



2013 Business Management

Higher

Finalised Marking Instructions

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Part One: General Marking Principles for Business Management Higher

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

GENERAL MARKING ADVICE: Business Management Higher

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

Part Two: Marking Instructions for each Question

Section One

Question	Expected Answer/s	Max Mark	Additional Guidance
1	<ul style="list-style-type: none"> • Marketing • Finance • Operations • External Factors <p>Marketing</p> <ul style="list-style-type: none"> • The recent results made it very difficult for Cairn Energy to market drilling near Greenland • Energy exploration is very hard to market to companies • Negative publicity that the Greenpeace protest attracted dampened enthusiasm amongst investors <p>Finance</p> <ul style="list-style-type: none"> • Over £360 million was wiped off the market value of Cairn Energy/or 8% reduction in share price • Investors are losing confidence in the prospect of Cairn Energy achieving success in Greenland • Great costs to prove they are working under strict drilling standards • Very costly court proceedings • The disruption caused by Greenpeace is costing £3 million per day • So far the drilling in Greenland has shown little to encourage anyone to invest in Cairn Energy • Large financial outlay for no profitable return 	10	<p style="text-align: center;">Or External</p> <p style="text-align: center;">Or External</p>

Question	Expected Answer/s	Max Mark	Additional Guidance
1	<p>(cont)</p> <p>Operations</p> <ul style="list-style-type: none"> • The exploration in Greenland is proving more difficult than expected by the company • Abandoned a well off the west coast of Greenland after the well did not find any gas or oil at a depth that would yield profits • Unnecessary delays in their drilling operations • Only larger companies in the industry have the technology and expertise <p>External</p> <ul style="list-style-type: none"> • Protests by campaigners • The recession made it very difficult to encourage people to part with their money • Drilling in the harsh weather conditions near Greenland is also an issue • Less faith in the stock market • Strict drilling standards (also operations) 		<p>Watch for repetition on drilling setbacks</p> <p>Watch for repetition of finding no oil or minor amounts of oil</p> <p>Only award if not awarded anywhere else</p> <p>Max 3 per heading</p>

Question	Expected Answer/s	Max Mark	Additional Guidance
2	<ul style="list-style-type: none"> • Vertical Integration – organisations at a different stage in the same industry combine together. • Horizontal Integration – organisations at the same stage of production combine together. • Backward Vertical Integration – when a business takes over a supplier. • Forward Vertical Integration – when a business takes over a customer. • Conglomerate/Diversification – organisations in completely different industries combine together. • De-integration/demerger – organisations cut back and concentrate on only their core activities. • Divestment – sell off assets or subsidiary companies to raise finance for growth. • Organic growth – organisations increase the number of products sold or number of outlets • Merger – appropriate description • Takeover – appropriate description 	5	<p>No label required but if a label is given then it must match the description.</p> <p>If there is no label it must be clear which method the candidate is writing about.</p> <p>No general mark given for vertical integration if either backward or forward vertical integration is described.</p> <p>Max 4 in one method</p>

Question	Expected Answer/s	Max Mark	Additional Guidance
3	<ul style="list-style-type: none"> • Quality Circle is a group of workers who come together with management to discuss an issue or how to improve a situation. • Worker Director is when a lower level employee is given a place on the Board of Directors. • Worker Councils are made up of an equal number of employees and managers meeting to discuss issues. • Open Door Management Policies – managers will meet with employees at any appropriate time. • Participative Management Policies allow the employees to participate in the decision making of the organisation by managers consulting them and acting on their views. • Empowerment is when employees are given the power to make certain decisions without consulting the manager each time. • Appraisal is when staff meet with a line manager to discuss their progress • Appraisal can set targets for the future. • Negotiation (description required). • Consultation (description required). • Arbitration (description required). • Training (description required). • Promotion. • Trade Union/Professional association recognition. • Financial Rewards • Team building/social events 	6	<p>A maximum of five marks can be awarded under any one way.</p> <p>Watch for repetition of items such as team building and financial rewards where the candidate just gives examples of these.</p> <p>Two different ways must be used to gain maximum marks</p>

