

[C010/SQP282]

Business Management
Intermediate 2

NATIONAL
QUALIFICATIONS

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COURSE ASSESSMENT SPECIFICATION

BUSINESS MANAGEMENT INTERMEDIATE 2

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	1 hours 45 minutes	75

- ◆ This paper examines knowledge and understanding covering the Course content and also assesses the ability of candidates to explain business decisions and explore business problems.
- ◆ 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 consist of extended response questions, some of which will require candidates to identify, name or list a number of factors.
- ◆ 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 25

This section of the paper will assess knowledge and understanding and the ability to explain decisions and explore problems.

It will consist of a case study of a business organisation with a number of interpretation questions totalling 25 marks. Candidates will be expected to attempt all questions.

The case study will be about 500 words long and will describe a situation facing an organisation or organisations. It will probably be based on a magazine or newspaper article, although it could be hypothetical.

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

- ◆ explain terms used in the case study
- ◆ explain aspects of the situations in the case study
- ◆ identify and explain problem areas
- ◆ identify and explain constraints
- ◆ explain possible responses to problems areas

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. The contexts of the Unit assessments will all be ones which are familiar to candidates. 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 but also tests the ability of candidates to explain decisions and explore problems. It also tests retention of material to a greater extent than the Unit assessments. Candidates are expected to adopt a more integrated 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 Unit and apply it in unfamiliar contexts and/or 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
- ◆ explain problems and decisions which businesses may have to face and which relate to less familiar and more detailed contexts

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 – 75, the following gives an indication of the cut-off scores:

Grade	Band	Mark Range
A	1	64 – 75
A	2	53 – 63
B	3	49 – 52
B	4	45 – 48
C	5	41 – 44
C	6	38 – 40
D	7	34 – 37
NA	8	30 – 33
NA	9	0 – 32

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 43/75 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 6** rather than band 5.

[C010/SQP282]

BUSINESS
MANAGEMENT
Intermediate 2
Specimen Question Paper

Time: 1 hour 45 minutes

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

Read all the questions carefully.

75 marks are allocated to this paper.

25 marks for Section **One** and 50 marks for Section **Two**.

Answers are to be written in the answer book provided.

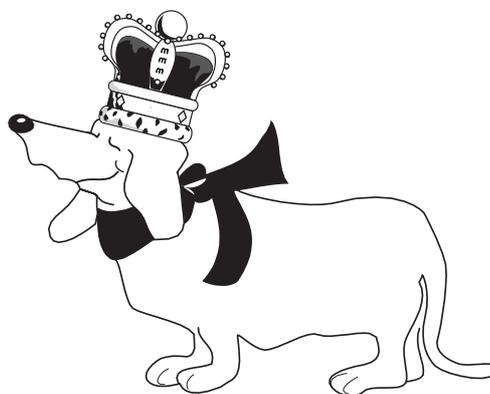
SECTION ONE

This section should take you approximately 45 minutes.

Read the following information, then answer the questions which follow on *Page four*.

Pampered Pets

<p>Background</p> <p>Sophie had a keen interest in animals since the age of 4 when she was given a pet dog as a birthday present. This interest grew as the years passed and when Sophie left school she applied to university to study Veterinary Medicine. However, her application was unsuccessful. Sophie then started work at a local Pet Rescue Centre where she cared for a variety of animals that had been abandoned by their owners. Sophie found this upsetting at times, so when she received an inheritance of £20,000 she decided to open her own business in Aberdeen. “Pampered Pets” was created and offered pet owners the chance to have their animals spoiled for a fee. “Pampered Pets” offers services such as pet walking, pet grooming and pet sitting.</p>	<p>CANDIDATE'S NOTES</p>
<p>The Current Situation</p> <p>Sophie used all of her inheritance and a grant from the Prince's Trust to buy and furnish premises. Since opening, Sophie's business has been very successful. This has resulted in Sophie employing a number of part-time staff to help her cope with demand. Due to the fact that Sophie's business was unique in the area she had been able to take advantage of a high pricing strategy and her profits for last year were over £100,000.</p> <p>“Pampered Pets” is located in a main street of Aberdeen. The parking space at the back of the building, owned by the Council, allowed customers to drop off their pets with ease. However the Council has decided to sell the land and has stopped public parking. Customers now have to park a quarter of a mile away or risk gaining a parking ticket if they park outside the shop on the double yellow lines. Many of Sophie's customers have complained about this and there has been a significant reduction in the number of appointments booked.</p> <p>Another business has set up in competition to “Pampered Pets” – just 2 doors away! This business is not only competitively priced, but has also employed a vet to offer clients an additional service compared to Sophie's business. If Sophie wishes to continue to be successful in this business she needs to consider her options for the future.</p>	<p>CANDIDATE'S NOTES</p>



