



2015 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. *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 1 – Solution

Question	Expected Answer(s)	Max Mark	Additional Guidance
1.	<p>Marketing</p> <ul style="list-style-type: none"> • Vion UK had to reduce the price on Hall's products • Increase their budget for promotional activities to hold onto their market share • Overcapacity in the marketplace for meat products • Food industry was suffering heavily • Increased competition • Families spending less on luxury goods • Damaging statement made by STUC <p>Finance</p> <ul style="list-style-type: none"> • Factory continued to make a loss even after the investment in new processes • Outdated and inefficient layout contributed to the losses • Increasing costs • Efficiency improvements were not enough to bridge the considerable losses • Vion UK rejected the offer from Scottish Government to buy and lease back the site which would have freed up working capital • None of the buyers placed a firm offer • £79,000 per day losses made <p>Human Resource</p> <ul style="list-style-type: none"> • Loss of over 1700 jobs/job losses • Information given in impersonal manner • Skilled workforce paying the penalty of management mistakes <p>External</p> <ul style="list-style-type: none"> • Challenging economic conditions/recession • Food industry was suffering heavily • Overcapacity in the marketplace for meat products • Increased competition • Families spending less on luxury goods • Fury in the area of councillors and residents <p>Max 3 per area</p>	10	<p>Some points can be in more than 1 heading.</p> <p>Losses need development to get all marks.</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
2.	(a)	<ul style="list-style-type: none"> • Operate within a specific budget • Provision of a service • Meet local or national government priorities • Be as efficient as possible/quality service • Social responsibility • Accept appropriate example specific to a local council 	4	
2.	(b)	<ul style="list-style-type: none"> • Private Sector – organisations owned and run by private individuals whose main concern is to make a profit. • Third/Voluntary sector – not for profit organisations and charities operate within this sector. 	2	
3.		<ul style="list-style-type: none"> • One senior member of staff makes all the important decisions • Decisions are therefore made quickly • Staff are very rarely consulted on decision making • Stifles staff initiative as they are not consulted • Is mainly used in smaller organisations • Employees know who they are accountable to • May place over-reliance on key members of staff • Credit appropriate diagram 	3	
4.		<ul style="list-style-type: none"> • Ensure less cash is tied up in stock • Give customers a shorter credit period • Lower credit limit to customers • Owners should limit how much money they take out through drawings • Reduce interest rates on loans if possible • Ask suppliers for longer credit periods • Attempt to increase sales through promotions/advertising – 1 max • Reduce expenses as much as possible – 1 only for reduced expenses • Place a hold on any capital expenditure • Take out a loan • Debt factoring 	4	Reduction in wages – 1 max for any method

Question	Expected Answer(s)	Max Mark	Additional Guidance
5.	<ul style="list-style-type: none"> • Increases the speed of information handling through use of integrated systems such as photocopier, e-mail, scanner all in one PC • Improves production methods through use of robotics and CAD/CAM which improves quality • Enhances reputation with potential customers which will improve customer loyalty • Reduces staffing costs which may increase profits • Can mean e-commerce is possible which will increase sales • Give access to global • Smartphone apps allow organisations to stay in touch with customers easily • Use of social networking which improves communication to customers • Allows for more flexible working with staff as they can work from home and stay in contact via ICT • Staff may be resistant to the change and become demoralised if they cannot operate the latest technology • Increased initial costs – the initial financial costs will be high to install the ICT. • Staff training may be required in order that staff fully utilise the ICT – this can be costly • Maintenance/update costs can be high which will reduce profits <p>Max 5 per area, eg, e-commerce Max 5 for advantages or disadvantages</p>	6	<p>2 max on buying, installing, breakdown cost</p> <p>More than one explanation can come from the same point</p>

