

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 1 Summer 2023 series

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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.

The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report.

A full copy of the question paper and the mark scheme can be downloaded from OCR.

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Unit 1 series overview

This series has seen some successful responses relating to environmentally friendly business operations (as illustrated by responses to Question 28). Examiners have also seen some improvement in candidates' understanding of financial documents and concepts (as illustrated by responses to Questions 29 (a) and (b)). However, Learning Outcome (LO) 7 appears to be an area of the specification for which candidates are not fully prepared, in particular LO7.2 (sources of finance), as highlighted by responses to Question 23. In addition, LO3 relating to organisational structure (as highlighted by responses to Question 22), appears difficult for candidates to assimilate and is worthy of extra attention.

As ever, those candidates who showed a sound understanding across the breadth of the Specification, coupled with an ability to analyse and evaluate, did well on this paper.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> • researched a wide variety of businesses, targeted to the research brief (for Section B) • demonstrated numerical skill (in Questions 5 and 13) and the ability to interpret data in a table (Question 8) and in an income statement (Question 29 (a)) • answered questions contextually (in Sections B and C) • made judgements supported by justified reasoning (Section C extended response questions). 	<ul style="list-style-type: none"> • left answer spaces blank (including multiple-choice questions and Question 26) • showed little evidence of studying the topics indicated in the pre-release research brief (particularly evident was a lack of knowledge of a mortgage as a form of finance (Question 23)) • ended extended response questions abruptly, without making an overall judgement • demonstrated little, or no knowledge of organisational structure (Specification reference LO3), in particular for the hierarchy in Question 2 hierarchy and matrix structure in Question 22.

Areas which caused most problems on this paper were organisational structure (Questions 2 and 22), legal issues (Question 25) and mortgages as a source of finance (Question 23). However, Question 24 on meeting the needs of employees, Question 27 on the advantages and disadvantages of trading as a partnership and Question 29 (a) on interpretation of an income statement were well answered.

Section A overview

Section A gives time for candidates to settle into the exam. This section of the paper was generally well answered by most candidates. A few candidates missed out on marks because they ticked two responses instead of just one. Candidates should be instructed not to take this approach. Where a candidate indicates a response and subsequently changes their mind, they should clearly cross out their original tick. In addition, some candidates lost marks by leaving a multiple-choice question entirely blank. This is not good examination technique and candidates should be encouraged to indicate a response to all 20 questions.

The vast majority of multiple-choice questions were well answered. Those that were more problematic are discussed below.

Question 2

2 The role of a supervisor is higher in status than the role of:

A a director

B a manager

C an operative

D the chief executive

[1]

This question tested knowledge and understanding of hierarchical organisational structure, often portrayed on an organisation chart. Candidate responses were fairly evenly split. This appears to indicate confusion between the different job roles.

Question 5

5 A computer manufacturer made 2000 tablets last year. Costs were as follows:

- Labour: £25 per tablet
- Parts: £38 per tablet
- Packaging: £4 per tablet
- Overheads: £180 000 per annum
- Other costs: £20 000 per annum


The variable cost per tablet was:

- A £63
- B £67
- C £100
- D £167

[1]

This question tested knowledge and understanding of variable costs rather than fixed costs. Candidates should be aware that variable costs are 'unit' based, in this case 'per tablet'; whereas fixed costs are 'time' based, in this case a year. A few candidates selected the correct response, i.e. B £67 (£25+£38+£4).

Assessment for learning

 Centres are advised to get candidates to practise cost, revenue and profit calculations at frequent intervals throughout the programme of study. They could do this as a starter to a lesson, while waiting for all students to arrive.

Question 7

7 A school experiences rising costs for all of its supplies.

Which change in the external environment would cause this impact?

- A A more favourable exchange rate
- B A rise in the rate of inflation
- C An increase in disposable income levels
- D Higher unemployment in the local area

[1]

This question tested the impact of the external environment on a business. In this case, the cause of the rising costs was economic, i.e. inflation. Very few candidates gave the correct response. This suggests that the impact on the external environment is an aspect of the specification that needs further reinforcement.

Section B overview

The questions in Section B should be answered with direct reference to candidates' personal research, as directed by the pre-released research brief available in advance of the examination. How each question in this section links to the research brief is tabulated below.

For each question in this section, candidates are advised to select the most appropriate business from the ones that they have researched, rather than answer all questions about the same business. Evidence suggests that choosing a specific business on which to answer each question leads to better focused responses and higher marks.

Section B was still not as well answered as might be expected, given the clear guidance on areas to focus on in the pre-issued research brief for this examination. Some less successful responses showed no evidence at all of research for Section B, the one area of the paper where candidates can prepare in advance. Centres are advised to devote adequate time to the preparation of candidates for Section B of this paper, the research brief for each series is specific to that series and is issued well in advance of the examination.