<p><i>Options for the Future . . .</i></p> <ol style="list-style-type: none">1 Reduce prices.2 Employ a vet.3 Move to new premises with ample free parking space for customers.4 Buy the land behind the current shop. <p>After much consideration Sophie has chosen Options 1, 2 and 4.</p>	<p>CANDIDATE'S NOTES</p>
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[Section One is continued on *Page four*

SECTION ONE

QUESTIONS

Answer ALL the questions.

1. Sophie is having a few problems with her business at present. Identify **2** of these problems and explain why each is a concern to her. **4**

 2. From the “*Options for the Future*” Sophie has chosen Options 1, 2 and 4.
 - (a) Give **one** reason to explain why she chose Option 1. **1**
 - (b) Give **one** reason to explain why she chose Option 2. **1**
 - (c) Give **one** reason to explain why she chose Option 4. **1**
 - (d) Give **one** reason why she did not also choose Option 3. **1**

 3. Sophie will need to let the market know about her competitive prices and new service. Describe **4** ways she could do this. **4**

 4. Sophie could be described as an entrepreneur. Explain the role of an entrepreneur. **4**

 5. Sophie has to keep a large amount of information about the pets she caters for and their owners.
 - (a) Identify and describe a suitable software package that could store this information. **2**
 - (b) Describe **3** advantages of using this package to store information. **3**

 6. To employ a vet at “Pampered Pets”, Sophie will need to draw up a Job Description and a Person Specification.
 - (a) Identify **2** pieces of information that would be contained in a Job Description. **2**
 - (b) Identify **2** pieces of information that would be contained in a Person Specification. **2**
- (25)**

[END OF SECTION ONE]

SECTION TWO

This section should take you approximately 1 hour.

Answer TWO questions.

1. (a) Marks and Spencer is a public limited company. Define “public limited company” in terms of ownership, control and finance and compare this to the ownership, control and finance of a sole trader. **6**
- (b) Marks and Spencer has numerous stakeholders. Identify **4** stakeholders and outline how each of them can influence the business. **8**
- (c) Marks and Spencer publishes the following accounts.
- Profit and Loss Account
 - Balance Sheet
 - Cash Flow Statement
- (i) Identify **one** piece of information contained in each of these accounts. **3**
- (ii) Explain how competitors might make use of this information. **3**
- (d) Marks and Spencer uses accounting ratios to measure the areas of profitability, liquidity and efficiency.
- (i) Explain why an organisation is concerned with each of these areas. **3**
- (ii) Explain the limitations of ratio analysis. **2**
- (25)**
2. (a) Distinguish between a hierarchical structure and a flat structure (diagrams should be used to support your answer). **6**
- (b) The environment that businesses operate in changes frequently.
- (i) Identify **2** internal changes and describe the impact they may have on a business. **4**
- (ii) Identify **2** external changes and describe the impact they may have on a business. **4**
- (c) Businesses have to undertake market research in order to remain competitive.
- (i) Describe what is meant by the term “market research”. **1**
- (ii) Identify the **2** methods of market research they could use. **2**
- (iii) For each method of market research you have identified in 2.(c)(ii), state **2** advantages and **2** disadvantages. **8**
- (25)**

