

Cambridge **TECHNICALS LEVEL 3**

BUSINESS

Cambridge
TECHNICALS
2016

Feedback on the June 2018 exam paper
(including selected exemplar candidate answers
and commentary)

Unit 1 – The business environment

Version 1

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INTRODUCTION

This resource brings together the questions from the June 2018 examined unit (Unit 1), the marking guidance, the examiners comments and the exemplar answers into one place for easy reference.

We have also included exemplar candidate answers with commentary for questions 25, 30(a) and 31.

The marking guidance and the examiner's comments are taken from the Report to Centre for this question paper.

The Question Paper, Mark Scheme and the Report to Centre are available from:

<https://interchange.ocr.org.uk/Modules/PastPapers/Pages/PastPapers.aspx?menuindex=97&menuid=250>

OCR
Oxford Cambridge and RSA

Level 3 Cambridge Technical in Business
05834/05835/05836/05837/05878

Unit 1: The business environment
Friday 18 May 2018 – Morning

Duration: 2 hours
C420/1806

You must have:
• a clean copy of the pre-release (insert C421)

You may use:
• a calculator

First Name Last Name

Centre Number Candidate Number

Date of Birth

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer all the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- The pre-release research brief is required for Section B only.

INFORMATION

- The total mark for this paper is 90.
- The marks for each question are shown in brackets [].
- This document consists of 29 pages.

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FOR EXAMINER USE ONLY	
Question No	Mark
Section A: 1-20	/20
21	/4
22	/4
23	/4
24	/6
25	/4
Section C: 26	/1
27	/2
28	/3
29	/12
30	/7
31	/12
32	/12
33	/1
Total	/90

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Cambridge Technicals in Business

Unit 1: The Business Environment
Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for June 2018

Oxford Cambridge and RSA Examinations

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Cambridge Technicals Level 3 Business

05834-05837, 05878

Unit 1 The Business Environment
OCR Report to Centres June 2018

Oxford Cambridge and RSA Examinations

PRE-RELEASE MATERIAL

The question paper is based on a pre-release research brief which is issued to centres 6-8 weeks before the examination.

Learners should refer to this pre-release material to answer questions in the question paper.

The pre-release Research Brief can be found on Interchange.

OCR
Oxford Cambridge and RSA

Level 3 Cambridge Technical in Business
05834/05835/05836/05837/05878

Unit 1: The business environment

INSERT
Friday 18 May 2018 – Morning

INSTRUCTIONS FOR LEARNERS

- This is a clean copy of the pre-release material which you should have already seen. You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may not take your previous copy of the pre-release material into the examination.
- You may not take notes into the examination.

INFORMATION FOR LEARNERS

- This document consists of 4 pages. Any blank pages are indicated.

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GENERAL EXAMINER COMMENTS ON THE PAPER

Once again, examiners have been pleased to see some exceptionally good scripts this session. Equally, however, there have been some extremely poor scripts that show inadequate preparation by candidates.

Candidates who did well demonstrated five particular strengths:

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

Section A of the paper was generally well answered by most candidates. Disappointingly, some candidates lost marks by leaving an MCQ question blank. 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. 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 appears to reveal that those candidates who chose to answer all five questions on the same business appeared to do less well than those who altered the business they used to suit the question. Candidates should be encouraged to vary the business they use depending on the question i.e. to choose a specific business for which their understanding is suitable for answering the question. This was especially important for question 24, where businesses organised by location are few and far between.

Section C contained three high tariff extended response questions. These questions are level of response marked. 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 revenue, costs, profits, cash flow, breakeven, improved decision-making, customer loyalty and reputation. In addition to analysis, an evaluative response must contain a reasoned decision i.e. a 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.

Areas which caused most problems on this paper were confusion over business sectors (question 1), deed of partnership (question 10); organisation by geographic location (question 24), and interest rates (question 31). On the other hand, question 22 on ways to be environmentally friendly, question 28 reasons for business failure and question 32 evaluating consequence of not listening to the workforce, were extremely well answered.

The ability of candidates to answer questions requiring numerical skills, both in the multiple choice section (questions 8 and 14) and Section C (question 30a), varied significantly. Centres are advised to give their candidates a great deal of practice at answering both calculation and numerical interpretation questions.

Resources which might help address the examiner comments:

From the link below, you'll find 'The OCR guide to examinations' (along with many other skills guides)

<http://www.ocr.org.uk/i-want-to/skills-guides/>

Command verbs definitions

<http://www.ocr.org.uk/Images/273311-command-verbs-definitions.pdf>

Questions 1, 2 and 3

Section A

Answer **all** questions. Put a tick (✓) in the box next to the **one** correct answer for each question.

- 1 Which of the following is an example of an organisation that operates in the third sector?
- (a) A beauty salon
- (b) A carpet manufacturer
- (c) A humanitarian aid charity
- (d) A library
- [1]
- 2 The legal form of ownership of a business trading as 'Pinton Ltd' is:
- (a) a partnership
- (b) a private limited company
- (c) a public limited company
- (d) a sole trader
- [1]
- 3 Which functional area is **most** likely to purchase stationery supplies in a public sector organisation?
- (a) Business support services
- (b) Finance
- (c) Procurement
- (d) Sales
- [1]

Mark scheme guidance

One mark for each correct answer.

Examiner comments

The questions, which appeared to cause most difficulty in this section, were 1, 8, 10, and 14.

Question 1 – This question tested candidate understanding of third sector organisations. The most common incorrect answer was 'a library'. This potentially indicates confusion between the public and third sectors.

Questions 4, 5 and 6

4 Which of the following is **not** a business growth objective?

(a) To add three additional services

(b) To double the size of the factory

(c) To increase market share by 2%

(d) To reduce variable costs by 5%

[1]

5 A UK company might be affected by a change in the sterling exchange rate because it:

(a) buys its raw materials from abroad

(b) has a centralised organisational structure

(c) is frequently overdrawn

(d) only sells its products in the UK

[1]

6 A business that adopts a flatter organisational structure is likely to have:

(a) a longer chain of command

(b) more managers

(c) slower decision making

(d) wider spans of control

[1]

Mark scheme guidance

One mark for each correct answer.

Questions 7, 8 and 9

7 What is meant by the term 'market share'?

- (a) The amount of profit distributed to shareholders
- (b) The number of firms that operate in a specific market
- (c) The percentage of an industry's total sales earned by one business
- (d) The total size of the market measured by sales volume

[1]

8 ABPR Ltd makes microphones. Its costs and revenues for 2018 are forecast to be:

- fixed costs: £1 100 000
- other expenses: £7 per microphone
- average selling price: £45 per microphone.

