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OXFORD CAMBRIDGE AND RSA EXAMINATIONS
Tuesday 20 May 2025 – Afternoon
Level 3 Cambridge Technical in Business
05834/05835/05836/05837/05878
Unit 3: Business decisions
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INSTRUCTIONS

You can write on this Insert but it will NOT be sent for marking.

Do NOT take any other notes into the exam.

INFORMATION

This Insert contains the pre-release material that you have already seen.



THE BUSINESS

AL Physio is a physiotherapy business based in the West of England.

Physiotherapy tries to restore movement in the human body which has been damaged by injury or disease. Alex and Li, both fully qualified physiotherapists, formed the business as a partnership in 2018. The business is based in a small unit near the city centre.

AL Physio operates in the private sector.

Unlike physiotherapy provided by the NHS, AL Physio's clients pay for all of the physiotherapy treatments they receive.

Many of AL Physio's clients have injuries that only need a short course of treatment; others have medical conditions that require physiotherapy long-term.

Alex and Li aim to provide their clients with high-quality physiotherapy in a relaxed and safe environment. They feel that the business is well-run and they are flexible in responding to the specific needs of each client. The business currently has no employees.

All of the partnership's clients pay for the services they receive. The business charges its clients a rate of approximately £80 per hour.

The business has a partnership agreement which states that:

- 1. Alex and Li are the two founding partners.**
- 2. Each partner invested £50 000 into the business.**
- 3. All major decisions of the partnership require a majority vote (this means that when there are only two partners then both must agree).**
- 4. The primary business aim of the partnership is to maximise profits for its owners.**
- 5. Each partner receives an equal share of the net profits.**
- 6. New partners can be admitted.**

THE MARKET

The UK physiotherapy market has been growing at a rate of approximately 4% a year. The West of England is following this national trend. Private physiotherapists are in strong demand and their clients seem willing to pay the fees being charged.

AL Physio has not seen such high levels of growth. In fact it had a similar number of clients in 2024 as in 2021. Sales revenue has been constant but due to increasing costs, the net profit has been falling, leaving the two partners with declining income. Currently neither partner is working at full capacity. They have spare capacity of approximately one day per week each. The business has cash reserves of £10 000.

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THE FUTURE

Alex has recently returned from a short holiday with a friend, Taylor. Taylor is a newly-qualified physiotherapist with a specialism in sports rehabilitation. Taylor specialises in working with clients who have been injured playing sport and wish to return to fitness as quickly as possible. This is a service that Alex and Li are not trained to provide.

Alex has told Li that Taylor would make a great addition to the partnership and, if Li agrees, Taylor should be made a third partner in the business starting next week. Taylor does not have any capital to invest, but Alex is convinced that, with this specialism, Taylor could be a major benefit to the business. Li is not so sure and wants to take time to think about it and conduct some research.

Li reminds Alex of two other possible options for the business (OPTIONS 2 and 3 on the next page) that they have not yet had time to fully discuss. Neither option would require a new partner. Li then suggests to

Alex that they conduct research into all three options and, in one month's time, hold a meeting to decide which one they should implement.

OPTION 1: Sports rehabilitation service

Taylor would join the business as a third partner, allowing the business to offer a sports rehabilitation service. Sports rehabilitation is the fastest-growing sector of the physiotherapy industry, growing at approximately twice the rate of the industry as a whole. However, in order to enter this market, AL Physio would have to invest in some new equipment. This would include leasing a new anti-gravity treadmill that enables athletes to walk and run at a much earlier stage of their recovery, speeding up their recovery time. As a result the business would be able to charge a much higher fee for sports rehabilitation services than its current hourly rate.

Li estimates that it will cost £50 000 to upgrade the premises and purchase the equipment needed. Revenue expenditure would be £15 000 per year, which includes the leasing costs for the anti-gravity treadmill. Alex thinks that this option would generate additional revenue of approximately £40 000 per year. The capital costs would be funded by using the

£10 000 cash reserves, with the rest funded by a variable rate loan at 6% p.a. over five years.

Alex estimates that the average rate of return (ARR) for this option, calculated over four years, would be 25%. The payback period for this option is estimated to be 24 months.

OPTION 2: Strategic alliance with local health authority

AL Physio was recently approached by the local health authority who would like to enter a strategic alliance with the business. The health authority would refer a minimum number of patients each month to the partnership, in return for an hourly fee of £40 per hour per patient. Li has calculated that this would enable both partners to work at full capacity. As part of the deal, AL Physio would need to upgrade some of its equipment at a capital cost of £20 000, with an ongoing revenue expenditure of £5000 per year. The capital costs would be funded by using the £10 000 cash reserves, with the rest funded by a variable rate loan at 7% p.a. over 18 months.

Li estimates that the ARR for this option, calculated over four years, would be 35%. The payback period for this option is estimated to be 20 months.

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OPTION 3: Promotional campaign

It is at least three years since Alex and Li have advertised their services. In addition AL Physio has a minimal online presence – there is a Facebook page but it has not been updated for several weeks and there are only 25 followers.