Question	Expected Answer/s	Max Mark	Additional Guidance
4	<p><u>Functional grouping</u></p> <ul style="list-style-type: none"> • Gives the organisation a clear structure • Staff know who to turn to if they need specific expertise • Staff can share knowledge and learn from each other in departments <p><u>Product/service grouping</u></p> <ul style="list-style-type: none"> • Allows for an organisation to be more responsive to changes in that market. • Expertise is developed within each specialised division. • Allows management to identify poor performing products. • There can be duplication of resources and personnel across groups. • Divisions may find themselves competing against each other. <p><u>Geographical</u></p> <ul style="list-style-type: none"> • Allows to cater closer for the needs of different areas. • Can become familiar with local customs and cultures. • Is expensive with regards to administration and staffing costs. <p><u>Technological</u></p> <ul style="list-style-type: none"> • Suitable for large organisations with different production processes. • Again duplication of resources occurs. <p><u>Customer</u></p> <ul style="list-style-type: none"> • Allows for services to be tailored to each group of customers or a specific customer. • Builds up customer loyalty due to the personal service they receive. • There can be large staffing costs with this type of grouping. • Also duplication of resources in administration, finance, etc. 	6	<p>Definition mark awarded – one per method</p> <p>Watch for repetition of duplication of resources in admin, finance etc</p> <p>Allow <u>one</u> flip repeat of duplication of resources/no duplication of resources</p> <p>Max 5 per grouping</p>

Question		Expected Answer/s	Max Mark	Additional Guidance
5	a	<ul style="list-style-type: none"> • Primary information is first hand information whereas secondary information has already been gathered • Primary information has been gathered for a specific purpose whereas secondary information has been gathered for one purpose and re-used for another • Primary information tends to be more up-to-date than secondary information 	(4)	Maximum marks awarded for a or b is 3 marks
5	b	<ul style="list-style-type: none"> • Quantitative information can be measured and is expressed in numerical format whereas qualitative information is descriptive and expressed in words. • Quantitative: easier to analyse, is factual, can be used to make forecasts or comparisons. Qualitative: can be used to find out customer opinions, can be used to make judgements on a product. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
6	<ul style="list-style-type: none"> • TQM constant improvement philosophy. • Zero errors are tolerated therefore cuts down on wastage. • All staff are committed to producing a perfect product. • Quality circles are set up to make the processes more efficient. • Clearly defined policies regarding quality exist. • Teamwork is carried out at all levels. • Staff training is an on-going process. • The organisation focuses on customer satisfaction. • All processes are evaluated on a regular basis to ensure quality. • Motivated staff should ensure a quality product/service. <p>Also specific points on the following areas should be awarded a mark:</p> <ul style="list-style-type: none"> • Benchmarking • Quality assurance • Quality control • Quality standards, eg, kitemark 	8	
7	<ul style="list-style-type: none"> • Description of appropriate ratios – no mark given for naming the ratio (max 2 for formulae). • Trading account shows the profit and loss made from buying and selling stock over a period of time. • Profit and loss account shows the overall profit or loss over a specified time period. • Balance sheet which shows the financial position of a business at an exact moment in time. • Cash budgets show projected income and expenditure for the following year. • Share prices show the current value of the organisation. 	6	Do not accept ‘uses’

Question	Expected Answer/s	Max Mark	Additional Guidance
8	<ul style="list-style-type: none"> • Plan the objectives of the organisation, this can be either long term or short term in order that the organisation has a vision/direction • Organise the staff and resources required to carry out the decision • Control staff who the decision affects/ impacts in order to get the best work possible/meet targets • Command – inform the staff of decisions that have been made/consult with staff to improve the decision • Co-ordinate the activities and ensure timescales/targets met • Delegate decision making to junior staff to give them experience/empower them • Empowerment to make decisions will motivate staff and improve their performance • Risk taker • Communicate • Leader 	5	<p>2 general marks available if no POCCDM is directly linked to decision making</p>

Total 50 marks

[END OF SECTION ONE]

