benefit(s)/ drawback(s) to <i>SAH's</i> decision-making process of an internal organisational audit.</p> <p>Level 3 (7 – 9 marks) Candidate analyses benefit(s)/ drawback(s) to a business of conducting an internal organisational audit.</p> <p>Level 2 (4 – 6 marks) Candidate explains benefit(s)/ drawback(s) to a business of conducting an internal organisational audit.</p> <p>Level 1 (1 – 3 marks) Candidate identifies benefit(s)/ drawback(s) to a business of conducting an internal organisational audit.</p> <p>L4 evaluation: Award 10 marks for a general justification. Award 11 marks for a general justification with context. Award 12 marks for a detailed or specific contextual justification.</p> <p>L3 analysis: analysis must discuss the impact on decision-making, not the choice of option.</p> <p>Impact must be on <i>SAH</i> not its stakeholders. No marks for knowledge of an internal organisational audit unless it is linked to an advantage or disadvantage.</p>
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Question			Answer	Marks	Guidance
					<p>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.</p> <p>Credit discussion of the impact of auditing any of these factors on the decision-making process.</p>

Question			Answer	Marks	Guidance
6	(a)		<p>Responses include:</p> <p>Knowledge of a risk register:</p> <ul style="list-style-type: none"> • Potential risks to an activity/project • The likelihood/severity/impact of each risk • How each risk could be avoided/its impact reduced <p>How it could help with Option 3:</p> <ul style="list-style-type: none"> • Examples of risk, e.g. Foreign exchange risk, changes to USA health care sector/health insurance market • Impact on <i>SAH</i> e.g. loss of (repatriated) profits, loss of market • How to avoid risk: action to take if pound weakens against the dollar <p>Example responses:</p> <p>A risk register can help to identify possible risks (1) for example the risk of the pound falling against the dollar (1). It can then help to identify how to minimise the impact of this risk (1).</p> <p>A risk register can help to identify risks (1) and the impact they might have (1)</p>	3	<p>Up to three marks.</p> <p>Up to 2 marks for knowledge of a risk register.</p> <p>Up to 2 marks for explanation of how a risk register could help with Option 3.</p> <p>Maximum of 3 marks.</p>

Question			Answer	Marks	Guidance
6	(b)		<p>Responses include:</p> <ul style="list-style-type: none"> • Are rewarded by share options • Have an interest in maintaining a high share value • Will not want to cause the share value to fall • May lack the skills needed for some of the three options • May be comfortable with SAH's existing business strategies/performance • Might increase personal workload/stress <p>Example responses:</p> <p>Directors make money selling their shares when their value is high (1) so they might be worried that the options will all result in a lower share price (1).</p> <p>The Directors may feel they lack the skills to manage any of the three options (1) so they'd be happier if the business continues as it is (1).</p>	2	<p>Up to 2 marks.</p> <p>One mark for a valid reason.</p> <p>One mark for development.</p> <p>The Pre-release identifies that the Directors are remunerated in part by share options – so they may be reluctant to take any action that has the potential to lower SaH's share price.</p> <p>Accept any other valid cause of resistance to change e.g. uncertainty, fear etc.</p>

Question			Answer				Marks	Guidance
7				Option 1: Offer new services to UK homeowners	Option 2: Operate in Europe	Option 3: Buy a US health insurance business	16	<p>This question assesses synoptic knowledge from Unit 1 LO8: Be able to assess the performance of businesses to inform future business activities</p> <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 recommends and justifies which option <i>SAH</i> should take, based on analysis.</p> <p>Level 3 (9 – 12 marks) Candidate analyses one or more options under consideration at <i>SAH</i>.</p> <p>Level 2 (5 – 8 marks) Candidate explains issue(s) relating to one or more options under consideration at <i>SAH</i>.</p> <p>Level 1 (1 – 4 marks) Candidate identifies issue(s) relating to one or more options under consideration at <i>SAH</i>.</p>
			Capital cost	£40 million	£50 million	£60 million		
			Payback	4 years 6 months	5 years 5 month	5 years 0 month		
			ARR	9.64%	6.29%	5.71%		
			Capital cost financed by:	Reserves	Reserves	Reserves		
			Revenue expenditure p.a.	£15 million	£12 million	£10 million		
			Ansoff	Product Development, moderate risk	Market Development, moderate risk	Diversification, high risk		
			Example response:					
Option 1 has the lowest capital cost (L1) but the highest revenue expenditure (L1). It is an example of product development (L1) because they will be selling a new product to an existing market (L2). Option 2 is market development (L1) because it is an existing product into a new market (L2) and Option 3 is diversification (L1) of a new product into a new market (L2). This means that Option 1 is relatively low risk overall according to Ansoff (L2). However it is within the UK market and the other two options involve expansion into overseas markets (L1) and so to some extent they will carry more financial risk (L1) because they both depend on external economic factors such as exchange rate changes (L2) which could mean that the profits made in France or USA are reduced by the time they are converted into pounds (L3 – business impact).								

Question			Answer	Marks	Guidance
			<p>However, there is arguably also less risk in expanding overseas because SAH will be less dependent on the state of the UK economy (L1) so if the UK goes into recession, but France or USA doesn't, (L2) then it can use the profits from the overseas operation to support the UK business (L3) which reduces the chances of bankruptcy (L3). However the business has no experience of the USA and it might be that diversification like this is a risk too far (L1), especially as Amaya does not appear to have the full backing of the board (L2).</p> <p>Overall I recommend Option 1 because even though it keeps the business within the UK it carries less overall risk than expansion overseas (L4) especially as the business can use its existing client base to sell additional services and, as the example of the organisation wishing to negotiate a discount shows (CONT), there is strong interest in the idea within the UK (L4+).</p>		<p>L4 evaluation: Award 13 marks for suggesting the most beneficial option for <i>SAH</i> 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>

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