Question	Expected Answer(s)	Max Mark	Additional Guidance
6.	<ul style="list-style-type: none"> • The vacancy can be filled relatively quickly with internal sources but can take a lot longer with external sources • Staff can be motivated if they get promotion for a job internally but it can mean there are no new ideas brought in by new staff • The managers will already know if the employee has the required skills for the job if internal, however, with external the candidate's skills are unproven • With internal recruitment the number of potential candidates is restricted whereas with external the vacancy is open to a vast number of potential candidates • When a vacancy is filled it will mean another one opening up and then requiring to be filled, but with external recruitment only one vacancy will need to be filled • Can cause tension amongst staff if a colleague gets a job, but also if there is a new person in charge that they have never met before • Is cheaper to fill a vacancy using internal recruitment whereas external recruitment costs can be very high 	4	
7.	<p>Personal selling – products are sold by experienced sales personnel.</p> <ul style="list-style-type: none"> • Direct contact can be made to the retailer or consumer • Can be tailor-made to customer requirements • Demonstrations of the product or service can be shown <p>Mail order – goods sold via catalogues.</p> <ul style="list-style-type: none"> • Offers credit facilities • No need for high street stores <p>Internet selling – making use of websites to sell products.</p> <ul style="list-style-type: none"> • Consumers can order online from offices or homes • Is available worldwide • Can be accessed 24/7 <p>Specialist magazines – used to describe and sell specialised products or services.</p> <ul style="list-style-type: none"> • Customers who are sent or purchase the magazine are directly interested • Consumers can phone in orders or speak to specialists <p>Max of 4 description marks Watch for repetition (No ID marks are given. A description of the method must be given to be awarded a mark.)</p>	8	Other methods are available

Question			Expected Answer(s)	Max Mark	Additional Guidance
8.			<p>Commission</p> <ul style="list-style-type: none"> • Is a reward for the amount of a product or service sold to customers • Can be paid on top of a basic salary • Paid as a percentage of the product's sale value <p>Overtime</p> <ul style="list-style-type: none"> • Normal hourly rate plus an increase for extra hours worked • Is an incentive to work more than the contracted hours <p>Bonus Rate</p> <ul style="list-style-type: none"> • Employees are paid a basic rate with a bonus on top for meeting agreed targets • Is an incentive to produce more or work harder <p>Annualised Hours/Flat Rate/Salary</p> <ul style="list-style-type: none"> • Employees are paid assuming a basic working week • Employees receive the same amount each week/month • May have to work longer some weeks/months or less in others depending on demand <p>Accept any other payment system Max 4 for any one system</p>	5	Time rate Piece rate
9.			<ul style="list-style-type: none"> • Time is taken to follow the model so no rash decisions should be made • All information should be gathered prior to the decision allowing for a more informed decision • Alternative solutions are prepared allowing for more than one option to be looked at • The creation of more ideas • It ensures the decision is communicated which means all stakeholders will know the decision • The final decision is evaluated which allows for comparisons • Corrective action can be made if required 	4	

Total 50

[END OF SECTION ONE]

Section 2 solution

Question			Expected Answer(s)	Max Mark	Additional Guidance
1.	(a)	(i)	<ul style="list-style-type: none"> • In job production, organisations can produce products to meet exact customer requirements; in batch production, groups of similar products are made • Job production allows the customers to change the design during the process whereas in batch production once the process is started it won't change • In job production the wages paid will need to be higher whereas in batch production wages will be lower to reflect less skilled jobs • In job production individual unit costs are high whereas in batch production the individual costs can be reduced • Both may require expensive equipment 	4	
1.	(a)	(ii)	<ul style="list-style-type: none"> • Products move continuously from one stage to the next • Products are of a standard specification • Costs of machinery can be high • Saves on labour costs • Produces high volume • Low unit costs 	2	
1.	(b)	(i)	<ul style="list-style-type: none"> • Weather – floods or severe weather can cause organisations to lose stock <ul style="list-style-type: none"> • lose customers • have high insurance claims/premiums • halt production • delay supplies • Recycling – can cause organisations to incur higher costs to dispose of waste and this will lower profits • Emission reductions – this can cause organisations to alter their production methods to ensure they are complying with carbon emission levels • If they use renewable energy this will save energy costs in the long run • Actions of pressure groups such as Greenpeace may cause the business to lose customers due to protests outside the organisation • Natural disaster • Ash die-back ... <p>Watch for repetition for impact</p>	3	Needs 3 different factors eg not 3 weather Accept availability of natural resources if well explained

