Cambridge Technicals

Business

Level 3 Cambridge Technical Certificate in Business **05834 - 05835**

Level 3 Cambridge Technical Diploma in Business **05836 – 05837; 05878**

OCR Report to Centres June 2017

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This report on the examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the examination.

OCR will not enter into any discussion or correspondence in connection with this report.

CONTENTS

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OCR REPORT TO CENTRES

Unit 1 – The business environment

General Comments:

Candidates who did well in this unit demonstrated five particular strengths:

- good knowledge and understanding across the entire unit
- numerical skills of calculation and interpretation
- research of a wide variety of businesses
- the ability to apply understanding to the unseen scenario in Section C
- the ability to analyse and evaluate.

Sadly, some candidates exhibited a significant lack of knowledge of the subject and limited ability to analyse key facts; possibly indicating that they have been entered for the examination too early in their course of study. Given that candidates can only resit the examination once, centres should ensure that candidates are fully prepared before taking this assessment.

Section A of the paper was generally well answered by most candidates. Disappointingly, some candidates lost marks by leaving a question blank. In a multiple choice section this is poor examination technique. Candidates should be encouraged to indicate a response to all 20 questions. A minority of candidates also lost marks because they ticked two responses, say A and D, such hedging cannot be awarded and candidates should be instructed not to take this approach. Where a candidate indicates an answer and subsequently changes their mind, they should clearly cross out their original tick.

Section B appeared to reveal that those candidates who had studied a wide range of businesses were able to select appropriate businesses to answer each of the five questions. Candidates should be encouraged to vary the businesses they use depending on the question i.e. to choose a specific business for which their understanding is suitable for answering the question. Candidates who chose to answer all five questions on the same business appeared to do less well.

Section C contained three high tariff extended response questions. These questions are marked using 'levels of response' criteria. 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 impact on sales, costs, profits, cash flow, customer loyalty, reputation and future performance. 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. Whilst 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 scenario given in Section C will be rewarded more highly.

The ability of candidates to perform calculations in the multiple choice section varied significantly. As did candidates' ability to interpret the data contained in the income statement in Section C for question Q27. Centres are advised to give their candidates a great deal of practice at answering calculation and numerical interpretation questions. One way of doing this would be to display a short numerical question as a starter to each lesson, which candidates can tackle as they arrive into the classroom. This makes good use of time and allows numerical skills to be emphasised and improved over time.

Areas which caused most problems on this paper were business ethics (Q30), economic factors (Q32) and empowerment (Q25). On the other hand, Q29 relating to not listening to customers and Q31 on sources of finance, were generally well answered.

Comments on Individual Questions:

Section A

The questions which appeared to cause most difficulty in this section were Q3, Q7, Q11, Q13 and Q20.

Q3 This question revealed significant confusion between the concepts of profit/loss, cashflow and breakeven. These are key financial areas for which candidates need to have a clear understanding. Centres are advised to ensure candidates have a secure understanding of each of these financial concepts before attempting the assessment of this unit.

Q7 Worryingly, few candidates showed any evidence of trying to work out this calculation on paper. There was very little evidence of candidates knowing or attempting to apply the break-even formula ($BE=FC/(SP-VC)$).

Some candidates did manage to work out the correct answer by working backwards i.e. calculating the profit/loss which would be made at each of the suggest break-even levels of output. This is a valid, albeit time consuming, approach. The most direct method of working out the question was rarely seen: £1140/£20 = 57 statues per annum.

Q11 Many candidates mistakenly thought that charity shops operate in the public sector. This reveals underlying confusion regarding the difference between the private, public and third sector organisations.

Q13 This question revealed a general lack of knowledge about legal forms of business ownership. The most common, and incorrect, answer was D. This suggests that candidates do not have a firm grasp of the concept of limited/unlimited liability and/or fail to understand the difference between partnerships and private limited companies.

Q20 This question tested a candidate's understanding of break-even analysis. Many candidates were unable to determine that lowering variable costs would lower the break-even point. The most common incorrect answer was A, boosting sales. This suggests that candidates are confusing the level of break-even with the speed in which a firm might achieve break-even.

