

# Business management

**T**HIS exam guide concentrates and gives significant detail on Intermediate 1, Intermediate 2 and Higher Business Management. 2007 is the first year of presentation of the revised awards for Business Management at Intermediate 1, Intermediate 2, Higher and Advanced Higher levels. Standard Grade Business Management is also covered here, with detail of the construction of the examination papers at each level.

## Which exam and when is it?

Business Management can be studied at a variety of different levels (although they might not all be offered in every school): Standard Grade, Intermediate 1, Intermediate 2, Higher and Advanced Higher. When you have checked which level you are studying for, you need to check the date and time of the examination (see elsewhere on these pages).

## STANDARD GRADE

Standard Grade Business Management can be studied at three different levels: Foundation, General and Credit. No matter which level is studied, the final grade awarded will be dependent on three different components: knowledge and understanding; decision-making and practical abilities. Only knowledge and understanding and decision-making are assessed in the final examination. These elements are assessed at each level with an equal weighting. Practical abilities is assessed by means of a project that you will already have completed in class time supervised by your teacher.

There are four areas of study in Standard Grade:

- What is business?
  - a. What do businesses do?
  - b. Why do businesses exist?
  - c. How are businesses organised?
- How do businesses develop and perform?
  - a. How do businesses start?
  - b. How do businesses grow?
  - c. How do businesses survive?
  - d. Why do businesses fail?
  - e. What is a successful business?
- What resources do businesses use?
  - a. Why do businesses locate where they do?
  - b. How do people contribute to businesses?
  - c. How do businesses use information?
  - d. How do businesses operate?
  - e. What are the challenges facing businesses?
- How are businesses managed?
  - a. What are the key decisions businesses make?
  - b. What influences the decisions?
  - c. What aids decision-making?
  - d. How are decisions made?
  - e. How do businesses communicate?

The Foundation level exam lasts for one hour and is answered by writing in the spaces in the booklet provided. The General level exam lasts for one hour 15 minutes; the paper is also answered by writing in the spaces provided in the examination booklet. The Credit level exam lasts for one hour 30 minutes and the paper is answered using a separate answer booklet.

No matter which examination level you are sitting, you should attempt to answer all of the questions set. Each question in Standard Grade is

usually themed to a particular business. You may be familiar with some of these businesses, however, you should still pay particular attention to the information contained in the questions.

## INTERMEDIATE 1 & 2 AND HIGHER

### COURSE CONTENT

The Business Management Course at both Intermediate 2 and Higher levels covers similar topic areas in different depth. Each course is made up of three units of work: Business Enterprise; Business Decision Areas: Marketing & Operations and Business Decision Areas: Finance & Human Resource Management.

The Business Enterprise unit covers:

- Business in contemporary society
- Business information and information and IT in business
- Decision-making in business

The Business Decision Areas: Marketing & Operations unit covers the following topics:

- Marketing
- Operations management

The Business Decision Areas: Finance & Human Resource Management unit covers:

- Financial management
- Human resources management

The topic area of Internal Organisation is not attached to any particular unit and you should have been taught this either separately or throughout the course by your teacher. You should note that this topic is available for assessment in the final examination even although it was not assessed as part of your internal assessments (NABs).

The course at Intermediate 1 level covers similar topics across three units.

The Business Enterprise unit covers:

- The role of business in society
- Types of business organisation
- Sources of finance
- Objectives
- The role of the entrepreneur
- Stakeholders
- The changing nature of business

The Business Decision Areas unit covers:

- Marketing
- Operations
- Financial management
- Human resource management

The Business Information and ICT unit covers:

- Uses of ICT
- Benefits and costs of ICT
- Business software

### EXAM PREPARATION

The Intermediate 1, Intermediate 2 and Higher examinations cover the whole syllabus of topics as detailed within the course arrangements.

You should be sure to revise all aspects of the syllabus in preparation for the exam. This means that you will be able to answer a greater choice of questions. Remember that the exam questions are integrated, meaning that one question will be subdivided into three to five smaller questions which are not all on the same topic area. You

should try to get as much practice as possible in writing timed answers to examination-standard questions.

The exam at Intermediate 1 level is divided into two sections. Both sections contain a case study on which some of the questions which follow will be based. Each section of the paper is worth 25 marks. The Intermediate 1 exam lasts one hour 15 minutes.

The examination at Intermediate 2 level is also divided into two sections. The first section contains a case study and questions. This section is worth 25 marks. The second section offers a choice of two from five extended response questions. These questions typically integrate a minimum of two different topic areas taken from any part of the course. Each question is worth 25 marks. The Intermediate 2 examination lasts one hour 45 minutes.