Question			Expected Answer(s)	Max Mark	Additional Guidance
1.	(b)	(ii)	<ul style="list-style-type: none"> • Economic factors such as a recession <ul style="list-style-type: none"> • interest rates • inflation • Social factors such as changes in trends and fashion <ul style="list-style-type: none"> • changes in patterns of employment • Technology factors due to continually changing/improving technology • Competitive factors such as the prices charged by a similar organisation • Political factors such as changes in legislation <p>Max 4 per area</p>	5	
1.	(c)		<ul style="list-style-type: none"> • Employee may be set appropriate targets • Staff training needs would be identified • Employee motivation could increase because of/following the appraisal • Could give positive feedback to the employee. • Meet regularly to discuss progress • Allow the worker to have their say during appraisal and air any problems • Ensure the skills the worker has are not being overlooked or underused • Appoint a mentor to a worker to give them support/advice 	5	
1.	(d)		<ul style="list-style-type: none"> • Timely – information must be available when needed • Be up-to-date • 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 obtaining it 	6	Reliable need to be clearly developed

Total 25

Question		Expected Answer(s)	Max Mark	Additional Guidance
2.	(a)	<ul style="list-style-type: none"> • An organisation can only hold information for a specific lawful purpose • It must register this purpose with the Data Protection Registrar • Individuals have a right to access the information held about them • Compensation may require to be paid if the information is inaccurate • The information must be accurate • The information must be up-to-date • There must be appropriate security measures in place to safeguard the information • Information should only be held for as long as necessary • Permission is required to export the data out with EU 	5	Not excessive
2.	(b)	<ul style="list-style-type: none"> • Using high quality raw materials will lead to a quality product or service • Highly skilled staff will result in good customer services • Using up-to-date machinery will help standardise product quality • Should result in fewer products being faulty or not of a proper standard • Should result in fewer customer complaints • Should result in repeat sales • Should result in the organisation having a good reputation • May mean higher purchasing costs for raw materials • Can result in high staff training costs • Increased expense of inputs – 1 max 	5	
2.	(c)	<ul style="list-style-type: none"> • Own labels require very little advertising which will save costs • Can attract customers to the store ie George at ASDA • The retailer does not need to produce the own brand products • Retailers control the price of marketing • A range of products with own labels can be sold • Some own brands can be seen as value for money and a quality product • Own labels are cheaper for customers • Whole brands can be tarnished over one product's failure or problem • Run the risk of imitator brands <p>Max 5 per area</p>	6	Own brand products are not exclusive to supermarkets

Question		Expected Answer(s)	Max Mark	Additional Guidance
2.	(d)	<ul style="list-style-type: none"> • Companies aim a specific product/service at a small market segment • Attempt to build up expertise in that area • Little competition exists in that area • Can be risky as only a small group of specialised customers exist • When a small gap in the market has been identified 	3	
2.	(e)	<ul style="list-style-type: none"> • Compare current performance with previous years to see if there is any improvement • To make comparisons with similar size organisations in similar industry • To measure an organisation's profitability • Allows for better control of expenses • To show if an organisation has the ability to pay short term debts • To measure an organisation's efficiency • Allows for corrective action to be taken against inefficient areas • Highlight trends so managers can be aware of profitable periods or problem periods eg seasonal demand • Ratios can be historic and therefore not always accurate • Different financial calculations can alter the ratio 	6	