Section Two

Question			Expected Answer/s	Max Mark	Additional Guidance
1	a	i	<ul style="list-style-type: none"> • Job production is for a unique product whereas in flow production the same product is made continuously • Job production uses skilled workers whereas flow production uses less skilled or non-skilled workers • Job production can be tailored to an individual's requirements whereas flow production is a 'take it or leave it' (standard specification) product • Job production can be more labour intensive whereas flow production tends to be more capital intensive • Job production can allow a higher price to be charged whereas flow production can result in cheaper unit prices to be charged 	3	
1	a	ii	<ul style="list-style-type: none"> • Groups of similar products are made • No single item passes to the next stage until all are ready • Batches of similar products can be altered to meet customer needs • Machinery can be used to improve/standardise the process • If batches produced are small then high unit costs can still occur • Can use relatively unskilled workers 	3	Can say 'made in batches' if an example is given, eg white rolls and brown rolls

Question		Expected Answer/s	Max Mark	Additional Guidance
1	b	<ul style="list-style-type: none"> • Do they supply appropriate quality raw materials at an appropriate price for the quality • Will they deliver on time and meet deadlines otherwise production may halt if they are late • Can they supply the quantity needed if larger volumes are required at short notice. • Do they offer any discounts which will reduce the costs and increase profits • Do they offer credit payment terms which allows the organisation to receive the goods, hopefully sell them, before they are due to be paid. • Is delivery free or do they charge for delivery which will increase costs and decrease profits • Is the supplier a reliable business that delivers the right quantities at the right time to the right place • Is the location of the supplier close which is especially important for rush orders or perishable goods 	6	
1	c	<ul style="list-style-type: none"> • Allows candidates from outside the organisation to bring in new ideas • Can target prospective candidates nationally • Can use specialist sources such as the TES for specialist posts • Job centre or recruitment agencies can do a lot of the background work and send only properly qualified candidates • Can be useful to fill vacancies quickly • Reduces recruitment costs for organisations • The use of external sources can be more expensive than internal • Can mean candidates require thorough testing/interviews to assess knowledge and skills base • Avoids jealousy from rival internal candidates 	5	

Question		Expected Answer/s	Max Mark	Additional Guidance
1	d	<ul style="list-style-type: none"> • A tactical decision is made by middle managers whereas an operational decision can be made by anyone in the organisation normally lower level managers. • A tactical decision is a medium term decision whereas an operational decision is made daily or short term • A tactical decision carries a medium amount of financial risk but an operational decision carries virtually no financial risk • A tactical decision is made to help implement the strategic objectives whereas an operational decision is made to help the smooth running on a daily basis 	3	
1	e	<ul style="list-style-type: none"> • Bank Loan – a loan paid back with interest. • Commercial Mortgage – a loan secured against property owned by the organisation. • Sell Assets/land – sell unwanted assets to raise funds. • Venture Capitalists – obtain a loan from a venture capitalist who will receive a share in the organisation in return. • Retained profits – use retained profits from previous years to fund the takeover. • Bring in additional amount of their own capital • Bring in new partners with fresh capital • Overdraft • Grant • Friends and family • Any other appropriate source for a partnership 	5	Max 4 marks awarded for any one source

Total 25 marks

Question			Expected Answer/s	Max Mark	Additional Guidance
2	a	i	<ul style="list-style-type: none"> • Brings customers into the shop • Customers then buy other products which are normally priced. • Profits are made on the overall amount a customer purchases. • Can create customer loyalty. • Can be used in a marketing campaign. 	4	
2	a	ii	<ul style="list-style-type: none"> • Use of press release to counteract bad publicity. • Give donations to charities. • Sponsor events locally and nationally. • Product endorsements/celebrity endorsements. • Publicity literature given out. • Give out company merchandise. • Use press conference – invite media to attend – 2-way interaction 	4	
2	b		<ul style="list-style-type: none"> • Strike: employees refuse to carry out their work which will mean no products/services sold or produced • Lost profits • Overtime ban: employees refuse to work any overtime which can mean orders are late • Go slow: employees work at a slower rate than normal which can increase the costs of production • Sit in: employees do no work while remaining at their workplace which prevents employers bringing in other staff to do their work • Work to rule: employees only undertake the tasks which is in their job description and do nothing else which will results in jobs taking longer to do • Picket: employees demonstrate outside the place of work which can result in bad publicity for the organisation • Lock-out • Boycott • Sabotage 	4	<p>Label not required</p> <p>Watch for repetition of impacts</p>

