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National
Qualifications
SPECIMEN ONLY

S810/76/11

Business Management

Date — Not applicable

Duration — 2 hours 15 minutes

Total marks — 70

SECTION 1 — 30 marks

Attempt ALL questions.

SECTION 2 — 40 marks

Attempt ALL questions.

You may use a calculator.

It is recommended that you spend 15 minutes reading over the information provided in **SECTION 1** before responding to the questions.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

You must leave your answer booklet on your desk; if you do not, you could lose all the marks for this paper.

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SECTION 1 — 30 marks

Read ALL the following information and attempt ALL the questions that follow.

Costco

Costco Wholesale Corporation (Costco) is a United States (US) multinational company (MNC) operating a chain of wholesalers. It is the third-largest retailer in the world and the world's largest retailer of beef, poultry and organic produce.

Costco originally sold goods exclusively to business customers before it began selling to consumers. It requires customers to pay an annual membership fee to access its warehouses and make purchases. This generates income helping Costco to keep prices low as part of its low-price, high-volume retail strategy.

(Exhibit 1 shows an extract of external factors affecting Costco.)

Operations

Costco operates over 900 warehouses worldwide. Although most of Costco's warehouses are located in the US, it operates in 13 other countries, including China, France, Mexico and the United Kingdom (UK).

Inventory storage strategies

Costco operates both centralised and decentralised inventory storage strategies.

1. Inventory is first delivered to Costco's central depots where it is checked, separated and prepared for distribution to its regional warehouses.

2. Inventory is then transported to Costco's regional warehouses ready for sale.

Quality

Costco requires that all its suppliers of food produce meet the standards set by the Global Food Safety Initiative (GFSI).

Technology

Inventory is managed using data analytics software that monitors inventory levels, sales patterns and seasonal demand.

Marketing

Despite having over 142 million customers, Costco operates a lean marketing budget. It has no public relations (PR) department and does not outsource its advertising.

Place

While Costco primarily focuses on customers travelling to its warehouses and shopping in person, it also operates e-commerce platforms, including a website and mobile app. In some markets, it offers home delivery services and the option for its customers to order online and pick up from their nearest warehouse.

Product

Costco's product range includes groceries, electronics and home goods, clothing and tyres. It also provides services, such as on-site fuel stations, as well as in-store pharmacies, opticians and food courts.

Price

Costco uses cost-plus pricing, with prices set lower than most other retailers. Occasionally, Costco uses loss leader pricing on certain items, such as rotisserie chickens and hot dogs.

Promotion

Some out-of-the-pipeline sales promotions used by Costco are shown below.

'Hot buys'	Selected product prices are discounted for a limited time.
Digital coupons	Discounts automatically applied at checkouts without physically cutting or printing coupons.
In-store samples	Free samples allowing customers to try products.

[Turn over

Human resources

With over 341,000 employees worldwide, Costco has one of the largest workforces in the global retail industry. It is widely regarded as a good employer, with its employee retention rate being higher than the industry average for retail positions.

Employee relations

Most of Costco's employees are not trade union members, with only around 5% of its global workforce having trade union representation. Approximately 8% of its US workforce is represented by the International Brotherhood of Teamsters (IBT) trade union.

Last year, the IBT threatened Costco with strike action if its demands to improve contractual and working conditions for its members were not met. Costco reached an agreement with the trade union which prevented the strike action from taking place.

Although trade union membership still represents a small share of Costco's workforce, the number of employees joining trade unions has grown in recent years and will likely continue to do so.

Workforce planning

Given its reputation as a top employer in retail, Costco attracts many applicants during recruitment and therefore requires a rigorous selection process.

Some methods used in its selection process are detailed below.

1. Screening application forms — candidates apply online and their applications are reviewed.

2. Interviewing — shortlisted candidates are invited to a one-to-one interview in person.

3. Checking references — candidates' references are contacted before contracts of employment are issued to successful candidates.

Finance

Costco reported strong financial performance with sales revenue of almost $270 billion in 2025, increasing 8% from the previous year.

(Exhibit 2 shows an extract of Costco's financial performance.)

Exhibit 1

Extract of external factors affecting Costco

Increasing tariffs	Around one third of Costco's merchandise in the US comes from imports from countries such as Canada, China and Mexico. The US Government recently increased the tariffs imposed on imported goods, especially those from China.
Stricter regulation	New Global Food Safety Initiative (GFSI) standards require stricter and more frequent safety audits on food products to be carried out.
Rising inflation	Inflation in most of Costco's markets, such as Mexico, the UK and the US has risen substantially in recent years.
Increasing mobile shopping	Globally, more customers are choosing to shop using their mobile devices. Mobile shopping is projected to reach over 75% of global online shopping transactions by 2027.