3. (a) Identify **4** types of information and describe a situation where each would be best used. **8**
- (b) Managers make lots of decisions within an organisation. These decisions may be **strategic, tactical** or **operational** in nature. Distinguish between these types of decisions. **6**
- (c) Outline the advantages and disadvantages of using the Internet as a source of information. **5**
- (d) Describe the factors that an organisation should take into account when deciding on which supplier to deal with. **6**
- (25)**
4. (a) Human Resources departments are responsible for recruitment and selection. Candidates can be recruited internally or externally.
- (i) Explain what is meant by an “internal source of recruitment” and state **2** advantages and **2** disadvantages of this method of recruitment. **5**
- (ii) Explain what is meant by an “external source of recruitment”. **1**
- (iii) Identify **4** external sources of recruitment. **4**
- (iv) State one **advantage** and one **disadvantage** of external sources of recruitment. **2**
- (b) (i) An organisation may choose Job, Batch or Flow Production. Describe each of these production methods. **3**
- (ii) Outline **one** advantage and **one** disadvantage for each of Job, Batch and Flow Production. **6**
- (c) Identify and describe **2** methods of ensuring a quality output. **4**
- (25)**

5. (a) The most common way to organise a business is around the functional activities.
- (i) Identify **3** of the most common functional activities in a business and explain the main role of each. **6**
- (ii) Describe **3** advantages and **3** disadvantages of using functional activities as a means of organising a business. **6**
- (b) Most businesses are using ICT to enhance their function. Explain how each of the following pieces of ICT could be used in a business.
- Spreadsheet Package
 - E-mail
 - Mobile Phone
 - Video Conferencing
 - Interactive DVD **5**
- (c) (i) Explain the differences between a loan and a grant. **2**
- (ii) Identify and describe **2** other methods of obtaining finance for a business. **4**
- (d) Secondary schools aim to provide the local community with a good quality service. Identify **2** other possible aims for a secondary school. **2**
- (25)**

[END OF SECTION TWO]

[END OF SPECIMEN QUESTION PAPER]

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[C010/SQP282]

BUSINESS
MANAGEMENT

Intermediate 2

Specimen Marking Instructions

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The marking instructions give guidance on what should be considered relevant points. They are not intended to be exhaustive. Credit may be given for points which are not included in the guidelines if they are relevant to the question.

SECTION ONE - SOLUTIONS

1. *Sophie is having a few problems with her business at present. Identify 2 of these problems and explain why each is a concern to her.* 4

Lack of parking facilities—customers are going elsewhere/appointments have dropped.

Competitor has set up in business—may take customers away from “Pampered Pets”.

Competitor has lower prices—Sophie’s customers may book with her competitor.

Competitor has a Vet—customers may choose this business because of the additional service.

2. *From the “Options for the Future” Sophie has chosen Options 1, 2 and 4.*

- (a) *Give **one** reason to explain why she chose Option 1.* 1

To compete more effectively with her competitor.

- (b) *Give **one** reason to explain why she chose Option 2.* 1

To offer a wider range of services, like her competitor.

- (c) *Give **one** reason to explain why she chose Option 4.* 1

To encourage customers back to her business or to stick with her business due to the ease of parking.

- (d) *Give **one** reason why she did not also choose Option 3.* 1

Would be expensive to re-establish her business in another location.

ACCEPT EXPENSIVE ONLY ONCE IN QUESTION 2

3. *Sophie will need to let the market know about her competitive prices and new service. Describe 4 ways she could do this.* 4

Advertise in a local newspaper, on local radio, send out flyers. **(Max 1 mark)**

Advertise her services in local vet surgeries.

Have special promotions—dog grooming session 1/2 price.

Have an eye-catching window display.

Have an open day where people get to see demonstrations of pets being pampered.

4. *Sophie could be described as an entrepreneur. Explain the role of an entrepreneur.* **4**

An entrepreneur is the person who develops the business idea and gathers together the 4 Factors of Production.

