2014 Business Management

Intermediate 2

Finalised Marking Instructions

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Part One: General Marking Principles for Business Management Intermediate 2

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

(a) Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor. *You can do this by posting a question on the Marking Team forum or by e-mailing/phoning the e-marker Helpline.*

(b) Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

GENERAL MARKING ADVICE: Business Management Intermediate 2

The marking schemes are written to assist in determining the "minimal acceptable answer" rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates' evidence, and apply to marking both end of unit assessments and course assessments.

Part Two: Marking Instructions for each Question

Section 1

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	**(a)**		Private Limited Company	**1**	If two or more types of business organisations given no marks awarded.
1	**(b)**		**Advantages** • Shareholders have limited liability. • Control is not lost to outside investors. • More capital can be raised from issuing shares. • Can bring in lots of experience and expertise. **Disadvantages** • Profits have to be shared amongst shareholders. • A legal process is required to set up the company. • Shares cannot be sold to the general public. • Firm is regulated by the Companies Act. Do not accept high set up costs. **1 mark per described advantage or disadvantage – max 3 per area**	**4**	If type of business identified in (a) is incorrect award full marks if appropriate advantages and disadvantages match answer given in (a). If Public Limited Company is given in (a) and advantages/disadvantages given in (b) refer to a Private Limited Company award full marks if correct.
2			• Strategic decisions are long term whereas tactical are medium term. • Strategic decisions are made by senior management whereas tactical are made by middle management. • Strategic decisions set out the overall purpose/aim of an organisation whereas tactical are how an organisation achieves the strategic objectives. ***1 mark per distinguished point***	**3**	Allow examples – must match type of decision. Managers/Board of Directors not accepted as suitable decision-makers at tactical level – too senior.

Question			Expected Answer(s)	Max Mark	Additional Guidance
3			**Advantages** • Decisions are made by top managers who have the decision making skills. • Leads to better quality decisions. • Allows procedures to be standardised. • Decisions are made for the organisation as a whole. • Allows a corporate image to be promoted. • Employees know their role/position within the organisation. **Disadvantages** • Stifles staff initiative. • Staff not involved in decision making/No consultation. • Staff feel they have very little authority. • Decisions may not reflect the local conditions. ***1 mark per described advantage or disadvantage – max 3 per area***	4	
4			**Random** • Individuals are randomly pre-selected from a list eg telephone book. • Once selected must be interviewed. **Quota** • Individuals are selected based on pre-determined characteristics or criteria. • Can interview anyone who matches the characteristics or criteria. **1 mark for identifying method – max 2** **1 mark per description – max 2**	4	

Question			Expected Answer(s)	Max Mark	Additional Guidance
5			• Fewer staff are required which may result in redundancies. • Staff may need to be retrained in order for them to cope with the new technology increasing their skills. • Older staff may feel unable to cope with change and therefore may feel threatened and leave. • ICT can mean that personal contact with customers is lost therefore making staff feel they do not know their customers as well. • Staff may feel isolated and communication with other staff may suffer. • Staff can take advantage of homeworking with ICT resulting in them being able to arrange personal commitments more freely. **1 mark per explained effect**	**3**	
6			• Payment of wages and salaries • Maintaining financial records • Payment of bills or accounts • Controlling credit • Producing the annual accounts for the organisation • Analysing the accounting information • Monitoring internal finances, eg budgets **1 mark per role**	**3**	
7			• Good rate of pay • Bonus • Appraisal • Training • Offer perks/benefits (accept an example, eg subsidised canteens) • Promotion • Vary tasks/give breaks/more breaks • Good working relationships • More challenge • Involvement in decision making • Flexible working practices • Setting targets **1 mark per identified method**	**3** **(25)**	Better salary/Good rate of pay – max 1 Flexible working practices – max 1

[END OF SECTION 1]

