



National
Qualifications
2026

2026 Business Management

Advanced Higher

Question Paper Finalised Marking Instructions

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General marking principles for Advanced Higher Business Management

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a 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.

Marks will be awarded as follows for

(i) Questions that ask candidates to 'Describe...'

Candidates must make relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- **1 mark** should be given for each relevant factual point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(ii) Questions that ask candidates to 'Explain...'

Candidates must make accurate relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.

Candidates may provide a number of straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- **1 mark** should be given for each relevant point of explanation
- **1 mark** should be given for a further development of a relevant point, including exemplification when appropriate.

(iii) Questions that ask candidates to 'Compare...'

Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of comparison.

(iv) Questions that ask candidates to 'Discuss...'

Candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant
- **1 mark** should be given for any further development of a relevant point, including exemplification or a conclusion when appropriate.

(v) Questions that ask candidates to ‘**Analyse...**’

Candidates must demonstrate the ability to identify/describe/explain relevant parts, and the relationship between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of analysis
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vi) Questions that ask candidates to ‘**Evaluate...**’

Candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of evaluation
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vii) Questions that ask candidates to ‘**Explore...**’

Candidates must demonstrate the ability to carry out a detailed examination or enquiry, or follow a process in order to find out something.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

SECTION 1

Question			Expected response(s)	Max mark	Additional guidance	
1.					8	Candidates' responses should be based on the information from the case study. Up to 4 marks for a force field diagram: • Award 1 mark for 2 drivers • Award 1 mark for 2 resistors • Award 1 mark for an asset for change • Award 1 mark for arrows and headings Award 1 mark for each valid analysis point of a driver/resistor. Award 1 mark for each valid development. A maximum of 1 mark for an overall evaluation. Up to a maximum of 4 marks for analysis of drivers and/or resistors and/or overall evaluation. A maximum of 4 marks if there is no diagram.
			Drivers	Resistors		
			to achieve core strategy	competitive market/established players like Amazon and Disney		
			diversification	sports-orientated push may not interest all viewers		
			only captured 5% of consumer spending in 2025	technical challenges/quality issues/robust infrastructure required		
			increase subscriber count	high cost of media agreements/\$500 million for WWE		
			dedicated fans			
			advertising deals			
			growing advertising market			
			global reach			
			traditional media in decline/50% broadcast and cable TV usage in 2025			
			Assets for change			
			• secured WWE and FIFA global media agreements • 277 million paid memberships • operates in 190 countries • profit of \$8.7 billion in 2024 • world's leading online entertainment service			

Question			Expected response(s)	Max mark	Additional guidance
			Drivers • <u>to achieve core strategy</u> - growth helps Netflix reach its goal of becoming a \$1 trillion company by 2030 • <u>diversification</u> - expanding into sports reduces reliance on scripted and original content/spreads risk across Netflix's portfolio • <u>only captured 5% of consumer spending in 2025</u> - Netflix has an opportunity to increase its prices as its portfolio grows with sports offerings • <u>increase subscriber count</u> - increase Netflix's sales revenue ○ increasing Netflix's market share • <u>dedicated fans</u> - may result in loyal subscribers aiding cash flow • <u>advertising deals</u> - additional income stream allows Netflix to offer lower-priced subscription plans ○ attracting viewers from lower income households ○ helps to offset the original cost of investment into sports streaming • <u>growing advertising market/advert-supported service revenues expected to more than double between 2022 and 2028</u> - leading to greater profit potential for Netflix • <u>global reach</u> - may aid Netflix if expanding into new markets/countries (eg China/Crimea/North Korea/Russia/Syria) • <u>traditional media in decline/50% broadcast and cable TV usage in 2025</u> - Netflix can gain a competitive advantage by targeting sports fans who remain tied to live TV		