If ABPR Ltd makes and sells 50 000 microphones in 2018 it will:

- (a) make a loss of £800 000
- (b) make a loss of £1 900 000
- (c) make a profit of £800 000
- (d) make a profit of £1 900 000

[1]

9 Which one of the following is a requirement of the Consumer Rights Act?

- (a) Company logos must be unique
- (b) Customer data must be stored securely
- (c) Goods sold must be of satisfactory quality
- (d) Manufactured products must be low in price

[1]

Mark scheme guidance

One mark for each correct answer.

Examiner comments

Question 8 – Pleasingly over half of candidates were able to calculate '£800,000'. However, too many of these candidates opted for the Answer (a) a loss of £800,000 rather than Answer (c) a profit of £800,000. It might help candidates to stand back from their calculation and consider whether cost or revenue is greater, before committing to an answer.

Questions 10, 11 and 12

10 A deed of partnership is:

- (a) a legal document which a partnership must have before it can start trading
- (b) a recommended document that includes how a partnership will be run
- (c) a written agreement stating that one business will supply goods to another business
- (d) an administrative document required by a public limited company

[1]

11 Which of the following is a benefit of using crowd-funding to finance a new business venture?

- (a) Getting the rewards wrong can mean giving too much of the business away
- (b) If the funding target is not met all funds pledged will need to be returned
- (c) It is a good way to test the public's reaction to a new product
- (d) The receipt of sufficient funds is guaranteed

[1]

12 A bakery is conducting a SWOT analysis. The bakery identifies that it sells its cakes at a lower price than its competitors.

In the SWOT analysis this would be recorded as a business:

- (a) strength
- (b) weakness
- (c) opportunity
- (d) threat

[1]

Mark scheme guidance

One mark for each correct answer.

Examiner comments

Question 10 – Very few candidates got this question right. By a wide margin, the most common answer was (a). A deed of partnership is not required by law when setting up a partnership; rather it is a recommended document, which should aid the running of a partnership. Centres are advised to emphasise to candidates that unlike the Articles of Association and Memorandum of Association, which are mandatory documents for companies, a deed of partnership is recommended, but not legally required, when setting up a partnership.

Questions 13, 14, and 15

13 A community interest company (CIC):

- (a) does not have to comply with the Equality Act
- (b) has no legal status
- (c) is a social enterprise
- (d) pays lower rates of tax than other types of company

[1]

14 The table below shows data for Medicon and its two competitors.

	Medicon	Competitor A	Competitor B
Revenue	£500 000	£800 000	£2 000 000
Profit	£260 000	£300 000	£700 000

Based on the table above, which of the following statements can be justified?

- (a) Competitor A has lower costs than Medicon
- (b) Competitor A has made less money from sales than Medicon
- (c) Competitor B has a better cash flow position than Medicon
- (d) Competitor B has the highest costs

[1]

15 The command status of a company:

- (a) goes upwards through the communication paths
- (b) is shown by the horizontal lines on an organisation chart
- (c) refers to the chief executive and directors only
- (d) runs from the top of the organisation to the bottom

[1]

Mark scheme guidance

One mark for each correct answer.

Examiner comments

Question 14 – This question provided revenue and profit data for a company and its two competitors. Candidates were required to work out which of the four suggested answers was correct. Candidate responses were relatively equally split between all four answers, indicating limited understanding. The key to answering the question is to understand that profit = revenue – costs. And, therefore, costs can be calculated by deducting profit from revenue.

Questions 16, 17 and 18

16 Which one of the following is **most** likely to be a key objective of a local government department?

(a) Collecting taxes

(b) Making a profit

(c) Providing a service

(d) Selling goods

[1]

17 Which of the following changes in the external environment of a business would be classified as a social factor?

(a) A reduction in taxation

(b) Greater availability of mobile technologies

(c) Increased disposable incomes

(d) The development of a clean alternative to petrol

[1]

18 Which of the following is a non-financial factor that may affect the success of a dairy farm?

(a) Animal health

(b) Milk prices

(c) Sales revenue

(d) The cost of animal feed

[1]

Mark scheme guidance

One mark for each correct answer.

Questions 19 and 20

19 Customers are **most** likely to attempt to change the behaviour of a company by:

(a) boycotting the organisation

(b) refusing to supply to the company

(c) selling their shares

(d) withholding planning permission

[1]

20 The term 'cash flow' refers to:

(a) the amount of profit a business makes

(b) the circulation of money in and out of an organisation

(c) the fixed and variable costs of a business

(d) the point at which costs equal revenues

[1]

Mark scheme guidance

One mark for each correct answer.

Question 21

Section B

Answer **all** the questions in this Section.

All of the questions in this Section should be answered in relation to businesses you have researched. A clean copy of the research brief is provided.

21 Describe **one** way a business that you have researched promotes itself.

Name of business

Activity of business.....

Responses include:

- television advertising
- radio advertising
- newspaper advertising
- posters/billboards
- leaflets/flyers
- celebrity endorsements
- social media e.g. Twitter, YouTube, etc
- websites
- sales promotion e.g. discounts, price reductions, offers, vouchers, competitions, business cards, exhibitions, recipe cards, free magazines, etc
- sponsorship
- advertises special deals
- advertises new product launches.

.....

[2]

Exemplar responses:

Name of business: Chow Ling

Activity of business: Chinese takeaway

Chow Ling advertises its special offers (1) on local radio (1).

Chow Ling advertises on flyers (1) which it delivers through residents' doors (1).

Chow Ling uses social media (1) because it is a cheap way to advertise (0).

Mark scheme guidance

Up to two marks.

Description, rather than explanation, required. **Award how, what or example.**

Do **not** award reasons why or benefits.

Answers should relate to the business which the learner has researched.

'Advertises its products' is too vague – more detail required e.g. advertising medium or content e.g. advertises on tv, or advertises new products, etc.

Examiner comments

Most candidates were able to score at least one mark on this question. The most common routes to the mark were to suggest an advertising medium e.g. 'television advertising' or 'on social media' or suggest the content of the advertising e.g. 'special offers' or 'new products'. Those who did both, gain full marks. Of those candidates who did not achieve full marks, the most common error was failing to take account of the command word in the question i.e. describe. Candidates were asked to describe how a business promotes itself, rather than explain why a business promotes itself.

Question 22

22 Explain **two** ways a business that you have researched could be more environmentally friendly.

Name of business

Activity of business.....

