



Cambridge Technicals Business

Unit 3: Business decisions

Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for January 2019

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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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Annotations

Annotation	Meaning
Tick	Valid point, mark awarded
Cross	Incorrect
Question mark	Response unclear
BOD	Benefit of doubt (mark awarded)
TV	Too vague (mark not awarded)
REP	Repetition (no additional marks awarded)
NAQ	Not answered question (incorrect focus)
L1	Level 1 response (identification)
L2	Level 2 response (explanation)
L3	Level 3 response (analysis)
L4	Level 4 response (evaluation)
CONT	Context (required for L4 only)

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>Possible responses:</p> <ul style="list-style-type: none"> • Consumer tastes and preferences e.g. responses to social media, in response to changes in income • Consumer demographics e.g. age profile • Competitor actions e.g. prices, attractions, technology investment 	2	<p>This question assesses synoptic knowledge from Unit 1 LO6: Understand the external influences and constraints on businesses and how businesses could respond.</p> <p>One mark for each of two valid changes. Each factor must be different.</p> <p>Accept any factor that is external to <i>CCFM</i> and related to the leisure market.</p>
1	(b)	<p>Responses include:</p> <ul style="list-style-type: none"> • Carl may be risk averse... • ...in which case he may be reluctant to pursuing options that have a high reward but low chance of success • Carl may be a risk taker... • ...in which case he may be willing to move to the city as the rewards there may be greater. <p>Example response: Carl may not want to take a big risk (1) because he may fear losing the home he inherited (1).</p>	2	<p>One mark for identifying Carl's possible attitude to risk. One mark for identifying a logical consequence of this attitude to risk.</p>

Question		Answer	Marks	Guidance
1	(c)	<p>Possible factors influencing validity:</p> <ul style="list-style-type: none"> • Detail • Quality • Date • Complexity • Intended use • Relevance • Bias • Reliability <p>Possible responses include:</p> <ul style="list-style-type: none"> • The report is arguing a one-sided case/biased • The organisation may have a political agenda/its own interests • The report is likely to be out of date. • The information may not be relevant to Carl and <i>CCFM</i> <p>Example response: The report is likely to be out of date (1) because it was published in 2007 (1).</p>	4	One mark each for identifying/implying two relevant factors (max 2 marks) and one mark for explaining each factor (max 2 marks).

Question		Answer	Marks	Guidance
2	(a)	<p>Indicative content:</p> <p>$4.00 - 0.50 = 3.50$ (2)</p> <p>Selling price – Variable cost (1)</p>	2	<p>Up to two marks:</p> <p>No workings required</p> <p>Award full (2) marks for 3.50. Accept 3.5</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>
2	(b)	(i) <p>Possible responses:</p> <ul style="list-style-type: none"> £1.50 is very low – only a £1 contribution Less revenue per visitor, so lowering overall income/profit It might make the museum crowded If some visitors find out that others are being charged a lower price they might get upset/ask for a similar low price. <p>Example response:</p> <p>It might make the museum very crowded (1) meaning that some people who are prepared to pay full price may not want to come in (1).</p>	2	<p>One mark for identification, plus one mark for explanation.</p> <p>Do not accept ‘this may not be profitable’ as too vague.</p>
2	(b)	(ii) <p>Possible responses:</p> <ul style="list-style-type: none"> the ticket price will make a positive contribution towards fixed costs the ticket price is higher than the variable costs of each visitor The contribution, though small, will be paid by additional visitors <p>Example response:</p> <p>It makes financial sense because the admission price is more than the variable costs (1) so each visitor will help to pay off some of the fixed costs (1).</p>	2	<p>Up to two marks.</p> <p>Answers must relate to the per unit contribution received.</p> <p>Award 1 mark for a reference to revenue increasing.</p>