Question		Expected Answer/s	Max Mark	Additional Guidance
2	c	<ul style="list-style-type: none"> • Employers want to see how candidates perform in a variety of tasks • Tasks can be more realistic as they are modelled on work related activities. • Large numbers of candidates can be assessed at the one time • The organisation may not have the facilities/ability to carry out the tests themselves • Many organisations feel assessment centres are the best method of recruiting the right people into the right posts due to the expansive nature of the various tests • Reduces an in-house interview panels bias towards certain candidates and gives an unbiased opinion on those tested • Tests being carried out by qualified and experienced specialists 	4	One testing mark allowed
2	d	<ul style="list-style-type: none"> • Finance may be restricted which might mean the organisation cannot afford to implement the decision. • Staff may be resistant to change meaning decision making is difficult • The organisation may have policies in place that are restrictive • The decision may be constrained by the lack of technology and mean that new technology needs to be purchased or decisions shelved. • Managers may not have the appropriate skills or initiative to make the best decisions • Managers may be unable to cope with complex decisions • quality of information • level of risk willing to take. • Staffing levels • Staff skills to implement 	4	Watch for repetition of impacts

Question		Expected Answer/s	Max Mark	Additional Guidance
2	e	<ul style="list-style-type: none"> • Profits need to be calculated accurately • Corporation Tax must be accurate • PAYE must be calculated for all employees • If not PAYE then self-assessed tax returns must be made by employees/duty of organisation to inform this • VAT must be returned regularly • Good record keeping 	2	
2	f	<ul style="list-style-type: none"> • The size of the organisation, larger organisations tend to be more formal and smaller organisations tend to be less formal • Technology used – the impact of modern technology can influence how organisations structure their activities, i.e. easier to communicate over larger distances • Staff knowledge and skills, if staff are highly skilled a less formal structure can exist • The market • Products they sell • Finance available 	3	

Total 25 marks

Question		Expected Answer/s	Max Mark	Additional Guidance
3	a	<ul style="list-style-type: none"> • Databases can be used to keep balances of stock which are automatically updated • Linked to tills through EPOS • Can then order the stock automatically when it reaches the re-order level • Allows for accurate/constant monitoring of stock levels • Can allow for decisions on slow moving stock/view best sellers to be made by managers from their computer • Can highlight regional variations in stock from head office • Is a deterrent to theft by staff 	5	No label required
3	b	<ul style="list-style-type: none"> • Specialists can be used to do the work which should mean better quality • Reduces staff costs in the area that has been outsourced which will result in increased profits • Outsourced companies will have specialist equipment which would mean the organisation can sell their equipment • Do not need to purchase specialist equipment • The service can be provided cheaper due to the specialist company using economies of scale/specialisation to reduce unit costs • The service needs only to be paid for when required which means organisations do not need to pay for machinery/staff that are sitting idle • Organisations can concentrate on core activities which should result in the organisation producing a better core product/service 	4	

Question		Expected Answer/s	Max Mark	Additional Guidance
3	c	<ul style="list-style-type: none"> • Product orientation produces a product and then attempts to sell it whereas market orientation produces a product that consumers want/need • Product orientation does not conduct any market research whereas market research is central to market orientation • Product orientation focuses on product research/testing whereas market orientation focuses on customer needs • Market orientation is more able than product orientation to meet consumers changes in fashion/tastes • Product oriented products have little competition in comparison to market orientation 	2	
3	d	<ul style="list-style-type: none"> • Improve the product – e.g. lighter, new features etc. • Alter price – e.g. increase/decrease price. • Change the method of advertising – e.g. from TV to radio. • Change the use of the product – e.g. Lucozade once was used to reenergise ill people, now used as a sports drink. • Introduce line extensions to the product – e.g. different flavours, sizes, formats etc. • Change the name of the product – e.g. Opal Fruits to Starburst, Marathon to Snickers. • Alter the place the product is sold – e.g. selling on-line. 	5	Example not required

