

C010/SQP283

Business Management
Higher

NATIONAL
QUALIFICATIONS

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Course Assessment Specification

Business Management Higher

The purpose of this document is to provide:

- ◆ Details of the structure of the Question Paper in this Course
- ◆ Guidance to centres on how to use information gathered from the Question Paper in this Course to estimate candidate performance

Part 1

This part of the Course Assessment Specification details the structure of the Question Paper in this Course.

Course Assessment

The Course assessment is a Question Paper.

Paper	Time allocation	Mark allocation
1	2 hours 30 minutes	100

- ◆ The paper examines knowledge and understanding covering the Course content and also assesses problem solving and decision making in a business context.
- ◆ The paper will consist of two sections.
- ◆ Section One will contain questions on the interpretation of a case study of a business while Section Two will be extended response questions.
- ◆ Questions in both sections may focus on particular areas of Course content but there will also be questions which provide an opportunity to integrate topics across all areas of the Course content. These integrative questions may cover topics from any area of the three Units which comprise the Course.

Section One – total marks available 50

This section of the paper will assess knowledge and understanding, problem solving and decision making.

It will consist of a case study of a business organisation with a number of interpretation questions totalling 50 marks. There will be a combination of short answer questions and questions requiring a more extended response. Candidates will be expected to attempt all questions. Candidates may be required to assume a management position and make decisions necessary to solve problems.

The case study will be about 750 words long and will explain a situation facing an organisation or organisations. It will be based on a real organisation. There will be a number of mandatory questions related to it and candidates may be required to assume a management position and make decisions necessary to solve problems.

The questions will ask candidates to do one or more of the following:

- ◆ analyse the information given and identify the problems
- ◆ identify and assess constraints
- ◆ devise solutions and make recommendations
- ◆ justify their recommendations.

Section Two – total marks available 50

This section of the paper will assess knowledge and understanding.

- ◆ It will consist of five questions drawn from any part of the Course content.
- ◆ Candidates should attempt any two questions.
- ◆ Each question will require extended answers and will be worth 25 marks.
- ◆ Questions may be divided into two or more parts.

Relationship between Unit and Course assessment

The Unit assessments sample the knowledge and understanding gained during the learning and teaching progress. Each Unit assessment is self-contained and covers only the content relevant to that Unit. A significant purpose of the Unit assessment is to enable candidates to demonstrate that they have grasped the essential aspects of business management introduced during the Unit. They do allow candidates to apply their knowledge and understanding but in contexts which are familiar to them. As such, the Unit assessments provide an on-going benchmark against which candidates can measure their progress.

The Course assessment samples all aspects of the Course content and thus covers material from all three Units. In addition, the Course assessment may sample from the section of the Course content on 'Internal Organisation' which is not associated with any of the three Unit specifications. It tests knowledge and understanding and includes problem solving and decision making relating to a case study of a business. It also requires integration of topics from more than one Unit and tests retention of material to a greater extent than the Unit assessments. Candidates are expected to adopt a more analytical, problem solving approach than for the Unit assessments.

The different emphasis of the Unit and Course assessments will ensure that there is no unnecessary duplication of assessment. On occasions, it is possible that the same topic may feature in both assessments but candidates will be expected to carry forward the knowledge and understanding of a specific topic from the Units and apply it in unfamiliar contexts and/or in association with other topics in an integrative way.

The ‘added value’ of the Course

The Unit and the Course assessments complement each other. Candidates may undertake Units on a stand-alone basis. The holistic approach to Unit assessment means that those who take this route will be able to demonstrate specific achievement in a particular area of Business Management within a familiar context. Candidates who undertake the Course will have additional demands imposed upon them which will enable them to gain significant benefits over and above those gained completing the Units.

The additional demands will require candidates to:

- ◆ demonstrate the retention of knowledge from all areas of the Course content
- ◆ integrate knowledge and understanding from all areas of the Course content
- ◆ respond to questions relating to unfamiliar and more complex contexts
- ◆ adopt a problem solving and decision making approach to a business situation set in an unfamiliar and more complex context

The additional 40 hours for the Course is to allow these additional demands to be met. It also gives those delivering the Course the opportunity to make use of a wide range of teaching and learning strategies to assist candidates in meeting these additional demands.