1. Responses include:
- install solar panels
 - turn off lights/equipment when not in use
 - reduce heating to a minimum
 - minimise the need to travel
 - buy energy efficient equipment
 - reduce water usage
2.
- use email where possible
 - minimise unnecessary printing
 - buy recycled paper and envelopes
 - use recycled/recyclable packaging materials
 - reduce waste
 - recycle waste
 - reuse resources
 - reduce carbon emissions
 - limit the use of plastics
 - become carbon neutral
 - use renewable energy
 - use environmentally friendly transport e.g. bio-fuels
 - reduce air/food miles
 - tree planting scheme
 - label products as recyclable
 - refuse to sell environmentally damaging products.

[4]

Exemplar responses:

Name of business: DL Laundry Ltd

Activity of business: Commercial Laundry

DL Laundry Ltd could use electric, rather than petrol, vehicles (1). This would reduce carbon emissions (+1).

DL Laundry Ltd could reduce carbon emissions (+1) by using electric, rather than petrol vehicles (1).

DL Laundry Ltd could turn down its heating thermostat (1) as this would save money (0).

DL Laundry Ltd could contact customers by email rather than paper (1) as this is environmentally friendly (0).

Mark scheme guidance

One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.

Answers should relate to the business which the learner has researched.

Method required to award a mark. Additional mark for **improvement to the environment.**

Do **not** award 'more environmentally friendly' as that is the question.

Do **not** award 'environmental campaigning' as this encourages environmentally friendly behaviour rather than being environmentally friendly per se.

Do **not** award 'reduce litter'.

Examiner comments

There were some very pleasing answers to this question, which showed that candidates had made good use of the research brief. A very wide range of answers were offered and accepted. The most common ones included recycling, using electric vehicles, using solar panels and reducing the amount of product packaging. In each case, the second mark was for explaining the benefit of the method to the environment e.g. reducing waste sent to landfill or lowering CO² emissions etc.

Questions 23 and 24

23 Explain one legal and one non-legal consequence to a business that you have researched, of failing to comply with the Equality Act.

Name of business	Responses include: <ul style="list-style-type: none"> • legal e.g. being sued, court action, legal costs, fines, pay compensation, time implications, cost of legal support • non-legal e.g. bad publicity, pressure groups, poorer reputation, negative effect on corporate image, loss of trading licence, loss of customers, customer boycott, recruitment difficulties, poor employer- employee relations, industrial action, staff leaving, absenteeism, being short staffed.	.....
Activity of business .....		.....
Legal consequence .....		.....
.....	
.....	Exemplar responses: Name of business: Youth Today Activity of business: Children's charity One legal consequence to Youth Today of failing to comply with the Equality Act is that it might be fined (1) if its selection procedure favours men (1). One non-legal consequence to Youth Today of failing to comply with the Equality Act is that charity might gain a bad reputation (1) for treating its staff unfairly (1).	.....
Non-legal consequence .....		.....
.....	
.....	

[4]

24 Analyse one advantage and one disadvantage to a business that you have researched, of being organised by geographic location.

Name of business ...	Responses include: <ul style="list-style-type: none"> • advantage e.g. close to market, responds to local culture, gain local custom, customer service enhanced by speaking to local representative, local managers understand local behaviour, can target local customer needs, motivated by local goals, strong collaborative teams (not remote workers) • disadvantage e.g. duplication of effort and activities, duplication of infrastructure and business support services, high cost, lack of economies of scale, lack of consistency across the organisation, regions may compete for organisational resources, employee expertise does not easily transfer to other branch locations.	.....
Activity of business...		.....
Advantage .....		.....
.....	
.....	Exemplar responses: Name of business: Go Insurance Ltd Activity of business: Insurance Broker One advantage to Go Insurance Ltd of being organised by geographic location is that the workforce is taken from the local area (1). The workforce should, therefore, have a good understanding of the needs of customers in the area (1), leading to better customer satisfaction and higher sales revenue (1). One disadvantage to Go Insurance Ltd of being organised by geographic location is that each branch requires its own IT and printing facilities (1). This means that resources are duplicated across the company's branches (1), leading to higher operating costs (1).	.....
Disadvantage .....		.....
.....	
.....	

[6]

Mark scheme guidance

Question 23:

One mark for a legal consequence, plus a further one mark for understanding of the Equality Act.

AND

One mark for a non-legal consequence, plus a further one mark for understanding of the Equality Act.

Answer should relate to the business which the learner has researched.

Consequence required to award a mark. Additional mark for **understanding** of the **Equality Act**.

Question 24:

One mark for an advantage, plus one mark for explanation and a further one mark for analysis.

AND

One mark for a disadvantage, plus one mark for explanation and a further one mark for analysis.

Answer should relate to the business which the learner has researched.

In each case:

- First mark for advantage/disadvantage to the business.
- Second mark for any development (including explanation, description, further consequence or analysis).
- Third mark must be analytical i.e. consequence to the business (not to customers, employees etc).

NB Question is about being **organised** by location, not about having several locations.

Do **not** award arguments relating to location of business, having several branches or the amount of competition.

Do **not** award arguments relating to centralisation.

Examiner comments

Question 23 – The vast majority of candidates were able to suggest a legal and non-legal consequence of breaking the law, thus gaining at least two marks on this question. The most popular legal consequence was ‘a fine’ and the most popular non-legal consequence was ‘damage to reputation’. Those candidates who scored full marks gave an explanatory answer, i.e. suggesting what the business might have done wrong to fail to comply with the Equality Act. For the legal consequence, an answer such as ‘the business might be fined for discriminating against female workers’ would have sufficed for full marks. Likewise, an answer such as ‘refusing to employ workers with ethnic minority backgrounds might lead to a bad reputation for the business’, would have sufficed for full marks for the non-legal consequence.

Question 24 – Despite being clearly indicated on the pre-issued research brief, this question was very poorly answered. Centres would be advised to ensure that candidates clearly understand the concept of being organised by geographic location. Having many branches or being located all over the world does not mean that a business is organised by geographic location. In fact, in the globalised world fewer and fewer businesses are organised by this method. Fifty years ago, without instant communication by phone, mobile or the internet, branches needed to have senior personnel on site at all locations to make immediate important decisions. Now, more often than not firms can quickly communicate with head office and do not need expensive personnel working at each branch. Please see the mark scheme for a list of acceptable answers to this question.

Question 25

- 25 Explain **one** way in which the human resources function and operations management function work together to benefit a business that you have researched.

Name of business

Activity of business.....

Use level of response criteria.

