CAMBRIDGE TECHNICALS

OCR
Oxford Cambridge and RSA

Examiners' report

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

BUSINESS

OCR Level 3 Cambridge Technical in Business

Certificate: 05834

Extended Certificate: 05835

Foundation Diploma: 05836

Diploma: 05837

Extended Diploma: 05878

Unit 3 Summer 2025 series

Version 1

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Contents

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.

Unit 3 series overview

This is unit is a mandatory question 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 mark 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 would be given higher marks.

The number of candidates sitting the question paper was like those in some recent sessions. The following comments reflect the responses given by the candidates who sat the question paper.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• 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 AL Physio of the specific issues in the question (e.g. Questions 4 (a), 4 (b), 6 (a)) • demonstrated a good understanding of how the two partners’ differing attitudes might affect the decision-making process (e.g. questions 3 (c) and 5) • focused on the two partners’ differing attitudes to risk for responses to Question 5, on the impact of AL Physio’s decision-making process • for Question 7, considered the significance for each option, and the relative merits of each option, of the information contained in the case study.	• 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 Taylor’s appointment is not successful then AL Physio will lose money’ • in comparing the respective merits of the three options, discussed impacts that were common to both. For example: ‘Option 1 is the best option as this will result in an increase in clients and so an increase in revenue’. Because this is also true for Option 3, it is not a reason why Option 1 is better than Option 3.

Question 1 (a)

1
(a) Identify **two** core competencies of AL Physio.

1 ....

....

2 ....

.... **[2]**

Candidates who understood the concept of core competencies were able to identify relevant examples. Less successful responses often listed items from the partnership agreement.

Assessment for learning

Core competencies are the source of a business' competitive advantage. Originally set out by C.K. Prahalad and Gary Hamel in the Harvard Business Review (May-June 1990), the concept is discussed in this article: https://www.investopedia.com/terms/c/core_competencies.asp.

Question 1 (b)

(b) Alex has suggested that AL Physio considers sponsoring a local under-13s youth football league.

Explain how ethical issues might influence this business decision.

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.... **[3]**

Most responses showed some understanding of ethical issues although the extent to which this was developed in the context of an under-13s youth football league was sometimes limited. Less successful responses confused ethical with legal issues, such as the need to gain parental consent, or discussed how sponsorship would be a poor marketing strategy.

Question 2 (a)

2 Li has calculated AL Physio's gross profit ratio and net profit ratio for 2023 and 2024.

Year	**Gross profit ratio**	**Net profit ratio**
2023	35.5%	16.5%
2024	24.7%	5.7%

(a) Explain why the gross profit ratio for each year is higher than the net profit ratio.

....

....

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....

....

.... **[2]**

Most responses demonstrated an understanding that net profit ratio is smaller because more items are deducted from it than gross profit. Few responses were sufficiently accurate in the choice of examples to be given both marks.

Question 2 (b)

(b) Using this data, advise the partners whether they should be concerned about the financial performance of AL Physio in 2024.

Justify your answer.

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.... **[4]**

Most responses recognised that, because both ratios have fallen, profitability has declined and so this is a cause for concern. More successful responses gave a valid reason for the concern, typically by discussing how the reduction in profits would either limit the ability of the business to fund future projects or increase the risk of insolvency. Few responses gained full marks for considering the implications of the fall in the net profit ratio being greater than the fall in the gross profit ratio.

Question 3 (a) (i)

3

(a) To investigate **Option 1: Sports rehabilitation service**, Li would like to conduct primary research by asking recent clients some questions.

(i) State **two advantages** of using primary research to investigate **Option 1**.

1 ....

....

2 ....

....

[2]

Most responses gained both marks for two valid reasons. Less successful responses gave reasons such as 'more accurate' that were not given marks as these benefits would depend on the quality of the research methods used.

Question 3 (a) (ii)

(ii) State **two disadvantages** of using primary research to investigate **Option 1**.

1 ....

....

2 ....

.... **[2]**

Most responses gave two valid disadvantages. More successful responses made use of the context, for example by recognising that the population for the survey (existing clients) is not necessarily the same as the target market for the new service.

Question 3 (b)

(b) Identify **one** cause of change for AL Physio and explain how it might affect Alex's preference for **Option 1: Sports rehabilitation service**.

Cause ....

....

Explanation ....

....

....

.... **[3]**

Candidates who had a good understanding of causes of change (Teaching Content 5.4) were more successful in responding to this question as there were several valid reasons identified in the pre-release. Successful responses were able to identify one and explain it. Less successful responses discussed how the business might change as a result of implementing Option 1.

Question 3 (c)

(c) Explain why Alex rather than Li might be biased towards **Option 1: Sports rehabilitation service**.

....

....

....

.... **[2]**

Candidates who had a good understanding of the pre-release case study were more successful in responding to this question by discussing how Alex's friendship with Taylor might result in a preference for this option. Less successful responses gave reasons unrelated to bias, for example the business' need for a specialist to support the implementation of Option 1.

Question 4 (a)

4 If **Option 1: Sports rehabilitation service** is chosen, Taylor, the new partner will need training in how to be an effective business partner.

(a) Explain **one advantage** for AL Physio of using off-the-job training, rather than on-the-job training, for the new partner.

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....

.... **[3]**

More successful responses had a good understanding of the benefits of off-the-job training, even though few gained full marks by explaining how AL Physio might benefit from this choice of method for Taylor's training. Less successful responses either discussed how Taylor would benefit or confused on-the-job and off-the-job training.

Question 4 (b)

(b) Explain **one disadvantage** for AL Physio of using off-the-job training, rather than on-the-job training, for the new partner.

....

....

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....

