

2014 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 <u>always</u> 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. You can do this by posting a question on the Marking Team forum or by e-mailing/phoning the e-marker Helpline.
- (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)		Additional Guidance
1	 Finance Share price dropped Heavily indebted bank Underperforming business Bought debt fuelled bank ABN AMRO Needed a financial bailout to survive Large losses (losses of £1.1 billion) £1 billion bonuses paid in 2010 even when there were large losses Provided funds to cover salaries for redundancies at Hoare Govett Hoare Govett struggled to break even Human Resources Costly recruitment exercise to hire externally High redundancy payments Needed to cut staff Waiting on newly hired staff to gain knowledge of the bank Lost many experienced staff members Marketing Controversy/public outcry at the level of bonuses being awarded Severely damaged reputation / damaged image Public image was at an all time low Closing some of their operations (product/place) 	10	Once only (£7 > 50p > 19p) There is only one mark max for loss and/or bonus payments The payment of bonuses is only mark-worthy if linked to the loss DNA – losses to the UK taxpayer (as it is not a problem for RBS)

Question	Expected Answer(s)	Max Mark	Additional Guidance
1	 (Continued) External Problems linked to worldwide financial crisis/tough new capital rules introduced by global regulators Economics of investment banking changed UK Independent Commission on Banking stopped banks splitting their operations Eurozone crisis caused share trading to almost grind to a halt Planned vote in House of Commons 		Could be Financial
2	 Increases the speed of information handling Improves production methods through use of robotics and CAD/CAM Improves efficiency in administrative functions Enhances reputation with potential customers Reduces staffing costs Allows for teleworking Allows for improved communications on a global scale Can mean e-commerce is possible/increases sales Bluetooth/3G/wi-fi can be used for transferring files Gives organisation a competitive edge Smartphone apps to stay in touch with customers easily Email – instant communication Email – send to groups 	5	Improved communication through smartphone/email is a repeat

Question	Expected Answer(s)	Max Mark	Additional Guidance
3	 Saves money on expensive managerial salaries or employee wages which increases profits Less layers for information to pass through leads to better communication Less layers for information to pass through leads to faster decision making Employees are more motivated as they are empowered to make decisions which may also improve productivity Can respond quicker to changes in market/industry as decisions are faster/less levels to pass through 	4	
4	 Horizontal integration Can result in economies of scale/reduces unit cost of products Can dominate the market as a larger single organisation May allow for higher prices to be charged Competition is reduced Vertical integration Profits are increased by cutting out the 'middle men' Stock can be cheaper Guaranteed source of supplies Prices of stock is controlled Guaranteed customer 	5	No definition marks available

Question	• • • • • • • • • • • • • • • • • • • •	Max Mark	
5	 High/Premium Price – price is set higher than competitors gives the image of quality and exclusiveness Low Price – price is set lower than competitors Skimming – price is set high initially when no competition exists, when competitors enter the market the price is lowered to market price Market/Competitive Pricing – price is set at the same level as competitors normally used for products that are identical Penetration Pricing – price is set slightly lower than competitors to attract customers once a customer base has been created price is slowly increased to same as competitors Promotional Pricing – a low price is set for a short period of time used to get rid of old stock possibly even making a loss on the product Destroyer Pricing – price is set very low compared to competitors once there is no competitors once there is no competitors once there is no competitors must have large reserves to sustain this over any length of time Cost Plus Pricing – add up the costs of production and add on a percentage profit 	6	DNA Loss leader