Part 2

This part of the Course Assessment Specification provides guidance on how to use assessment information gathered from the Question Paper to estimate candidate performance.

The Course award is based on the total mark gained in the Question Paper.

In National Qualifications cut-off scores should be set at approximately 70% for Grade A and 50% for Grade C with Grade B falling midway.

For a total mark range of 0 – 100, the following gives an indication of the cut-off scores:

Grade	Band	Mark Range
A	1	85 – 100
A	2	70 – 84
B	3	65 – 69
B	4	60 – 64
C	5	55 – 59
C	6	50 – 54
D	7	45 – 49
NA	8	40 – 44
NA	9	0 - 39

These cut-off scores may be lowered if the Question Paper is more demanding or raised if the Question Paper is less demanding than the standard set by SQA.

Worked example

A candidate scores 62/100 in a centre's own prelim. In estimating performance for this candidate, the centre might apply the following considerations.

- ◆ The centre's view is that the prelim is slightly less demanding than the question paper in the SQA examination.
- ◆ Using the table, a realistic estimate of the candidate's performance in the SQA examination may be **band 5** rather than band 4.

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Time: 2 hours 30 mins

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Specimen Question Paper
for use in and after 2006

Candidates should attempt **all** questions in Section **One** and **two** questions from Section **Two**.

Read all the questions carefully.

100 marks are allocated to this paper.

50 marks for Section **One** and

50 marks for Section **Two**.

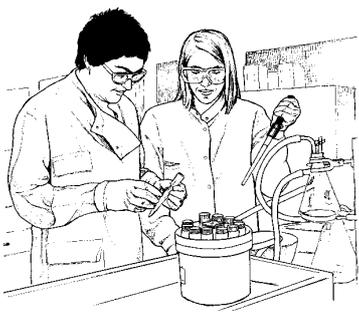
Answers are to be written in the answer book provided.

SECTION ONE

This section should take you approximately 1 hour 15 minutes.

Read through the following information, then answer the questions which follow.

<p><i>GLAXOSMITHKLINE (GSK) LEAVES MONTROSE</i></p> <p>GSK is a multinational pharmaceutical (drug) company and the present structure is a result of a merger in 2000 between Glaxo Wellcome and Smithkline Beecham. In 2004 Glaxosmithkline (GSK) announced the planned closure of its plant in Montrose.</p>	<p>CANDIDATE'S NOTES</p>
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<p><i>BACKGROUND TO THE CLOSURE</i></p> <p>At the time of the merger over 2000 job losses were predicted in the UK, including closure of the Montrose plant. This was to streamline its operations function, eliminating the duplication of some processes. Another plant in England was also selected for closure. The asthma inhalers this plant produced were shown to contain CFC gases and this is against environmentally friendly policies. Shareholders were informed that savings of £750 million a year would result.</p> <p>It was reported that there was a lot of interest in purchasing the Scottish plant. The Dutch Chemical Group Azko Nobel made an offer. Unfortunately the deal collapsed due to changed economic circumstances with a projected fall in profits of more than 10%. Further bad news regarding the Montrose plant came in a newspaper article where it was reported that no new orders were being placed and there were no new products in the pipeline.</p>	
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<p><i>THE PRODUCTS</i></p> <p>GSK produce bulk chemicals in Montrose providing ingredients for medicines given for respiratory problems, skin conditions, highly infectious diseases and cancer. The patents of some of these treatments were approaching their expiry date when the closure was proposed. A patent is a legal right which allows an organisation to stop people from making, using or selling your invention without your permission. A patent can remain in force for up to 20 years. Despite the age of GSK's patents a buyer of the Montrose plant would have inherited a contract to make ingredients for 8 GSK products said to be worth £1 billion a year. This would provide sufficient work for 300 employees. To maintain the plant's viability a new owner would have to transfer some of its own business to Montrose.</p> <p>GSK also face problems abroad with patents. Enforcing patents in China and India is difficult and competitors copying products have proved to be a problem. It is reported that if India tightens its regulations regarding such counterfeiting then the country has the potential to become a world leader for pharmaceutical research and development. More and more work is likely to be outsourced to countries such as India and China, as the labour cost is lower than the UK and the skill level is high.</p>	<p>CANDIDATE'S NOTES</p>
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<p><i>HISTORY OF THE MONTROSE PLANT</i></p> <p>GSK has provided employment in Montrose for over 50 years. At one time more than 1000 people were on the payroll. The company has always had a good reputation for paying competitive wage rates and are generous in their support of local charities and schools.</p>	
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<i>TRADE UNION RESPONSE</i>	CANDIDATE'S NOTES
<p>The Transport and General Workers Union (TGWU) stated that the job losses had been inevitable after the merger in 2000. Despite the catastrophic effect on the communities if plants were closed, the Union appeared content that GSK would still provide over 10,000 manufacturing jobs in the UK. The Union were quoted as saying that members would be able to find new jobs once retrained. However the Montrose area provides little else at the present time in the way of job opportunities.</p> <p>Trade Union officials at the Montrose plant question the fairness of the GSK Chief Executive's salary package of £5.6 million when so many of its members face redundancy. Shareholders too have shown their disapproval. Half of those present at an Annual General Meeting voted against the Chief Executive's salary package.</p>	