Section B

Q21 Generally well answered, most candidates were able to suggest two internal stakeholders of their chosen organisation. Some candidates failed to achieve any marks because they confused internal stakeholders with external stakeholders.

Q22 Pleasingly, there was little evidence of candidates confusing human resources with other functional areas within a business. Most candidates were able to identify two tasks which fall within the remit of the human resources function. The most common correct answers were recruitment (hiring) and training.

However, identifying two tasks only achieves 2 out of the 4 available marks. The question requires a description i.e. a practical 'how'. So, for the examples given above 'recruitment' (1 mark) by 'interviewing candidates' (1); or 'training' (1) by 'sending employees on a training course' (1 mark) would have achieved full marks.

Sadly, many candidates explained reasons for doing the tasks ('why') rather than giving descriptions of **how** these tasks can be completed, limiting their mark to 2 out of 4.

Q23 This question tested a candidate's understanding of the law. Answers that discussed good customer service, rather than legal requirements, could not be awarded. In addition, some candidates outlined legal requirements which did not fall under the umbrella of consumer protection legislation. The most common incorrect answers of this type were answers which related to the Data Protection Act and the Health and Safety at Work Act.

Q24 Pleasingly, many candidates understood the meaning of the term 'demographic changes'. Those that understood that the term relates to changes in the population seemed to score highly. Those who confused demographic changes with economic or technological changes etc scored less well. In addition, while some candidates appeared to understand the meaning of the term 'demographic' they failed to indicate a demographic change. Without the 'change' element the candidate was unable to analyse the impact of such changes, limiting their marks.

Q25 Disappointingly answered. This question required candidates to state a way in which a business empowers its workers and then explain how this method actually leads to such empowerment. Empowerment allows and encourages workers to make their own decisions i.e. to work with a certain degree of autonomy. Many of the answers given by candidates related more closely to methods of motivation, training or delegation and were not awardable.

Section C

Q26 The correct answer 'private limited company' was given by the majority of candidates. A significant minority, however, suggested that Leisure Magazines Ltd was a public limited company. Candidates need to be clear that the term 'Ltd' at the end of the company name always refers to a private limited company (and that 'plc' at the end of a company's name refer to a public limited company).

Q27 This question is a data response question which required the candidate to consider Leisure Magazines Ltd's income statements for the previous three years to assess the company's financial performance. The question did not require candidates to suggest the cause of any issues identified or, indeed, any solutions to any issues identified. Instead, candidates needed to judge the seriousness (or otherwise) of the company's financial position. This could be done by comparing 2016 performance with previous years or by extrapolation of trends into the future. Either approach is equally valid.

For a Level 1 mark candidates had to name an appropriate figure e.g. 'net profit in 2014 was £8.4m'. To gain a Level 2 mark candidates needed to have identified data trends e.g. 'revenue has fallen'; those who were able to judge the seriousness (or otherwise) of a specific piece of data e.g. the seriousness of falling profit, gained a Level 3 mark. Those who were able to give an overall judgement of the seriousness (or otherwise) of the company's financial position e.g. weighing up the seriousness of falling profit against its current targets or competitor performance, achieved a Level 4 mark.

Those candidates who confused profit and sales revenue, or assumed that the terms were interchangeable did less well on this question. As did those candidates who confused profit/loss data with cashflow.

Q28 Most candidates were able to correctly suggest a strength and a weakness of the organisation, scoring 2 of the available 4 marks. Correctly identifying an opportunity and a threat posed a significantly greater challenge. Candidates need to understand that in a SWOT analysis the terms 'opportunity' and 'threat' have specific meanings i.e. they refer to changes in the **external** environment of an organisation which are, therefore, out of the business' control. Hence, candidates who suggested that Leisure Magazines Ltd had the opportunity to produce

magazines online could not be awarded (as this is an internal decision). However, those candidates who correctly identified that there has been an increase in society's use of the internet were awarded (as this is a change in an external factor).