How the research brief linked to the questions in Section B	
Question 21: Identify two growth aims of a business that you have researched.	The non-financial aims of businesses.
Question 22: Explain one advantage and one disadvantage to a business that you have researched of using a matrix structure.	Matrix structures and their impact on business operations.
Question 23: Explain two advantages to a business that you have researched of using a mortgage as a source of finance.	The benefits of using long term sources of finance.
Question 24: Analyse one advantage and one disadvantage to a business that you have researched of meeting the needs of its employees.	Responding to the ever-increasing demands of stakeholders.
Question 25: Describe how a business that you have researched has altered its business practices to comply with the General Data Protection Regulation (GDPR), now included in the Data Protection Act.	Complying with the requirements of the General Data Protection Regulation (GDPR).

The wording of Questions 22 and 25 linked extremely closely with the wording of the pre-issued research brief, however some candidates still showed very limited knowledge or understanding. Centres are advised to emphasise to candidates the importance of focussing their business research and revision on the topics indicated in the corresponding series' research brief.

Evidence suggests that those candidates who chose to answer all five questions in Section B on the same business did less well than those who selected a business according to the question. Candidates should be encouraged to select 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 22 where the business needed to use a matrix structure and for Question 23 where the business needed to have a mortgage.

Question 21

21 Identify **two** growth aims of a business that you have researched.

Name of business

Activity of business

1

.....

2

.....

[2]

This question was generally well answered with most candidates gaining at least 1 of the 2 marks. Where no marks were achieved the error was almost always to give financial or reputational aims. The specification splits business aims into five types, please see the specification and the published mark scheme for further details.

Question 22

22 Explain **one** advantage and **one** disadvantage to a business that you have researched of using a matrix structure.

Name of business

Activity of business

Advantage

.....

.....

Disadvantage

.....

.....

[4]

There were not many successful responses to this question. Candidates often had attempted to give an advantage or disadvantage, but it was clear that they had no robust understanding of what a matrix structure was. Organisational structure is an area of the specification that candidates find difficult to assimilate. Matrix structure was even more difficult to grasp than many of the other structures.

Assessment for learning



Centres are advised to make sure candidates have a robust understanding of different organisational structures.

Question 23

23 Explain **two** advantages to a business that you have researched of using a mortgage as a source of finance.

Name of business

Activity of business

1

.....

.....

2

.....

.....

[4]

Despite the benefits of long-term finance being indicated on the research brief as an area for detailed study, it appeared that many candidates did not know what the benefits of a mortgage are. Those that did were given at least 2 marks, and those who used context were given full marks.

In addition, a frequent error was to give an advantage and a disadvantage rather than two advantages. Candidates need to be encouraged to read the question carefully and, having written their response, re-read the question to check it is the one they have answered.

Question 24

24 Analyse **one** advantage and **one** disadvantage to a business that you have researched of meeting the needs of its employees.

[6]

Name of business

Activity of business

Advantage

.....

.....

Disadvantage

.....

.....

The advantage was generally well answered, often contextually. This showed candidates had a good grasp of why businesses should meet the needs of its employees. The disadvantage was less well answered, with some candidates suggesting that there were no disadvantages. The most commonly seen correct response to this part of the question was the financial cost involved.

Some candidates misinterpreted the second part of the question and answered about **not** meeting the needs of employees, and this could not be given any marks, which shows the importance of reading the question carefully.

Question 25

- 25** Describe how a business that you have researched has altered its business practices to comply with the General Data Protection Regulation (GDPR), now included in the Data Protection Act.

Name of business

Activity of business

.....

.....

.....

.....

[4]

This question dichotomised candidates. Some showed very clear knowledge of the extra requirements of the GDPR, while others had no knowledge at all. The most common error was to give non-GDPR requirements of the Data Protection Act (DPA). Please see the published mark scheme for more details.

The focus on the GDPR requirements was clearly indicated in the research brief issued in advance of the examination. Centres need to make sure that candidates are familiar with how to use this research brief. If not, the candidate is at a significant disadvantage when answering Section B of this qualification.

Section C overview

As always, Section C contained three high tariff, extended response questions. These questions were Level of Response marked. Candidates needed to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks.

Analytical skill (Level 3)

Analysis requires candidates to develop their responses to include impacts on the business.

It should be noted that phrases such as 'this will change the firm's reputation' (Question 28), 'this will affect their ability to pay bills (Question 31 (b)) or 'this will impact on revenue' (Question 31), cannot be given the marks because the direction of the impact is unclear. Candidates need to make explicit the direction of the impact, i.e. a better reputation, less likely to be able to repay and increased revenue.

