



## **Cambridge Technicals Level 3**

### **Business**

**05834-05837 & 05878**

**Unit 3 Business Decisions**

**OCR Report to Centres June 2018**

## About this Examiner Report to Centres

This report on the 2018 Summer assessments aims to highlight:

- areas where students were more successful
- main areas where students may need additional support and some reflection
- points of advice 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.

The report also includes links and brief information on:

- A reminder of our **post-results services** including **reviews of results**
- Link to **grade boundaries**
- **Further support that you can expect from OCR**, such as our CPD programme

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## Grade boundaries

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## Unit 3 Business Decisions

### General Comments:

This 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:

- good knowledge and understanding across the whole unit content
- an ability to analyse the business impact of decisions and the factors influencing business decisions
- an ability to perform accurate calculations and summarise numerical information
- the ability to apply relevant content from Unit 1

It was pleasing to see candidates with a good understanding of the case study and an ability to apply it appropriately when answering questions. Compared with June 2017 and January 2018 candidates more generally gained marks from across the whole paper (with the exception of Question 2 where many candidates failed to achieve good marks).

Candidates generally performed better when they discussed the implications of the issues outlined in the case study rather than introducing new scenarios and contexts. For example, some candidates discussed what the business might do to decorate the new shop and discussed the potential impact of this on the business – sadly this fell outside the scope of the paper, which is to consider the implications for business decision-making of the issues identified in the case study.

Some candidates lost marks due to a failure to address the issues in the question. For example in question 4 a number of candidates were clearly aware of how the two factors identified would impact on business performance but failed to state whether profits would be increased or decreased as a result. In many cases the responses concluded by restating the question rather than directly answering it.

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, future performance and, in the case of Question 5, business decision-making. 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

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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:**

Q1a Most candidates were able to offer two external influences on the bakery. Some candidates instead offered internal factors such as the actions of employees.

Q1b Most candidates understood that financial risks included issues such as a lack of finance for investment or an unexpected reduction in revenue. Good responses were able to fully answer the question by explaining an impact that this could have on the bakery. Weaker responses discussed the cause of the financial risk without considering the impact on the business.

For reputational risk, most candidates understood that this would most likely result in a reduction in the number of customers. Most responses were then able to explain the negative impact that this would have on revenue and profits. Weaker responses demonstrated some understanding of the causes of a poor reputation amongst customers without explaining an impact of this on the business.

Q1c Most candidates were able to identify an internal stakeholder and then state how they are likely to be affected by decisions made by the bakery. Weaker responses identified an external stakeholder such as customers.

Q2a This was a straightforward question for candidates who knew how to calculate an average rate of return (ARR). Sadly, there were relatively few such candidates. Centres should aim to ensure that candidates have a good understanding of all the numerical and statistical tools listed in the teaching content including how to perform calculations and interpret results.

Q2b Very few candidates had prepared well for this question. Some offered benefits and drawbacks that were related to investment appraisal in general and not to ARR specifically. The most common drawback offered was that 'it is only an estimate'. Such responses did not achieve any marks. Candidates should be aware of the strengths and weaknesses of all the decision-making tools in the specification as not only can they be directly assessed, as here, but they are also relevant when answering question 7 and discussing the information in the case study and its usefulness in choosing between the three options.

Q3a Good responses to this question gave one or two overall summary statements comparing the two sets of figures (for example the bakery has a higher absenteeism rate over the whole period, the bakery's trend is getting worse whilst the industry average is more constant) and then

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gave some supporting evidence by providing data that supported the identified trends. Weaker responses tended to compare each year directly without giving an overall comparison between the two sets of data.

Q3b A number of candidates scored poorly on this question by offering actions that would not have a direct impact on absenteeism but would instead have a more general motivating influence on employees. Good responses discussed either a carrot (e.g. bonuses for good attendance) or stick (e.g. penalties for poor attendance) approach. The better responses fully explained the action by both explaining how it would work and also how it would help to improve attendance.