Question			Expected response(s)	Max mark	Additional guidance
			Resistors • <u>competitive market/established players like Amazon and Disney</u> - difficult for Netflix to penetrate the new market when rivals already have established relationships and content deals • <u>sports-orientated push may not interest all viewers</u> - focusing on sports might risk diluting Netflix's attention on its core entertainment services/risk of diverting its resources from its original shows and films leading to alienating existing subscribers ○ leading to poor customer satisfaction ○ subscribers may leave • <u>technical challenges/robust infrastructure required</u> - may require extensive capital expenditure/expensive contracts/outsourcing to ensure glitch/lag free streaming • <u>high cost of media agreements (\$500 million for WWE)</u> - heavy fixed costs of future agreements mean Netflix could face poor returns if Netflix does not attract enough viewers or advertising Overall evaluation Netflix should pursue its expansion into live sports streaming as: • there is huge growth and therefore profit potential as it will target sports fans (driver) and Netflix has enough finance available to pay for the high cost of sports rights (resistor) Netflix should not pursue its expansion into live sports streaming as: • despite possibly attracting sports advertising deals (driver), Netflix should focus on its core entertainment strengths as the live sports market is already dominated by established players, like Amazon (resistor)		

Question			Expected response(s)	Max mark	Additional guidance
2.			Finance • source external finance for <u>investing in hybrid vehicles</u> • budget for <u>renewable energy</u> • release capital expenditure for <u>electric generators</u> • reinvest funding elsewhere from the expenses saved by using <u>LED lighting/geothermal systems</u> • process overseas payments for <u>biodiversity research</u> Human resources • interview/recruit/appoint for the role of the <u>Sustainability Officer</u> • create the contract for the <u>Sustainability Officer</u> • train the workforce on the <u>recycling</u> ○ hire/outsourcing a trainer to educate staff • organise the staffing for the <u>technical interview coaching/mentors</u> Marketing • design new packaging with <u>FSC/100% certified recycled materials</u> • promote/advertise <u>100% renewable energy</u> Operations • track/record emissions as <u>production contributes around 35% to 60%</u> • construct the <u>sustainable set designs</u> • install/maintain renewable energy technology eg <u>solar panels/electric generators/LED lighting</u> • source suppliers for <u>recycled materials/hybrid vehicles</u> etc • negotiate the deal on the <u>multiyear renewable agreement</u>	6	Candidates' responses should be based on the information from the case study. Candidates must describe activities carried out by at least 2 functional areas to gain full marks. Candidates must describe at least 2 activities to gain full marks. Award 1 mark for each valid description. Award 1 mark for each valid development. Functional areas must be labelled. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
3.			• <u>candour</u> builds trust with employees who are more likely to follow a leader that is transparent • <u>courage</u> means leaders can implement difficult decisions efficiently ○ employees will have faith if a leader is brave/self-assured • <u>creativity</u> means leaders can identify profitable business opportunities • <u>curiosity</u> allows leaders to involve staff in decisions reducing resistance to changes • <u>curiosity</u> (by leaders being interested in other people's ideas) can provide useful insights to improve decision making • <u>inclusion</u> minimises inequity/unfairness in the workplace ○ provides a (Herzberg) hygiene factor minimising dissatisfaction ○ reduces grievances/disputes/legal consequences ○ improves working relationships • <u>judgement</u> means leaders take measured steps based on evidence so there are no/fewer rash decisions • <u>judgement</u> gives leaders the ability to clearly define targets by looking at long-term implications to remain competitive • <u>resilience</u> means leaders are stabilising anchors during disruption to support staff through change ○ leaders inspire loyalty by modelling toughness/remaining calm in adverse situations • <u>selflessness</u> prevents silos in the workplace/encourages collaboration to ensure everyone is working towards Netflix's objectives	8	Candidates' responses should be based on the information from the case study. Candidates must describe how at least 2 traits contribute to effective leadership to gain full marks. Award 1 mark for each valid description. Award 1 mark for each valid development. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
4.			• governments can claim consumption tax (VAT/DST) on <u>sales revenue</u> • governments can claim corporation tax on <u>profit for the year</u> • governments may benefit from reduced unemployment if Netflix recruits more staff to cope with the increase in <u>subscriptions</u> • employees may receive wage rises from increasing <u>profit for the year</u> • managers may receive bonuses from increasing <u>profit for the year</u> • shareholders may receive greater dividends from increasing <u>profit for the year</u> • subscribers/customers (in the US) have fewer choices from Netflix's <u>services library</u> compared to Amazon Prime • subscribers/customers may have paid <u>higher/lower subscription fees</u> impacting their discretionary income (relative to their incomes) • users/freeloaders save money as <u>31% do not pay for Netflix</u> • advertisers using Netflix may not have as much exposure compared to YouTube which has <u>30.5% of total streaming minutes spent</u> • customers travelling to 5 markets where Netflix is unavailable cannot watch Netflix • actors/production workers may have more job opportunities from increasing <u>content expenditure</u> • advertisers benefit from increased exposure as <u>subscribers</u> increase • screenwriters/directors may increase their income as <u>content expenditure</u> increases	6	Candidates' responses should be based on the information from the case study. Candidates must explore the effects on at least 2 stakeholders to gain full marks. Award 1 mark for each valid exploration. Award 1 mark for each valid development. Stakeholders must be labelled. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
5.			digital service taxes • <u>flat levy of 2%</u> may result in Netflix increasing its selling prices to pass DST on to subscribers ○ subscribers might switch to a cheaper plan lowering sales revenue ○ subscribers might switch to competitors eg Amazon Prime ▪ reducing Netflix's market share ○ could slow subscriber growth • <u>Malaysia and Romania impose different rates</u> so Netflix must comply with multi-jurisdictional rules and file taxes accordingly ○ may have to recruit/outsource tax specialists in each region • <u>flat levy of 2%</u> could be absorbed by Netflix by keeping selling prices lower ○ maintaining competitiveness in the market ○ may reduce profit margins ○ reducing profit for the year means lower budget for content ▪ production decisions to cut costs may affect quality of content	6	Candidates' responses should be based on the information from the case study. Candidates must describe the impact of both digital service taxes and transfer pricing on Netflix to gain full marks. Award 1 mark for each valid description. Award 1 mark for each valid development. A maximum of 3 marks to candidates who make general points on the impact on organisations of digital service taxes and transfer pricing without relating them to the case study. Impacts must be on Netflix. Watch for repetition. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
			transfer pricing • <u>corporation tax lower in Ireland</u> means Netflix's profit for the year after tax is increased (if profits transferred to Ireland to be taxed) ○ more profit can be appropriated to shareholders via dividends ○ more profit can be reinvested into developing new content • <u>\$750,000 on political lobbying</u> - influencing transfer pricing regulations helps Netflix avoid future penalties/sanctions ○ Netflix may engage in 'revolving door' hires to gain insight/seek favourable regulation • <u>paid \$59 million in 2022 to the Italian Government</u> - reducing Netflix's cash flow • <u>offices in Paris and Amsterdam were raided</u> - reducing productivity of those offices ○ employees may leave so they are not associated with the allegations ○ impacting Netflix's image making it difficult to attract new staff ○ battling tax authorities leading to lengthy legal action • <u>Netflix is under investigation</u> - time consuming for Netflix to provide the information to comply with this ○ could lead to fines for misuse of transfer pricing practices		