The Higher examination lasts two hours 30 minutes and is divided into two sections. The first section contains a case study and questions. This section is worth 50 marks. Section 2 of the exam offers a choice of two from five extended response questions. Each question is worth 25 marks and will draw on a minimum of two different topic areas taken from any part of the course.

The information in the case studies does not provide all the answers to the questions and you will have to apply other knowledge that you have gained during the course. Case study material at Intermediate 1 and Intermediate 2 levels will normally be based on fictitious organisations and will usually focus on problems that the organisation is facing. The Higher case study will be based on a real organisation or industry sector which will normally be based in Scotland. Question 1 in Section 1 is always the same question and is always worth 10 marks. You will need to be familiar with the content of the case study in order to answer this question.

You will have to do a lot of writing no matter which exam you are sitting. It is important to manage your time effectively so that you don't run out of time.

The sections of each examination paper can be answered in any order and you may find it easier to start with Section 2 in the Intermediate 2 and Higher examinations since the questions attached to the case study usually require a mixture of short and long answers.

### HIGHER - SECTION 1

- Question 1 always relates to the case study and always attracts 10 marks.
- Question 1 includes headings under which the question should be answered. You must use these headings. If you do not, you may not be able to achieve the maximum number of marks allocated to the question. All 10 marks cannot be gained under one heading.
- Headings will attract a maximum number of marks per heading (usually three marks).
- There will be a maximum number of marks available (eg three marks) if no headings are used.
- This question asks only for concerns/problems/issues, therefore the provision of "solutions" to the concerns/problems/issues in your answer will not be accepted and no marks will be awarded.
- Questions other than Question 1 can be related to the case study, but they can also relate to any knowledge from other parts of the course. When answering for the other 40 marks in Section 1 of the paper, it is not necessary to relate your answers to the case study.

## ABOUT THE AUTHOR

ALISTAIR Wylie is an experienced former Business Education teacher and senior lecturer in accounting and business with extensive knowledge of SQA examinations and standards. He is also a respected author of business and legal textbooks, including the national core text for Intermediate 2 and Higher Business Management. He is currently employed as SQA's national qualifications manager for Business Education.



### HIGHER - BOTH SECTIONS

- If a diagram is asked for it will attract marks and the answer will not be awarded full marks unless the diagram is included in the answer. If a diagram is not asked for, it is likely to attract marks if it is relevant, but including a diagram will not be essential to gain all the marks.
- Within SQA marking schemes, professional judgement is inferred, so single word answers and lists are unlikely to attract marks.
- No half marks are awarded in the marking of the paper.

### MARKS

Always look at the mark allocation for each question and be guided by it when writing your response. In general, every valid point merits a mark. Further marks are seldom awarded for developing a point and you should steer clear of repetition.

It is advisable to make more points and develop these less thoroughly rather than make only a few points and develop each one at great length. The use of bullet points is generally acceptable although you must be careful to write in sentences and not just provide a list of points. Lists on their own will attract few, if any, marks at Higher level.

**All past paper questions referred to are taken from the 2006 Higher examination paper.**

#### Question 1 (Section 2)

*A local restaurant, which has a capacity to hold 50 customers, finds it frequently has fewer than five customers. The problems have been identified as poor quality and overpriced food.*

*(a) Describe the benefits of using a decision-making model in order to solve problems. (5 marks)*

#### Answer

- No rash decisions are made as time is taken to gather and analyse information
- All possible outcomes considered using the best information available gives the best chance of the decision being successful

- Time has been taken to develop alternative solutions
- More imaginative solutions may be devised
- The decision is evaluated to see if it has been effective
- Both external and internal influences can be considered because the time allows it

#### Question

*(b) (i) Explain the factors which are important in selecting an appropriate supplier of raw materials for the restaurant. (5 marks)*

#### Answer

Any five from:

- Is the supplier able to supply the quality of materials needed?
- Is the supplier able to supply a consistent quality?
- Can the supplier deliver the quantities required?
- Can the supplier meet the required delivery dates?
- Is the supplier likely to remain in business?
- Is the supplier likely to deliver on time?
- Is the price acceptable?
- Are discounts offered?
- Are credit terms available?
- Are there charges for delivery or insurance?

