



Cambridge Technicals Business

Unit 3: Business Decisions

Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for June 2017

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Subject-specific marking instructions

For Level of Response marked questions marked over 4 levels, the candidate can access at L1 or L2. In either case, they can analyse the point made and proceed directly to L3.

L3 analysis is required before L4 can be accessed.

Question		Answer	Marks	Guidance
1	(a)	<p>Responses include:</p> <p>Internal Information obtained from within the business. Example - annual accounts</p> <p>External Information obtained from outside the business. Example – interest rates from banks/lenders</p>	4	<p>Up to four marks.</p> <p>One mark for each box.</p> <p style="text-align: right;">ARA</p>
	(b)	<p>Responses include:</p> <p>Primary New research, carried out to answer specific questions or issues Example – questionnaire given to donors/customers of <i>MARC</i></p> <p>Secondary Research that has been produced by other people/organisations outside the business. Example- review a published article about the treatment of animals by charities</p>	4	<p>Up to four marks.</p> <p>One mark for each box.</p> <p style="text-align: right;">ARA</p>

Question		Answer	Marks	Guidance
2	(a)	<p>Indicative content: Net cash flow = total inflow - total outflow (1) or = 11 055 - 17 985 (1) = -6930 (2) Award full marks for the correct answer: -6930</p>	2	<p>Up to two marks:</p> <p>No workings required</p> <p>Award full (2) marks for -6930</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula, if seen, whether in words or numbers.</p> <p>Award max 1 mark for 6930</p> <p style="text-align: right;">ARA</p>
	(b)	<p>Indicative content Opening balance = closing balance + net cash flow (1) Or = 9798+ -7985 (1) = 1813 (2) Award full marks for the correct answer: 1813</p>	2	<p>Up to two marks:</p> <p>No workings required</p> <p>Award full (2) marks for 1813</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula, if seen, whether in words or numbers.</p> <p>Award max 1 mark for -1813</p> <p style="text-align: right;">ARA</p>

Question		Answer	Marks	Guidance
	(c)	<p>Responses include:</p> <ul style="list-style-type: none"> Identify where problems have occurred Shows how liquid the business is Recognise if there are outstanding debts Help recognise that borrowing is required <p>Exemplar response:</p> <p><i>MARC</i> will be able to identify where problems have occurred (1) and take action to try and prevent the same problems in the future. (1)</p>	2	<p>One mark for a correct identification, plus one mark for valid explanation.</p> <p style="text-align: right;">ARA</p>
3	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> staff planning/rotas recruitment reward systems expenses 	2	<p>This question assesses synoptic knowledge from Unit 1 LO2: Functional areas of business.</p> <p>One mark for each correct identification, to a maximum of two.</p> <p style="text-align: right;">ARA</p>

Question		Answer	Marks	Guidance
	(b)	<p>Responses include:</p> <ul style="list-style-type: none"> • avoid exploiting the goodwill of volunteers • treat all volunteers fairly • avoid discrimination • consult volunteers on decisions being made • listen to any concerns that employees have and act upon them <p>Exemplar response:</p> <p><i>MARC</i> must ensure that it does not allow volunteers to work for excessive hours (1) to ensure that no individual person is taken advantage of because of their love for animals (1)</p>	4	<p>This question assesses synoptic knowledge from Unit 1 LO6: External influences and constraints on business.</p> <p>One mark for each correct identification to a maximum of two, plus a further one mark for each of two valid explanations.</p> <p style="text-align: right;">ARA</p>
4	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> • social sensitivities – how different cultures regard animals and animal welfare – not all cultures may regard this as a worthwhile charity • disposable income levels • societies attitude to charitable giving • respect of donators privacy in any marketing decisions <p>Exemplar response:</p> <p>Any marketing must ensure consideration is given to levels of income in its target audience (1). If the donations requested are too high given the levels of income targeted, it could mean very few people actually donate (1).</p>	4	<p>One mark for each correct identification to a maximum of two, plus a further one mark for each of two valid explanations.</p> <p style="text-align: right;">ARA</p>

Question		Answer	Marks	Guidance
	(b)	<p>Responses include:</p> <p>Benefits:</p> <ul style="list-style-type: none">• communicates trends and patterns• not too much information is provided• colours/shading can be used to make key points stand out <p>Drawbacks:</p> <ul style="list-style-type: none">• too brief i.e. full details not given• can be misleading• does not provide the reader with the original data used to create the graph	2	<p>One mark for a correct benefit and one mark for a correct drawback.</p> <p>ARA</p>