<p><i>OPERATIONS ISSUES</i></p> <p>With so many manufacturing plants worldwide it is difficult for an organisation to keep track of its production and supply chain. Prior to the merger Glaxo Wellcome operated in a decentralised manner with different methods used to control sourcing of raw materials, production and delivery. This had to be improved and an expensive ICT system was introduced. Getting the employees at the different plants to agree on a common approach proved difficult.</p>	
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<p><i>OTHER ISSUES</i></p> <p>In the USA GSK faced legal action. The company has been accused of concealing information about its products. Some of its medicines may not have been safe for young people to use.</p>	
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QUESTIONS

You should note that although the following questions are based on the stimulus material, it does not contain all the information needed to provide suitable answers to all the questions. You will need to make use of knowledge you have acquired whilst studying the course.

Answer ALL the questions.

- | | |
|--|-------------|
| 1. Identify the problems faced by GSK and its employees. Use the following headings. (Please identify problems only, solutions will not be credited.) | 10 |
| <ul style="list-style-type: none"> • Human Resources • Operations • External Factors | |
| 2. (a) Describe the features of the purchasing mix which affect a manufacturer's choice of supplier for raw materials. | 6 |
| (b) Just in Time stock control may be used by manufacturers wishing to solve problems of lack of space and lack of working capital. Explain the disadvantages of this method of stock control. | 5 |
| 3. Shareholders are one of GSK's stakeholders. Describe how 3 other stakeholders can influence an organisation. | 3 |
| 4. Pharmaceutical companies like GSK spend millions of pounds on research and development (R&D). Describe the benefits of R&D to an organisation. | 4 |
| 5. Decentralised decision making took place in Glaxo Wellcome prior to the merger. Discuss the advantages and disadvantages of decentralised decision making. | 8 |
| 6. The Transport and General Workers Union (TGWU) is a group which represents employees. | |
| (a) Describe the role of each of the following in maintaining good employee relations. | 5 |
| <ul style="list-style-type: none"> • Employee representative groups • ACAS | |
| (b) Describe the effects of industrial action on an organisation. | 4 |
| 7. Donating money to charity is an example of good public relations. Explain the benefits of good public relations to an organisation. | 2 |
| 8. Merging is one way by which a company can achieve growth. Explain the benefits of growth for an organisation. | 3 |
| | (50) |

[END OF SECTION ONE]

SECTION TWO

This section should take you approximately 1 hour 15 minutes.

Answer TWO questions.