#### Question

*(b) (ii) Describe other means by which quality food and service can be guaranteed at all times. (6 marks)*

#### Answer

- Quality Assurance
  - At certain points in the process, products are inspected/checked
  - Processes are organised so as to prevent mistakes happening
  - Emphasis on the whole process
  - May involve individuals being responsible for self-checking

#### Quality Control

- Product is checked at the end of the process
- Any unacceptable products are thrown away or reworked

**The origin of the New York Stock Exchange can be traced to May 17, 1792, when the Buttonwood Agreement was signed by 24 stock brokers outside 68 Wall Street in New York under a buttonwood tree**

**Photograph: Don Emmeert/Getty**

- The materials used in production are checked before being used

#### TQM

- No errors are tolerated
- A clearly defined quality policy is required
- All staff are involved in ensuring quality of output (emphasis on quality chain)
- Work processes are scrutinised
- Constant striving to make processes more efficient and reduce waste
- Focus on customer satisfaction
- Constant checking of the process
- Commitment required from all staff

#### Quality Circles

- Where groups of workers meet to discuss problems and solve them

#### Human Resources

- Appropriately qualified staff must be employed
- Staff must receive training in order to update their knowledge
- Staff should be supervised
- Use of appraisal
- Staff must be clear in the role they have to play in the organisation

#### Market Research

- Analyse feedback from customers (market research) and act upon it

#### Raw Materials

- Handling of raw materials/storage
- Up-to-date/new equipment

#### Question

*(c) Describe a selection process which may be used to ensure the best applicants are appointed to work in the restaurant. (5 marks)*

#### Answer

- Application forms and CVs are compared to the Person Specification

**Turn to page 24**

**From page 23**

- References may be asked for
- A shortlist may be drawn up
- The shortlisted candidates are interviewed
- Testing may take place (attainment, aptitude, IQ, psychometric, medical)
- A second round of interviews may take place
- Use of assessment centres
- Successful/unsuccessful candidates informed – one mark maximum

**Question**

(d) Discuss the value of an appraisal system. (4 marks)

**Answer**

Any four from:

- To identify future training needs
- To consider the development needs of the individual
- To improve the performance of the employee
- To provide feedback to the employee about their performance
- To identify people who have the potential for promotion
- To identify people who have additional skills which could be useful to the organisation
- To identify targets
- May demotivate employees

**Question 4 (Section 2)**

Zara, a Spanish fashion store, keep their stock levels low and restock every 2-3 weeks.

(a) Describe the risks to an organisation running with low stock levels. (4 marks)

**Answer**

Any four of:

- A business cannot cope with unexpected changes in demand
- If new deliveries are late, the organisation might have nothing to sell or might have to cease production

- More frequent ordering leads to increased administration costs
- No discounts received from bulk buying
- Could result in loss of customers
- Unexpected losses of stock for example theft, fire etc

**Question**

(b)(i) Describe what is meant by the term "just in time stock control" and explain its advantages. (4 marks)

**Answer**

- Stock arrives just in time to be used in production
- Goods are not produced until the orders are received
- Capital is not tied up in stock and can be used elsewhere
- Less space required
- Reduced deterioration or obsolescence of stock
- Reduction in costs involved with stockholding. NB Must have a description to gain maximum marks – otherwise maximum marks is three

**Question**

(b)(ii) Discuss the factors which must be taken into account when setting a stock reorder level. (4 marks)

**Answer**

- Minimum stock level: the level which ensures there is always stock for production
- Maximum stock level: the level above which stock should not rise as it is uneconomic
- Lead time: the time a supplier takes to deliver influences the quantity ordered at any one time
- Type of product: some products which are used in manufacturing might be unsuitable for stockpiling (eg fresh goods)
- Reliability of supplier: a supplier who delivers quickly and as promised can be relied on to make deliveries more often, thus reducing the need to hold high levels of stock
- Usage: the quantities used on a daily basis affect the quantity ordered at one time

**Question**

(c) Local managers are "empowered" to make decisions. Describe the advantages and disadvantages of decentralised decision-making. (6 marks)

**Answer**

Advantages:

- It is motivating for employees, therefore the productivity level should improve
- More flexible staff
- Communication lines are improved as fewer managers are required
- Decisions taken more quickly
- More ideas to help solve problems

However:

- Not all managers are willing to be involved in decision-making
  - Managers might be unwilling to give up responsibility
  - Training might be required to train staff to make decisions (this could be costly)
- Maximum 4 for advantages or disadvantages

**Question**

(d) A large department store is finding it difficult to maintain profits. A hostile takeover has been proposed by one of its competitors. Shareholders have been offered the opportunity to sell their shares.

(i) Describe the ways in which shareholders influence organisations. (3 marks)

Any three of:

**Answer**

- Shareholders can vote at the AGM – thus choose the board of directors and approve the dividend percentage.
- The strength of the individual shareholder depends on the number of shares they own.
- They may protest against decisions they do not agree with, eg a massive salary increase for the managing director.
- Selling shares might not affect the organisation

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directly but could cause the share price to fall which in turn may harm the organisation's image in the press.