Q4 Most candidates had a reasonable understanding of both forces although many candidates had limited understanding of how the bargaining power of suppliers might affect the bakery. Good responses recognised that the threat of new entrants could limit the ability of the bakery to charge high prices, thus reducing the potential revenue it could receive and hence the amount of profit it could make. Similarly, for the bargaining power of suppliers, good responses recognised that high or low bargaining power on the part of suppliers would either raise or lower the prices the bakery pays for raw materials and hence either raise or lower costs and hence lower or raise profits.

Q5 This question was answered poorly by many candidates. The question asked for a discussion of the strengths and weaknesses of an external business environmental audit. Some candidates instead discussed the strengths and weaknesses of choosing option 2 and so gained few if any marks.

This question was well answered by candidates who knew what an external business environmental audit is and what its strengths and weaknesses would be to the bakery when considering option 2. Such responses tended to discuss the potential costs and time-delays introduced by conducting the audit and the extent to which it would be useful given that no such audit was apparently planned for the other two options. Such responses tended to conclude that its usefulness depended on the extent to which it would delay decision-making and whether or not similar exercises would be conducted for the other two options. Weaker responses tended to either state benefits and drawbacks without explaining their implications for the decision-making exercise, or mistakenly discuss how it would help the business discover the impact of the new production facility on the local eco-system.

Candidates should prepare for this examination by understanding that one extended response high-tariff question will test their ability to analyse and evaluate tools or information that are used to support business decision-making.

Q6a Many candidates answered this question well. Most had a good understanding of what might cause the sales staff to be resistant to change and were able to develop this at length and so achieve full marks.

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Q6b Unlike question 3b most candidates were able to offer a specific action that would enable the sales staff to be less resistant to change. Not all candidates were able to then explain how this action would cause this change in employee attitudes. Better responses explained how the action would overcome the specific issues identified in Q6a.

Q7 This high tariff 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.

Candidates who achieved a mark in Band 1 (1-4 marks) did so because they used the information in the case study to draw valid conclusions that would be helpful when making the business decision. For example identifying that option 3 was the cheapest option and option 2 had the longest pay-back period. Candidates who merely repeated information from the case study (e.g. by stating that option 2 had a payback period of seven years and option 1 had a payback of four years) gained no marks.

Candidates who achieved a mark in Band 2 (5-8 marks) did so because they explained the significance or usefulness of the information identified previously. For example the benefit to the business of choosing option 3 because it has the shortest payback period is that the business will start to earn profits from this option earlier than either option 1 or 2.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they analysed the implications of the information identified previously for the overall performance of the business. For example, the benefit to the business of choosing option 2 because of its fixed rate loan would be that it could budget for interest payments with certainty, resulting in more accurate cash-flow forecasting and hence improved cash-flow management, helping the business to remain solvent.

Candidates who achieved a mark in Band 4 (13-16 marks) did so because, having achieved Band 3 (analysis) they could offer a reasoned conclusion i.e. they gave valid reasons for their choice of which option the bakery should choose. The reasons, to be valid, would need to be based on the information in the case study. To achieve a mark above 13 the justification would need to be in context and to achieve a mark above 14 the justifications would need to have greater detail.

Reasons for poor performance on this question included:

- a discussion of the 'risk' involved in each decision that was too vague because it did not identify a valid reason for the risk (for example many candidates stated that option 2 was risky because it was the most expensive but the amount of the investment is not, of itself, a reason for risk). Discussion of risk should be based on one of the types of risk identified in the specification, for example, an option identified, as being diversification (Ansoff) would be more of a marketing risk than an option involving only market development.

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- basing discussion on points not mentioned in the case study. For example, some responses discussed at length possible alternative uses for the original shop other than converting part of it to a café. This was not part of one of the three options being considered and so could not be a valid part of the discussion.
- a misunderstanding of the information provided. For example, many candidates stated that option 1 had a lower interest rate than option 3 despite the current UK base rate of 0.5% meaning that the two interest rates would in fact be the same. Also, some candidates assumed that customers would be visiting the new premises in option 2 despite it being stated in the case study that it would be a production facility in addition to the existing shop, which would remain as the retail outlet. Some candidates thought that option 2 had 'no ARR' despite being asked to calculate it in question 2.

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