Question		Answer	Marks	Guidance
3	(a)	<p>Possible responses:</p> <ul style="list-style-type: none"> • Hard to recruit (suitable) staff • Staff may lack relevant experience/lower quality staff • May raise training costs • Impact on Carl of spending more time recruiting staff <p>Example response: It may be difficult to recruit suitable staff (1) meaning that the people hired may not meet all the requirements of the job role (1)</p>	2	One mark for identification of a problem, plus one mark for explanation.
3	(b)	(i) <p>Possible responses:</p> <ul style="list-style-type: none"> • distance to travel to London • length of time away from <i>CCFM</i> (3 days plus travel) • potentially expensive e.g. travel, accommodation, expenses, training cost • limited relevance e.g. a small museum, art galleries • some irrelevant content i.e. the design of art galleries • unlikely to be specific to the technology that will be used by <i>CCFM</i>. <p>Example response: The training may be of limited relevance to <i>CCFM</i> (1) because it may not be able to afford the latest technology that national museums can afford (1). The training will be expensive to attend (1) and <i>CCFM</i> does not have enough money to make this viable (1).</p>	2	One mark for identification of a disadvantage, plus one mark for explanation.

Question			Answer	Marks	Guidance
3	(b)	(ii)	<p>Possible responses:</p> <ul style="list-style-type: none"> • training provider is in a relevant industrial sector • length of course means training should be detailed • relevant training is provided • staff unlikely to learn this from on-the job training or from Carl • includes <i>CCFM</i>'s particular needs i.e. maintenance of interactive • training likely to be of high quality/professional provider <p>Example response: The training lasts for three days so it should cover a lot of detail (1). This mean the staff should be able to maintain <i>CCFM</i>'s museum displays effectively (1). Staff will receive relevant training (1) so this could help to reduce running costs in the long term (1).</p>	2	<p>One mark for identification of an advantage, plus one mark for explanation.</p> <p>Answers must relate to at least one feature of this training course. Do not accept generic answers.</p>
4	(a)	(i)	<p>Possible responses:</p> <ul style="list-style-type: none"> • Often results in a smaller sample size • Hard to analyse text-based responses • Harder to spot trends and patterns • Comments may be ambiguous/vague/lack detail <p>Example response: The feedback is text not numerical data so may be hard to analyse (1) for example it will be harder to spot trends and patterns within the text (1).</p>	2	<p>One mark for identification of a disadvantage, plus one mark for explanation.</p>

Question			Answer	Marks	Guidance
4	(a)	(ii)	Possible responses: <ul style="list-style-type: none"> • Contains opinions/feedback/suggestions • Detailed information can be given Example response: The feedback contains customer opinions (1) so is likely to give detailed responses that will provide a range of ideas (1).	2	One mark for identification of an advantage, plus one mark for explanation.
4	(b)	(i)	Answer: 162	1	1 mark for correct answer only.
4	(b)	(ii)	Possible responses: <ul style="list-style-type: none"> • Only covers the 540 who responded not the 600 asked • The time-period during which the survey was undertaken may not be representative., e.g. it may have been during school term-time. • Some visitors may not give their true age • Some visitors may have attended twice (double counting) 	1	1 mark for correct answer only. Do not accept generic responses, e.g. 'it may be biased', 'it might be invalid'. Do not accept generic weaknesses of reading pie charts e.g. 'hard to measure angles'.

Question	Answer	Marks	Guidance
5	<p>Responses include:</p> <p>Historic data Benefits include:</p> <ul style="list-style-type: none"> • Data measures actual activities/events • Able to make comparisons with data from other contexts • Able to use historic data to make predictions • Can show trends/patterns • Likely to be accurate • More relevant to Options 1 and 2 (as these are based at the existing location) <p>Drawbacks include:</p> <ul style="list-style-type: none"> • Only shows what has happened in the past • Past trends do not necessarily predict the future • Less relevant to option 3 (as this is a new location) <p>Forecasted data Benefits include:</p> <ul style="list-style-type: none"> • Relates to the time period covered by the business decision • Takes into account historic trends • Predictions can take into account expected changes, e.g. to internal and external influences <p>Drawbacks include:</p> <ul style="list-style-type: none"> • May not be accurate • May be simply extrapolated from historic trends • May be based on incorrect assumptions (e.g. of future income changes) 	12	<p>This question assesses synoptic knowledge from Unit 1 LO8: Assess business performance.</p> <p>Levels of response:</p> <p>Level 4 (10 - 12 marks) Candidate evaluates the usefulness to <i>CCFM</i> of historic and forecasted information.</p> <p>Level 3 (7 - 9 marks) Candidate analyses the benefits/drawbacks to <i>CCFM</i> of historic and forecasted information.</p> <p>Level 2 (4 - 6 marks) Candidate explains the benefits/drawbacks to <i>CCFM</i> of historic and forecasted information.</p> <p>Level 1 (1-3 marks) Candidate identifies benefits/drawbacks to <i>CCFM</i> of historic and forecasted information.</p> <p>L4 evaluation – Award 10 marks for a non-contextual judgement. Award 11 marks for a contextual judgement. Award 12 marks for a detailed and specific contextual judgement.</p> <p>L3: Analysis of previous point.</p> <p>L2: Any explanation of benefits/drawbacks.</p> <p>L1: Look for benefits and drawbacks.</p> <p>Benefits/drawbacks must be for <i>CCFM</i>, not the visitors.</p>