Question	Expected Answer(s)	Max Mark	Additional Guidance
6	 Managers can compare actual budgets with planned budgets if there are any deviations make corrective action where required Highlights periods where a negative cash flow is expected and then allows for appropriate finance to be arranged for that period Allows for investment to be made in times of excess cash flow Allows managers to control expenditure Used to set targets for workers and managers Can be motivational for employees 	5	
7	 Employees - provide a good service through working efficiently, no absences, put forward good suggestions for improvement of services, go on strike Managers - at regular meetings can discuss staffing levels, suggest areas of investment, areas needing improved to provide a better service, ensure objectives are met National Government - take action on bonuses/overspends, legislation, eg, provide financial backing/support, recent recycling laws Community - petition local council over matters they are unhappy with to prevent similar problems in the future Suppliers - offer better discounts, quality materials at good prices Customers - continue to use RBS or move to another bank Shareholders - sell shares or attempt to further invest by buying more shares 	5	DNA competitors, but accept "other banks" if they are lenders to RBS

Question	Expected Answer(s)	Max Mark	Additional Guidance
8	 Managers that have the ability and experience Managers who are properly trained The quality of the information available (max 1 for any characteristic of information) Use of decision making models – accept any stage(s) but must be qualified as to how it makes a quality decision How much risk the managers / decision makers will take Motivation of staff to properly implement the decision Finance available Technology available Enough time/time available 	4	
9	 Proves the product/service has met an agreed level of quality Can be used as a marketing tool to gain a competitive advantage Will give customers confidence when purchasing the product May ensure repeat sales of the product Higher prices can then be charged Less customer complaints/less returns Limits waste Involves a very lengthy and time consuming process Agreed standards need to be maintained at all times Will require thorough checks and audits by BSI staff to prove the standards have been met Rigorous record keeping of purchases and production must be kept Expensive staff training Might not see the benefit for a number of years 	6	

[END OF SECTION ONE]

Section two

Question	Expected Answer(s)	Max Mark	Additional Guidance
1 (a)	 Job production Where a single product is made to a customers' specifications Involves skilled workers making the product Can charge a higher price Can be motivational to workers High quality Batch production Products are made in groups (sets) of similar products No item goes onto the next stage until they are ready Batches can be made for specific customer requirements Slight alterations can be made to batches Flow production Items move continuously along a production line from one operation to the next Each part of the operation leads to the eventual end product being manufactured Machinery is used to reduce labour costs Huge quantities can be produced Can reduce the cost of individual products 	4	

Questi	ion	Expected Answer(s)	Max Mark	Additional Guidance
1 (1	b)	 Road Refrigerated vehicles can be used to transport perishable items Is an easy way to get direct to a customer's location As road networks improve it is a quick method Is relatively cheap Can have problems with delays, road works and weather Cost of fuel rising makes the overall cost dearer Industrial action taken by lorry drivers (max 1 on industrial action) Rail Ideal for heavy products Less restrictions on how long the goods can be on the move Is more environmentally friendly than road Requires specialised freight terminals to load products Not suitable in rural areas with no rail network Air Is perfect for long distances or more remote areas Is a faster method for overseas distribution Can be more expensive than road or rail Often still requires road transport Sea Ideal when heavy or bulky goods are transported Is a slower method than the others Pipeline Cable Electronic Watch for flipping and repetition between methods. 	5	Max 1 for any delay (eg snow, roadworks, ash cloud, etc) "Cheap" and "Expensive" need to be qualified (eg relatively cheap) or need to be compared to another form (eg air is more expensive than rail)

Que	estion	Expected Answer(s)	Max Mark	Additional Guidance
1	(c)	 Share issue – share stock market (PLC) Share issue – peop shares (Ltd) Bank Loan – a loan time with interest Commercial Mortga secured against protthe organisation Sell Assets/Land – raise funds Venture Capitalists from a venture capitreceive a share in the in return Retained profits – up profits from previous the takeover Debentures – loans end of a period of ti does not need to be 	le invited to buy paid back over ge – a loan perty owned by sell assets to – investment talist who will ne organisation se retained s years to fund paid back at the me/with interest om the govt that	A good description of a bank loan without mentioning interest will be sufficient
1	(d)	 Products in the brar instantly recognisat loyalty can be built Repeat purchases i sales/profits Is perceived to be of therefore premium p charged Can be used as a m advertising purpose sales Makes it easier to la products onto the m Brand names can b build up Bad publicity can af brand Imitation and fake p common 	le and brand up increase f high quality prices can be marketing tool for s to increase nunch new market e expensive to fect the whole	

