

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 3 January 2024 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 [Teach Cambridge](#).

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Unit 3 series overview

This unit is a mandatory paper for the Foundation Diploma, Diploma and Extended Diploma. It may also be taken by students entered for the Certificate and Extended Certificate.

Two questions on this paper are high-tariff extended-response questions worth 12 and 16 marks respectively. Candidates need to demonstrate the skills of analysis (Level 3) and evaluation (Level 4) to gain the highest marks. An analytical response must contain implications for the business, for example for Question 7 the impact on business performance, reflecting the nature of the organisation and its main objectives. For Question 5, responses should consider the impact on the decision-making process itself. In addition to analysis an evaluative response must contain a reasoned judgement. Candidates should be encouraged to reach decisions and give detailed justification to support their argument using contextual information. Whilst an accurate judgement that applies to most businesses would achieve a low Level 4 mark, an answer which argues using the particular circumstances of the business in the pre-release scenario will be rewarded more highly.

The number of candidates sitting the exam was similar to those in some recent sessions. The following comments reflect the responses given by the candidates who sat the exam.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> demonstrated good understanding of investment appraisal techniques used in the Case Study (e.g. Payback, Average Rate of Return) demonstrated a good understanding of the business impact of business decisions and internal/external influences. For example the impact of changes in unemployment on Option 3 in answering Question 5, focussed on the impact on JGT's decision-making process of only one of the two partners attending training designed to improve decision-making skills. 	<ul style="list-style-type: none"> demonstrated a lack of understanding of concepts used in the Case Study, e.g. by confusing revenue expenditure with revenue, confusing payback period with investment rate of return used vague and ambiguous language in responses and so did not demonstrate clear understanding of concepts and the linkage between them. For example 'locating in an area of high unemployment means fewer people and less money' made claims about the business that were not supported by the case study (for example that Option 1 had the lowest capital expenditure at £60,000).

Question 1 (a)

1

(a) Ling wishes to avoid unnecessary risk.

Draw a line linking each of the **three** types of risk to its example.

You must only draw three lines.

TYPE OF RISK:

Financial

Effect on reputation

Familiarity and competence

EXAMPLE:

Option 3 might not earn enough revenue to cover its costs.

JGT has no experience of operating a dine-in restaurant.

There is a chance that the government will reduce business taxes.

Customers may no longer trust the brand if the restaurant is a failure.

Ling is a fully qualified chef.

[3]

Most responses gained full marks. Weaker responses showed a lack of understanding of risk by, for example, pairing 'familiarity and competence' with 'Ling is a fully qualified chef'.

Question 1 (b)

- (b)** Choosing between the three options at JGT involves making use of historic information.

Identify with a tick (✓) the **two** items of historic information in the table below.

You should only tick two boxes.

Information:	Historic information? Please tick (✓)
Customer reviews on social media between 2017 and 2022	
Estimated UK inflation rates for the next decade	
JGT's revenue for the last five years	
Number of employees needed by JGT from 2024 to 2028	

[2]

Most responses gained full marks. Weaker responses showed a lack of understanding of 'historic information' by selecting predicted information.

Question 1 (c)

- (c) The success of **Option 3: Purchase a takeaway business in the Northeast of England** might be affected by the level of unemployment in the Northeast of England.

Explain how changes in the level of unemployment in the Northeast of England might influence the success of **Option 3**.

..... [3]

Most responses had a good appreciation of how levels of unemployment are linked to levels of income and spending. Relatively few responses then linked this to the impact on the likely success of Option 3. Weaker responses showed a lack of understanding of unemployment; for example by either confusing it with 'employment' or discussing how Option 3 would cause a significant change in the level of unemployment in the area.

Question 2 (a)

2

- (a) Kai has decided to re-calculate the Average Rate of Return (ARR) for **Option 3: Purchase a takeaway business in the Northeast of England** to include only the first five years of trading.

Kai has provided the following figures.

Net cash flow: Year 0	−£300 000
Net cash flow: Year 1	£60 000
Net cash flow: Year 2	£60 000
Net cash flow: Year 3	£60 000
Net cash flow: Year 4	£60 000
Net cash flow: Year 5	£60 000

Net cash flow: Year 6	£60 000
Net cash flow: Year 7	£60 000

Calculate the average rate of return (ARR) for **Option 3** over the first **five** years of trading.

Show your workings

Average rate of return (ARR): _____ %

[3]

Relatively few responses gained full marks by giving the correct value for the ARR. Most responses were able to complete at one stage in the process, for example by averaging net cash-flow over five years. Weaker responses had workings which demonstrated no understanding of how to calculate ARR.

Assessment for learning



Learners would benefit from more practice at calculating investment appraisal techniques.