Q29 The majority of candidates were able to identify several consequences to a business of not listening to its customers. To score highly on this question the candidate needed to analyse these consequences i.e. suggest the impact of these consequences on the business. For example, 'loss of customers' could lead to a 'fall in profit' or a 'loss of market share'; such analytical responses gained a Level 3 mark. To achieve a Level 4 mark candidates needed to have analysed the various consequences they suggested and select one with reasoned justification. The selection could be on various grounds and, potentially, any consequence could be chosen if justified. So, for example, arguments of the most serious consequence, the most likely consequence or the consequence with the greatest long-term impact were all equally acceptable and were awarded at Level 4.

Q30 Many candidates were able to make some sensible and interesting suggestions on how the business could improve its ethical profile. Those which were analysed achieved a Level 3 mark. To achieve a Level 4 mark the candidate needed to have justified why their recommendations were the most suitable ones for the company to choose.

Those candidates who scored poorly on this question appeared to fall into two categories. Firstly, those who confused 'ethical' with 'legal', making suggestions such as 'avoid discrimination' which were not awardable. Secondly, those who confused 'ethical' with 'ethnic', making suggestions such as 'write a magazine for eastern Europeans', which were not awardable.

Q31a Both parts of this question were generally well answered. Pleasingly, most candidates were able to suggest a source of finance which was appropriate and give a reason for it being appropriate. Likewise, for the inappropriate source. The most common correct answers for an appropriate source was a 'bank loan' with reasoning that it could be 'paid back in monthly instalments'. The most common correct answer for an inappropriate source was an 'overdraft' with reasoning that it was a 'short term source of finance' or 'incurred high interest rates' – either reason being equally acceptable. Those candidates who did less well appeared to identify any source of finance with an advantage/disadvantage – rather than select one which was appropriate/ inappropriate.

Q31b Generally well answered. Most candidates were able to suggest two items that would appear in a business plan. Those that did not score well appeared to have misunderstood the question since the most common incorrect way of answering the question was to identify other sources of finance. Candidates should be encouraged to read the question carefully, and ensure they understand it before beginning to answer the question.

Q32 This question revealed a general lack of understanding by candidates as to the meaning of the term 'economic'. Incorrect answers were numerous – with many suggesting social factors, technological factors or legal factors. More understandably, some candidates suggested political factors e.g. a change in government. There was also evidence that some candidates took 'economic factor' to mean a factor which reduces costs (in the common parlance of the word 'economising') and suggested answers to do with costs of raw materials, utility bills or wage rises.

In accordance with the Specification for this unit (TC 6.1), candidates need to understand the potential impact of the following five economic factors on a business: interest rates, exchange rates, inflation, unemployment and taxation.

Unit 2 – Working in business

General Comments:

The overall performance of candidates on this paper was good, especially question 1. This shows candidates were well prepared for synoptic topics from Unit 1 with most responses demonstrating sound grasp of business sectors and the different types of ownership.

However, candidates' performance on questions 2 and 3 were considerably poorer. This was mainly due to inaccurate interpretation of the requirements of the questions. Candidates are therefore advised to ensure that they read the questions carefully before attempting them. Where possible, candidates should also give contextual answers.

Question 4 focuses on testing candidates' skills in dealing with the day-to-day activities that could be found in a business e.g. decision-making, problem solving, dealing with business transactions and communicating with customers. Whilst most candidates have demonstrated excellent skills in these areas, the lack of attention to detail has led to some marks being lost.

The key to achieving the top grade in this paper lies in the ability to understand the key descriptors i.e. candidates need to demonstrate sound grasp of what identify, describe, explain, analyse and evaluation or their equivalents really mean. On the whole, whilst most candidates were able to analyse well, their ability to evaluate needs to be improved on.

Comments on Individual Questions:

Question No. 1a

Performance on this question was excellent. This shows candidates had sound knowledge of the key features in different business sectors.