Question		Expected Answer(s)		Additional Guidance
1	(e)	 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 Release Mission Statement 	5	

Que	estion	Expected Answer(s)	Max Mark	Additional Guidance
2	(a)	 Normally set up to carry out a specific project Will consist of different specialists from functional areas Each team will have a project leader Can be motivational to the staff concerned Is a good method of solving complex problems Gives staff increased experience in different situations Is a relatively costly structure if many different teams are required Can be difficult to co-ordinate staff from different areas Each staff can have two managers, the project manager and their own functional manager which can cause confusion and conflict 	3	
2	(b)	 Control costs – the Finance department will help control costs of an organisation which should help it be more profitable Monitor cash flow – will closely monitor cash flow and take corrective action if any problems arise to ensure proper liquidity Plan for the future – by analysing past and future trends the department will hopefully make decisions which will improve the organisation's efficiency Monitor performance – use the final accounts to analyse how the organisation has performed and help improve any areas of weakness identified Make decisions – the department will make use of the information it has to plan budgets and make financial decisions, this should help an organisation's performance and profitability Pay staff wages – ensure each worker is receiving the correct pay every period 	4	

Que	stion	Expected Answer(s)	Max Mark	Additional Guidance
2	(c)	 Strike – employees refuse to do their work and do not enter the workplace Sit in – employees are in their place of work but do not do any work Work to rule – employees only undertake the exact jobs written in their job description Go slow – employees deliberately work at a much slower rate Overtime ban – employees do not do any overtime Picketing – employees protest at entrance to the place of work 	5	
2	(d)	 Loss in production will lead to possible shortages in stock Loss in sales revenue may lead to liquidation Long term loss of customers who now shop at competitors Image of organisation is tarnished Damage to long term reputation of organisation Share price can fall May result in redundancies Improves working practices Facilitates change ACAS/Trade Union involvement 	5	
2	(e)	 Evaluate the decision with their staff to gain their views on the change and if it has been successful Issue questionnaires to customers to evaluate their response Check to see if sales have increased then it could be assumed the decision was successful Check to see if profits have increased Monitor absenteeism Monitor staff morale Check to see if situation has improved 	4	

Que	Question		Expected Answer(s)	Max Mark	Additional Guidance
2	(f)		 Timely – information must be available when needed Up-to-date – current information Objective – should be free from bias Accurate – the information must be correct Appropriate – the information should be for the purpose required Available – should be easily obtained Complete – nothing should be missing Concise – should be short and to the point Cost effective – value gained from information must be greater than the cost of obtaining it 	4	A label is not required

Que	estion	Expected Answer(s)	Max Mark	Additional Guidance
3	(a)	 Specialists can be used to do the work which should mean better quality Reduces staff costs in the area that has been outsourced which should help increase profit Outsourced companies will have specialist equipment and this should allow for work to be carried out faster The service can be provided cheaper The service needs only to be paid for when required Organisations can concentrate on core activities Organisations can lose control over outsourced work Sensitive information may need to be passed to the organisation Communication needs to be very clear or mistakes can arise 	5	
3	(b)	 Decline in full time workers with move to more part-time and short term contracts Firms now have core workers and outsource to sub-contractors for non-core activities Increase in service/tertiary sector employment Decline in traditional manufacturing industries Increase in women in full or part-time employment More women in managerial posts Increase in number of older workers Homeworking/Teleworking Career changes more common More people are self-employed Change in patterns of working hours, eg, annualised hours, flexitime, case load People choosing to work abroad/Increased labour mobility Career breaks Zero hour contracts Influx of workers from EU 	5	