Section 2

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	**(a)**		• Someone who develops a business idea/ identifies a business opportunity and invests • Person who brings the factors of production together. • Person who takes a risk in order to produce a good or service. • Initially they make all the decisions. • Raise the start-up capital. **1 mark per described role**	**3**	Do not accept 'spots a gap in the market' unless developed.
1	**(b)**	**(i)**	• TV • Newspapers • Magazines • Radio • Cinema • Billboards • Internet • Direct Mail • Mobile Phone • Social Media (max – 1) **1 mark per identified method**	**3**	Do not accept any promotional activities e.g. celebrity endorsement, product placement in (i) but description marks if correct should still be awarded in (ii).
1	**(b)**	**(ii)**	**TV** • Can be targeted to a large national audience. • Products can be demonstrated. • Products can be made appealing by using colour, movement, etc. **Newspapers** • National exposure can be gained. • Technical information can be explained. • Can target products to specific segments depending on the newspaper. • Adverts can be cut out and kept for later use. **Magazines** • Colour adverts can have a great impact. • Can target specific markets using special interest magazines. • Can be kept for future reference.	**3**	See above

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	**(b)**	**(ii)**	(Continued) **Radio** • Cheaper to advertise than on TV. • Can have a captive audience as listeners tend not to channel surf. • Can target specific markets depending on the station used. **Cinema** • Have a captive audience. • Adverts can be selected to suit the type of film it is being shown before. **Billboards** • Can attract a wide target market. • Can have high visual impact due to size. • Seen by passers-by. **Internet** • Can be relatively <u>cheap</u> – not an expensive method of advertising. • Can be updated frequently. • Depending on the site they appear on can be used to target specific markets. **Direct Mail** • Target specific markets as the information is only sent to those who meet the criteria. **Mobile Phones** • Can send push messages directly to users (target specific users). ***1 mark per advantage – accept advantages from the customer's point of view***		
1	**(c)**		**Data** • Raw information. • Unprocessed information. **Information** • Data that has been changed/processed/put into an order/given a context. **1 mark per definition.**	**2**	Accept for a definition of data 'information that has been collected'.

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	(d)	(i)	**Ownership** • Sole trader owned by a single person whereas a local council is owned by the government (on behalf of the public). **Finance** • Sole trader gains finance from personal savings or loans or mortgages etc, whereas local council gains finance from central government grants or from local taxes. **Any one example of a source of finance for each.** **1 mark per compared feature – need both sides to gain award.**	2	Finance for either sole trader or local council – only accept sources of finance.
1	(d)	(ii)	• To make as much profit/income as possible. • To gain a high level of sales turnover. • To expand into other markets. • To survive against competition. • To have the greatest number of customers. • To become the best in the field. • To improve their image/social responsibility. **1 mark per objective.**	2	

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	(e)		**Price** • To pay cheapest price possible so as to get the best value for their money. • If they buy large quantities then the price should be reduced to reflect this. **Quality** • To ensure that the finished product is the best it can be to ensure that customers will not complain or • return the goods. **Reliability** • So that the goods are delivered when required so production does not stop. • So that the quantity of goods delivered is accurate in order to meet the demands of the organisation's customers. **Payment Terms** • Pay cash in order to receive discounts. • So that the organisation can take advantage of the credit period given and not pay until later. **1 mark per explained factor.**	**4**	
1	(f)	(i)	• Gross Profit (Ratio). • Net Profit (Ratio). • Mark-up (Ratio). • Return on Capital Employed. • Acid Test (Ratio). • Current (Ratio). • Rate of Stock Turnover. **1 mark per identified ratio.**	**3**	Accept abbreviation ROCE.