Land—natural resources eg water, oil etc and the land itself.

Labour—human resource element of the business.

Capital—machinery, tools etc that the business will make use of.

Enterprise—entrepreneurs take the risks and use their initiative.

Entrepreneurs finance (or arrange finance) for the venture.

Examples of entrepreneurs Richard Branson, Michelle Mone.

5. *Sophie has to keep a large amount of information about the pets she caters for and their owners.*

(a) *Identify and describe a suitable software package that could store this information.* **2**

Database package

A computerised package which allows the user to store information into records, under different fields.

Also accept Spreadsheets, Word Processing packages and Electronic Diaries.

(b) *Describe 3 advantages of using this package to store information.* **3**

Information can be sorted very quickly into alphabetical/numerical order.

Information can be searched very quickly to find specific records.

Database information can be used to produce mail-merge documents.

Information can be updated very easily.

6. *To employ a vet at “Pampered Pets”, Sophie will need to draw up a Job Description and a Person Specification.*

(a) *Identify 2 pieces of information that would be contained in a Job Description.* **2**

Job title

Responsibilities of the job

Purpose of the job

Main duties involved in the job

Area you will be working in

Working conditions

(b) *Identify 2 pieces of information that would be contained in a Person Specification.* **2**

Qualifications

Achievements

Skills

Physical Characteristics

Hobbies/Interests

Personality

Experience

This may be split into desirable and essential qualities.

(25)

[END OF SECTION ONE]

SECTION TWO – SOLUTIONS

1. (a) *Marks and Spencer is a public limited company. Define “public limited company” in terms of ownership, control and finance and compare this to the ownership, control and finance of a sole trader.*

6

Public Limited Company

Floated on the stock exchange and owned by shareholders.

Controlled by the Board of Directors.

Financed by shareholders, although money can also come from bank loans, debentures, grants, debt factoring.

Sole Trader

Owned by the sole trader.

Controlled by the sole trader.

Financed by the sole trader, although money can also come from bank loans, friends and family, Prince’s Trust, grants.

- (b) *Marks and Spencer has numerous stakeholders. Identify 4 stakeholders and outline how each of them can influence the business.*

8

Owners/shareholders—may withdraw their investment, make decisions that influence the business.

Employees—could alter their rate of work (positively/negatively), take industrial action.

Government—may introduce laws which affect Marks and Spencer.

Customers—may stop buying products, may recommend the business to friends.

Suppliers—may refuse to supply the business, may increase their prices, may alter the firm’s credit terms.

Bank—may authorise/refuse a loan.

- (c) *Marks and Spencer publishes the following accounts.*

- *Profit and Loss Account*
- *Balance Sheet*
- *Cash Flow Statement*

- (i) *Identify one piece of information contained in each of these accounts.*

3

Profit and Loss Account

Gross Profit

Income

Expenses

Net Profit

Cash Flow Statement

Receipts

Payments

Balance

Balance Sheet

Fixed Assets

Current Assets

Current Liabilities

Long-term Liabilities

Working Capital

Capital

Net Profit

- (ii) *Explain how competitors might make use of this information.*

3

Profit and Loss Account

To compare profit levels.

Balance Sheet

To compare liquidity ratios.

To compare value of Fixed Assets.

To compare return of investments.

Cash Flow Statement

To compare the money going in and out of the businesses.

Overall: To decide whether a buyout is a good idea.

To see whether this rival business is a threat to them.

- (d) *Marks and Spencer uses accounting ratios to measure the areas of profitability, liquidity and efficiency.*

- (i) *Explain why an organisation is concerned with each of these areas.*

3

Profitability

Businesses will be concerned with their profitability to ensure they are making a profit from their business activity.

Liquidity

Businesses will be concerned with their liquidity to ensure they can pay their debts easily.

Efficiency

Business will be concerned with their efficiency to ensure they are using their resources well.

- (ii) *Explain the limitations of ratio analysis.*

2

It doesn't take into account factors such as morale, quality of staff etc.

It doesn't take into account external economic factors eg inflation.