Question			Expected response(s)	Max mark	Additional guidance
6.			• <u>improves operational efficiency</u> leading to cost savings - which may be reinvested into improving Netflix's marketing mix • <u>informs users' recommendations</u> so they are presented with relevant viewing options - meaning users are more likely to stay loyal to Netflix • <u>helps Netflix make informed decisions about content</u> leading to the production of relevant original content - which can give Netflix an edge over its rivals' offerings ○ 'must watch' shows may create a USP • <u>adjusts video quality</u> catering for users with different speeds of connection - increasing customer satisfaction ○ increasing Netflix's market share • <u>forecasts subscriber usage</u> minimising the risk of an interrupted service/technical faults - avoiding high subscriber turnover • <u>provides subtitles/dubbing</u> making content accessible to customers around the world - strengthening Netflix's presence globally ○ increases Netflix's portfolio giving customers more choices ○ allows Netflix to target disabled customers with more content • <u>aids which content to promote</u> increasing the effectiveness of the marketing in those regions - which can attract new customers • <u>manages enquiries via chatbots</u> reducing the time customers wait for a response to an issue - improving the customer service they receive ○ frees up time for customer service staff to process complex complaints • <u>enhances support</u> to prioritise the main issues to fix - reducing customer frustration	6	Candidates' responses should be based on the information from the case study. Award 1 mark for each valid explanation. Award 1 mark for each valid development. A maximum of 3 marks to candidates who make general points on the impact of AI on an organisation's competitiveness without relating them to the case study. Accept any other suitable response.