[Turn over

Exhibit 2

Extract of Costco's financial performance

Statement of financial position

	2025 $ m	2024 $ m
Non-current assets	38,719	35,585
Non-current liabilities	10,827	10,745

Ratio analysis

	2025	2024
Gross profit percentage	11.12%	10.92%
Current ratio	1.03:1	0.97:1

[END OF SPECIMEN CASE STUDY]

MARKS

The following questions are based on ALL the information provided and on knowledge and understanding you have gained whilst studying the course.

1. (a) Define the following terms:
- wholesaler
- warehouse. **2**

(b) Discuss the costs and benefits to manufacturers of supplying Costco. **4**

(c) Distinguish between Costco's inventory storage strategies. **1**

(d) Explain the impact on Costco of each external factor in **Exhibit 1**. **4**

(e) Describe the pricing strategies used by Costco. **2**

(f) Discuss the out-of-the-pipeline sales promotions used by Costco. **4**

(g) Explain the impact of trade unions on:
- Costco
- trade union members (Costco's employees). **4**

(h) Discuss the methods used by Costco in its selection process. **5**

(i) (i) Define the financial terms labelled on Costco's statement of financial position in **Exhibit 2**. **2**

(ii) Describe the purpose of each ratio in **Exhibit 2**. **2**

[Turn over

MARKS

SECTION 2 — 40 marks

Attempt ALL questions

2. Discuss the advantages and disadvantages of franchising. **8**

3. (a) Describe **3** types of staff appraisal. **3**

(b) Define the following sources of finance:

- debenture
- debt factoring
- share issue. **3**

(c) Describe the determining factors for selecting sources of finance. **2**

4. (a) Describe the interdependence between stakeholders. **2**

(b) Describe ways of grouping organisations. **6**

5. (a) Justify the use of electronic point of sale (EPOS) for inventory management. **3**

(b) Describe the methods of promoting a positive corporate culture. **5**

6. (a) Justify the use of the following:

- apprenticeships
- corporate training schemes. **6**

(b) Describe the factors which may be considered when selecting a suitable method of production. **2**

[END OF SPECIMEN QUESTION PAPER]

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S810/76/11 **Business Management**

Marking Instructions

These marking instructions have been provided to show how Qualifications Scotland would mark this specimen question paper.

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General marking principles for 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.

(c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

(d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

For each relevant point of reason candidates must give a point of identification and a point of explanation to gain a mark. This is exemplified in the marking instructions, a dash (—) is used to show the two parts of the response.

(e) For **compare** questions, candidates must demonstrate knowledge and understanding of similarities and/or differences between things, methods or choices. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of comparison.

Where a mark is available for the development of a response this is exemplified in the marking instructions, a hollow bullet point is used to show the developed response.

Marking instructions for each question

Section 1

<table>
<tr><th colspan="3">Question</th><th>Expected response(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td>1.</td><td>(a)</td><td></td><td>Define the following terms:

wholesaler
• organisations that buy in bulk from manufacturers and sell to retailers/consumers/customers

warehouse
• a large building used to store inventory</td><td>2</td><td>Candidates must define both terms to gain full marks.

Award 1 mark for each valid definition.

Accept any other suitable response.</td></tr>
<tr><td></td><td>(b)</td><td></td><td>Discuss the costs and benefits to manufacturers of supplying Costco.

costs
• lowers profit margins (to allow the wholesaler their margin)
  ○ decreasing manufacture’s overall profit for the year
• reduces control over pricing/promotion
• associated with high-volume sales and not a premium brand image

benefits
• purchases in bulk increase sales
• saves time distributing to many retailers/customers
• reduces delivery costs
• reduces administration costs (fewer transactions/orders)
• avoids cash being tied up in inventory
• reduces risk of being left with unwanted/unsold inventory if demand falls
• may label and package goods</td><td>4</td><td>Candidates must discuss at least one cost and at least one benefit to gain full marks.

Award 1 mark for each valid discussion point.

Award 1 mark for each valid development.

Costs/benefits must be to manufacturers.

Accept any other suitable response.</td></tr>
</table>

<table>
<tr><th colspan="3">Question</th><th>Expected response(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td></td><td>(c)</td><td></td><td>Distinguish between Costco’s inventory storage strategies.
<table><tr><th>Centralised inventory storage</th><th rowspan="2">whereas</th><th>Decentralised inventory storage</th></tr><tr><td>inventory held in one location/Costco’s depot</td><td>inventory held in many locations/Costco’s warehouses</td></tr></table></td><td>1</td><td>Award 1 mark for each valid distinction.