1. (a) Most car manufacturers use a capital intensive process.
Compare the benefits of a capital intensive process to one which is labour intensive. **6**
- (b) Explain the role of a Human Resource manager when an organisation decides to alter its structure. **5**
- (c) Car manufacturers frequently alter their product designs bringing out new models. One reason for this might be to extend the product life cycle.
- (i) Describe 2 other methods of extending the product life cycle. **4**
- (ii) Other than extending the product life cycle, explain the reasons why an organisation alters its product design. **4**
- (d) Market segmentation is used by car manufacturers.
- (i) Identify 2 means by which an organisation can segment its market. **2**
- (ii) Explain the benefits of market segmentation to a firm and its customers. **4**
- (25)**
2. A US based computer manufacturer is to receive a grant of £75 million from the Scottish Executive to create a call centre.
- (a) (i) Describe 3 other sources of finance available to a public limited company trying to solve the problem of a lack of development finance. **3**
- (ii) Explain the support (non-financial) offered by the following organisations. **2**
- Banks
 - Local enterprise companies (LECs)
- (b) Organisations frequently make changes to their working practices.
- (i) Describe and justify 2 types of training employees in new skills. **6**
- (ii) Other than the need for training, discuss the effects on a workforce of introducing new ICT. **4**
- (c) Setting up the call centre will create hundreds of jobs.
Describe a suitable recruitment and selection process the manufacturer might use. **7**
- (d) The US manufacturer may choose to organise its operations by territory.
Justify this method of organisational grouping. **3**
- (25)**

3. A toy manufacturer on looking at his final accounts is satisfied to find that he has made a net profit.
- (a) (i) Describe the reasons why a manufacturer might be advised to use the following ratios. 6
- Net Profit Ratio
 - Gross Profit Ratio
 - Current Ratio
- (ii) Explain the difficulties of depending on financial information alone to assess the success of a business. 3
- (b) The manufacturer's Cash Budget shows that the highest income will be earned in the period leading up to Christmas.
- Describe 3 promotional techniques which an organisation might use to boost sales in quieter periods. 3
- (c) The toy manufacturer chooses a retailer to distribute the products to the consumer.
- Discuss the advantages and disadvantages of including a retailer as part of a channel of distribution. 6
- (d) The toy manufacturer decides to outsource part of its production process to China.
- Explain the advantages and disadvantages of doing so to the organisation and its employees. 7
- (25)**
4. (a) Describe how developments in ICT have improved the following functional areas of business. 6
- Finance
 - Marketing
- (b) (i) Identify 2 problems which may result when an organisation uses the Internet as its main communication method. 2
- (ii) Describe the measures which can be taken to resolve ICT problems. 4
- (c) Improving efficiency is one possible example of an organisation's objectives.
- (i) Discuss the extent to which flattening an organisational structure might help a firm achieve this objective. 5
- (ii) Explain possible conflicting reactions of both employees and shareholders to the following objectives. 4
- Growth
 - Increased profitability
- (d) Describe the means by which a manager could check that the decisions taken to set objectives were effective. 4
- (25)**

5. Gathering information is important prior to making decisions.
- (a) Discuss the value of secondary information in decision making. **4**
- (b) Describe the costs and benefits of using a structured decision making model. **6**
- (c) Justify the use of each of the following field research techniques in gathering primary information. **8**
- Personal interview
 - Internet survey
 - Observation
 - Telephone survey
- (d) Companies take measures to ensure their products are of a high quality.
- (i) Describe the factors affecting an organisation's choice of production method. **5**
- (ii) Explain how **one** of the following measures can ensure a high quality product is achieved. **2**
- Benchmarking
 - Quality control
- (25)**

[END OF SPECIMEN QUESTION PAPER]

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Specimen Marking Instructions
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SECTION ONE SOLUTIONS

1. Identify the **problems** faced by GSK and its employees. Use the following headings. (Please identify problems only, solutions will not be credited.)

10

- Human Resources
- Operations
- External Factors

Human Resources

Job losses affecting employees.

Little support from Trade Union.

Getting employees to accept change when new system was introduced.

Cheaper labour abroad makes it more likely for production to be transferred abroad.

Cost of redundancy payments to GSK.

Operations

Patents running out on products.

Lack of orders or new products at Montrose.

Different processes operated in different sites proved difficult to control.

Product contains CFCs.

Uneconomic production at Montrose.

External

Few opportunities available for employment in Montrose area.

Changed economic circumstances in pharmaceutical industry.

Trade Union anger at Executive's salary.

Possible legal action from USA.

Difficult to enforce Patents abroad.

Dutch Chemical Group pulling out of deal.

Maximum 4 marks per heading

2. (a) Describe the features of the purchasing mix which affect a manufacturer's choice of supplier for raw materials.

6

The supplier which offers the best terms will be chosen.

Is the supplier able to supply the desired quality (consistently)?

Is the supplier able to supply the quantities which will be required?

Can the supplier meet the required delivery dates?