Responses include:

- human resources – recruitment e.g. advertising vacancies; selection e.g. interviewing; skills gap analysis; training e.g. induction, on-the-job, off-the-job; issue contracts of employment; payroll; reward systems; discipline; dismissal e.g. redundancy; dealing with sickness and personal issues.
- operations management – production e.g. quality, quantity; stock control; quality control; quality assurance; packaging; despatch; on-site maintenance and repair.

Exemplar responses:

Name of business: Pintot plc

Activity of business: Chocolate manufacturer

Human resources ensure staff are trained to operate the chocolate-making (CONT) machines safely (L2 – 4 marks).

Human resources ensure staff are trained to operate the production-line machines safely (L2 – 3 marks).

The operations functional area makes chocolate (CONT) (L1 – 2 marks).

Human resources recruit staff whereas operations makes things (L1 – 1 mark).

[4]

Mark scheme guidance

Levels of response

Level 2 (3–4 marks)

Candidate shows understanding of how the human resources and the operations management function can work together to benefit the business.

Level 1 (1–2 marks)

Candidate shows some knowledge of what the human resources function and/or operations management function does.

Award bottom of the appropriate level for a **non-contextual** response.

Award top of the appropriate level for a **contextual response** (CONT annotation required).

Minimum requirement for Level 2:

Knowledge of what HR does (e.g. HR recruit); knowledge of what Operations does (e.g. Operations make products); working together.

Do **not** award Level 2 to responses that suggest Operations is in overall control of the business.

Do **not** award 'HR responsible for employees'.

Do award 'HR responsible for the welfare of the employees'.

Do award 'HR responsible for the safety of the employees'.

Examiner comments

Many candidates were able to correctly identify a human resource function e.g. hire, interview and train staff. Far fewer were able to correctly identify an operations management function e.g. production. Similar to last session, many responses confused operations management with senior management, and incorrectly suggested that operations management would distribute staff to the rest of the firm. Of those answers, which did grasp the role of both functional areas and were, therefore, able to fully answer the question, most responses lacked context. Answers without context were limited to 3 of the available 4 marks. Answers which used the word 'product', rather than referring to a specific type of item manufactured were all too common. Although there were other ways to do it, simply replacing 'product' with 'groceries' (if writing about Asda) or 'cars' (if writing about BMW) would have put the answer into context, moving from 3 to 4 marks.

Exemplar Candidate Work

Question 25 – Low level answer

25 Explain **one** way in which the human resources function and operations management function work together to benefit a business that you have researched.

Name of business high school

Activity of business..... School - Education

Human resources function works with management function is when they are looking for employees. H-R function asks Management if they are in need of any new members of staff and what field they have to be in. This is beneficial for a business as it will allow the business to run smoothly with any gap in staffing

[4]

Commentary

To fully answer this question a candidate needs to:

- show an understanding of what the human resources function does
- show an understanding of what the operations management function does
- show an understanding of how the two functions can work together to benefit a business
- provide a contextual answer pertaining to the business of their choice.

This response shows an understanding that the human resource function deals with recruitment and staffing issues. Unfortunately, there is now clear reference to the role of operations management. In this case, the operations management function, would be teaching (since the candidate has selected a school). A low mark is awarded.

A comment about finding an additional maths teacher or science technician would have sufficed to put the answer into context and show an understanding of what the operations management function does. This would have significantly improved the mark awarded.

Thinking that the operations management function refers to the management in charge of an organisation is a common misunderstanding by candidates. Operations management always refers to the core function of the organisation. For some students this can be a particularly difficult concept to grasp, especially when a tertiary sector organisation is chosen. Candidates who have difficulty with the concept of operations management may be best advised to select a secondary sector business. For all secondary sector businesses, the physical production (or construction) of goods makes the role of operations management less abstract and more understandable.

Exemplar Candidate Work

Question 25 – High level answer

- 25 Explain one way in which the human resources function and operations management function work together to benefit a business that you have researched.

Name of businessTarmac.....

Activity of business.....building material group.....

The human resources function and the operations management function ~~works~~ ^{work} together effectively to benefit a business, as one reason for this is because the human resources team provides training and guidance, which help the operations management team to be guided in the right path. The operations management team deals with manufacturing finished goods, which means the Human Resource team can help by 'training them and guiding them in an ~~an~~ effective way to approach [4] ~~the~~ task.

This is an advantage for Tarmac as it will help the business to be in a safe and organised position. It can also help the business by help the business to grow fast, which appeals to customers. This ~~can~~ could then eventually increase sales and revenue and profit.

Commentary

To fully answer this question a candidate needs to:

- show an understanding of what the human resources function does
- show an understanding of what the operations management function does
- show an understanding of how the two functions can work together to benefit a business
- provide a contextual answer appertaining to the business of their choice.

This response shows:

- an understanding of what human resources do i.e. 'training and guidance'
- an understanding of what operations management do i.e. 'manufacturing finished goods'
- an understanding of how the two functions work together to benefit the business.

The candidate has chosen the business 'Tarmac' and gives a detailed answer. Sadly, all of the references in the response are generic e.g. 'goods', 'effective way', 'safe', 'organised' and 'customer'. The answer cannot be deemed to be contextual. The response is, therefore, awarded just short of full marks.

To gain full marks the response needed to show specific context. The addition of one or more contextually specific words would have sufficed e.g. road, aggregate, surface, driver, road user, vehicles, highway etc.

Section C

Section C

Read the Scenario below. Answer **all** the questions in this Section.

Business scenario: *RB Builders*

In 2016 Robert, a fully qualified builder, planned the start up of his own business. Operating as a sole trader, *RB Builders* would build affordable 2-bedroomed houses suitable for first-time buyers.

RB Builders would build two houses at a time. Each pair of houses would take two months to build. Robert hoped that he could sell each house for £150 000. This would give the business a return of £20 000 per house, more than twice the 6% average for the industry. However, the business would not receive any revenue until a buyer was found for the first house. Robert produced a business plan, in order to secure a variable rate bank loan to cover the initial cost of buying the land. In January 2017 Robert left his current job; *RB Builders* employed four builders and began trading. Robert spent all his savings buying raw materials and tools, and hiring machinery.

Despite sometimes coming close to its £50 000 overdraft limit, *RB Builders* ended its first year of trading with a bank balance of £180 000. However, so far in 2018 it has only finished building two houses. One of these was sold for almost the full asking price of £150 000, the other was sold at a substantial discount for a quick sale. Two further houses are currently under construction. One of these is on a plot reserved by Ms Tait. Ms Tait requires the house urgently and has paid a £500 reservation fee. Robert has promised that the house will be ready in two weeks' time, but the project is falling behind. If the house is not completed on time, the business risks losing the sale.