Li has spoken with a public relations (PR) firm who have offered to create an advertising campaign and also to manage AL Physio's social media presence long-term. An initial three-week advertising campaign in local newspapers and local commercial radio would be followed up with monthly reminder advertisements. The initial advertising campaign would cost £7000 followed by ongoing monthly expenditure of £1000. In return for an additional monthly fee of £400 the PR firm would post several stories each week on social media accounts created for AL physio, as well as supply advertisements and press releases to local newspapers. The PR firm estimates that this option would generate at least ten new clients each month. The PR firm

also has other ideas for how the business might increase its profile in the local area. The initial revenue expenditure would be funded from the business' cash reserves.

Li estimates that the ARR for this option, calculated over four years, would be 12%. The payback period for this option is estimated to be 35 months.

APPENDIX 1

Physiotherapy sector trends

Patients may choose a private physiotherapist rather than an NHS physiotherapist for a number of reasons, including:

they have been refused an NHS referral by their GP

they are not prepared to wait to see an NHS physiotherapist – detailed research by the Chartered Society of Physiotherapists found that the average waiting time for NHS physiotherapy in England was nearly twelve weeks

they have a long-term problem and would prefer to always see the same physiotherapist – something that is unlikely to be possible in the NHS

the private physiotherapist has a particular area of specialism and a proven track record in that area.

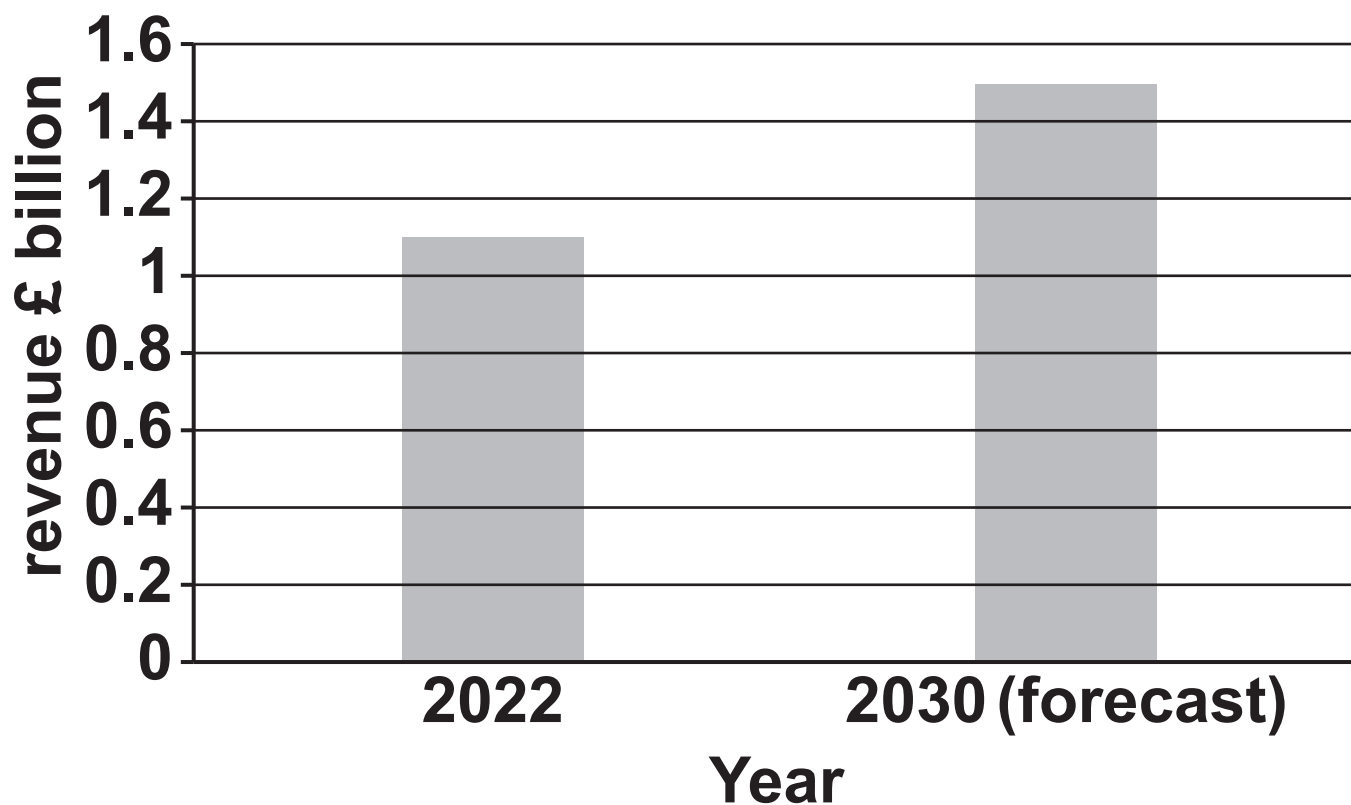
With NHS physiotherapy budgets having been cut in many areas, waiting times have increased and this may have created

opportunities for private physiotherapists, particularly as the number of elderly people with musculoskeletal and mobility conditions is increasing.

APPENDIX 2

UK physiotherapy market is forecast to grow

UK physiotherapy market (revenue in £bn)



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