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	(f)	(ii)	**Gross Profit Ratio** • Gross Profit/Sales x 100 • The amount of gross profit made from every £ of sales • The percentage of profit made, before expenses are deducted, on sales **Net Profit Ratio** • Net Profit/Sales x 100 • The amount of net profit made from every £ of sales • The percentage of profit made, after expenses are deducted, on sales **Mark-up Ratio** • Gross Profit/Cost of Goods Sold x 100 • The percentage to be added to cost price to find selling price **Return on Capital Employed** • Net Profit/Capital at Start x 100 • The percentage profit earned on the capital invested in the organisation **Acid Test Ratio** • Current Assets – Stock : Current Liabilities • The ability of an organisation to pay off its short term debts in a crisis • Ideal 1:1 **Current Ratio** • Current Assets : Current Liabilities • The ability of an organisation to pay off its short term debts • Ideal 2:1 **Rate of Stock Turnover** • Cost of Goods Sold/Average Stock • The number of times an organisation buys in new stock in a year **1 mark per description – max 3**	**3** **(25)**	Do not accept '1:1' only for Acid Test. Must include 'ideal or good ratio' in response in ordered to be awarded a mark.

Question			Expected Answer(s)	Max Mark	Additional Guidance
2	**(a)**		Land – all natural resources. Labour – the workforce. Capital – all man-made resources, eg tools and machinery; the money invested in the organisation. **1 mark for identifying the factor – max 3** **1 mark per description – max 3**	**6**	
2	**(b)**		• Primary information is first hand whereas secondary information is second hand. • Primary information is gathered for a specific purpose whereas secondary information is gathered for one purpose and then reused for another. • Primary information is likely to be up-to-date whereas secondary is likely to be old/ historical. • Primary information is costly to gather whereas secondary information is cheap and easy to gather. • Primary information comes from known sources (can be verified) whereas with secondary information it can be difficult to find the original source. • Both sources of information can be internal/external (max – 1). **1 mark per compared point**	**2**	Do not accept "primary is internal whereas secondary is external"
2	**(c)**		• The product being sold/the nature of the product. • The finances available. • The desired image of the product. • Government restrictions. • The product's life cycle. • Manufacturer's distribution capabilities. • Target market/how popular the product is. **1 mark per factor**	**4**	Target market – max 1

Question			Expected Answer(s)	Max Mark	Additional Guidance
2	(d)	(i)	**Advantages** • Batches can be changed to meet customers' requirements. • Less highly skilled staff required. • Machinery can be used to standardise the process. • Reduces costs of production. • Higher/larger amount output of products. **Disadvantages** • Workers/machines may sit idle between batches. • Cost of buying in expensive machinery. • Staff less motivated as they are doing a repetitive task. • Small batches can be costly. • Problems may result in loss of whole batch **1 mark per advantage or disadvantage.** **Max 3 per area**	4	Accept 'all batches are the same' as an advantage.
2	(d)	(ii)	• Increases storage costs which means profit levels may reduce. • Increased risk of theft which means that tighter security measures will need to be provided. • Increased risk of deterioration which means less stock to sell/use. • Too much money tied up in stock which means that money cannot be used for other things. • Loss of space which means that larger premises may need to be sought. **1 mark per explained problem.**	3	
2	(e)	(i)	• Managers/directors. • Owners/partners/shareholders. • Creditors. • Employees. • Citizens/Customers. • Competitors. • Government. • Financial journalists. **1 mark per user.**	3	

Question			Expected Answer(s)	Max Mark	Additional Guidance
2	(e)	(ii)	**Managers** • To see if they are going to meet their targets. • To see if they are likely to receive their bonus. **Owners** • 'To see how much profit' they may receive. • To see if the value of their investment is rising or falling. **Creditors** • To see if they will be paid for the goods they have given. • To see if the organisation can repay its loans. • To see if they will get repeat business. **Employees** • To see if they are likely to get a pay rise. • To see if there is finance available to improve working conditions. • To see if their jobs are secure. **Citizens/Customers** • To see if the organisation is likely to close down. • To see if the organisation can pay its bills. • To see if the organisation is likely to be taking on more staff. **Competitors** • To compare prices, profit figures, etc. • To see the level of market share the organisation has. **Government** • To check levels of profits stated in order to see if taxation calculated is correct. **Financial journalists** • To provide a report on the company. **1 mark per use – each must be different.**	**3** **(25)**	Check profits – accept as a suitable answer on its own, for owner only. If given for another user answer must be developed. Owner – accept to see what profit and losses the company has.