.... **[3]**

More successful responses showed a good understanding of the drawbacks of off-the-job training, even though few gained full marks by explaining how AL Physio might be disadvantaged by this choice of method for Taylor's training. Less successful responses either discussed how Taylor would be disadvantaged or confused on-the-job and off-the-job training.

Misconception

Some responses to both parts of Question 4 suggested that candidates understood off-the-job training to be either done in the employee's own time or at the employee's own expense. The defining characteristic of off-the-job training is, that it takes place away from the employee's usual place-of-work.

Question 5

5 Li is less willing to take risks than Alex.

Evaluate how Alex and Li's different attitudes to risk are likely to affect AL Physio's decision-making process.

[12]

Most responses were able to identify at least one impact of Li being more risk averse than Alex and so be given a Level 1 mark (1-3 marks). For example, by saying how Li might wish to conduct more in-depth research for each option than Alex. Responses that were able to explain the identified impact were given a Level 2 mark (4-6 marks), for example by explaining how the extra research that Li would conduct might slow-down the decision-making process. Few candidates developed their response by analysing the implications of this for the decision-making process. For example, by explaining how slowing down the decision-making process might cause frustration for Alex and so result in decision-making being made more on emotion than analysis.

Less successful responses sometimes demonstrated a lack of understanding of attitudes to risk. For example, by discussing how being risk averse would result in the business not pursuing more profitable options (based on the mistaken assumption that greater profits are always associated with higher risk). Sometimes less successful responses showed a lack of focus on decision-making. For example, by discussing the benefits to the business of taking one of Taylor's preferred options.

Exemplar 1

If Li is less willing to take risks than Alex, their decision making process will be slow. This is because Li will be too indicisive as to which option is the best. For example, Li wants to "conduct some research", which is very time-consuming. This leads to decision making being slow as Li wants to carefully asses each option. However, Li may be quick with his assessments, meaning that he can quickly identify which option is most suitable.

This response was given Level 3 by first identifying a drawback of being risk averse, then developing this point and finally explaining how it will impact the decision-making process.

Question 6 (a)

6

(a) Currently, AL Physio's main client base is relatively wealthy individuals who pay for the service they receive.

Explain how choosing **Option 2: Strategic alliance with local health authority** might affect AL Physio's corporate image amongst these clients.

[3]

Most responses had a good understanding of how AL Physio's existing clients might react to a change in its client base. Both positive and negative impacts were discussed, and both could gain full marks providing they were in the context of AL Physio and its clients.

Exemplar 2

AL Physio's current ~~corp~~ corporate image is ~~[illegible]~~ luxurious and higher quality. This is due to their expensive prices. Once they start to lower their prices for the health departments clients, ~~they~~ pre-existing clients may begin to see AL Physio as cheap and low quality, thus affecting their brand image negatively.

This response has been given full marks because, having given a correct statement of AL Physio's existing client base, it then gives a logically valid explanation of how these clients' perception of AL Physio's corporate image might worsen. The explanation is both developed and reflective of the context.

Question 6 (b)

(b) Li thinks that whichever option is chosen, the partnership should have a contingency plan.

Explain **one** advantage to AL Physio of contingency planning.

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.... **[3]**

Most responses had a very good understanding of contingency plans and how they could be of benefit to any business. Few responses though, developed this in the context of AL Physio, for example by explaining how they might cope if Taylor was unable to work with clients for a period of time.

Question 7

7 Recommend which **one** of the three options AL Physio should choose. Justify your recommendation. **[16]**

This high mark 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.

Responses which were given a Level 1 mark (1-4 marks) used the information in the case study to draw valid conclusions that would be helpful when making the business decision. For example: that Option 2 had the shortest payback period or that Option 1 could be significantly affected were Taylor unable to work with clients for a period of time. Less successful responses which repeated information from the case study were given no marks.

Responses which were given a Level 2 mark (5-8 marks) explained the significance or usefulness of the information identified previously. For example, by explaining how the absence of Taylor would reduce the quality of care offered to sports-physio clients unless both existing partners took time to become trained also. However, responses demonstrating no understanding were not given. For example, the fact that Option 2 has the shortest payback period does not mean that it will be the highly profitable. The fact that Option 2 also has the highest ARR does not explain the shortness of the payback period. Equally, responses stayed in Level 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback.

Responses which were given a Level 3 mark (9-12 marks) discussed the business impact of the option under discussion (thereby recognising the strategic impact of choosing the option). For example, if Option 2 is chosen the contract with the health authority will solve the problem of not operating at full-capacity and will give guaranteed income for these clients but will not help the business to benefit from moving into a growing sector of the market.

Responses which reached Level 3, discussing the business impact of the option under discussion, and then went on to offer a reasoned conclusion (i.e. they gave valid reasons for their choice of which option the business should choose) were able to achieve a mark in Level 4 (13-16 marks). To be valid, the reasons needed to be based on the information in the case study. For a mark above 13 the justification needed to be in context and for a mark above 14, the justifications needed to have greater detail. Comparing the impact of Option 2 to the potentially more beneficial long-term impact if Option 1 was successful, would be an example of strong Level 4 evaluation.

Exemplar 3

One advantage of option 1 is that it would ~~p~~ offer more expertise for the business ~~A~~ Taylor is a specialist in sports rehab and so ~~it would~~ adding Taylor as a partner would increase the number of customers, particularly those who have been injured playing sport. As a result, the business's sales revenue would increase, leading to higher income for Alex and Li. However, it poses a high risk as it would cost £50,000 to upgrade the premises/equipment. The payback period is estimated to be about 24 months, which ~~i~~ could be a problem that causes AL physio ~~to~~ financial difficulties such as debt.

This response has been given a Level 3 mark as it links the benefit of guaranteed customers (Level 1) to their impact on business capacity (Level 2) and then the impact of this on AL Physio's overall performance in the future (Level 3).

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