Robert has asked his workforce to work extra hours at evenings and weekends to complete the house for Ms Tait. However, the employees are not happy even though overtime is paid. They cancelled family festivities just before Christmas to complete a house for Robert, but did not get a bonus or even a 'thank you'. Moreover, despite Robert paying himself an annual salary of £30 000, their pay is well below the going rate for qualified tradespeople. The employees also believe that Robert is putting their safety at risk by taking shortcuts to save money. One of the forklift trucks has a faulty throttle and they have had no training to use the bulldozer, in breach of the Health and Safety at Work Act.

The builders have asked to speak to Robert about their concerns. However, he claims that he is too busy. Robert is fed up of them moaning. He prefers to work with bricks rather than people.

A cash flow statement for *RB Builders* from January to April 2018 is shown in **Fig. 1** on page 13.

Fig. 1: Cash flow statement for *RB Builders*, January – April 2018

	Jan	Feb	Mar	Apr
Cash inflow:				
Sales revenue	£149 000	£140 000	£0	£0
Reservation fee	£500	£0	£500	£0
Total inflow	£149 500	£140 000	£500	£0
Cash outflow:				
Land	£120 000	£0	£120 000	£0
Raw materials e.g. bricks, timber, tiles	£44 000	£44 000	£44 000	£44 000
Wages and salaries (including Robert's salary and employee overtime)	£9000	£11 000	£9000	£10 000
Bank loan (currently 4% per annum)	£2000	£2000	£2000	£2000
Other expenses (including insurance, marketing and overdraft charges)	£14 500	£13 500	£14 500	£13 500
Total outflow	£189 500	£70 500	£189 500	£69 500
Net cash flow	(£40 000)	£69 500	(£189 000)	(£69 500)
Opening balance	£180 000	£140 000	£209 500	£20 500
Closing balance	£140 000	£209 500	£20 500	(£49 000)

Examiner comments

Question 26 – This question revealed a basic lack of understanding by many candidates. A large proportion of candidates were unable to identify that a builder is active in the secondary sector. This is an area of the specification that may warrant further consideration. Candidates should understand that the primary sector extracts raw materials, the secondary sector manufactures goods and the tertiary sector provides services. As such, a builder fits clearly within the secondary sector. Candidates would benefit from plenty of practice at identifying the activity types of various businesses..

Question 27 – Most candidates scored full marks on this question by suggesting two items that should be included in a business plan. The most common correct answers were ‘cash flow forecast’, ‘resource requirements’ and ‘market research findings’.

Examiner comments

The range of answers received for this question was very pleasing. Candidates appeared to have a good grasp of why new businesses fail. Answers ranged from financial factors, through to staffing issues and marketing strategies. Some candidates attempted to identify what might cause RB Builders to fail. While not required by the question, it was a valid approach and was awarded.

Question 29

29 Using the information in **Fig.1** and any other relevant information, should Robert be concerned about the state of *RB Builders'* finances? Give reasons for your answer.

[12]

Use level of response criteria.

Responses include:

- positive opening balance for January
- negative closing balance for April
- insufficient revenue
- haemorrhaging cash
- April closing balance close to overdraft limit of £50,000
- revenue sporadic, only two houses built and sold this year (instead of the predicted four)
- February's sale had a reduction of £10,000 – faster sale but lower revenue
- variable costs remain constant
- some overtime appears to have been used
- cash outflow is higher than inflow on three of the four months
- need to complete Ms Tait's house to gain sufficient income to pay wages and salaries in May
- 13% return is good, but may be unrealistic long term
- possibly reduce price to gain more sales (industry average return of 6% indicates selling price in the region of £140,000)
- need a larger overdraft or additional source of finance
- cannot afford to pay the workforce the going rate
- could lose Ms Tait's custom, further jeopardising cash flow.

Exemplar responses:

e.g. Revenue in March was zero (**L1**). Failure to complete one house per month is leading to a lack of revenue (**L2**). Although the houses will eventually be completed and sold, this delay is crippling the business' cash flow position (**L3**).

The closing balance for April is virtually on the overdraft limit (**L2**). Robert needs to ask the bank to extend the overdraft limit, even if it is just for one month until the current two houses are sold (**L3**).

Whilst cash flow problems in the construction industry (**CONT**) are to be expected, if the bank refuses to extend *RB Builders'* overdraft then the business is in a very serious situation and Robert should be extremely concerned. He will need to secure an immediate alternative source of finance or employees will not be paid and the business will not survive (**L4**).

Mark scheme guidance

Levels of response

Level 4 (10–12 marks)

Candidate evaluates whether Robert should be concerned about the state of *RB Builders'* finances.

Level 3 (7–9 marks)

Candidate analyses *RB Builders'* finances.

Level 2 (4–6 marks)

Candidate explains *RB Builders'* finances.

Level 1 (1–3 marks)

Candidate identifies *RB Builders'* finances.

The question solely relates to the **financial** state of the business.

L1 – makes accurate statements from the financial data/information e.g. January opening balance £180,000.

L2 – shows understanding of the financial data/information e.g. the closing balance in April was negative; or causes of issues identified.

L3 – consideration of whether the L1/L2 point is good/bad for the business with reasoning i.e. this is worrying because ..., or suggested action which needs to be taken to improve the situation.

L4 – overall judgement of the financial state of the business which builds from previous analysis.

Award 10 marks for a generic argument e.g. should/should not be concerned because ...

Award 11 marks for an argument with context e.g. should/should not be concerned because ... (with context).

Award 12 marks for a detailed, contextual, two-sided argument e.g. weighing up both positive and negative aspects or weighing up the current versus future situation or the short term versus long term situation.

NB Do **not** award causes and/or solutions to issues as L4. L4 requires a judgment of the financial state of the business, not what caused it or how it can be improved.

Examiner comments

This question is a data response question, which required the candidate to consider the data provided. Although a small amount of data relating to a >12% return was included in the text, the vast majority of the data was found in the cash flow statement. The question did not require candidates to suggest the causes of any issues identified or, indeed, any solutions to any issues identified. However it did require candidates to understand that the document given was historic i.e. a statement and not a forecast, in order to correctly interpret the figures.

Similar to last year, the most common error was to confuse cash flow with profit or loss. Statements about the business making profits or losses in various months could not be awarded. Another concern, which again occurred in previous series, is the number of candidates who failed to interpret the figures given in brackets correctly. Whilst some candidates appeared to overlook the brackets entirely, others erroneously believed the brackets to indicate positive figures and assumed that all other figures were negative.