Question	Answer	Marks	Guidance
5	<p>Implementing Option 2 – Commercial boarding kennels/cattery or Option 3 – A children’s farm would be a major change for the charity. Recommend whether or not <i>MARC</i> should employ a consultant to further investigate these two options. Justify your recommendation. Use level of response criteria Responses include:</p> <ul style="list-style-type: none"> • staff are used to caring for dogs/cats so option 2 would not be very different • Trustees and staff may have no experience at all of running a farm • both options need to be profit making – out of the manager’s experience • skill of all trustees may be self learnt, lack expertise therefore out of depth • consultant potentially brings wealth of experience from successful ventures • trustees will have more confidence if consultant involved • cost of hiring consultant <p>Exemplar response: In Option 2 the actual activity, of looking after pets is not that different from what <i>MARC</i> already does and all the trustees have worked for the charity for a number of years and they and their volunteer staff have the skills needed to do this(L2). A charity consultant would, however, bring to the charity the business skills needed to help ensure profitability, which is essential if the kennels are to raise the money <i>MARC</i> needs to care for the rescued animals (L2). In option 3 it is a completely new venture because running a farm is more than just looking after a range of animals. In essence it would be more vital to hire a consultant for option 3 than option 2 (L3) I think overall, however, a consultant’s skills are very much needed and could</p>	12	<p>Levels of response Level 4 (10 - 12 marks) Candidate evaluates whether <i>MARC</i> should employ a consultant to help investigate Option 2 and/or Option 3.</p> <p>Level 3 (7 - 9 marks) Candidate analyses benefit(s)/drawback(s) to <i>MARC</i> of employing a consultant to help investigate Option 2 and/or option 3.</p> <p>Level 2 (4 – 6 marks) Candidate explains benefit(s)/drawback(s) to <i>MARC</i> of employing a consultant to help investigate Option 2 and/or Option 3.</p> <p>Level 1 (1 – 3 marks) Candidate identifies benefit(s)/drawback(s) to a business of employing a consultant.</p> <p>L4 evaluation – Award 10 marks for an evaluation that is generic. Award 11 marks for a contextual evaluation. Award 12 marks for a detailed and specific contextual evaluation.</p> <p style="text-align: right;">ARA</p>

Question	Answer	Marks	Guidance
	<p>mean the difference between success and failure because the trustees could very quickly become out of their depth if they do not have the necessary business skills. Not understanding how to use business decision-making tools could lead to significant underperformance by the charity (L3). In my judgement a charity consultant would be worth the cost because if both these ventures are not planned properly and the trustees do not understand all aspects of business, and these trustees are not experienced, the venture may not be properly planned and will not make money. (L4).</p>		
6	<p>Responses include:</p> <ul style="list-style-type: none"> • Animals becoming seriously ill • Flooding • Impact of attack on farm animals by dogs • Insufficient volunteers on busy days <p>Exemplar response: If a large number of the farm animals were to catch a serious infectious disease (1) this could cause the farm to have to close for a period of time. A contingency would be to set up a system with the local vet (hopefully free of charge) for all animals arriving to checked out so that anything can be spotted and treated straightaway (2).</p>	6	<p>For each scenario:</p> <p>One mark for a valid scenario plus two marks for a contingency that is clearly proactive, or one mark for a contingency that is not clearly proactive.</p> <p style="text-align: right;">ARA</p>