Question			Expected Answer(s)	Max Mark	Additional Guidance
3	(a)	(i)	**<u>Identify</u> the vacancy** • Analyse the job to see if there is a vacancy to be filled. **Job Analysis** • Analyse the vacancy to identify the skills, tasks and responsibilities required for the job. **Job Description** • Draw up a description of the task, duties and responsibilities to be carried out. • Can state the conditions of service, eg hours, salary, etc. **Person Specification** • Draw up a description of the type of person that would be suitable for the job. • Can describe the qualifications, experience, qualities required. **1 mark per identified stage – max 3** **1 mark per description – max 3**	**6**	
3	(a)	(ii)	**Internally** • Existing employees can develop their careers. • Employees are already familiar with the organisation. • Employees strengths and weaknesses are already known. • Inexpensive/cheaper way of recruitment e.g. training - max 1. • Not as much as training required. • Can improve staff morale. **Externally** • Can attract a larger range of people to apply for the job. • New employees may bring fresh ideas into the business. • Can avoid jealousy (that might exist between rival internal candidates). • Larger pool of candidates to choose from. **1 mark per described advantage** **Max 3 in any area**	**4**	

Question			Expected Answer(s)	Max Mark	Additional Guidance
3	**(b)**	**(i)**	• Email • Video Conferencing • Internet • Database • Spreadsheet • Word Processor • EPOS • Network • GPS • CAD • CAM • PowerPoint • Computer/tablet/Ipad – max 1 • Mobile phone/Smart phone **1 mark per identified type of ICT**	**3**	Do not accept telephone or fax machine.
3	**(b)**	**(ii)**	**Email** • To communicate with suppliers regarding an order. **Video Conferencing** • To hold face-to-face meetings with factories/ operating plant in different areas of the country or world. **Internet** • To compare prices of different suppliers of raw materials. **Database** • To hold information on suppliers. • To hold information on different goods/ resources. **Spreadsheet** • To control stock coming in and going out. **EPOS** • Use of bar code readers to control movement of stock.	**3**	

Question			Expected Answer(s)	Max Mark	Additional Guidance
3	**(b)**	**(ii)**	(Continued) **GPS** • To keep track of delivery vehicles as they deliver stock from the warehouse to a plant, etc. **Network** • To allow staff in a local or wide area to access the same stock information. **Mobile Phone** • Contacting suppliers to check stock prices. **CAD** • Use of computerised programmes to design the product and all its elements. **CAM** • Use of robotics to construct the product. **Computer/tablet** • To prepare stock records. **PowerPoint** • Present stock control training. ***1 mark per described use*** ***Use must relate to Operations to gain mark***		
3	**(c)**	**(i)**	• A tall structure has many levels of management whereas a flat structure has few levels of management. • In a tall structure the span of control is narrow whereas in a flat structure the span of control is wide. • In a tall structure the chain of command is long whereas in a flat structure the chain of command is short. **1 mark per distinguished point**	**2**	Accept diagrams with the tall and flat labels shown correctly –plus levels drawn in. See practice script – Display ID 6124576 Response ID 1246865.

Question			Expected Answer(s)	Max Mark	Additional Guidance
3	(c)	(ii)	**Advantages** • Salary costs are less. • Quicker communication. • Quicker decision making. • Responds more quickly to change. • Managers can lighten their load. **Disadvantages** • Managers not able to oversee their work properly. • Workers may not have the skills needed to take on more responsibility. • Fewer chances of promotion for staff. ***1 mark per described advantage or disadvantage – max 3 per area***	**4**	
3	(d)		**Input** • The raw materials being introduced into the production process. • The labour being introduced into the production process. **Process** • Combining the inputs or changing them to produce an actual product. **Output** • The finished product. **1 mark per definition**	**3** **(25)**	Process – accept quality checks Output – do not accept <u>selling</u> the finished good.