Question 30

30 *RB Builders'* estimated costs and revenues for 2018 are:

- fixed costs: £290 000 for the year
- variable cost: £105 000 per house
- revenue: £150 000 per house.

(a) Calculate the number of houses *RB Builders* needs to sell to break even in 2018.

Indicative content:

$$\frac{£290,000}{£150,000 - £105,000} = \frac{£290,000}{£45,000 (1)} = 6.44 (+1)$$

Correct answer = 7.

e.g. 7 (3)

e.g. 6.44 (2)

e.g. 6 (2)

e.g. £45,000 (1)

[3]

(b) Explain **two** ways *RB Builders* could lower its break-even point.

1. Responses include:

- increase selling price
- decrease variable costs e.g. find a new supplier for materials, buy cheaper land, use less overtime, buy in bulk, reduce the number of labourers, find a cheaper overdraft, reduce overdraft interest charges by using an alternative source of funds, etc
- decrease fixed costs e.g. reduce salaries, vehicle costs, find a cheaper bank loan, marketing, insurance, etc.

2.

Exemplar responses:

RB Builders could lower its break-even point by finding a cheaper supplier (1) of building materials. This will lower its variable costs (1).

RB Builders could increase the price it charges for each house (1), to increase total revenue (1).

[4]

Mark scheme guidance

Question 30(a):

Up to three marks.

Award full marks for the correct answer (i.e. 7) irrespective of workings.

Award max. two marks for failing to round or rounding down i.e. 6, 6.4, 6.44 etc.

Else award 1 mark for £45,000 if seen.

NB No units are required '7' is entirely sufficient for 3 marks. However, if incorrect units are given e.g. '£7' then award max two marks.

Question 30(b)

One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.

Accept any specific examples that are appropriate for *RB Builders*.

Accept 'decrease costs' only if it is not a repeat i.e. do not accept 'decreased fixed costs' if it has already been given.

Do **not** award answers which relate to increased/improved marketing or lowering prices or selling more as these do not lower the break-even point, they only help the business reach breakeven sooner.

Award 'increase revenue' as the explanation mark only. Accept explanations relating to increasing the contribution. Watch out for repetition.

Examiner comments

Question 30(a) – This question dichotomised candidates. Those who knew the formula and could apply it versus those who were grappling in the dark. Most who were able to quote the formula were able to calculate the correct answer of 7. Of those who did not, the most common error was to leave the answer unrounded, or to round down. Despite the calculation resulting in an answer of 6.44, the answer needs to be rounded up. The builder cannot sell 0.44 of a house, so until the seventh house has been sold the business has not broken even.

Some of the candidates who did not know the formula, had a good enough understanding of the concept of break-even to work it out longhand by calculating the revenue and cost for different numbers of houses, seeking the house where revenue began to exceed expenditure. Such candidates were also awarded full marks. Disappointingly some candidates made no attempt at answering the question and left the response space entirely blank

Question 30(b) – Many candidates were able to suggest two ways that *RB Builders* could lower its break-even point, even those who had been unable to calculate the break-even point in question 30a. The most common correct answers were 'finding a cheaper supplier to lower variable cost' and 'raising prices to increase revenue'. Some candidate responses revealed confusion between lowering the break-even point and reaching it sooner. A strategy of reducing house prices or increasing marketing might lead to more sales, so that the break-even point is reached earlier in the year; however, both methods have actually increased the number of houses, which need to be sold to break-even. A candidate response that suggested that the building firm should reduce its prices or increase its marketing spend could not be awarded.

Exemplar Candidate Work

Question 30(a) – Low level answer

30 *RB Builders'* estimated costs and revenues for 2018 are:

- fixed costs: £290 000 for the year
- variable cost: £105 000 per house
- revenue: £150 000 per house.

~~290000~~
3x

(a) Calculate the number of houses *RB Builders* needs to sell to break even in 2018.

selling price per house = £150000.

$$\frac{290000}{105000 - 150000} = \frac{290000}{-45000} = -$$

$$105000 - 150000 = -45000$$

$$\frac{290000 - 105000}{150000} = \frac{185000}{150000} = 1.2333 \dots [3]$$

Commentary

The candidate's initial response shows an almost correct application of the breakeven formula (selling price and variable cost are the wrong way around). However, this response is crossed out and the later attempt i.e. deducting variable cost from fixed cost and then dividing that into the revenue, is incorrect.

The initial attempt did show the contribution figure of £45,000 (and is not crossed out). Despite being shown in the negative, this can be awarded and the candidate gains a mark for this figure.

To improve this answer the candidate needs to know and use the correct formula for calculating breakeven i.e.

$$\frac{\text{Fixed cost}}{\text{Selling price} - \text{variable cost per unit}}$$

Exemplar Candidate Work

Question 30(a) – High level answer

30 *RB Builders'* estimated costs and revenues for 2018 are:

- fixed costs: £290 000 for the year
- variable cost: £105 000 per house
- revenue: £150 000 per house.

(a) Calculate the number of houses *RB Builders* needs to sell to break even in 2018.

$$\text{Break even} = \frac{\text{Fixed costs}}{\text{variable costs} - \text{other expenses}}$$

$$6 = \frac{290\,000}{150\,000 - 105\,000}$$

6 houses

[3]

Commentary

Despite quoting the breakeven formula incorrectly the candidate does provide the correct calculation (albeit the contribution is shown in reverse). A high level mark is awarded for the answer '6 houses'.

To gain full marks the calculation should have been carried out to a greater degree of accuracy e.g. 6.44 houses. This would have revealed that the business would not cover its costs if only 6 houses were sold. Since 0.44 of a house cannot be sold, the business would need to sell 7 houses in order to breakeven.

Rounding breakeven calculations down to the nearest whole number is a common error among candidates. Breakeven calculations which do not give integer values always need to be rounded up, rather than down. Even if the answer to the calculation is, say, 8.001 units, the business would not breakeven until it has sold 9 units.

Question 31

31 Evaluate likely impacts on *RB Builders* of an increase in interest rates.

[12]

Use level of response criteria.

Responses include:

- bank loan more expensive
- overdraft costs more
- mortgages more expensive
- lower disposable income
- increased tendency to save
- less likely to borrow
- less likely to spend
- higher reward for savings
- lower demand for house purchases
- cheaper houses become more popular.

Exemplar responses:

An increase in interest rates will increase the cost of borrowing (**L1**). This will mean *RB Builders* will have to pay out more each month (**L2**), leading to further cash flow problems (**L3**).

An increase in interest rates will also make mortgages dearer for *RB Builders*' potential customers (**L1**). This may lead to a fall in sales (**L2**) making it harder for the business to reach its break-even point (**L3**).