Que	estion	Expected Answer(s)	Max Mark	Additional Guidance
3	(c)	 Maximum stock level: the level of stock that should be held to minimise costs and involves examining storage space available and finance required for this level Minimum stock level: level that stock should not fall below as shortages could result and production could be halted Re-order level: the level which stock should be re-ordered at, takes into account usage and lead times Re-order quantity: the amount that is ordered to take the stock back up to maximum level once it is delivered Lead time: the time taken between ordering new stock and it arriving at the organisation Max 2 for diagram – 1 mark for labelled shape; 1 mark for 2 labelled axes 	6	
3	(d)	 Helps managers to identify the problem Ensures that all relevant information is gathered Ensures no rash decisions are made Ensures time is taken to analyse the information A range of possible solutions are devised from the relevant facts and information that has been gathered By following this process ideas can be enhanced Is a time consuming process to gather the information Decision making process is slowed down Is difficult to choose from a range of solutions as it is not always clear which is best Gut instincts and creativity are stifled 	5	

Question		Expected Answer(s)	Max Mark	Additional Guidance
3	(e)	 Quantitative information is expressed in numerical format whereas qualitative information is expressed in words Quantitative information can be measured whereas qualitative information is descriptive Quantitative is easier to analyse, is factual, can be used to make forecasts or comparisons whereas qualitative can be used to find out customer opinions, can be used to make judgements on a product Primary and secondary information has been gathered by the organisation however secondary information has often been gathered by another organisation Primary information has been gathered by another organisation Primary information has been gathered for a specific purpose whereas secondary information has been gathered for one purpose and used for another 	4	

Que	Question		Expected Answer(s)	Max Mark	Additional Guidance
4	(a)	• • • • • •	The full range of an organisations products can be shown on a website therefore the products are available for consumers to look at Customers can purchase online from their own home – increase sales Allows worldwide sales – global economy Sales can be made 24/7 Reduces costs due to not requiring expensive premises or large amounts of staff Customers can leave comments on websites Can make use of customer details for market research purposes Customer satisfaction	4	
4	(b)	•	Private sector organisations objectives will focus on profit maximisation whereas public sector will require to operate within a specific budget Private sector will focus on sales maximisation but public sector organisations will focus on provision of a specific product or service Private sector organisations will be responsive to shareholders opinions however public sector will have local or national government priorities and objectives Increase market share/will have little or no concern with market share To expand globally/operate on a local or national basis only Both will look to provide a quality service Both will look to be socially responsible Both will try to be as efficient as possible	4	

Questi	ion	Expected Answer(s)	Max Mark	Additional Guidance
4 (c	2)	 Personal Interview Allows 2 way communication and encourages answers Misunderstandings can be ironed out Can be an expensive method Home interviews tend to be unpopular with consumers Telephone Survey Is fairly cheap Response is immediate allowing large numbers to be surveyed quickly Hostility to the person making the call is common as people do not like being disturbed at home Postal Survey Is cheaper method than street survey as it does not require trained personnel Questions need to be very simple and easily understood Response rate is very low Free gifts are used to increase the return rates High design costs Wide range of views and opinions Hall Test Gives consumers the chance to see or try a product and to be questioned on their opinions of the product Is often used in supermarkets and wholesalers Fairly cheap method Can be difficult to analyse qualitative information Consumers often give favourable replies simply to be polite 	6	No definition marks

Que	stion	Expected Answer(s)	Max Mark	Additional Guidance
4	(c)	 (Continued) Consumer Audit Can be accurate information on consumer buying patterns which can be used to predict consumer trends Is a very expensive method as many consumers receive payments to complete diaries Consumers get fed up quickly resulting in a high turnover of respondents and inaccurate data Consumers may not complete the journals accurately or on time Test Marketing Allows for the product to be amended or improved before national launch Saves the cost of a national launch if the product does not receive good reviews in the test market Regional tastes may not represent the nation as a whole Dbservation There is no direct contact with the customers Cannot clarify any situations or ask for explanations Dn-line Poll Focus Group EPOS Watch for repetition and flipping. 		