Question	Answer	Marks	Guidance
	<p>Example response</p> <p>If Carl uses historic data only then he has no idea what might happen in the future (L1) this is because the data only records past events (L2) and this means that any decisions he makes based on historic data alone have only a limited chance of success (L3). Forecasted information has the benefit of being based on past trends (L1) but also includes assumptions about how the future might turn out, for example changes in the age profile of visitors to the east coast (L2). This means that the forecast could be very accurate helping Carl to take the decision that best secures the long-term future of <i>CCFM</i> (L3). Overall, both types of information are useful as it provides a more complete picture of the situation the museum finds itself in (L4), However, I would recommend that Carl uses forecasted more than historic information because it is likely to be more useful to the museum than historic data that only tells him what has happened when visitor numbers were falling (CONT) (L4).</p>		

Question		Answer	Marks	Guidance								
6	(a)	<table border="1"> <thead> <tr> <th>Cause of change</th> <th>Internal or external</th> </tr> </thead> <tbody> <tr> <td>The museum will soon lose its grant from the local council</td> <td>External</td> </tr> <tr> <td>The exhibits have not been updated in recent years</td> <td>Internal</td> </tr> <tr> <td>Visitor numbers are declining</td> <td>External</td> </tr> </tbody> </table>	Cause of change	Internal or external	The museum will soon lose its grant from the local council	External	The exhibits have not been updated in recent years	Internal	Visitor numbers are declining	External	3	One mark for each correct response, to a maximum of three marks.
Cause of change	Internal or external											
The museum will soon lose its grant from the local council	External											
The exhibits have not been updated in recent years	Internal											
Visitor numbers are declining	External											
6	(b)	<p>Possible responses include:</p> <ul style="list-style-type: none"> • Volunteers are all past visitors to the museum • Volunteers have worked at the museum a long time • Volunteers may be less flexible due to their age and familiarity with the existing museum arrangements • May be worried about changes e.g. workload, use of new technology, learning new skills <p>Example response: All the volunteers were originally frequent visitors to the museum (1). This means they must have really liked it how it was when they visited (1) so they are unlikely to want the museum to change away from this (1).</p>	3	One mark for a valid reason plus up to two marks for explanation.								

Question		Answer				Marks	Guidance
7			Option 1: Upgrade the museum	Option 2: Reduced opening hours	Option 3: Relocate the museum	16	<p>This question assesses synoptic knowledge from Unit 1 LO8: Assess business performance.</p> <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>CCFM</i> should take, based on analysis.</p> <p>Level 3 (9 – 12 marks) Candidate analyses one or more options under consideration at <i>CCFM</i>.</p> <p>Level 2 (5 – 8 marks) Candidate explains issues relating to one or more options under consideration at <i>CCFM</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 best option for <i>CCFM</i> with justification for the choice. Award 14 marks for suggesting the best option with contextual justification of the choice. Award 15 marks for a detailed or specific contextual justification of the most suitable option. Award 16 marks for a detailed and specific contextual justification of the most suitable option.</p>
	Capital cost	£90,000	£5,000	£160,000			
	Impact on revenue or costs	Increase in costs due to new exhibits, displays and employment of two part-time workers.	Reduced revenue and costs.	Increase in revenue. Increase in labour costs – two full-time workers. Savings on marketing costs – joint venture.			
	Impact on customers	Increased numbers, especially young families.	Significant reduction in availability due to week-day closure and visiting by appointment only.	Significant increase. symbiotic benefit of transport museum.			
	Impact on Carl/ volunteers	Increased workload for Carl. Changing requirement for volunteers. New part-time staff needed.	No need for volunteers; Carl will need to find other paid employment.	Increased workload for Carl despite two new full-time workers. Carl having to move home			