Overall, the effect on *RB Builders* caused by potential customers not being able to afford a mortgage (**CONT**) is likely to have a far greater impact than the change in the cost of its bank loan. This is because, whereas the change in interest rates may affect the business by a couple of hundred pounds a month, a loss of just one customer would mean a fall in revenue of £150,000.

That said, since *RB Builders* produces small starter homes, the increase in interest rates might actually work in its favour. The business may see an increase in sales as customers, who were originally thinking of purchasing a more expensive property elsewhere, choose to buy a cheaper, more affordable basic home from *RB Builders* (**L4**).

Mark scheme guidance

Levels of response

Level 4 (10–12 marks)

Candidate evaluates likely impacts on *RB Builders* of an increase in interest rates.

Level 3 (7–9 marks)

Candidate analyses likely impact(s) on *RB Builders* of an increase in interest rates.

Level 2 (4–6 marks)

Candidate explains likely impact(s) on *RB Builders* of an increase in interest rates.

Level 1 (1–3 marks)

Candidate identifies likely impact(s) on *RB Builders* of an increase in interest rates.

L1 – a relevant impact of increased interest rates (to the business or its stakeholders e.g. customers or employees).

L2 – any development of identified impact which shows understanding but that stops short of being analytical.

L3 – analysis which is business facing i.e. a (further) impact on the business (max one L3 per L1/L2 point).

L4 – an overall judgement on the impacts of an increase in interest rates on the business, supported by previous analysis.

Award 10 marks for a generic argument.

Award 11 marks for an argument with context (within the evaluation itself).

Award 12 marks for a detailed, specific, contextual argument (within the evaluation itself) which selects the greatest, most serious or most likely impact, etc.

Examiner comments

Candidates who scored well on this question considered the impact on *RB Builders* of an increase of interest rates on its costs and on its revenues. Arguments about additional charges for the bank loan or the overdraft increase business costs were the most common. Arguments about reduced disposable income and more expensive mortgages impacting the building firm's revenue were seen less frequently. However when addressed, the arguments were well presented.

Most candidates who could identify at least one impact of an interest rate hike on *RB Builders* were able to analyse the impact. The most frequent analytical comments focused on a reduction in profit or an increased risk of insolvency. Such answers were awarded a Level 3 mark.

Unfortunately, some good and detailed answers stopped short of achieving the highest of marks because there was no attempt at a conclusion. A conclusion would allow the candidate to evaluate the overall impact of an interest rate hike on *RB Builders*, allowing the candidate access to a Level 4 mark. Those who attempted an overall judgement using contextual argument gained a minimum mark of 11 out of 12. Full marks was reserved for a candidate who could suggest which was the biggest impact on the building firm and justify why this might be the case.

Some candidates scored poorly on this question, far below their performance on the other two 12 mark questions on the paper. The main issue appears to have been a tendency to confuse interest rates with inflation. This confusion was far more common than examiners expected to see. Arguments suggesting that the costs of raw materials would rise could not be awarded. Likewise, arguments that house prices would rise could not be awarded. Candidates need a good understanding of how changes in the five economic factors given on the specification (interest rates, exchange rates, inflation, unemployment and taxation) can impact a business.

Exemplar Candidate Work

Question 31 – Low level answer

31 Evaluate likely impacts on *RB Builders* of an increase in interest rates.

[12]

RB Builders ~~may~~ may face likely impacts such as getting into an debt from interest rates.

An increase in interest rates would mean RB Builders to pay an specific amount for a long amount, the rates will go even higher which will cause the RB Builders to pay more.

The salary for the works may change because of too much morey being spend on supplies and interest rates.

The maintenance cost will be more expensive than usual to manage.

Commentary

It can be seen from the mark scheme that this twelve mark question is level of response marked. Candidates are awarded a mark in accordance with the highest level they achieve. Level 1 relates to knowledge, Level 2 relates to understanding, Level 3 to analytical skill, Level 4 to evaluation.

It is questionable whether the response from this candidate relates to interest rates or inflation. Suggestions that supplies and maintenance costs will become more expensive suggest it might be the latter. Nevertheless, by combining the reference to 'debt' in the first paragraph with the reference to 'pay more' in the second paragraph a low Level 2 mark is awarded.

To improve this answer the candidate needs to be clearly talking about interest rates (rather than inflation) and make their answer more detailed and specific i.e. what debt? A better answer would explain the impact on RB Builders' bank loan and on the overdraft. In addition, it would consider the impact on customers and the demand for housing.

Exemplar Candidate Work

Question 31 – Medium level answer

31 Evaluate likely impacts on *RB Builders* of an increase in interest rates.

[12]

The likely impacts on RB Builders of an increase ~~in rates~~ in interest rates is that the amount ~~pe~~ Robert is paying back on his loan would increase. This leads to an increase in outflow so Robert could be making a loss as outflow might overcome inflow.

Another impact on RB Builders is that the housing market might see a decrease. This being because an increase in interest rates ^{means} mortgages ~~repaym~~ would be higher so buyers wouldn't invest in buying a house so this would impact RB Builders as that market won't be doing good.

Commentary

This is a good Level 2 answer. The candidate clearly explains that an increase in interest rates would increase the bank loan payments and increase cash outflows. The candidate also considers the impact on demand by explaining that an increase in mortgage rates would reduce demand for RB Builders' properties.

The response is close to being analytical but falls just short at the end of both paragraphs. To move this response to Level 3 the candidate needs to express the consequences to the business of their previous points more accurately (paragraph 1) and more specifically (paragraph 2).

For example, in the first paragraph the analytical attempt is 'making a loss'. This attempt is deemed inaccurate. Since the candidate's previous point was 'an increase in outflow' the comment about 'making a loss' cannot be awarded because cashflow and profit/loss are different concepts and not interchangeable. Had the candidate written 'negative net cashflow' instead of 'making a loss' then Level 3 would have been awarded.

Likewise, in the second paragraph there is an attempt at analysis i.e. 'so this would impact RB Builders as that market won't be doing good'. This attempt is deemed too vague. What is the impact? How will it impact? The examiner was looking for something specific e.g. fewer sales, lower revenue, or a need to reduce prices to attract customers etc.

Exemplar Candidate Work

Question 31 – High level answer

i- less disposable income, as people want savings.