Question			Expected Answer(s)	Max Mark	Additional Guidance
4	(a)		**Data Protection Act** • Information must be obtained fairly and lawfully. • Information must be adequate and relevant. • Information must be accurate and up-to-date. • Information must be kept secure. • Information must not be disclosed to others. **Freedom of Information Act** • Covers information held by public organisations. • Individuals must be told if the public organisation holds information. • Organisation must disclose information held within a specified time period. **Computer Misuse Act** • Organisations must protect information from unauthorised access. • Organisations must protect information being taken and used to commit an offence. • Organisations must protect information from being modified without consent. **Copyright, Designs and Patent Act** • Controls the copying of protected material and ensures that no unauthorised copying of material takes place. • Applies to books, newspapers, music and computer programs. • Prior to copying, a person/organisation must seek the owner's permission. • Owner may charge a fee for copying. • By paying a fee to the Copyright Licensing Agency, organisations are allowed to copy small extracts from materials without seeking permission. **1 mark for identifying an act – max 2** **1 mark per description (accept features) – max 1 per act**	**4**	Wrong legislation given, then no description marks awarded. If legislation title not given, description mark can still be awarded if correct.

Question			Expected Answer(s)	Max Mark	Additional Guidance
4	(b)		**Trade Unions** • Represent employees with regard to pay negotiations. • Represent employees with regard to working conditions. • Represent employees with regard to other work-related issues, eg dismissal, grievance, etc. • Undertake collective bargaining on behalf of employees. • Have a more powerful negotiating position. • Give legal advice to employees. • Organise industrial action. • Consult on redundancy. **Works Councils** • Bring together management and workers. • Used to discuss matters that affect an organisation especially the workers. • Used as a way of introducing change. **1 mark per outlined role – max 3 per role**	4	
4	(c)		**Line relationship** • Relationship between a manager and his/her subordinates. • A vertical relationship – one showing authority over subordinates, eg Marketing Manager to Sales Representative. **Lateral relationship** • Relationship between staff of the same level in the organisation. • A horizontal relationship between equals, eg Finance Manager and Operations Manager. **1 mark per definition – max 2** **1 mark per example – max 2**	4	Award marks for suitable examples. If definitions are wrong way around award example marks if they match the definition given.

Question			Expected Answer(s)	Max Mark	Additional Guidance
4	(d)		**Advantages** • Possibility of increasing profits/income. • Access to more customers. • Increase market share. • Can take advantage of cheap labour. • Can take advantage of government grants. • Can cut down on transport costs. • May improve the income in that area. • Can allow a country to become more competitive. **Disadvantages** • Could be detrimental to the existing businesses of that country. • Local employment can be dependent on the organisation (if they move out then it will mean heavy unemployment in an area). • They may use up the local natural resources. • (They can force local businesses out of business) which will create unemployment in an area. • (Profits earned go back to the home country) which means that the country loses out on this income. • Language barriers. • Cultural differences. • Delays in communication – time zones. • Delays in decision-making. • Legislation. • Reputation of one branch affecting another ***1 mark per described advantage or disadvantage – max 3 per area***	4	

Question			Expected Answer(s)	Max Mark	Additional Guidance
4	(e)		**Flat rate/Annualised Salary** • Employees are paid a fixed salary per year. • Salary is divided into 12 equal monthly payments. **Piece Rate** • Workers are paid for the number of items they produce. **Overtime** • Payment for working extra hours above their set working week. • Normal hourly rate may be increased for any extra hours worked. **Bonus Rate** • Worker being paid extra when they reach a target, eg productivity, time-keeping, etc. • Often paid at key times, eg Christmas if the organisation is making a profit. **Commission** • Sales personnel earn a percentage of the products' sales value. • Can be the sole method of paying workers or on top of a basic wage/salary. **1 mark for identifying a method of payment – max 3** **1 mark per description – max 3**	**6**	
4	(f)		**Gross Profit** is the profit made from trading (buying and selling goods) whereas **Net Profit** is the final profit made after all expenses are paid. **Fixed Assets** are long term possessions whereas **Current Assets** are possessions that are constantly changing in value. **Debtors** are people who owe the organisation money whereas **Creditors** are people the organisation owes money to. **1 mark per distinguished point**	**3** **(25)**	