SECTION 2

Question			Expected response(s)	Max mark	Additional guidance
7.	(a)		• to maintain peace and stability in Europe after World War II • to establish an economic and monetary union whose currency is the Euro • to allow freedom of movement for EU citizens through the Schengen Area • to establish/strengthen the Single European Market eg achieving the ‘Four Freedoms’ • to compete as a union globally with regions such as ASEAN/China/US etc • to promote scientific and technological progress eg EU’s Galileo system ○ eg the European Research Council (ERC) supports scientists across all member states • to preserve the culture and traditions of member states eg through funding its Creative Europe programme, supporting music, cinema, and literature etc • to preserve linguistic diversity eg French, German, Spanish etc ○ eg the EU protects regional languages such as Catalan • to combat social exclusion and discrimination through the Charter of Fundamental Rights ○ eg the European Social Fund (ESF+) provides billions of euros to tackle poverty and support vulnerable groups • to protect and improve the quality of the environment eg the EU aims to reach a climate-neutral economy by 2050 ○ eg EU Carbon Border Adjustment Mechanism prevents carbon leakage across borders • to ensure democratic representation by having a directly elected European Parliament	4	Candidates must describe at least 2 aims to gain full marks. Award 1 mark for each valid description. Award 1 mark for each valid development. Up to a maximum of 2 marks for general aims of a trading bloc which are not specific to the EU. Accept any other suitable response.

Question		Expected response(s)	Max mark	Additional guidance
	(b)	• access to around 450 million customers across the EU increases sales/growth/profit potential ○ enables economies of scale • EU-UK Trade and Cooperation Agreement (TCA) means zero tariffs and quotas on almost all goods for UK organisations which reduces the costs associated with cross-border trading ○ increases competition from EU rivals ▪ may force UK organisations to lower their selling prices • proof of origin requirements (under the TCA) means UK organisations must demonstrate that goods meet origin rules else those goods will not qualify for tariff-free trade within the EU increasing trading costs • EU represents over 40% of UK trade impacting the UK's balance of payments • increases choice for UK buyers eg machinery, cars and chemicals are the main exports and imports • subject to exchange rate differences between the Euro and Sterling ○ only 20 EU countries use the Euro which can complicate transactions • EU has 24 working languages resulting in communication barriers ○ increased marketing expenses for translating advertisements • cultural differences between the UK and EU may require market research eg UK food companies may need to reduce portion sizes to suit French tastes ○ eg Tesco struggled in France due to locals preferring smaller stores • established trade links between EU organisations due to the EU single market can prevent UK organisations' growth • may require products to be altered to meet EU standards eg car manufacturers must comply with EU emissions regulations meaning redesigning engines/exhausts to meet lower pollution limits ○ eg food exporters must meet EU food safety rules meaning ingredients in production are changed as some food colourings allowed in the UK are banned in the EU	6	Candidates must discuss at least 2 effects to gain full marks. Award 1 mark for each valid discussion point. Award 1 mark for each valid development. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
			- increased bureaucracy/paperwork since Brexit eg farmers exporting meat and dairy must meet strict EU animal welfare and hygiene checks involving extra inspections at the UK-EU border - increases lead times 27 different tax systems in the EU require more accounting expenses - UK is typically 1 hour behind most of mainland Europe (CET) and 2 hours behind Eastern Europe (EET) therefore this minimises disruption due to broad overlapping business hours - Air travel to European countries from the UK generally ranges from 1 to 4 hours avoiding 'jet lag' from corporate travel between the UK and EU		