Question		Expected Answer/s	Max Mark	Additional Guidance
3	e	<ul style="list-style-type: none"> • Information is immediately historical. • Findings do not take into account external factors. (2 marks available if one external factor is very well described e.g. Recession) • New products or product development is not taken into account. • Staff morale or turnover is not taken into account. • Can't compare with different organisations as you do not know the basis used e.g. stock valuations • Assumes the information they are based on is reliable 	5	
3	f	<ul style="list-style-type: none"> • Analyses the internal areas of an organisation to indicate where they are performing well • Analyses the internal areas of an organisation to indicate where they are weak and need to improve • Examines external areas that could be used to improve performance or profitability in the future • Examines possible threats that can exist externally which means an organisation is being proactive and ready for any eventuality • Gives more/better information and so results in better decisions • Saves rash decisions 	4	

Total 25 marks

Question		Expected Answer/s	Max Mark	Additional Guidance
4	a	<ul style="list-style-type: none"> • Street surveys allow the organisation to directly gain the views of customers • Can clarify any questions to aid understanding • Allows 2 way communication • Very expensive method in comparison to others • Specific target segments can be targeted, e.g. children, females • Telephone surveys mean instant feedback can be given • Sometimes gains a hostile response from the person called • Postal survey can be sent out to all customers (wide geographical area) • or customers in selected areas (target area) • low response rate • Secondary information is easily accessible • More cost effective • Focus group • Hall test • Test market 	6	<p>No label required</p> <p>Watch for repetition</p>
4	b	<ul style="list-style-type: none"> • Managers are required to be aware that new legislation exists • Provides protection for employees who have “protected characteristics” • Organisation cannot discriminate because of:- Age, Disability, Gender, Pregnancy and Maternity, Race, Religion or Belief and Sexual Orientation • Harassment – employees can complain of behaviour they find offensive even if it is not directed at them • Victimisation – someone is treated badly because they have made/supported a complaint or grievance under the Act 	4	<p>Max 1 for the ‘protected characteristics’</p>

Question		Expected Answer/s	Max Mark	Additional Guidance
4	c	<ul style="list-style-type: none"> • Political – government grants allow for a cheaper method of expansion. • Economic – factors such as inflation, recession/boom periods, interest rates will affect organisations in a number of ways. • Social – changes in trends and fashions mean that organisations must continually carry out market research to see what products will sell or if new products are desired. • Technological – as technology changes organisations must keep up-to-date and this will involve a large financial cost. • Environmental – organisations now need to attempt to be socially responsible and environmentally friendly to satisfy consumer groups. • Competitive – organisations must continually monitor their competitors' prices and alter theirs accordingly. 	6	No max in any area
4	d	<ul style="list-style-type: none"> • Appraisal is when your line manager carries out an evaluation on your performance in your job. • Peer-to-peer appraisal is when a colleague within the same level or standing in the organisation carries out the appraisal. • 360 appraisal uses self-evaluation techniques where your skills, performance and personality are compared to your close colleagues who work all around you. • Is a straightforward way of carrying out an evaluation as the line manager will know the employee and the work/duties/targets they have been set. • Allows for continual feedback and praise to be given on a regular basis. • Colleagues carrying out the same job will be knowledgeable of what is expected and what can realistically be achieved by employees. • Is used to set future targets. • Decide on training requirements. 	4	Max 3 marks awarded for either description or justifications

Question		Expected Answer/s	Max Mark	Additional Guidance
4	e	<ul style="list-style-type: none"> • Will mean more empowerment is possible – can give for both employee and management (1 mark each) • Allows for delegation to staff as they should be reasonably skilled • Managers' time to deal with staff problems will be at a premium • Can place managers under stress • Can mean workers rarely have time to meet with their line manager to discuss ideas • Subordinates may resent having to make decisions • Managers will have less time for planning • Can result in poor decisions – both employee and org (1 mark each) • Managers are in charge of more staff • Can be motivational to managers as can be seen as greater power 	5	