Question 2 (b)

- (b) Explain why effective cash-flow management would be of particular benefit to JGT during the first three months of trading if **Option 2: Open a dine-in restaurant in central London** is chosen.

.....

.....

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.....

..... [3]

Most responses recognised why Option 2 requires careful cash-flow management. However, relatively few responses then demonstrated a sufficient understanding of cash-flow issues and their potential impact on the success of Option 2 to gain full marks. Weaker responses showed no understanding of cash-flow management issues.

Question 3 (a)

3

- (a) JGT's existing takeaways are busiest between 6 pm and 9 pm, Thursday to Saturday.

Explain why this is important for workforce planning if **Option 1: Increase its chain of London takeaway outlets** is chosen.

.....

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.....

..... [3]

Most responses recognised that the new takeaways would be likely to have a similar pattern of demand to the existing ones and so more staff will be needed at the existing busy times. Relatively few then linked this to the need for workforce planning or considered its impact on the business. Weaker responses showed no understanding of workforce planning; for example, by discussing only the impact on customers.

Question 3 (b)

- (b) State **three** methods of on-the-job training that could be used if **Option 2: Open a dine-in restaurant in central London** is chosen.

1

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2

.....

3

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[3]

Despite several methods of off-the-job training being listed in the specification content, relatively few responses had sufficient knowledge to answer this question or gave examples that showed understanding of these methods. Weaker responses showed no understanding of off-the-job training, for example by giving examples of on-the-job training methods, or listing aspects of a takeaway worker's job-role with no link to training.

Question 4 (a)

- 4
- (a) Kai would like to use the Boston Matrix to help choose between **Option 1: Increase its chain of London takeaway outlets** and **Option 3: Purchase a takeaway business in the Northeast of England**.

Describe what information Kai would need to obtain so he can use the Boston Matrix when choosing between **Options 1** and **3**.

.....

.....

.....

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.....

.....

[3]

Relatively few responses showed any knowledge of the items that appear on the axes of a Boston Matrix diagram. Some responses discussed the categories of product, but this was not required. Weaker responses showed a lack of understanding of the Boston Matrix, for example by discussing the Ansoff Matrix.

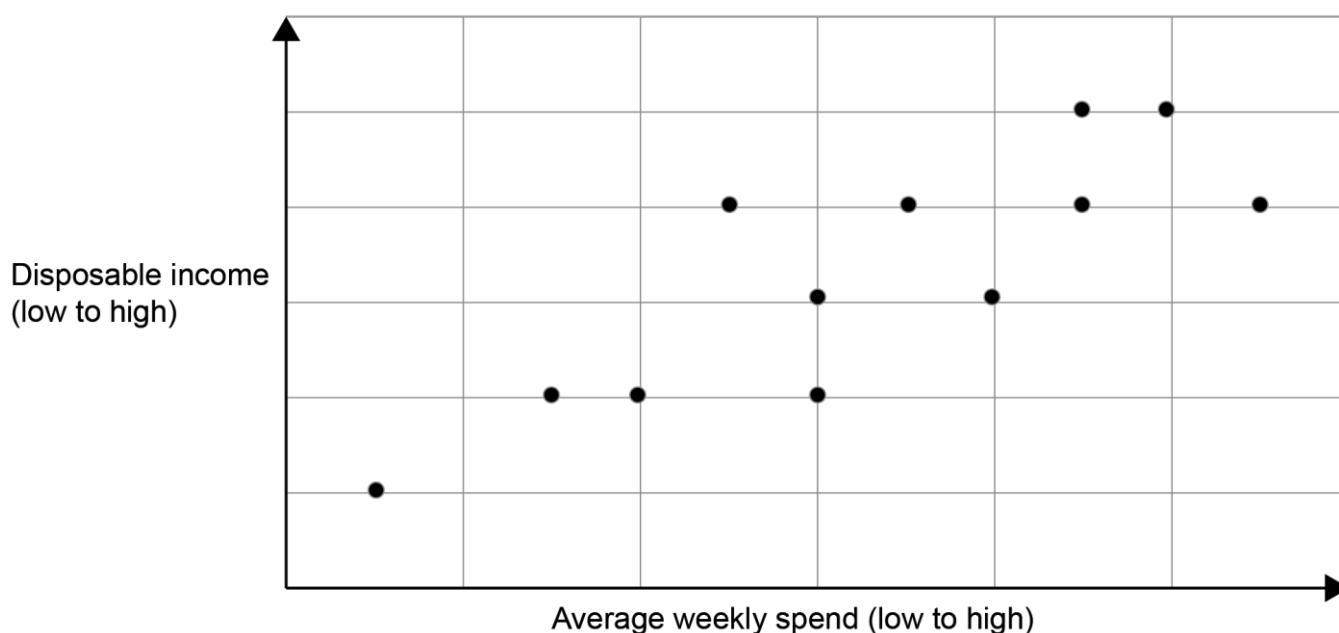
Assessment for learning



Learners would benefit from a more detailed understanding of how the Boston Matrix is constructed.

