

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 3 January 2025 series

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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. 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 [Teach Cambridge](#).

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Unit 3 series overview

This unit is a mandatory paper for the Foundation Diploma, Diploma and Extended Diploma. It may also be taken by students 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, an answer which argues using the particular circumstances of the business in the pre-release scenario will be rewarded more highly.

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 less 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) • used contextualised, developed responses to questions requiring an explanation of the impact on CTC of the specific issues in the question (e.g. Questions 3 (c), 4 (b) (i)) • demonstrated a good understanding of the business impact of business decisions and internal/external influences. For example, the impact of changes in the data in Appendix 2 on Option 2 • in answering Question 5, focused on the impact of CTC's decision-making process of conducting stakeholder analysis • in answering Question 7, considered the significance for each option, and the relative merits of each option, of 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 fewer weddings are booked than forecasted then CTC will lose money' • in comparing the respective merits of the two options, discussed impacts that were common to both. For example: 'if Option 1 is chosen CTC will still be able to hire out the hall to other community groups'. Because this is also true for Option 2, it is not a reason why Option 1 is better than Option 2.

Question 1 (a)

1

(a) State **one** way an organisation's objectives could influence its decision-making.

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

Most responses correctly linked how objectives help to drive business decisions, often by stating an objective and a business decision that could help to achieve it.

Question 1 (b)

(b) Other than organisational objectives, state **one** internal criterion that could influence an organisation's decision-making.

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

Most responses identified a relevant criterion, such as internal stakeholders' attitudes to risk, or the availability of finance.

Question 2 (a)

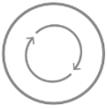
2

(a) Explain how the **relevance** of the information in **Appendix 1** affects its validity for decision-making when considering **Option 1: Community cinema**.

.....
.....
.....
.....
.....
..... [2]

Only a few responses explained that, because the article was relevant to Option 1, it had a high degree of validity. Weaker responses instead explained how the information in Appendix 1 might, or might not, support the case for Option 1.

Assessment for learning



Question 2 (c) would be a good question to use with candidates, to help them understand the importance of answering the question set, and the consequences of failing to do so. This could include developing an understanding of command words. Candidates could be invited to first answer the question, before studying the mark scheme or model answer, then reflecting on how they could improve their ability to answer the question set.

Question 3 (a) (i)

3 Amir has estimated the following information for **Option 1: Community cinema**.

- Fixed costs of cinema (per event): £100
- Variable costs of cinema (per person per event): £4
- Ticket price (per person per event): £6

(a)

(i) Calculate the break-even level of output.

Break-even

[3]

This was a straightforward question for candidates who had learnt and understood how to use the formula for calculating break-even. Of these candidates, some incorrectly gave the final answer as £50 and so only gained 2 marks. There were many responses that showed an inability either to correctly recall or use the formula.

Question 7

7 Recommend which option CTC should choose. Justify your recommendation.

[16]

This high-tariff question is based heavily on the information contained in the case study about the two options together with the information in Appendix 1 and 2.

Candidates who achieved 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 national trend in weddings. Candidates who merely repeated information from the case study gained no marks.

Candidates who achieved a mark in Band 2 (5-8 marks) did so because they explained the significance or usefulness of the information identified previously. For example, locating a community cinema in the town could reduce the travel costs of residents because they no longer need to pay for fuel to drive to the cinema in the nearest town. However, responses demonstrating no understanding were not credited. 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 Level 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they linked the impact of the option under discussion to CTC's objectives or performance (thereby recognising the strategic impact of choosing the option). For example, if Option 1 is chosen, the reduced fuel usage by residents caused by not driving to the nearest town would help CTC achieve its objective of supporting developments in sustainable living.

Candidates who achieved 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 achieve 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.

Exemplar 3

However, the biggest drawback to Option 1 is that with the rise of streaming platforms like Netflix, Disney+ and Amazon Prime Video, less people are going to the cinema. If this trend continues, CTC will have less and less customers buying tickets at their cinema. This will mean they have reduced revenue and might be forced to reduce their prices. This will really ~~hurt~~ hurt their margin of safety and the risk of keeping the cinema running will drastically increase.

The example shown achieves Level 3 by linking the rise of streaming competitors (Level 1) to their impact on the number of potential cinema users (Level 2) and then the impact of this on Option 1's performance and the potential response of CTC (Level 3).

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