Analytical skill (Level 4)

Evaluation requires a reasoned decision that answers the question, i.e. the best benefit from the business' perspective of being environmentally friendly (Question 28), the worst negative impact on the business of the Weaknesses in the SWOT analysis (Question 30 (b)) and a recommendation as to which change to the service provision of the hotel in the light of a fall in unemployment (Question 31).

Candidates should be encouraged to reach decisions and give detailed justification to support their argument using contextual information. While an accurate judgement that applies to most businesses would achieve a Level 4 mark, a response which argues using the particular circumstances of the business scenario, in this case a basic hotel, would be given more marks.

All of the questions in this section link to the business scenario which should be read carefully before answering any of the questions in this Section of the exam paper.

Question 26

26 Wattis Hotel is an ordinary partnership.

Identify with a tick (✓) the type of legal liability Taylor and Mia have as owners of Wattis Hotel.

Limited liability

Unlimited liability

[1]

Taylor and Mia operate as a partnership, therefore they have unlimited liability. Some candidates selected the wrong answer which indicates that knowledge of the liability status of various types of business is not robust.

Question 27

27 Explain **one** advantage and **one** disadvantage to Taylor of operating Wattis Hotel as a partnership rather than as a sole trader.

Advantage

.....

.....

Disadvantage

.....

.....

[4]

In contrast to Question 26, candidates appeared to have a firm understanding of the advantages and disadvantages of operating as a partnership rather than as a sole trader.

The most common correct advantages related to increased capital, sharing ideas and sharing workload. Candidates whose response suggested that liability was shared could not be given the marks because partners are jointly and severally liable.

The most common disadvantages related to decision-making, arguments and profits having to be shared.

Most candidates were given at least 2 marks for this question, and those that answered in context were given full marks.

Question 28

28 'Being environmentally friendly' is shown as a 'Strength' in Wattis Hotel's SWOT analysis.

Evaluate likely benefits gained by Wattis Hotel from its environmentally friendly operation.

[12]

As with all 12 mark questions on this paper, this question is Level of Response marked. The type of response examiners were looking for is shown in the exemplar response in the published mark scheme. This question centres around the benefits to a business of being environmentally friendly. There were plenty of benefits to choose from.

Candidates did well on this question, with most candidates being able to accurately identify and articulate the benefits of operating a hotel in an environmentally friendly manner.

By far the most common response was 'enhanced reputation' (Level 1), attracting more customers (Level 2) leading to greater revenue (Level 3). Such a chain of argument scored 7 of the available 12 marks solely for discussion of this one impact.

Other commonly cited impacts, i.e. Level 1, were 'savings on electricity' and 'having a unique selling point'. Many candidates were able to develop their responses through a chain of argument to the impact on the business, gaining extra Level 3 marks.

Once Level 3 had been achieved, a selection of one impact with appropriate justification as to why it was the best was placed in Level 4. Those candidates who gave a contextual justification achieved a minimum of 11 marks.

About a quarter of candidates attempted to make such a decision, i.e. which would be the best benefit for Wattis Hotel. Those who did, and also gave a valid reason for their choice, were given a Level 4 mark.

Question 29 (a)

29 The income statement for Wattis Hotel for its first two complete years of trading is shown below.

Year ending 31 December	2022	2021
	£'000	£'000
Revenue	350	345
Cost of sales (including labour costs)	198	198
Gross Profit	152	147
Operating expenses	118	76
Operating Profit	34	71
Loan interest paid	19	21
Net Profit	15	50

(a) Using the data shown in the income statement above, explain **one** cause of Wattis Hotel’s decline in financial performance from 2021 to 2022.

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.....

.....

.....

.....

.....

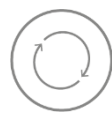
.....

[2]

Most candidates showed a good grasp of the income statement and correctly identified that a significant increase in operating expenses was the problem and many were given full marks.

Of those that did not achieve full marks, there was one particular type of error. This related to insufficient consideration of the column headings. The column headings contained two important pieces of information, namely the years and the units, i.e. £'000s. Ignoring of either of these pieces of information could lead to giving an incorrect response.

Assessment for learning



Candidates should be encouraged to carefully check the dates at the top of columns for numerical data. When accounting data is presented, the convention is often to put the most recent year to the left.

In addition, they should carefully check the units. Saying that the operating expenses increased by £42 is a significant way from the truth, they increased by £42,000.

Question 29 (b)

(b) Identify the direct financial impact of the introduction of a 'tourism tax' on Wattis Hotel's:

- costs

.....
.....

- net profit

.....
.....

