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For issue on or after:
Monday 20 October 2025

Level 3 Cambridge Technical in Business

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

PRE-RELEASE

To prepare candidates for the examination taken on Monday 12 January 2026 – Morning

INSTRUCTIONS
- Do **not** take this copy of the pre-release material into the exam.
- Do **not** take any notes into the exam.

INFORMATION
- A clean copy of this pre-release will be given to you with the question paper.
- This document has **4** pages.

The business

Tayhir Apples Ltd (TAL) is a small-scale fruit juice manufacturer based in the South of England. The business was started by Taylor and Hiro in 2021.

In 2020 Taylor inherited some land, including a small apple orchard. Taylor did not know what to do with the apples. Hiro heard about Taylor's problem and suggested a solution. Hiro owned some buildings nearby, one of which contained an old apple-press. Hiro suggested that they form an apple juice business using Taylor's apples and his apple-press. After obtaining the permits and licenses needed to operate as a food manufacturer, they converted the building and installed bottling equipment. Taylor and Hiro formed a private limited company together. Each contributed 50% of the start-up capital needed and holds 50% of TAL's shares. Taylor is in charge of operations and Hiro is in charge of finance and marketing.

TAL's fresh apple juice quickly proved to be popular. In 2024, the business moved to larger premises. TAL currently has 11 full-time employees and cash reserves of £40 000.

The product

When Taylor and Hiro first started the business they sold their apple juice at local markets. The fresh juice quickly gained a loyal local following and TAL began selling the juice in local shops. They expanded the business by sourcing apples from other local and regional growers. The juice is currently sold in shops throughout the region.

TAL's marketing mix reflects the use of high quality, locally-sourced apples produced by a small-scale privately owned business. Despite this, TAL's net profit ratio is low, at 5%, reflecting the business' high costs which are partly a result of its relatively small size.

The situation

Both Taylor and Hiro agree that TAL should continue to expand. They both agree that TAL's profitability is too low.

Taylor would like the business to build on its core competencies which in his opinion are:

1. his ability to build a network of trusted suppliers
2. the employees' commitment to TAL.

Hiro would like TAL to expand into other areas of the UK or launch new products.

Hiro thinks that the expansion can be financed by using all the cash reserves and borrowing the rest. Taylor believes that any financial risk should be minimised. Together, the shareholders have suggested three options.

Option 1: Increase sales in the South of England

Taylor thinks that TAL can increase sales in the region if it spends more on its marketing. Taylor has approached a local advertising agency. The agency says that a nine-month targeted social media campaign in the South of England could increase TAL's customer-base by 10% within 12 months. Taylor thinks that TAL will also need to expand its apple-juicing capacity. Taylor is hopeful that TAL can obtain the additional apples from the existing supply network.

Taylor estimates the initial cost for this option to be £190 000, with ongoing expenditure of £60 000 per year. The initial cost of this option would be financed by using cash reserves of £20 000 plus a bank loan at a variable interest rate of 6%. Investment appraisal suggests a payback period of 48 months with an ARR of 6.32% over the first five years.

Option 2: Expand across the UK

Hiro thinks that TAL is ready to expand by selling apple juice across the whole of the UK. Hiro has approached another advertising agency, which suggested that a ten-month aggressive multi-media marketing campaign to launch the product nationally would increase sales by 20% within 12 months. Hiro knows that TAL will need to invest to raise production capacity to the required level. Taylor is concerned that, to achieve this production target, they might need to start using imported apples.

Hiro estimates the initial expenditure for this option to be £450 000, with ongoing expenditure of £120 000 per year. Hiro wants the option to be financed by using the cash reserves of £40 000 plus a bank loan at a variable interest rate of 5%. Investment appraisal suggests a payback period of 50 months with an ARR of 4.44% over the first five years.

Option 3: New product range

Hiro thinks that the time is right to start producing new products. Hiro thinks there is a gap in the market for high quality apple crisps. Hiro estimates that the new production facilities for this option will cost £150 000, with ongoing expenditure of £90 000 per year. The aim is to sell the apple crisps in existing shops that stock their juice. Hiro wants the option to be financed by using the cash reserves of £40 000 plus a bank loan at a variable interest rate of 7%. Investment appraisal suggests a payback period of 59 months with an ARR of 5.92% over the first five years.

Appendix 1

Spare Snacks launches new healthy snack into UK retail

Spare Snacks is a business that produces snacks for all the family. In 2022 it launched a child-friendly range of healthy apple crisps. Made from 100% whole fruit, the healthy and affordable range contains no added sugar, salt, fat or oil; a pack counts as one of your five a day. Spare Snacks believes snacks should taste good and do good, that is why they transform wonky apples into healthy crisps, so the more you snack, the less goes to waste.

Over 930 million tonnes of edible food is wasted globally each year. Spare Snacks makes use of both wonky raw and dried apples that are often rejected because they are misshapen, blemished, or deemed the wrong size. The wonky apples are always fresh and delicious, they just look a bit irregular.

Appendix 2

Juice consumption in focus

Orange juice was the most common flavour of fruit juice consumed in the UK in 2021. Almost two thirds of the market was made up of orange juice followed by apple, pineapple, and berries.