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	<table border="1"> <tr> <td data-bbox="353 256 521 475">Finance</td> <td data-bbox="521 256 719 475">£50k grants, 40K variable-rate loan at 4.5%pa over five years.</td> <td data-bbox="719 256 949 475">5k fixed-rate loan 6%pa over two years.</td> <td data-bbox="949 256 1162 475">70k Carl, £50k grant, £40k local council 10yr loan partially fixed at 3%, partially variable.</td> </tr> <tr> <td data-bbox="353 475 521 517">Payback</td> <td data-bbox="521 475 719 517">5 years</td> <td data-bbox="719 475 949 517">3 years</td> <td data-bbox="949 475 1162 517">6 years</td> </tr> <tr> <td data-bbox="353 517 521 558">ARR</td> <td data-bbox="521 517 719 558">3%</td> <td data-bbox="719 517 949 558">1.5%</td> <td data-bbox="949 517 1162 558">8%</td> </tr> <tr> <td data-bbox="353 558 521 751">Ansoff</td> <td data-bbox="521 558 719 751">Product development (upgraded exhibits)</td> <td data-bbox="719 558 949 751">Market penetration (online marketing)</td> <td data-bbox="949 558 1162 751">Market development (existing museum in a new market location)</td> </tr> <tr> <td data-bbox="353 751 521 970">Risk factors</td> <td data-bbox="521 751 719 970">Will grants be obtained? How will interest rates change?</td> <td data-bbox="719 751 949 970">Impact on customers if only open weekends by appointment? Can Carl afford to stay in the flat?</td> <td data-bbox="949 751 1162 970">Will grants be obtained? What will interest rates be in 5 years?</td> </tr> </table>	Finance	£50k grants, 40K variable-rate loan at 4.5%pa over five years.	5k fixed-rate loan 6%pa over two years.	70k Carl, £50k grant, £40k local council 10yr loan partially fixed at 3%, partially variable.	Payback	5 years	3 years	6 years	ARR	3%	1.5%	8%	Ansoff	Product development (upgraded exhibits)	Market penetration (online marketing)	Market development (existing museum in a new market location)	Risk factors	Will grants be obtained? How will interest rates change?	Impact on customers if only open weekends by appointment? Can Carl afford to stay in the flat?	Will grants be obtained? What will interest rates be in 5 years?					<p>L3: Analysis of previous point.</p> <p>L2: Any explanation of a point.</p> <p>L1: Look for valid points.</p> <p>Do not accept statements that an option/action involves 'risk' unless the type of risk is identified and/or discussed e.g. financial risk, marketing risk (e.g. using reference to Ansoff), human resource risk (e.g. that some staff may resign over the changes).</p>
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	<p>Example response:</p> <p>e.g. from a financial data and general business perspective</p> <p>Option 1 will cost £90,000 and Carl will fund this from a grant and a loan (REP of scenario – 0 marks). This is risky (TV) because Carl does not know whether he will be given the grant (L1). If he doesn't get the grant then he won't have enough money to fund the investment (L2) and this could mean that the business fails because it cannot secure enough finance to repay the debts it incurs by buying new equipment (L3).</p> <p>Option 2 is the cheapest option (L1). It will also result in far fewer days open (L1) so this will result in fewer visitors (L2) meaning the museum will earn less revenue from ticket sales (L3).</p>																									

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	<p>Option 3 is the most expensive (L1). By moving next door to another museum <i>CCFM</i> can create shared adverts and websites (L1) which will help to reduce the business expenses of <i>CCFM</i> (L3).</p> <p>If the grant can be secured, then I would recommend that Option 3 is chosen. It would be a big change for Carl personally, but this option would help the museum increase its potential visitor numbers (L4) and share its marketing expenses with another museum (CONT) (L4). It is a significant risk for the museum but overall the rewards are potentially very high, especially if the city council decides to further develop its tourist attractions, creating even more visitors to the area in future years (L4).</p>		

OCR (Oxford Cambridge and RSA Examinations)
The Triangle Building
Shaftesbury Road
Cambridge
CB2 8EA

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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Head office
Telephone: 01223 552552
Facsimile: 01223 552553

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