Is the supplier likely to remain in business?

Can the supplier be relied on to deliver when they have promised to do so?

Is the price acceptable?

Are discounts available?

Is credit available?

Is delivery/insurance chargeable?

- (b) Just in Time stock control may be used by manufacturers wishing to solve problems of lack of space and lack of working capital. Explain the disadvantages of this method of stock control.

5

The system depends heavily on having a reliable supplier.

If goods are not delivered, production may be held up.

If production is stopped or held up, sales may be lost.

Reduced opportunity to check materials for quality on arrival.

Increased ordering and administration costs if more frequent ordering occurs.

Loss of bulk buying discounts.

Increased delivery costs if more frequent deliveries are required.

3. *Shareholders are one of GSK's stakeholders. Describe how 3 other stakeholders can influence an organisation.*

3

Managers have a lot of power as they make the important decisions in the organisation such as what is produced, who is employed, etc.

Employees have a lot of influence over an organisation as their standard of work decides whether the product or service sells.

Employees can also withdraw labour which means the organisation does not operate at all.

A customer's influence is strong. If they do not purchase the product/service then the organisation will not survive.

A customer can influence the success of an organisation to a lesser extent as they can pass their opinion of the organisation to others by word of mouth.

Government can have a strong influence over an organisation as organisations are obliged to abide by legislation which may be expensive to implement or restrict their practices.

Suppliers influence an organisation to a large extent due to the fact if they do not supply products at all, or on time, production cannot take place. Also the quality of the supplies affects the quality of the final output. If prices are raised it may affect profitability. Credit terms offered will affect cash flow.

Local communities can influence organisations by petitioning or protesting. The power their influence will have will vary according to the power of the community group.

4. *Pharmaceutical companies like GSK spend millions of pounds on research and development (R&D). Describe the benefits of R&D to an organisation.*

4

Allows new products to be developed which will give competitive advantage.

New production techniques can be developed which will improve efficiency and reduce costs.

Improves image of organisation as it is seen as a company which wishes to move forward.

New materials may be developed which are cost saving or reduce the need to use scarce natural resources.

Patents can be sought which will give a competitive advantage.

5. *Decentralised decision making took place in Glaxo Wellcome prior to the merger. Discuss the advantages and disadvantages of decentralised decision making.*

8

Advantages

Reduces the workload of top management.

Provides local managers with greater job satisfaction/motivation.

Local managers have a better knowledge of local conditions and will therefore make decisions which suit local needs.

Disadvantages

Procedures cannot be standardised.

Top management make decisions to benefit the organisation as a whole.

Local managers might put self interest over company interest.

Local managers might be less experienced or skilled than senior managers in making decisions.

A balance between areas can be maintained (eg finance).

Top management are likely to be more experienced decision makers.

Less control taken over the whole business.

Less opportunity for economies of scale.

Opportunities for specialisation eg finance not possible.

Maximum 4 for either section

6. *The Transport and General Workers Union (TGWU) is a group which represents employees.*

(a) *Describe the role of each of the following in maintaining good employee relations.*

5

- *Employee representative groups*
- *ACAS*

Look after members interests.

Obtain satisfactory rates of pay.

Ensures satisfactory working conditions.

Obtain job security.

Negotiate employment conditions (contracts, redundancy, dismissal).

Involvement with grievance procedures.

Undertake collective bargaining.

ACAS is a Government funded service which assists in disputes where employees and employers cannot be reached. Produce a Code of Practice.

Advice is offered to employers, employees and Trade Unions on matters such as contracts, policies, legislation, etc.

Conciliation—where at the request of an organisation or the Trade Union, ACAS intervenes and offers a solution which both parties are encouraged to accept.

Arbitration—disputing parties present their cases and agree to ask ACAS to look at the problem and recommend a course of action to resolve the dispute which both parties must agree to abide to.

(b) *Describe the effects of industrial action on an organisation.*

4

Lost production and sales revenue.

Fixed costs (rent, managers' salaries) still have to be paid while no income is being made.

Lost sales (customers may never return).

Damages image of organisation.

Damages relationship with employees in the longer term.

Takes manager's time to resolve the problem (other work not being done).

7. *Donating money to charity is an example of good public relations. Explain the benefits of good public relations to an organisation.*

2

Improves image of organisation.