Total 25

Question		Expected Answer(s)	Max Mark	Additional Guidance
3.	(a)	<ul style="list-style-type: none"> • Age – different age groupings are used as young or old, under 12, 13-19, 20-35, over 35 • Occupation – the market is segmented into different types of occupation • Education – segmented according to the level of education attained • Socio-economic – socio-economic groupings are used to group customers in different economic classifications • Geographical – customers are segmented by area they live in • Cultural/religious background – various religions are used to segment the market • Family lifestyle – customers can be segmented into either married or single 	6	
3.	(b)	<ul style="list-style-type: none"> • Allows for specialisation in each functional area which should produce a quality product or service • There is a clear structure to the organisation and therefore all stakeholders should know where to go for information • Clear lines of authority exist • Staff within each department can seek support from colleagues if required • No duplication of resources 	4	
3.	(c)	<ul style="list-style-type: none"> • Implementing the ideals and beliefs of the owner • By use of symbols or logos that customers recognise • Staff uniforms consistent throughout the organisation • Uniformity of layout of offices/branches • Use of a phrase or motto that can be recognised by customers / used in marketing • How staff interact with customers • Merchandising of products linked to the organisation 	5	
3.	(d)	<ul style="list-style-type: none"> • Strategic decisions are long term decisions whereas tactical are medium/shorter term decisions • Strategic decisions are made by senior managers whereas tactical decisions are made by middle managers • Strategic decisions carry a high risk whereas tactical decisions carry a lower risk • Strategic decisions set out the objectives of the organisation whereas tactical decisions are used to help shape the strategic decisions 	3	

Question		Expected Answer(s)	Max Mark	Additional Guidance
3.	(e)	<ul style="list-style-type: none"> • Verbal warning during a meeting outlining the issue • Written warning stating clearly the issue <ul style="list-style-type: none"> • how the issue may be resolved by the employee • Involve union officials/allow the employee to seek union advice • Worker could be suspended <ul style="list-style-type: none"> • this may be without pay • Hold a disciplinary hearing • Eventually the employee may be dismissed • Appeal the decision/industrial tribunal 	4	Starts after there has been a breach of discipline identified
3.	(f)	<ul style="list-style-type: none"> • Representing a large number improves the negotiating position <ul style="list-style-type: none"> • this increases the chance of success for members • Agreements reached can be on a national level • Reduces the number of individual meetings required to resolve an issue • Without collective bargaining the employees could be taken for granted and deliberately left out of discussions, consultations or told very little by the organisation • Speed/urgency is given to the issue 	3	

Total 25

Question		Expected Answer(s)	Max Mark	Additional Guidance
4.	(a)	<ul style="list-style-type: none"> • Managers that have the ability and experience to make good decisions from past experience • Managers who are properly trained to make good decisions • The quality of the information available on which to base the decision (max 1 for any characteristic of information) • Use of decision making models (max 1) • How much risk the managers/decision makers will take when making decisions • Motivation of staff to properly implement the decision • Finance available to implement the decision • Technology available – is it capable of being used or is it outdated? 	5	
4.	(b)	<ul style="list-style-type: none"> • Cuts out a complete level of management within the organisation which will reduce the salaries paid out by the organisation • Managers have an increased span of control which may result in increased workload for the manager <ul style="list-style-type: none"> • increased stress for the manager • staff having to wait to meet with a manager • less time for planning • Communication should be improved and quicker to pass on which means the organisation will be more responsive to changes in the marketplace • Empowers the staff which can lead to increased motivation • Fewer promotion opportunities for staff which could lead to them leaving the organisation to gain promotion <p>Max 4 Adv/Disadvantages</p>	5	