- break-even point

.....
.....

[3]

Candidates did well with 'costs' and 'net profit' with the vast majority giving correct responses. The impact on the 'break-even point' was less well answered. Many candidates expressed that the impact on the break-even was likely to be damaging, but in firming up their response said that this would lead to a 'lower' break-even point.

Misconception



There appears to be a common misconception among candidates that a lower break-even point is a bad thing. A lower break-even point is always advantageous to a business.

Question 30 (a)

30 (a) Explain the difference between a 'Threat' and a 'Weakness' on a SWOT analysis.

.....

.....

.....


..... [2]

Many good, clearly expressed responses were received for this question, with differences explicitly stated. The most common response was about the source of the issue, i.e. external for Threat, internal for Weakness.

Less successful responses made vague points about one or both of the terms, but did not actually point out a difference. Such responses were given 1 of the available 2 marks.

Some responses revealed assumptions about the meaning of the terms which were simply incorrect. Please see the misconception box below.

Misconception

 Answers to this year's question about the differences between Weaknesses and Threats on a SWOT analysis revealed several misconceptions, these include:

- Threats are serious, weaknesses less severe
- Threats might happen, weaknesses have happened
- Threats can be ignored, weaknesses must be fixed

None of these are correct. Please see the published mark scheme for suggested corrected responses.

Question 30 (b)

- (b) Analyse the likely impact on Wattis Hotel of each of the **three** 'Weaknesses' identified by Taylor and Mia on the SWOT analysis shown on page 12.

Which 'Weakness' is likely to have the greatest impact on the future success of Wattis Hotel? Justify your view.

[12]

As with all 12 mark questions on this paper, this question was Level of Response marked. The type of response the examiner was looking for is shown in the exemplar response in the published mark scheme. This question required candidates to evaluate negative impacts on Wattis Hotel of the Weaknesses on its SWOT analysis.

Most candidates were able to suggest negative impacts of the human resource, marketing and cash flow issues identified. Those who could suggest the further impact of these on the hotel gained Level 3 marks.

To encourage all candidates to make a justified judgement for Level 4, the question demanded this explicitly. Most candidates, therefore, wrote a final paragraph which selected their chosen negative impact. Those that gave a valid reason for their choice were given a mark in Level 4. Those candidates who gave a contextual justification achieved a minimum of 11 marks.

It is good practice to re-read the question before attempting to write the conclusion. This hopefully avoids writing an incorrect type of judgement. For this question, an incorrect type of conclusion would be suggesting solutions to each of the three weaknesses or arguing why all impacts of Weaknesses are negative rather than positive. Neither of these types of conclusions answers the question set.

Question 31

31 A business should seize its opportunities to make changes to improve its performance.

Recommend to Taylor and Mia ways Wattis Hotel could change its service provision in response to the predicted fall in local, national and international unemployment levels.

[12]

As with all 12 mark questions on this paper, this question was Level of Response marked. The type of response examiners was looking for is shown in the exemplar response in the published mark scheme. This question centres around improvement to service provision in the light of a fall in unemployment levels.

Some more successful responses gave practical suggestions such as adding a kitchen or breakfast room, redecorating the bedrooms or adding a gym. All of these were appropriate for a period where disposable income is increasing and were placed in Level 1. Unfortunately, several candidates suggested that in a period of lower unemployment that prices should be lowered, this is incorrect and may indicate a misreading of the question.

To move through the Levels of Response, candidates needed to explain the reason for their suggestion (Level 2) and analyse the benefit to the business of their suggestion (Level 3). One such common chain of argument was 'offer breakfast (Level 1) because the travellers have more money to spend (Level 2), increasing revenue for the hotel (Level 3)'.

Many successful responses ended abruptly after the final weakness had been analysed. To improve their responses, candidates should be encouraged to add an evaluative conclusion to achieve Level 4.

Some candidates performed less well than expected on this question. Some candidates discussed human resource issues relating to increasing the wages of staff or offering them motivational packages. These responses did not answer the question set, which related to increasing service provision in times when unemployment falls. Marks could not be given for general suggestions about how to improve the running of the hotel.

Question 32

32 Wattis Hotel is a small organisation, so all of its staff need to perform the customer service function.

Identify **two** customer service activities that all staff at the hotel may be required to perform.

1

.....

2

.....

[2]

This question tested the role of business functions, in this case customer service. Responses relating to specific job roles, e.g. checking people in to a hotel could not be given the marks as this is the role of the receptionist. Likewise, activities such as 'cleaning the rooms' could not be given the marks as this is the role of the operations functional area.

The most common correct responses related to answering customers queries or dealing with complaints. Please see the published mark scheme for other acceptable responses.

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