Question No. 1b

Performance on this question was again excellent. Common answers included shared workload and responsibilities for benefits and most candidates were able to recognise the sharing of profits as a drawback. Surprisingly, very few candidates identified unlimited liability as a drawback. Candidates are advised to avoid giving vague answers e.g. 'more capital' as a benefit and 'conflict' as a drawback even though the key descriptor is 'identify'.

Question No. 2a

Although most candidates' responses demonstrated good understanding of why authority protocols are important in business organisations, the performance on this question was poor on the whole, due to an inaccurate interpretation of the question. Explanation of why authority protocols are followed needed to relate to the production of promotional materials for the anti-ageing cream to gain marks. Generic answers e.g. 'to follow the chain of command' were therefore unacceptable. Context was required for full marks to be awarded.

Question No. 2b

This question requires the law to be identified accurately for marks to be awarded. Although it was clear from most candidates' explanation that they understood the law that businesses must comply with when designing promotional materials, very few could state the law concerned

accurately. Candidates are not required to state the year the law was enacted but insufficient accuracy in the naming of the law prevented most candidates from gaining any marks.

Question No. 3

Candidates' performance on this question was fairly good with most gaining three marks for identifying relevant factors for choosing a location. The key descriptors were 'identify' and 'explain', as such, candidates were required to explain the reason why the factor stated was important when making such a decision. The majority of candidates failed to do this.

Question No. 4a

Candidates' performance exceeded expectation with a good number achieving full marks. The majority of candidates demonstrated the ability to reach a viable solution given various financial and non-financial constraints. The purchase order form was completed accurately by most candidates, showing good knowledge and numeracy skills.

Question No. 4b

Performance on this question was very disappointing with a large number of candidates who did not know how to write a cheque. Marks were also lost through carelessness i.e. incomplete name of payee. The majority did work out the deposit correctly, albeit some used their own figure rule from 4a.

Question No. 4c

The performance on this question was below expectation with a significant number of candidates stating invoices, purchase orders, etc. The document had to be identified correctly for marks to be awarded.

Question No. 4d

This question tests candidates' ability to analyse and evaluate likely impacts on Optimax Beauty Products of failing to make the booking on time. Most candidates are to be commended on their analytical skills, achieving level 3. However, few candidates went on to choose the most likely impact on the business to achieve level 4. This may well be an area of improvement for centres to focus on when preparing their candidates for future exams. Equally, level 2 does not necessarily mean application of knowledge in context, it could also be an explanation or expansion on level 1, or the consequence of a level 1 point. Please consult the published mark scheme for more detail.

Question No. 4e

Apart from inserting an appropriate subject, there are no specific requirements on the layout of an email. The question indicated clearly the content that candidates should include and most candidates were able to follow instructions given. However, attention to detail is required in writing such an email so that recipients have all the information intended. Therefore, the name of the anti-ageing cream Edelmax is awarded one mark because the main purpose of the email is to promote the new product. A large number of candidates also failed to indicate where St Joseph's College was located, losing one mark. Candidates are advised to read their composition carefully to ensure that the document produced is fit for purpose.

Unit 3 – Business decisions

General Comments:

This is 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.

Candidates who did well in this unit demonstrated the following strengths:

- ability to perform accurate calculations applying business concepts
- good knowledge and understanding across the entire unit, in particular of how businesses use information to help them make decisions
- the ability to apply this knowledge to the context in the pre-release material when answering questions
- the ability to apply content from Unit 1
- the ability to analyse and to evaluate

Sadly, some candidates exhibited a significant lack of knowledge of the subject and limited ability to either apply or analyse it; possibly indicating that they have been entered for the examination too early in their course of study. Given that candidates can only resit the examination once, centres should ensure that candidates are fully prepared before taking this assessment.

Centres should note that all questions in this paper are based on the context in the pre-release material. Questions are drawn from all five sections of the specification.

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 impact on sales, costs, profits, cash flow, customer loyalty, reputation and future performance. 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. Whilst 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 scenario in the pre-release scenario will be rewarded more highly.