**Question**

(ii) Explain the reasons why a competitor might wish to take over a firm which is not making a great deal of profit. (4 marks)

**Answer**

- To gain their assets (premises)
- To gain a brand name
- To turn it into a profitable firm
- To obtain their customers
- To remove the competitor from the market (they may take steps in the future to improve)

**Question 5 (Section 2)**

(a) (i) Employment legislation exists to protect workers. Describe the purpose of the:

- Health and Safety at Work Act 1974
- Race Relations Act 1976
- Equal Pay Act 1970.

(3 marks)

**Answer**

● Health and Safety at Work Act 1974  
This states employers' and employees' duties with regard to health and safety. Employees have a duty to take care of their own health and safety as well as that of other employees. (Comment on both employer and employee to gain one mark.)

- Race Relations Act 1976

This made it unlawful to discriminate on the grounds of race, colour, religion or ethnic origin with regard to recruitment, training, promotion, conditions of service.

- Equal Pay Act 1970

All employees should receive the same rate of pay where work of equal value is undertaken.

Maximum one mark per Act

**Question**

(a) (ii) Legislation is one example of a political external influence. Describe 3 other examples of external influence on an organisation. (3 marks)

**Answer**

- **Economic** Businesses are less likely to borrow money when interest rates are high and their costs are rising. High unemployment means consumers may stop purchasing the product or service.
- **Socio-cultural** Changes in lifestyle and attitudes affect demand. Change in working patterns affect demand, eg the increased number of women working has led to an increase in demand for childcare facilities, house-cleaning companies etc. Consumers are increasingly conscious of ethical issues and organisations are required to make their products meet these concerns.
- **Technological** Machines/technology might

change or improve the production process. Fewer workers may be needed. There will be a need to update technology which has cost implications. Possible demand for new technology products by consumers.

- **Competitors** Change in competitor's activities will affect demand for products.
- **Environment** Global warming affects demand for products.

**Question**

(b) Describe the role of each of the following in supporting employees and employers when disputes occur in the workplace.

(i) Trade unions

(ii) ACAS

(6 marks)

**Answer**

● Trade unions  
These represent employees with regard to wage negotiations, conditions of service, dismissal, redundancy and other work-related matters.

They undertake collective bargaining on behalf of employees. They have greater negotiating power than individuals.

Offer employers advice in work-related matters. Involvement with Industrial Tribunal.

● ACAS

Advice: The organisation gives advice to employers, employees and trade unions on matters such as contracts of employment, human resource policies, legislation and other work-related matters.

Conciliation: At the request of management, ACAS can intervene in a dispute and offer a solution that both parties will accept.

Arbitration: ACAS can look at the problem and recommend a course of action which both parties agree to abide by.

Maximum of four marks in either section

**Question**

(c) One method of grouping staff and work within an organisational structure is by product/service. Describe the advantages and disadvantages of product/service grouping. (5 marks)

**Answer**

● Advantages  
Expertise can develop in dealing with each product or service.

Managers can easily identify how the different products or services are performing. Each decision can be more responsive to changes in the field.

● Disadvantages  
Duplication of staff and resources across the different products

Divisions might find themselves competing against each other.

Maximum of three marks for advantages or disadvantages

**Question**

(d) Many organisations choose to outsource their catering services. Describe the advantages and disadvantages of outsourcing. (8 marks)

**Answer**

- Advantages

A specialist firm will be able to do the work better than the organisation itself.

Outsourcing reduces the cost of employing staff for non-core activities.

It allows firm to concentrate on the core activity. The organisation pays for what it needs, when it needs it.

The organisation to whom they have outsourced may have specialist equipment; specialist firm may produce goods at lower cost.

- Disadvantages

There could be confidentiality issues.

Outsourcing might be more expensive.

The job completed might not be of a suitable standard – there is less control over quality.

The firm might take a long time to complete the job.

Outsourcing could involve redundancies, which lowers morale and is costly.

Any communication problems between the two firms may hinder the work.

Split loyalties.

Maximum of five marks for advantages or disadvantages

BUSINESS MANAGEMENT EXAM TIMETABLE	
Level/Paper	Time
Monday May 14	
Foundation	9am-10am
General	10.20am-11.35am
Intermediate 1	9am-10.15am
Intermediate 2	9am-10.45am
Credit	1pm-2.30pm
Higher	1pm-3.30pm
Advanced Higher	1pm-3.45pm



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