Question		Expected Answer(s)	Max Mark	Additional Guidance
4.	(c)	<ul style="list-style-type: none"> • Fixed Assets and Current Assets • Gross Profit and Net Profit • Debtors and Creditors • Fixed Assets are possessions that last longer than one year whereas Current Assets are possessions that will change in value within a year • Current Assets are more liquid than Fixed Assets • Gross Profit is the profit made from trading only whereas Net Profit is the final profit made at the end of the period • Gross Profit only takes in the cost of purchasing or manufacturing the good whereas Net Profit takes into consideration all overheads/expenses • Debtors owe the business money whereas Creditors are owed money by the organisation • Debtors are an asset to the business whereas Creditors are liabilities 	3	
4.	(d)	<ul style="list-style-type: none"> • High Price – price is set higher than competitors to give the image of quality and exclusiveness • Low Price – price is set lower than competitors to attract customers to their product/service • Market Pricing – price is set at the same level as competitors, normally used for products that are identical • Promotional Pricing – a low price is set for a short period of time to boost sales in the short term, possibly even making a loss on the product • Destroyer Pricing – price is set very low compared to competitors and once there is no competition in the market the price is then put back up to the previous level or higher, used mainly by larger organisations to destroy competition, must have large reserves to sustain this over any length of time • Cost plus pricing – reducing the mark up onto the cost of the product <p>Max 5 per tactic</p>	6	<p>Accept skimming if well described</p> <p>Loss leaders not accepted</p>

Question		Expected Answer(s)	Max Mark	Additional Guidance
4.	(e)	<ul style="list-style-type: none"> • Attainment – a candidate is given the chance to demonstrate their skills; would be used to test skills in ICT or to measure skills against a set standard • Aptitude – assesses a candidate’s personal abilities and skills; would be used to decide if the candidate had the required skills for a job, ie, numerical skills for an accounts vacancy • Intelligence/IQ – measures a candidate’s mental ability; used for jobs where candidates may be solving problems • Psychometric/psychological – assesses a candidate’s personality; 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 • Justification may also include: <ul style="list-style-type: none"> • to prove claims made on application forms • compare candidates • evaluate the candidate to the person specification 	6	

Total 25

Question			Expected Answer(s)	Max Mark	Additional Guidance
5.	(a)		<ul style="list-style-type: none"> • Trading account – shows the gross profit over a period of time <ul style="list-style-type: none"> • is the difference between the cost of goods sold and sales • Profit and loss account – shows the net profit or loss over a specified period of time and takes into account all expenses • Appropriation account – shows what has been done with the total funds available to a company. It shows the division of total funds between tax payments, investment, external loans, retention of cash balances and the distribution to shareholders • Balance sheet – shows the value of a business at a specific date <ul style="list-style-type: none"> • contains items such as fixed and current assets, liabilities and capital • Cash Flow Statement (FRS1) – shows the movement of cash in and out of the business over the financial year. 	4	Accept new terminology Max 3 per account
5.	(b)	(i)	<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 may not be time to check it for quality 	6	

Question			Expected Answer(s)	Max Mark	Additional Guidance
5.	(b)	(ii)	<ul style="list-style-type: none"> • The ability to supply the appropriate quality because this will affect the quality of the final product • The ability to deliver on time because this may prevent the firm meeting deadlines • The ability to supply the quantity needed because this will hold up production • The ability to supply at a competitive price because... • The discounts offered because... • The credit terms offered because... • The cost of delivery because... • The reliability of the supplier because... • The location of the supplier because... <p>Price/Quality will need description</p> <p>Max of 4 marks per factor</p>	5	
5.	(c)		<ul style="list-style-type: none"> • Specialists can be used to do the work • Reduces staff costs in the area that has been outsourced • Outsourced companies will have specialist equipment • The service can be provided more cheaply – needs development • The service can be more expensive – needs development • 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	If both more expensive and cheaper are used each must be clarified as to why before gaining both marks

Question		Expected Answer(s)	Max Mark	Additional Guidance
5.	(d)	<ul style="list-style-type: none"> • Manager – makes decisions on future plans of the organisation • Worker – can produce a quality product or service by working hard • Shareholders/Owners – purchase more shares • Customer – buys the product or service • Local Community – petitions the organisation to make a change to environmental policies • Government – alters legislation • Bank – approves a loan • Suppliers – alter the price of supplies <p>Any appropriate influence from a stakeholder.</p> <p><i>(No ID marks are awarded, a description of the influence on the organisation must be given)</i></p>	5	

Total 25

[END OF MARKING INSTRUCTIONS]