Question 4 (b)

- (b) A scatter diagram showing the relationship between levels of disposable income close to JGT's existing takeaways and the average weekly spend per customer is shown below.



Explain what the scatter diagram shows about the relationship between disposable income and customer spending.

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.....

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.....

..... [3]

Most responses recognised that as income rises so does spending. Relatively few discussed the nature or strength of the relationship. Weaker responses misread the diagram and showed no understanding of the relationship shown.

Question 5

- 5** Kai would like to improve his decision-making skills. Kai has found a training course he would like to attend. He does not think it worthwhile for Ling to attend the same course.

Evaluate advantages and disadvantages for the decision-making process if Kai, but **not** Ling, receives this training.

[12]

Nearly all responses were able to identify at least one benefit or drawback of only Kai attending the training and so achieved a mark in Band 1 (1-3 marks). For example, by stating that the training would improve Kai's ability to analyse data. Most responses were able to develop this point, demonstrating understanding and so move into Band 2 (4-6 marks). For example, by explaining how an improved ability to analyse data would enable the business to take decisions based on objective information rather than guesses. Relatively few then developed their answer by showing how this could affect the decision-making process and so reach Band 3 (7-9 marks). For example, by discussing how basing decisions on objective information could result in more effective decisions being made. Relatively few responses achieved Band 4 (10-12 marks) by offering a reasoned judgement as to whether, on balance, it was worthwhile sending Kai and not Ling to the training.

Weaker responses tended to use unsupported assertions, for example that training would improve the business, without giving any supporting reasons. Some responses discussed the impact on business performance, for example that the business could become more profitable as a result. Such discussion is not answering a question whose focus is the impact on the process of making decisions and not on the impact of those decisions after they have been made.

Question 6 (a)

6

- (a) If **Option 2: Open a dine-in restaurant in central London** is chosen, it will be important to ensure the restaurant is always fully staffed.

Ling has suggested that contingency planning will help to achieve this.

Describe **one** contingency JGT could make to help ensure the restaurant is always fully staffed.

.....

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.....

..... [3]

Relatively few responses showed a good understanding of contingency planning in the context of Option 2. Weaker responses showed no understanding of contingencies, for example by discussing how the business could either react to events 'on the fly' or take actions in advance that are not contingent on a lack of workers in the future.

Question 6 (b)

- (b)** Last year JGT suffered a problem when some expensive raw ingredients went missing from one of the takeaways.

Ling has suggested they could use radio-frequency identification (RFID) tags to help avoid similar problems in future.

Explain how RFID tags could help to reduce the loss of expensive raw ingredients.

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..... [3]

Most responses showed some understanding of how RFID tags can be used to track the movement or location of items to which they are attached, but relatively few demonstrated sufficient understanding of how they could be used as part of a stock-control system. Weaker responses showed no understanding of RFID by, for example, discussing how they work in the same way as smartphone location-tracking services.

Question 7

7 Recommend which option JGT should take to help ensure its future success.

Justify your recommendation.

[16]

This high tariff question is based heavily on the information contained in the case study about the three options together with the information in Appendix 1 and 2.

Candidates who achieved a mark in Band 1 (1-4 marks) did so because they used the information in the case study to draw valid conclusions that would be helpful when making the business decision. For example: that Option 1 had the shortest payback period or that Option 3 could be significantly affected by changes to levels of unemployment. Candidates who merely repeated information from the case study gained no marks.

Candidates who achieved a mark in Band 2 (5-8 marks) did so because they explained the significance or usefulness of the information identified previously. For example, given that Option 3 is located in an area with high levels of unemployment this could significantly affect levels of income and so demand for JGT's services. However, responses demonstrating no understanding were not credited, for example a statement that Option 1 has the lowest level of capital expenditure is incorrect because, with two premises to refit at a combined cost of £120,000, it is higher than Option 2. Equally, responses stayed in Level 1 if the attempted development was incorrect, for example confusing revenue expenditure with revenue or confusing ARR and Payback.

Candidates who achieved a mark in Band 3 (9-12 marks) did so because they linked the impact of the option under discussion to JGT's business performance (thereby recognising the strategic impact of choosing the option). For example, if Option 3 results in more sales than forecast due to unemployment falling faster than expected then JGT should see a greater increase in sales revenue (and therefore potentially higher profits, resulting in a higher ARR than predicted).

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

Misconception



Responses often show limited understanding of the investment appraisal methods calculated by the business. For example, payback is often confused with average rate of return and the rate of return is confused with the total profit earned during the life of the project.

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Question 4 (b) - scatter diagram showing levels of disposable income – unknown source.

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