A good image encourages custom.

Maintains/increases profile of organisation.

Promotes good employee relations.

8. *Merging is one way by which a company can achieve growth. Explain the benefits of growth for an organisation.*

3

Removes competitor.

Less likely to be taken over themselves.

Increases market share.

Benefits of economies of scale.

Reduced risk through diversification.

Raises profile of organisation.

(50)

SECTION TWO SOLUTIONS

1. (a) *Most car manufacturers use a capital intensive process.*

Compare the benefits of a capital intensive process to one which is labour intensive.

6

A mechanised process will result in lower labour costs.

Large amounts of goods can be produced quickly.

Costs spread over a large number of goods (unit cost reduced).

Bulk buying discount if output is large.

Uniformity in quality.

Capital process requires large start-up costs.

Labour intensive production means one-off orders can be produced.

Specifications can be changed to suit the needs of the customer.

Skilled workers required who will be more motivated.

- (b) *Explain the role of a Human Resource manager when an organisation decides to alter its structure.*

5

Planning how to use the workforce effectively (who does what job).

Analyse the future demand for employees.

Analyse the need for training and organise it.

Plan how to reduce the number of workers.

Plan how to recruit and select new employees.

Offer support for employees who may be concerned about the changes.

Work with employee representative groups.

Provide advice on legislation eg change of contract.

(c) *Car manufacturers frequently alter their product designs bringing out new models. One reason for this might be to extend the product life cycle.*

(i) *Describe 2 other methods of extending a product life cycle.*

4

Changing target market. Trainers used to be marketed toward those participating in sport; they are now worn as everyday shoes.

Developing a wider range of the product. Soft drink manufacturers have brought out diet versions and new flavours.

Encourage more frequent use of the product. Breakfast cereal advertising now encourages eating the product at other times of the day. The holiday market encourages people to have more than the one “annual” holiday.

Develop changes in the product – name, packaging, etc.

Lower price.

Increase promotions.

(ii) *Other than extending the product life cycle, explain the reasons why an organisation alters its product design.*

4

To keep ahead of competitors.

To encourage new sales.

To improve the product.

To target a new market.

Maintain interest in the product.

Raise profile of product.

Obtain patent rights.

(d) *Market segmentation is used by car manufacturers.*

(i) *Identify 2 means by which an organisation can segment its market.*

2

Age, gender, religion, socio-economic grouping, family characteristics, income, occupation, ethnic grouping.

(ii) *Explain the benefits of market segmentation to a firm and its customers.*

4

Products can be varied to suit the different market segments.

Marketing can be targeted more specifically to the different groups.

Prevents wasteful promotions targeted towards the wrong people.

A wider range of differentiated products may be offered.

Allows appropriate prices to be set.

Ensures products are sold in the appropriate places for the target market.

(25)

2. *A US based computer manufacturer is to receive a grant of £75 million from the Scottish Executive to create a call centre.*

(a) (i) *Describe 3 other sources of finance available to a public limited company trying to solve the problem of a lack of development finance.* 3

Share issue where shares are sold on the market in return for cash.
Shareholders become owners and receive dividends.

Ordinary shareholders have voting rights.

Debentures may be issued which is a loan from individuals or other companies. Debenture holders receive fixed interest and the loan is paid back after an agreed amount of time.

Venture Capitalists may offer loans when banks consider them too risky. High fees are charged and a stake in the business may be required.

Bank Loans may be obtained where money is borrowed from financial institutions in exchange for an interest charge. The money is paid back after a certain amount of time.

Mortgage – as bank loan. Secured on property.

EU funding.

(ii) *Explain the support (non-financial) offered by the following organisations.* 2

- *Banks*
- *Local enterprise companies (LECs)*

Banks offer advice on the plan of the business and how to set up a business.

Local enterprise companies will offer advice, training courses and provide contacts.

(b) *Organisations frequently make changes to their working practices.*

(i) *Describe and justify 2 types of training employees in new skills.*

6

Off the job

Where employees receive training outwith their normal place of work
eg college, training centre.

Specialist trainers will be provided.

Not distracted by work.

Specialist equipment may be available.

On the job

Where employees are trained in the place where they normally work.

Saves travelling costs and time.

Workers are comfortable in a known environment.