Total 25 marks

Question		Expected Answer/s	Max Mark	Additional Guidance
5	a	<ul style="list-style-type: none"> • Ensures products are easily identified by consumers • Create brand loyalty and customers will repeatedly purchase the product. • Purchase their product and not a rivals • Launch new products more easily • Customers trust new products from that brand • Higher prices can be charged • A successful brand can allow organisations to save money on marketing • Can be used to create an exclusive image like ASDA and George • Customers can be put off by the higher price • Competitors can mimic your product to increase their own sales • Can be a costly process to create the brand/ logo/slogans • Can mean very high marketing costs in the early stages of the product/brand life cycle • High and low quality brands can be sold by an individual retailer to give customers a choice, e.g. Tesco value and Tesco finest • Different segments of the market can be targeted with different brands e.g. Volkswagen own Skoda 	6	5 marks maximum for advantages or disadvantages

Question		Expected Answer/s	Max Mark	Additional Guidance
5	b	<ul style="list-style-type: none"> • Capital is not tied up in stock and can be used elsewhere in the organisation. • There is less warehouse space needed for stock. • Less stock is stored which should result in less wastage. • Theft will be reduced as stock is more tightly controlled. • Changes in fashion or trends will have less of an impact. • If stock does not arrive production can stop. • May lose out on bulk buying discounts. • There will be an increase in delivery costs as more frequent transportation exists. • There is a high dependence on suppliers • May increase administration costs due to more ordering. • Stock may have to go straight into production and there may not be time to check it for quality. • Production not started until order arrives – this can improve cash flow 	5	

Question		Expected Answer/s	Max Mark	Additional Guidance
5	c	<ul style="list-style-type: none"> • Will improve communication through use of: <ul style="list-style-type: none"> • e-mail which will speed up sending files to colleagues throughout the world • can have attachments sent to colleagues to view • use of videoconferencing will allow meetings to take place without travelling. • Increased access to information through the use of the Internet and access to worldwide sources will allow organisations to look at competitors' websites <ul style="list-style-type: none"> • find suppliers' anywhere in the world • access information from anywhere in the world. • Increases productivity and speed of work as computers often work faster than humans. • File sharing can be carried out anywhere in the world through the organisation's network which will improve decision making as files can be shared and worked on at same time by colleagues anywhere in the world. • Saves on costs <ul style="list-style-type: none"> • travel costs with use of videoconferencing • labour costs as use of computers will reduce labour requirements. • Improves quality of product or service <ul style="list-style-type: none"> • computers will produce a consistent quality each time • reducing the number of errors and wastage. • Allows for more flexible working with staff as they can work from home and stay in contact via ICT – better relationships. • E-commerce/e-tailing • Image and competitiveness 	5	<p>Negative impacts accepted</p> <p>One mark maximum for any financial cost, eg purchase/installation/maintenance/training</p>

Question		Expected Answer/s	Max Mark	Additional Guidance
5	d	<ul style="list-style-type: none"> • Customers are interested in the best price for quality products • Employees are interested in job security • Managers are interested in future promotion prospects • Suppliers are interested in receiving payment for supplies • Banks are interested in the stability of the organisation in order to repay loans • Local community are interested in the social responsibility of the organisation <ul style="list-style-type: none"> • Jobs created in the local community • Owners/shareholders are interested in the profits that the organisation makes • Government are interested in the firm complying with laws • Paying taxes 	4	<p>Max 3 marks awarded per stakeholder</p> <p>Do not repeat interest</p>
5	e	<ul style="list-style-type: none"> • Too much money tied up in stock. • Customers being given too long a credit period • Customers being given too high a credit limit. • Owners taking out too much money through drawings. • Having high borrowings with increased rates of interest. • Suppliers not allowing credit or very short credit period. • Sales revenue not high enough. • Sudden increase in expenses (1 expense only). • Capital expenditure 	5	

Total 25 marks

[END OF MARKING INSTRUCTIONS]