31 Evaluate likely impacts on *RB Builders* of an increase in interest rates.

[12]

One likely impact on *RB Builders* of an increase in interest rates is that they may not generate sales in houses. This is due to the fact that since interest rates are higher, more customers would want to invest in savings as opposed to a house, which decreases their disposable income with less to spend, and with houses being a large investment, it is likely that *RB Builders* may not sell as many houses, and therefore suffer from loss of profits or be unable to ~~pay~~ afford expenses, or pay off debts, which overall could lead to failure of *RB Builders* as a business.

Another likely impact is that *RB Builders* may have to pay back more on the current overdraft, as the interest rate has increased, as well as bank loan. This will increase their costs, and as a result it will be harder to obtain profit and reach a breakeven point. This may lead to *RB Builders* having no choice but to source cheaper raw materials, cut wages, or potentially make employees redundant, all in order to cut costs.

Commentary

This is a high level 3 answer because it clearly states, explains and analyses the impact on the business of an increase in interest rates. Even more pleasingly it covers both sides of the argument i.e. the impact on revenue and cost (or supply and demand).

The arguments put forward are specific and contain lots of links in the analytical chain of argument from initial impact to further consequence to the business. In the first paragraph – customers will save rather than buy a house, reducing their disposable income, negatively impacting RB Builders' sales and profit, possibly leading to it being unable to afford its expenses or pay off its debts which could lead to business failure. In the second paragraph – pay more on overdraft and bank loan, increasing business costs and making it harder to breakeven, possibly leading to the business having to source cheaper raw material, cut wages or make employees redundant.

To improve this answer the candidate needs to provide an evaluative response. The question begins 'Evaluate likely impacts ...'. The response provided gives a very good 'analysis' of likely impacts, but it does not 'evaluate' them. To evaluate the candidate needs to make some form of judgement. This could be done throughout the response or, as more commonly seen, in a conclusion at the end of the response.

The basis for the evaluation can be chosen by the candidate. Perhaps this candidate could consider the severity of an increase in interest rates (a small increase or a substantial one) or whether the impact on supply or demand is the greatest; alternatively, they could consider the likelihood of these impacts occurring or the whether the impacts on costs or the impacts on revenues are likely to have the greater long-term impact. Such responses would be awarded a mark within the Level 4 mark band.

Question 32

32 Evaluate possible consequences to *RB Builders* if Robert continues to ignore the concerns of his workforce.

[12]

Use level of response criteria.

Responses include:

- loss of goodwill
- workers may leave
- being understaffed
- higher absenteeism
- poor punctuality
- higher wastage
- negative effect on motivation/morale
- lower output e.g. fewer houses built
- reduced productivity
- lower quality
- poor reputation/image
- more problems with meeting deadlines
- lose orders
- increased costs
- poor industrial relations
- even more staff complaints
- industrial action e.g. strikes, overtime ban
- increased likelihood of accidents
- risk of injuries/sickness/death
- legal action for breach of HASAW Act
- bad publicity
- additional recruitment costs.

Exemplar responses:

If Robert continues to ignore the builders then they may become even more disillusioned (**L1**). This may lead to them turning up on site late for their day's work (**L2**), consequently leading to fewer houses being built (**L3**).

There is also a high likelihood that one of the four employees will be injured by the forklift truck if Robert does not arrange to have it fixed (**L1**). Any injuries could lead to court action being taken against *RB Builders* (**L2**). *RB Builders* may be required to compensate for any injuries, thus increasing the business' costs (**L3**).

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Both of these consequences would have an impact on *RB Builders*' profits, the first by reducing revenues and the second by increasing costs. However, even more serious than this would be the effect of both of these on cash flow. Cash inflows would be reduced and outflows would be increased. This is a very serious problem given the business' current cash flow crisis (**CONT**), the business may not survive (**L4**).

Mark scheme guidance

Levels of response

Level 4 (10–12 marks)

Candidate evaluates possible consequences to *RB Builders* if Robert continues to ignore the concerns of the workforce.

Level 3 (7–9 marks)

Candidate analyses possible consequence(s) to *RB Builders* if Robert continues to ignore the concerns of the workforce.

Level 2 (4–6 marks)

Candidate explains possible consequence(s) to *RB Builders* if Robert continues to ignore the concerns of the workforce.

Level 1 (1–3 marks)

Candidate identifies possible consequence(s) to *RB Builders* if Robert continues to ignore the concerns of the workforce.

L1 – a possible consequence of ignoring concerns of the workforce (to the business or its stakeholders e.g. customers or employees).

L2 – any development of identified consequence which shows understanding but that stops short of being analytical.

L3 – analysis which is business facing i.e. a (further) consequence to the business (max one L3 per L1/L2 point).

L4 – an overall judgement on the consequences on a business of ignoring the concerns of the workforce, supported by previous analysis.

Award 10 marks for a generic argument.

Award 11 marks for an argument with context (within the evaluation itself).

Award 12 marks for a detailed, specific, contextual argument (within the evaluation itself) which selects the greatest, most serious or most likely consequence, etc.

Do **not** award solutions.

Consequences must be negative.

Examiner comments

In contrast with question 31, candidates showed good knowledge of the consequences to a business of not listening to its workforce. They were able to explain their suggestions e.g. may quit their jobs (Level 1) because they feel the forklift truck is not safe (Level 2). Those who scored more highly were able to analyse their suggestions e.g. ... leaving *RB Builders* too short staffed to finish Mrs Tait's house in time to complete the sale.

Disappointingly few candidates attempted a conclusion or any such judgement on the severity of the consequences. For a Level 4 mark, examiners were looking for a judgement as to the likely effect of continuing to ignore the concerns of the workforce, or a judgement as to which was the most severe impact. Candidates need to understand that an evaluative question requires some form of overall decision to be made. Whilst not the only way to achieve Level 4 marks, the easiest way to guide candidates is to suggest that they write a conclusion summarising and ranking their findings and suggesting the overall or most severe impact.

Question 33

33 Robert is considering taking on a business partner to share his workload.

Identify **one** disadvantage to Robert of taking on a business partner.

Responses include:

- have to share the profit
- potential disagreements/conflict
- possibility of tension between partners/strained relationship
- decisions have to be agreed by both parties
- slower decision making
- bound by each other's decisions
- affected by each other's actions
- loss of control
- jointly and severally liable.

.....

..[1]

Mark scheme guidance

One mark for a correct identification.

Must be negative.

Do **not** accept 'share revenue', 'share finances'.

Examiner comments

A straightforward question to finish that was answered correctly by most candidates. Of those who did not achieve the mark the most common incorrect answers were advantages rather than disadvantages. Candidates should take care to read the question carefully. It is all too easy in the heat of the examination to misread 'disadvantage' as 'advantage' as several candidates appear to have done on this question.



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