They may be trained with the equipment they will actually be working with.

(ii) *Other than the need for training, discuss the effects on a workforce of introducing new ICT.*

4

ICT may mean fewer employees are needed so redundancies may occur.

Nature of job may change.

Increase in homeworking.

Physical changes to environment may result in staff having to work in other parts of the building/work with new colleagues.

Some workers may resist the change and cause unrest.

Stress due to change/information overload.

Health and safety concerns.

(c) *Setting up the call centre will create hundreds of jobs.*

Describe a suitable recruitment and selection process the manufacturer might use.

7

Job vacancy is identified.

A job analysis is prepared which identifies the tasks, duties, skills and responsibilities of the job.

A job description is prepared which states the job title, location, tasks, duties and responsibilities. Working conditions may be included.

A person specification is prepared which describes the qualities, qualifications, experience and interests which the desired candidate will possess.

Advertise the job vacancy, internally or externally.

Application forms, and CVs are received and checked.

Short list drawn up.

Interviews held.

Testing may occur.

(d) *The US manufacturer may choose to organise its operations by territory.*

Justify this method of organisational grouping.

3

Customers who live in different geographical areas may have different needs.

Allows tighter control of the different functional areas within each geographical segment.

Quicker response to local needs.

(25)

3. *A toy manufacturer on looking at his final accounts is satisfied to find that he has made a net profit.*

(a) (i) *Describe the reasons why a manufacturer might be advised to use the following ratios.*

6

Net Profit Ratio

Gross Profit Ratio

Current Ratio

Net Profit ratio shows the net profit as a percentage of sales. The ratio makes for easier comparison with previous years and competitors than raw data.

Gross Profit ratio shows the gross profit as a percentage of sales. The difference between the Gross Profit ratio and the Net Profit ratio can help identify if expenses are too high.

Current ratio shows if the organisation is able to cover its current liabilities with its current assets. Too low a ratio may mean that it may be difficult to pay creditors; too high may mean stock levels are too high or cash could be invested better elsewhere.

(ii) *Explain the difficulties of depending on financial information alone to assess the success of a business.*

3

Future developments are not shown.

Financial information is mainly historic.

External factors are not taken into account.

Staff morale or staff turnover not shown.

- (b) *The manufacturer's Cash Budget shows that the highest income will be earned in the period leading up to Christmas.*

Describe 3 promotional techniques which organisations might use to boost sales in quieter periods.

3

Description of

Advertising.

Free samples.

Promotional pricing.

Free offers/vouchers.

Buy one get one free/bonus packs.

Competitions.

Demonstrations.

- (c) *The toy manufacturer chooses a retailer to distribute the products to the consumer.*

Discuss the advantages and disadvantages of including a retailer as part of a channel of distribution.

6

Retailers take some responsibility away from manufacturer.

Retailers have responsibility for deciding on final price, advertising methods etc.

Retailers have the ability to reach a large number of customers.

Retailers will display goods.

Retailers will deal with any direct customer problems.

Retailers may not price or advertise goods as the manufacturer would like.

Retailers require a share of the profit.

- (d) *The toy manufacturer decides to outsource part of its production process to China.*

Explain the advantages and disadvantages of doing so to the organisation and its employees.

7

Organisation no longer has to find accommodation for the function – this is cost saving and has to be considered against the cost of outsourcing.

Saves cost of recruiting and retraining staff.

Allows the organisation to employ a specialist firm.

Specialist firm may produce goods at a lower cost.

Allows firm and employees to concentrate on its core activity and they may be able to cope with a higher production level/rush orders.

Dependence on outside firm means they lose control – firm may let them down or not produce inferior goods confidentiality issues.

The firm to whom they have outsourced may have specialist equipment so the function can be carried out more effectively.

Communication problems between the 2 firms may hinder the work.

Redundancies may occur.

(25)

4. (a) Describe how developments in ICT have improved the following functional areas of businesses. 6
- Finance
 - Marketing

Accounting packages can be used which can handle the whole financial function.

Packages can also be used to support management eg aged debtors schedules, cash budgets, etc.

Spreadsheets allow financial records to be produced and calculations to be carried out by formula.

A larger volume of information can be recorded and processed much more quickly.

Products can be advertised and sold online.