Ratios can only be compared to similar businesses in relation to the type and size of business.

Information in the final accounts is historical.

It doesn't reflect the implication of new products/declining products/introduction of new machinery.

(25)

2. (a) *Distinguish between a hierarchical structure and a flat structure (diagrams should be used to support your answer).*

6

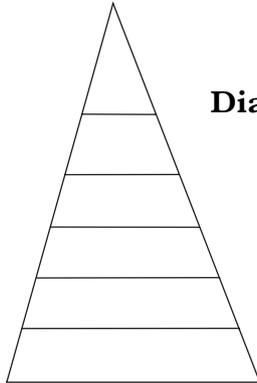
Hierarchical Structure

Many levels of management.

Communication is slower as it has many levels to go through and can become confused.

Decision-making is slower as it has many levels to go through.

Increased promotion prospects.



Diagram—1 mark

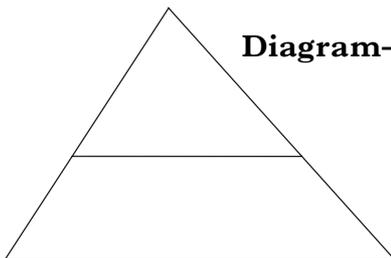
Flat Structure

Few levels of management.

Communication is quicker and clearer as it does not have to go through as many levels.

Decision-making is quicker as it does not have to go through as many levels.

Decreased promotion prospects.



Diagram—1 mark

No Diagrams—Maximum 4 Marks

- (b) *The environment that businesses operate in changes frequently.*
- (i) *Identify 2 internal changes and describe the impact they may have on a business.*

4

Changes in costs—may need to reduce staffing levels, find alternative supplier.

Development of new products—may need to change production methods, locate a new supplier, develop a new marketing strategy.

Change in management—may make decisions which are unpopular, cut costs.

- (ii) *Identify 2 external changes and describe the impact they may have on a business.* 4

Changes in demand—may result in the business having to reduce the price of its product, withdraw it from sale, may need to develop a new product.

Changes in technology—training of staff, implementation costs, maintenance costs.

Changes in taxation—may cost the business more money.

Changes in legislation—may require the business to alter its production methods, pay employees more, use different materials.

- (c) *Businesses have to undertake market research in order to remain competitive.*

- (i) *Describe what is meant by the term “market research”.* 1

Market Research is the means by which an organisation gathers, records and analyses the data about their product/service, image and its target market.

- (ii) *Identify the 2 methods of market research they could use.* 2

Two market research methods are **Desk Research** and **Field Research**.

Accept 2 types of Desk Research or 2 types of Field Research.

- (iii) *For each method of market research you have identified in 2.(c)(i), state 2 advantages and 2 disadvantages.* 8

Desk Research—Advantages

Less expensive to gather than field research.

Information is more readily available.

Desk Research—Disadvantages

Information may be out of date.

Information may not be specific enough for your needs.

Information may also be accessed by your competitors.

Field Research—Advantages

Information is first-hand.

Information is more likely to meet your needs.

Information is up-to-date.

Field Research—Disadvantages

Costly to gather.

Time consuming to gather.

People may lie when answering your questions.

(25)

3. (a) Identify 4 types of information and describe a situation where each would be best used.

8

Written—information in a letter, memo, report, notice etc.

Useful when you need to keep a record of it.

Useful if a lot of information is being communicated.

Useful if you need to refer to it again.

Oral—face-to-face, over the phone, presentation, meeting etc.

Useful when you need to get a response immediately.

Useful if you wish a discussion to take place.

Useful to get/give advice.

Pictorial—picture and photographs.

Useful to emphasise the point of something.

Often explains the situation much faster than trying to do it orally or in writing.

Graphical—charts and graphs.

Useful way to display complicated information (figures).

Allows comparisons to be made.

Numerical—rows and columns of numbers (Financial Accounts).

Useful for allowing forecasts, calculations and comparisons to be made.