Question			Expected Answer(s)	Max Mark	Additional Guidance
5	**(a)**	**(i)**	• Given to employees when they start working. • Must be given within 8 weeks of starting employment. • States the terms and conditions of employment for the employee.	**1**	
5	**(a)**	**(ii)**	• Job title • Date employment begins • Holiday entitlement • Hours of work • Rate of pay and timing • Sickness pay entitlement • Period of notice for termination of employment • Name of employee **1 mark per ID**	**2**	
5	**(a)**	**(iii)**	**Equality Act 2010** • Covers 9 protected characteristics. • Details different types of discrimination. • Protects against discrimination on the grounds of gender. • Protects against discrimination on the grounds of age. • Requirement for businesses to have a more diverse workforce. **Health and Safety at Work Act 1974** • States employer and employee responsibilities with regard to health and safety. • Employers have a responsibility to ensure that protective clothing, etc is provided. • Employees have a responsibility to ensure that all safety equipment is being used appropriately. • Employers need to assess risk. **1 mark per feature – max 3 per area**	**4**	Accept any of the protected characteristics

Question			Expected Answer(s)	Max Mark	Additional Guidance
5	**(b)**		• To make appropriate decisions. • To plan for the future of an organisation. • To ensure that resources are in the right place at the right time. • To give staff instructions. • To oversee the running of the organisation so that it meets its objectives. • To delegate appropriate work to staff. • To motivate staff to do their best at all times. • In charge of the day to day running of the organisation. **1 mark per role**	**3**	Award examples – max 1
5	**(c)**	**(i)**	• Finance • Staff • Information • Technology • Management • Size • Owner • Time **1 mark per identified factor.**	**2**	
5	**(c)**	**(ii)**	**Finance** • Lack of finance may mean that an organisation has to consider cutting costs in order to implement a decision. **Staff** • If staff do not have the necessary skills to implement a decision then they will require training delaying the decision. • Lack of staff may mean that they do not have the workforce to carry out the decision. **Information** • Better quality information will mean that the decision is more likely to succeed than if the information is incomplete, etc. **Technology** • If an organisation has technology this may give them a competitive edge over their rival and make implementing a decision easier. **Management** • If a manager is skilled at decision making then this can have a positive influence on the organisation and its workers. **1 mark per explained effect.**	**2**	

Question			Expected Answer(s)	Max Mark	Additional Guidance
5	(d)		• To highlight periods when a negative cash balance is expected. • To allow for action to be taken in advance of overspending. • To forecast periods of cash surplus. • To allow for time to plan investment of surplus cash, eg buy an asset. • To avoid liquidity problems. • To allow comparison between budgeted and actual figures. • To control and monitor cash flow. **1 mark per described purpose.**	3	
5	(e)		**Advantages** • Identical products are made. • Fewer complaints regarding standards. • Fewer workers are required. • Will cut the wages bill. • Machines can operate 24/7. • Means higher productivity. • Can motivate staff. **Disadvantages** • Large amounts of machinery are required (which means high setup costs). • Machinery can breakdown (which may mean loss of productivity until fixed). • Difficult to make products to meet customer's individual requirements (which means that customers may go elsewhere). ***1 mark per explained advantage or disadvantage – max 3 per area***	4	

Question			Expected Answer(s)	Max Mark	Additional Guidance
5	**(f)**		**Product** • Introduce new varieties of existing product. • Introduce a new product range. • Introduce new shapes/sizes. • Improve the appearance of the product. • Introduce complementary products. • Higher quality materials. **Place** • Introduce Internet selling/e-commerce. • Sell in different retail outlets. • Sell through magazines/TV. • Open more branches • Product placement in store. ***1 mark per described action – max 3 per area***	**4** **(25)**	Product – change, must specify e.g. colour, shape, size – max 3. Place - accept change to current premises.

[END OF MARKING INSTRUCTIONS]