Question	Expected Answer(s)	Max Mark	Additional Guidance
4 (d)	 Attainment A candidate is given the chance to demonstrate their learned skills/knowledge Would be used to test skills in ICT To measure skills against a set standard Aptitude Assesses a candidate's natural abilities and skills Would be used to decide if the candidate had the required skills for a job Intelligence/IQ Measures a candidate's mental ability Used for jobs where candidates may be solving problems/literacy/ numeracy Psychometric/Psychological Assesses a candidate's personality Assesses a candidate's sethical/moral standards Used to assess the candidates mental suitability for a job Medical Measures a candidate's physical attributes Used for jobs such as the fire brigade that require certain levels of physical strength 	6	Accept IQ Test measures intelligence Accept Intelligence Test measures IQ

Question	Expected Answer(s)	Max Mark	Additional Guidance
4 (e)	 Functional Grouping Organisations grouped into departments eg Marketing Allows for specialisation in each functional area There is a clear structure to the organisation Clear lines of authority exist Staff can seek support from colleagues if required No duplication of resources Organisational aims can be lost due to departments pursuing their own aims Can be unresponsive to change in the market Can produce large and unwieldy organisations Product/service grouping Each division will be grouped according to a product or product range 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 	5	

Question	Expected Answer(s)	Max Mark	Additional Guidance
4 (e)	 (Continued) Geographical Grouping of resources is carried out across a geographical area, ie, Midlands, Scottish, South-East Division, Europe, USA, North America etc 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 Technological Organisations group their activities according to technological process Suitable for large organisations with different production processes Again duplication of resources occurs Resources are organised around groups of customers with similar needs 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 		

Que	estion	Expected Answer(s)	Max Mark	Additional Guidance
5	(a)	 The product being sold The finance available within the organisation The image of the product The reliability of the other companies in the chain Legal restrictions Where the product is in the life cycle The organisations own distribution capabilities Durability of the product Target market 	5	
5	(b)	 Could be released to the press Can help market the business and its products Issued to all employees Shows the organisation's plans for the future Shows how the customers will be treated/affected Will detail social responsibilities of the organisation Could be used to attract quality staff Improve the image of the organisation Influences the organisation's corporate culture 	4	
5	(c)	 Gross Profit and Net Profit Fixed Assets and Current Assets Debentures and Shares. Gross Profit - turnover less cost of sales whereas Net Profit - profit after the firms expenses have been deducted from the gross profit Fixed Assets - items which the business owns and will be kept for longer than one year whereas Current Assets - items which the business owns and will be kept for less than one year Debentures - a loan where there fixed interest is paid over the stated period of the loan and then the full amount is paid back whereas Shares - investment in a company that receives a dividend each year if profits allow 	3	

Que	estion	E	expected Answer(s)	Max Mark	Additional Guidance
5	(d)	•	To compare current performance with previous years to see if there is any improvement To make comparisons with similar size organisations in similar industry which allows them to analyse if the organisation is making appropriate GP% or NP% To measure an organisation's profitability which allows for better control of expenses To show if an organisation has the ability to pay short term debts which gives warnings to managers of the problems that could happen with higher than average debt ratios To measure an organisation's efficiency which allows for action to be taken against inefficient areas to improve on them Highlight trends so managers can be aware of profitable periods or problem periods, ie, seasonal demand	4	
5	(e)	•	raw materials Ability to deliver on time and meet deadlines Ability to supply the quantity needed Discounts available Credit payment terms available Cost of delivery Reliability of supplier	5	

Question		Expected Answer(s)	Max Mark	Additional Guidance
5	(f)	 Allows for a wider pool of skills to be available to the organisation Staff can carry out a wider range of tasks Cover for absent colleagues Is motivational for staff and will improve performance Can improve the quality of product/service provided Improved customer relations Improves the image of the organisation and they will attract a better calibre of worker Might reduce the number of accidents at work It may be required to introduce change/make the staff more acceptable to change Allow the organisation to be more flexible in the marketplace 	4	

[END OF MARKING INSTRUCTIONS]