Comments on Individual Questions:

Q1 This question posed little difficulty for candidates who had a clear understanding of external/internal information and primary/secondary research. Some responses gave accurate definitions but failed to provide valid examples, especially for primary/secondary research where instead of types of research, further examples of information were provided.

Q2a and Q2b Most candidates calculated both the net cash-flow and the closing balance accurately. Occasional errors included a positive instead of negative value for net cash flow. A small minority of candidates offered no response to both calculations.

Q2c Most candidates could offer a benefit to MARC of using cash-flow and then link this to decision-making. Weaker responses gave a benefit without further elaboration.

Q3a This question drew on synoptic knowledge from Unit 1. It offered no difficulty for candidates who had a clear understanding of the role of the human resource function. Candidates lacking this understanding had difficulty gaining any marks.

Q3b Most candidates recognised the implications of the reference to ethical behaviour in the question and offered examples of actions towards volunteers that went beyond legal requirements. Weaker responses stated ways that met minimum legal requirements and therefore were not motivated by ethical considerations. These responses typically gained no marks.

Q4a Most responses demonstrated some understanding of social constraints although disappointingly few gave fully developed responses. Weaker responses identified constraints that were legal or economic and certainly not social.

Q4b This question was disappointingly answered by many candidates who offered vague statements such as 'easy to understand' or 'time consuming to make'. Candidates who made clear reference to graphs enabling trends/patterns to be communicated at the expense of communicating the full data set underpinning the graph scored well.

Q5 This question required the candidate to consider the benefits and drawbacks of using an external consultant to help the charity to decide whether or not options 2 or 3 should be implemented. Responses that identified benefits or drawbacks of using a consultant gained Level 1 marks, responses which then explained how these points would impact on the charity or the decision gained Level 2. To achieve Level 3 responses needed to link this to the impact on the business; for example in terms of additional costs impacting on profits, or on reducing the risk of poor decisions reducing potential revenue and hence future profits. Those who were able to build on their analysis by offering an overall judgement on the suitability of using a consultant and basing this on a sound rationale achieved a Level 4 mark.

Weaker responses did not appear to understand the role that a consultant would play in this decision making-exercise or instead discussed the benefits and drawbacks of each option without reference to the role of the consultant. These responses scored very low marks and rarely gained more than Level 1 marks for identifying relevant knowledge.

Q6 Most candidates could offer at least one scenario that would require a contingency plan. Most could then describe what the business would do in response to this scenario. However very few appeared to understand that a contingency plan should be proactive: either requiring action to be taken in advance to prevent the scenario from unfolding or by having plans in place, well thought-out in advance, to prevent the scenario from causing serious implications for the organisation.

Q7 This question required candidates to compare the three options in order to make a justified recommendation as to which option should be chosen.

A number of responses gave descriptive comments about each of the three options without making any comparisons between them. Such responses scored few if any marks.

To achieve Level 1, candidates needed to identify new information from the data in the pre-release or identify implications of the information for the business. For example Option 1 is cheaper than Option 2; Option 3 is financed by a variable-rate loan so the interest rate could increase.

To achieve Level 2, responses needed to explain implications of the information identified, for example an increase in interest rates could increase the monthly interest payments, increasing the cost of implementing Option 3. Alternatively, valid comparisons across the three options were rewarded, e.g. Option 3 being the most expensive could also trigger a Level 2 mark.

To achieve Level 3 the implications for the business needed to be analysed, for example in terms of the impact on costs, revenue and the resulting impact on potential profitability; or the potential risk for the business based on analytical tools such as the Ansoff Matrix.

To achieve Level 4 an overall recommendation needed to be made which was based on valid analytical reasoning (i.e. supported by the award of Level 3 analysis marks). The extent to which this recommendation was based on a good understanding of the context and was supported by detailed reasoning determined the extent of the Level 4 mark awarded. Justifications which could equally apply to any other business (ie lacking any clear reference to the context) could only achieve a mark at the bottom of the Level 4 mark range.

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