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7	<p>Use level of response criteria</p> <table border="1" data-bbox="353 296 1167 1414"> <thead> <tr> <th></th> <th>Option 1 Extend and repair</th> <th>Option 2 Boarding kennels/cattery</th> <th>Option 3 Children's Farm</th> </tr> </thead> <tbody> <tr> <td>Cost</td> <td>£55,000</td> <td>£100,000</td> <td>£450,000</td> </tr> <tr> <td>Additional revenue expenditure</td> <td>None</td> <td>Kennel/cattery manager</td> <td>Farm manager</td> </tr> <tr> <td>Payback</td> <td>NA</td> <td>6 years</td> <td>10 years</td> </tr> <tr> <td>ARR</td> <td>NA</td> <td>16%</td> <td>7.77%</td> </tr> <tr> <td>Finance</td> <td>Long term charity loan. 3.5% Payment of £319 per month</td> <td>Fixed rate loan 5.5% 5 Year</td> <td>70% base rate tracker mortgage. 30% fixed interest loan 5.5%.</td> </tr> <tr> <td>Extra revenue?</td> <td>Increased fund raising</td> <td>From boarding pets</td> <td>Entry fee to farm, revenue from café and gift shop.</td> </tr> <tr> <td>Relevant Experience</td> <td>No change but little marketing experience from John the chief publicist.</td> <td>Already look after many dogs and cats however no commercial experience</td> <td>Look after some farm animals but no experience of running a children's farm</td> </tr> <tr> <td>Legal constraints</td> <td>None</td> <td>Planning Permission. Animal boarding establishment licence. Health and Safety legislative requirements.</td> <td>Planning permission. Some local areas require licence. Health and Safety legislative requirements.</td> </tr> </tbody> </table>					Option 1 Extend and repair	Option 2 Boarding kennels/cattery	Option 3 Children's Farm	Cost	£55,000	£100,000	£450,000	Additional revenue expenditure	None	Kennel/cattery manager	Farm manager	Payback	NA	6 years	10 years	ARR	NA	16%	7.77%	Finance	Long term charity loan. 3.5% Payment of £319 per month	Fixed rate loan 5.5% 5 Year	70% base rate tracker mortgage. 30% fixed interest loan 5.5%.	Extra revenue?	Increased fund raising	From boarding pets	Entry fee to farm, revenue from café and gift shop.	Relevant Experience	No change but little marketing experience from John the chief publicist.	Already look after many dogs and cats however no commercial experience	Look after some farm animals but no experience of running a children's farm	Legal constraints	None	Planning Permission. Animal boarding establishment licence. Health and Safety legislative requirements.	Planning permission. Some local areas require licence. Health and Safety legislative requirements.	16	<p>NB: This question can be answered from a general business perspective or from the perspective of a specific pathway/function (or a hybrid of both). In all cases the same level of response criteria apply.</p> <p>Levels of response</p> <p>Level 4 (13 - 16 marks) Candidate recommends and justifies which option <i>MARC</i> should take, based on analysis.</p> <p>Level 3 (9 - 12 marks) Candidate analyses one or more options under consideration at <i>MARC</i>.</p> <p>Level 2 (5 – 8 marks) Candidate explains issues relating to one or more options under consideration at <i>MARC</i>.</p> <p>Level 1 (1 – 4 marks) Candidate identifies issues relating to decision making.</p> <p>L4 evaluation – Award 13 marks for suggesting the most beneficial option for <i>MARC</i> with justification for the choice. Award 14 marks for suggesting the best option in context with justification. Award 15 marks for a detailed <i>or</i> specific contextual judgement of the most suitable option. Award 16 marks for a detailed <i>and</i> specific contextual judgement of the most suitable option.</p> <p style="text-align: right;">NAARA</p>
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	<p>Exemplar responses:</p> <p>e.g. from a financial data perspective</p> <p>For Option two, the costs include the repairs needed to the barn roof and the payback period is estimated to be only five years. This compares to 10 years for Option 3 and 20 years for Option 1(L1). If Option one is taken, paying back over 20 years will incur huge amounts of interest, as even if a relatively low amount of money needs to be found each month, this is over a lot of years. Option 3 will take twice as long to pay off as option two and involves so much more money that the risk of not being able to pay back in even this time is quite high.(L2) This judgement is backed up by another method of investment appraisal, ARR. Here 16% is very high and shows that expected demand for this service and profit will be high. Ethically, customers would prefer, when paying for kennel services, to pay a charity that ploughs all profits into caring for and re-homing rescue animals (L2). In comparison ARR for option three is less than half that of Option 2, suggesting that it will not be as lucrative an investment for the charity. My judgement is also based on the fact that the amount of profit that can be made for the rescue centre is the paramount concern and that the centre needs as much money as possible now, not in the future because it has no reserves (L3). There are advantages and disadvantages to each option but from my research I judge that Option 2, opening boarding kennels/cattery is the best way of securing the long term future of <i>MARC</i> because it is within the expertise of staff, unlike Option 3 which would be a completely new venture. Both Options 2 and 3 would bring in permanent extra income, in addition to fundraising, unlike Option 1(L4).</p>		

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