Accept any other suitable response.</td></tr>
<tr><td></td><td>(d)</td><td></td><td>Explain the impact on Costco of each external factor in Exhibit 1.

increasing tariffs
increased cost of importing - may lower profit margins
may have to increase selling prices – reducing competitiveness
may source local suppliers – to avoid importing
stricter regulation
carrying out more audits on suppliers – time consuming
may have to find new suppliers – if existing suppliers fail to meet standards
rising inflation
may lower demand – decreasing sales revenue
may increase cost prices – reducing profit margins
increase in sales of low-priced goods - as consumer switch to cheaper options
increase in customers seeking to save - increased income from fees
increasing mobile shopping
increased sales revenue from the app – as more customers shop on devices
may have to invest in app development – outsourcing costs
keeping the app updated (eg product prices) – increased administration</td><td>4</td><td>Candidates must explain the impact of each external factor to gain full marks.

Impacts must be on Costco.

External factors from Exhibit 1 must be identified.

Award 1 mark for each valid explanation.

Accept any other suitable response.</td></tr>
</table>

Question			Expected response(s)	Max mark	Additional guidance
	(e)		**Describe the pricing strategies used by Costco.** **cost-plus pricing** • fixed percentage/markup is added to the cost price **loss leader** • selling price is lower than cost price/sold at a loss (to attract customers to also buy profitable items)	**2**	Candidates must describe **both** pricing strategies to gain full marks. Pricing strategies must be identified. Award **1 mark** for each valid description. Accept 'low price' strategy. Accept any other suitable response.

	(f)		**Discuss the out-of-the-pipeline sales promotions used by Costco.**
			
			'hot buys'
			• increases sales volume/sales revenue
			• improves competitiveness
			• saves customers paying full price
			    ○ savings can be spent elsewhere
			
			digital coupons
			• attracts customers into Costco who then also purchase full-priced goods
			• reduces carbon footprint (no printing required)
			• encourages customer loyalty
			    ○ improves cashflow
			
			in-store samples
			• incurs costs in providing samples
			• provides feedback for market research
			• customers can purchase with greater confidence
			• encourages new customers to try and purchase
			• increasing market share
				4	Candidates must discuss at least **2** sales promotions to gain full marks.
					
					Award **1 mark** for each valid discussion point.
					
					Award **1 mark** for each valid development.
					
					Promotions must be identified.
					
					Watch for repetition.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

	(g)		**Explain the impact of trade unions on:**
			
			Costco
			• strikes organised by unions interrupt operations – lowering output
			  ○ strikes damage the reputation of the organisation
			  ○ fewer candidates may apply during recruitment
			• unions may negotiate pay rises **-** increasing the wage bill
			• unions may threaten industrial action – restricting decision-making
			• unions should be consulted on changes – taking up time
			
			trade union members (Costco's employees)
			• more income – from pay increases negotiated by unions
			• improved job security – from union protection against unfair dismissal
			• loss of income – for days on strikes organised by unions
				4	Candidates must explain at least **one** impact on Costco and at least **one** impact on trade union members to gain full marks.
					
					Award **1 mark** for each valid explanation.
					
					Award **1 mark** for each valid development.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(h)		**Discuss the methods used by Costco in its selection process.** **application forms** • relevant as questions are set by the organisation • fair as questions are the same for all candidates • restrictive as fixed questions with limited word counts • difficult to verify that the application is the candidate's own work **interviews** • ask probing/further questions for more detail ○ clarify gaps in the application form • assess appearance/personality/communication • anxiety can hinder performance • risk of interviewer bias • may not reflect real job ability **references** • provide confirmation of past work and experience • help verify qualifications and achievements • time consuming to contact and wait for replies • unfair references can negatively affect chances	**5**	Candidates must discuss at least **2** selection methods to gain full marks. Selection methods must be identified. Award **1 mark** for each valid discussion point. Award **1 mark** for each valid development. Watch for repetition. Accept any other suitable response.
	(i)	(i)	**Define the financial terms labelled on Costco's statement of financial position in Exhibit 2.** • **non-current assets** - items owned by the organisation for more than one year/long term • **non-current liabilities** - the debts the organisation will pay over a long term/not due within one year	**2**	Candidates must define **both** terms to gain full marks. Award **1 mark** for each valid definition. Financial terms must be identified. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
		(ii)	**Describe the purpose of each ratio in Exhibit 2.** **gross profit percentage** • to show the % of sales revenue that remains after deducting direct costs • to show the gross profit (or loss) margin/per unit/per £ of sales **current ratio** • to show the organisation’s ability to pay short-term debts (using current assets) • to evaluate short-term liquidity	**2**	Candidates must describe **each** ratio to gain full marks. Award **1 mark** for each valid description. Ratios must be identified. DNA the formula for the ratio. Accept any other suitable response.