Question			Expected response(s)	Max mark	Additional guidance
8.			Forming - run team building exercises so members get to know each other - assign jobs with clear remits of responsibility to prevent confusion - allow members who have worked with each other before to work together to maintain relationships - create sub-teams to prevent the team becoming unmanageable Storming - promote communication through an open-door policy - promote the team's goals to stop conflicting agendas - adopt an autocratic leadership style to help settle disputes quickly - remove uncooperative members from the team to avoid disruption - assign members relevant tasks to benefit from their skillsets Norming - carry out evaluation to ensure the team does not deviate from its goals - offer constructive criticism to lead members to the performing stage - adopt a democratic leadership style so members feel valued - gather members' views to improve the team's decision making Performing - establish rewards to encourage the team to meet targets - ensure necessary resources are in place to prevent downtime - use job rotation to develop flexibility within the team - adopt a laissez-faire leadership style to empower members Adjourning - evaluate the team and individuals' performance using appraisal methods - revisit forming/storming activities to support employees in mourning	10	Candidates must describe at least 2 ways and at least 2 stages to gain full marks. Award 1 mark for each valid description. Award 1 mark for a development point. Up to a maximum of 5 marks may be awarded for general descriptions of Tuckman's stages of group development. Tuckman's stages of team development must be labelled. Some ways are interchangeable between stages - watch for repetition. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
9.	(a)		• assumes workers will embrace changes in the workplace • assumes workers are driven/aspiring/motivated • assumes workers are motivated by more than money ie non-financial incentives • leadership styles tend to be participative/democratic/laissez-faire • management approach empowers employees by delegating responsibilities • management encourages open communication ○ involves workers in decision making • works better for creative industries • effective with flatter/non-traditional organisation structures • associated with a human relations approach as employees' needs are considered	4	Award 1 mark for each valid description. Award 1 mark for each valid development. Accept any other suitable response.
	(b)		• aims to get the best fit between task, people and environment • rejects the notion of a 'one-size-fits-all' management solution • a management model that works in one organisation/situation may not work in another ○ management must be flexible and adapt to changing situations ▪ managers may not be able to adapt depending on their personality/ experience/the corporate culture etc • managers should be matched by style to relevant areas of work • managers are always changing their management approach ○ which may lead to uncertainty/lack of consistency in leadership ▪ can be demotivating ○ slowing decision making • organisations cannot act in isolation and must consider internal/external factors • variables which influence management include skill of workers/the task/the organisation's structure/corporate culture/external environment/leadership style etc	6	Candidates must explore at least 2 ideas to gain full marks. Award 1 mark for each valid explored point. Award 1 mark for each valid development. Up to a maximum of 3 marks may be awarded for describing how examples of variables influence a contingency approach to management. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
10.			Top down (managers impose change without consultation) • senior managers make the changes so all changes are in line with the organisation's objectives • appropriate in a major crisis/urgency where decisions are made fast with no consultation • results in swift action and little delay leading to faster market reactions • appropriate when a change is essential with no room for alteration/discussion • appropriate when dealing with unskilled/inexperienced workers as experienced managers make the decisions • employees may not feel valued as they are not consulted ○ may demotivate employees who become more resistant towards change Piecemeal (small incremental changes made over time) • helps build confidence and reduce nerves as changes are made in stages • employees may be more likely to embrace the change as it is not implemented all at once • stages of the change can be incentivised which increases employees' motivation • stages can be monitored to ensure they are meeting objectives so that corrective action can be taken if this is not the case • changes are implemented one after the other which is time consuming	10	Candidates must evaluate all 3 approaches to gain full marks. Award 1 mark for each valid evaluation. Award 1 mark for each valid development. Up to a maximum of 3 marks may be awarded for definitions of the approaches. Watch for flips and repetition. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
			Change agents (experts that act as intermediaries to coordinate the change) • external change agents may be contracted as consultants increasing the organisation's expenditure • external change agents may offer solutions based on their experience thereby increasing the chance of success with the change • internal change agents tend to be more familiar with the organisations and workforce so face less resistance • coordinate the change across the organisation ensuring resources/budgets are fairly allocated • provide a clear point of contact for employees who wish to discuss the change thereby improving communication • organise training about the change that equips staff with the skills to adapt • negotiate with trade union regarding the changes reducing the likelihood of strike action etc		

[END OF MARKING INSTRUCTIONS]