Customers/potential customers can be emailed with details of new products or special offers.

Wider market can be reached by selling online.

Questionnaires can be carried out online.

Secondary information can be obtained on the internet for market research purposes.

DTP/word processing can be used to produce advertising materials mailshots etc.

Bar coding of products allows for information to be gathered as to how and when products are selling.

Information can be gathered about customers from the use of loyalty cards.

- (b) (i) Identify 2 problems which may result when an organisation uses the Internet as its main communication method. 2

System may break down.

Requires technical support which may not be readily available.

May be misused within the workplace.

Security issues.

- (ii) Describe the measures which can be taken to resolve ICT problems. 4

Staff should be trained how to use equipment properly.

Trained technical support should be available to maintain and support system.

Passwords should be used to protect files.

Company policy should state the rules regarding personal use of internet and appropriate disciplinary action taken when rules are broken.

(c) *Improving efficiency is one possible example of an organisation's objectives.*

(i) *Discuss the extent to which flattening an organisational structure might help a firm achieve this objective.* 5

Savings made from reducing expensive managerial posts.
 Communication improves/speeds up due to fewer layers.
 Remaining staff are empowered and therefore more motivated.

Remaining staff may be overburdened as there are fewer staff to carry out the same amount of work.

Remaining staff may be demoralised as they fear for their jobs and have fewer chances of promotion.

(ii) *Explain possible conflicting reactions of both employees and shareholders to the following objectives.* 4

Growth

Increased profitability

Growth—employees may welcome this as there are more job opportunities; shareholders will look for greater profits but may see some profits being retained to fund growth.

Increased profitability—employees may welcome this as their jobs will be more secure and they may receive a pay rise. Alternatively they may fear job losses if costs are to be cut. Shareholders will be happy to see increased dividends.

(d) *Describe the means by which a manager could check that the decisions taken to set objectives were effective.* 4

Evaluate the decision and find out if the objective has been achieved.

Monitor situation to see if sales figures have increased.

Monitor staff performance.

Monitor staff morale.

Use of research techniques.

Use of customer feedback.

Check budgeted figures against actual eg to see if expenses are reduced.

(25)

5. *Gathering information is important prior to making decisions.*

(a) *Discuss the value of secondary information in decision making.*

4

Cheaper source than primary information.

May not be suited to the purpose required by the business.

May contain bias.

Not always possible to trace the source to check reliability available to competitors.

A lot of secondary information is relatively easy to obtain quicker to collect than primary information.

(b) *Describe the costs and benefits of using a structured decision making model.*

6

No rash decisions taken as time is taken to gather information and analyse it.

Decisions are made using gathered facts.

Time has been taken to develop alternative solutions.

Ideas are enhanced by following a logical process as different solutions will have been looked at.

Can be time consuming to gather information and analyse it.

Choosing from a range of possible solutions can be difficult to do in practice.

Creativity and gut reaction stifled.

- (c) *Justify the use of each of the following field research techniques in gathering primary information.*

8

Personal interview

Internet survey

Observation

Telephone survey

Personal interview

Allows two way communication.

Researcher can encourage respondent to answer.

Questions can be explained.

Internet survey

Easy to reach a wide market cheaply.

Cheaper than masses of paper surveys.

Respondents can reply at a time which suits them.

Observation

Provides accurate quantitative information (numbers).

People being observed are not disrupted.

Telephone survey

Easy to reach a wide range of people.

A relatively cheap method.

Allows a quick response.

- (d) *Companies take measures to ensure their products are of a high quality.*

- (i) *Describe the factors affecting an organisation's choice of production method.*

5

The nature of the product—custom made product requires job, mass production flow, etc.

The size of the market—flow production suited to products which are sold on a wide scale.

The size of the business—firms at early stage of development is unlikely to use flow production.

The finance available—large capital investment required for flow production.

The technology available.

(ii) Explain how **one** of the following measures can ensure a high quality product is achieved.

2

- Benchmarking
- Quality control

The best techniques used by another organisation are copied. The organisation copied is considered to be “the best” in the market.

Quality control involved checking at certain stages of the production process to ensure the products meet the agreed standard. Any unacceptable products are discarded.

(25)

[END OF SPECIMEN MARKING INSTRUCTIONS]