- (b) Managers make lots of decisions within an organisation. These decisions may be **strategic, tactical** or **operational** in nature. Distinguish between these types of decisions.

6

Strategic

Long-term decisions made by senior management. Concerned with the strategic direction of the organisation.

Tactical

Medium term decisions which middle/senior managers usually make.

Concerned with how to achieve the organisation's strategic objectives.

Operational

Short-term, day-to-day decisions made by first-level managers/supervisors.

Made in response to a change in circumstances.

- (c) Outline the advantages and disadvantages of using the Internet as a source of information.

5

Advantages

Vast amounts of information will be available.

Information can be easily located by doing searches.

Information on the Internet tends to be updated regularly.

It is a cheap means of gathering information.

Disadvantages

Some websites will provide bias information.

Some searches will provide you with too much information, which slows down the decision-making process.

Some websites may provide you with inaccurate information—especially unofficial websites.

Maximum 3 marks for advantages/disadvantages.

- (d) Describe the factors that an organisation should take into account when deciding on which supplier to deal with. 6

Reasonable price.
 Quality (in relation to price).
 Location of supplier.
 Reliability of supplier.
 Flexibility of delivery times.
 Ability of supplier to supply the correct quantity.
 Reputation of supplier.
 Discounts/terms available.
 Range of products the supplier has on offer.
 Will the supplier advertise your firm?

(25)

4. (a) Human Resources departments are responsible for recruitment and selection. Candidates can be recruited internally or externally.

- (i) Explain what is meant by an “internal source of recruitment” and state 2 advantages and 2 disadvantages of this method of recruitment. 5

An internal source of recruitment is where a job is advertised within the company through staff newsletter, notice boards etc.

Advantage

Vacancy can be filled quickly.
 Employees past record is known.
 Company can save on induction training costs.
 Enhances the morale of the workforce if they see the company promoting from within.

Disadvantage

Limited pool of applicants.
 Leaves the company with another vacancy to advertise and fill.

- (ii) Explain what is meant by an “external source of recruitment”. 1

An external source of recruitment is where an organisation advertises the vacancy outwith the organisation.

- (iii) Identify 4 external sources of recruitment. 4

External Sources

Newspaper Advertisement
 Internet Advertisement
 Job Centre
 Recruitment Agency
 School/College/University
 Specialist Magazine

- (iv) State **one** advantage and **one** disadvantage of external sources of recruitment.

2

Advantage

Reaches a wide range of people.
May bring fresh ideas into the business.

Disadvantage

Can be expensive to place advertisements in newspapers.
Dependent on where the advertisement is placed, it may only reach a limited number of potential candidates.

- (b) (i) An organisation may choose Job, Batch or Flow Production. Describe each of these production methods.

3

Job

Single products are made to customer specifications. These jobs may never be repeated again.

Batch

Production of groups of similar products. No item goes on to the next stage until all are ready.

Flow

Items of production move continuously from one stage to another. Each stage adds something to the product until it is finished.

- (ii) Outline **one** advantage and **one** disadvantage for each of Job, Batch and Flow Production.

6

Job—Advantages

Work is very specific to customer demands so a higher price may be charged.
Employees are more likely to be highly motivated.

Job—Disadvantages

Expensive in terms of paying skilled craftsmen higher wages.
A wide variety of tools may be required to meet the demands of each job.
Each job can take a long time to complete.

Batch—Advantages

Batches can be changed to meet specific customer requirements.
Reduced need for costly, highly skilled staff.
Machinery can be relatively standardised, which reduces costs.

Batch—Disadvantages

Machines/employees may sit idle between batches.
Expensive machinery may be required due to staff being less skilled.
Stock levels may be high.
Staff may be less motivated as batches may be repetitive.
If batches are small, costs will still be high.

Flow—Advantages

Huge quantities can be produced

Labour costs are lower.

Discounts will be likely for buying in bulk.

Machinery does not require tea breaks etc and can work continuously.

Machinery is less subject to human error.

Flow—Disadvantages

Costly to set up in terms of buying the machinery.

Costly to maintain.

Can become a very repetitive job for employees.

Equipment may break down and leave employees with little to do.

Equipment may be inflexible and only suitable for one purpose.

(c) *Identify and describe 2 methods of ensuring a quality output.*

4

Quality Control—inspecting the finished product for defects. Any product that is found to be faulty is discarded. Often results in high waste figures.

Quality Assurance—inspecting the product as it moves along each stage of the production process. Reduces waste figures considerably as faults are detected at an earlier stage.

Total Quality Management—asking the “customer” for their definition of quality and striving to produce the perfect product each time. Requires commitment from everyone in the organisation to ensure that the product is right first time.

Quality Circles—employees meet regularly to discuss how/where they can make improvements in relation to quality. Good to involve employees as they are the people making the product, so they are likely to be able to suggest practical improvements.

Benchmarking—using leaders in the industry to measure your performance against and striving to meet/pass them. Being regarded as the firm that leads others in the industry is excellent for the company’s reputation.

(25)

5. (a) *The most common way to organise a business is around the functional activities.*

- (i) *Identify 3 of the most common functional activities in a business and explain the main role of each.*

6

Marketing

To anticipate, identify and satisfy customer needs via market research, research and development, market segmentation, advertising, marketing mix, product portfolio.

Human Resources

Recruitment and selection, training and development, employee relations, grievance and discipline procedures, maintenance of employee records, legislation.

Finance

Responsible for payment of wages/salaries, payment of invoices, production of final accounts, production of cash flow statements, analysis of financial information.

Operations

Responsible for the design and implementation of systems which control the purchase of raw materials, stock control, production methods and distribution and automation of the production process.

- (ii) *Describe 3 advantages and 3 disadvantages of using functional activities as a means of organising a business.*

6

Advantages

The resources of the organisation are better used.

Staff become experts in their own field.

Career paths will be created within departments.

Communication and co-operation within the department can be improved.

Teamwork improves.

Decision-making can be easier.

Disadvantages

Staff may put the department aims before those of the organisation as they can't see the bigger picture.

Communication barriers may exist between departments.

Some problems within the organisation need to be solved by more than one department.

Introducing change may be more difficult.

- (b) *Most businesses are using ICT to enhance their function. Explain how each of the following pieces of ICT could be used in a business.*

5

- *Spreadsheet Package*—to store the businesses accounts, calculate wages.
- *E-mail*—to communicate with members of staff/suppliers quickly.
- *Mobile Phone*—to get in touch with staff who may move around the building, text staff with information or customers.
- *Video Conferencing*—to hold meetings with other branches/companies.
- *Interactive DVD*—to train staff.

- | | |
|---|------------------------------------|
| <p>(c) (i) <i>Explain the differences between a loan and a grant.</i></p> <p>Grant—given to a company and does not require to be paid back.
 Loan—given to a company but it must be paid back over time, with interest added.</p> | <p><i>Marks</i>
2</p> |
| <p>(ii) <i>Identify and describe 2 other methods of obtaining finance for a business.</i></p> <p>Become a partnership—other partner(s) invests money in the business.
 Become a Private Limited Company—sell shares to friends and family in return for a share in the business.
 Become a Public Limited Company—sell shares on the stock exchange.
 Mortgage—money given to the business to buy premises.
 Business Sponsorship from another business—football teams receive sponsorship to have a business name put on football shirts in return for advertising their name.</p> | <p>4</p> |
| <p>(d) <i>Secondary schools aim to provide the local community with a good quality service. Identify 2 other possible aims for a secondary school.</i></p> <p>Social responsibility
 Improved grades
 Head Teacher’s objectives (managerial objectives)
 Improved image
 To make better use of the school’s funds
 To make better use of the school’s resources (eg staff)
 Growth (eg to encourage more placing requests)</p> | <p>2</p> <p>(25)</p> |

[END OF SECTION TWO]

[END OF SPECIMEN MARKING INSTRUCTIONS]