Section 2

Question			Expected response(s)	Max mark	Additional guidance
2.			**Discuss the advantages and disadvantages of franchising.** **Franchiser** **advantages** • the business can expand without large capital outlays ○ avoiding the need to raise additional finance • franchiser will receive a percentage of sales or a royalty • most of the financial risk is carried by the franchisee • risks shared between the franchiser and the franchisee **disadvantages** • franchiser will only receive a percentage of the sales • sales generated by the store is dependent on the ability and determination of the franchisee • reputation of the whole franchise could be negatively affected by the individual franchisees **Franchisee** **advantages** • existing customer base/already established brand • assistance choosing a location may be provided • training is often provided by the franchiser • franchiser marketing campaigns can mean free national advertising • franchiser may pay for the equipment/machinery **disadvantages** • have to pay a fee/royalty payment to the franchiser • fewer decision-making powers than running your own business/less opportunity to change things/be creative • bad publicity for any branch in the franchise may affect the franchisee's reputation	**8**	Candidates must discuss at least **one** advantage and **one** disadvantage to gain full marks. Award **1 mark** for each valid discussion point. Award **1 mark** for each valid development. Accept any other suitable response. Watch for flips. Watch for repetition.

Question			Expected response(s)	Max mark	Additional guidance
3.	(a)		**Describe 3 types of staff appraisal.** **one to one** • a regular review of an employee's job performance with a manager **360 degree** • a review of an employee's job performance with feedback coming from subordinates, peers, supervisors and the employee themselves **peer to peer** • colleagues in the same or similar position are asked to provide feedback on specific aspects of an employee's performance	**3**	Candidates must describe **3** types to gain full marks. Award **1 mark** for each valid description. Type of appraisal must be identified. Accept any other suitable response.
	(b)		**Define the following sources of finance:** **debenture** • a bond from investors to a limited company with fixed interest **debt factoring** • selling trade receivables (debtor/credit sales) to a specialist organisation for a lower value for immediate cash **share issue** • selling a percentage of ownership either privately or on the stock market (plc)	**3**	Candidates must define **each** source to gain full marks. Award **1 mark** for each valid definition. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		**Describe the determining factors for selecting sources of finance.** • interest rates can increase repayments • repayment not required (eg for a grant) • no cost to inject cash into the organisation eg sale of assets • payback term is the length of time available to repay the finance • a shorter payback term usually means less interest is paid overall but higher regular repayments • readily available finance provides immediate access to cash for unexpected expenses • a longer payback term means repayments can be spread over many years • the legal structure of a business affects which sources of finance are available (eg a private limited company (Ltd) cannot raise finance by selling shares on the stock market)	**2**	Candidates must describe **2** factors to gain full marks. Award **1 mark** for each valid description. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
4.	(a)		**Describe the interdependence between stakeholders.** • **employees** need managers to set them tasks so that they can get paid whereas **managers** need employees to carry out the tasks • **employees** need managers to give them jobs to provide them with an income whereas **managers** need employees to create products/provide services to a high standard to reduce complaints • **employees** need customers to buy from an organisation so they get paid whereas **customers** need employees to provide them with good customer service • **shareholders** need directors to run the organisation successfully on their behalf whereas directors need shareholders to vote for them at the AGM so they can continue to run the company • **suppliers** need managers to order goods from them so they can gain sales revenue/make a profit whereas **managers** need suppliers to sell them goods at affordable prices/prices that allow good profit margins	2	Candidates must describe **2** interdependences to gain full marks. Each interdependence must show **both** sides of the relationship, eg managers reliance on employees and employees' reliance on managers. Award **1 mark** for each valid description. The business/organisation/competitors are not stakeholders. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(b)		**Describe ways of grouping organisations.** **product/service grouping** • divisions grouped according to products/services • organisation can be more responsive to the changes in its markets • management can easily identify poorly performing products/services • expertise can be developed within each product division • duplication of resources/personnel across product groups • product divisions may find themselves competing with one another **place/territory/geographical grouping** • grouping of resources over a geographic area (for example Scotland/North-East/Midlands; Europe/USA/Asia) • groups can cater more appropriately for their area's customs and cultures • additional expense for administration and staffing costs • duplication of resources/personnel across geographic areas • rivalry between departments may occur	**6**	Candidates must describe at least **2** ways to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each valid development. Watch for repetition. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

			technology grouping
			• activity is grouped according to technological/production processes used
			• staff can become specialised in the production process they are involved in using
			  ○ improving quality of outputs
			• employees only have to be trained for the process they are involved with
			  ○ workers becoming specialists in a process will find it difficult to move within the organisation to another process
			• very capital intensive which is expensive to set up
			
			customer grouping
			• resources are organised around groups of customers with similar needs
			• services can then be tailored to each group of customers or a specific customer
			• helps to build up customer loyalty because of the personal service they receive
			• managers can quickly identify which customer group is generating the highest sales revenue
			• duplication of resources across customer groups is costly
			• rivalry between departments may occur		

Question			Expected response(s)	Max mark	Additional guidance
			functional grouping • is when employees are grouped together in departments according to the type of work they do or their area of specialism (eg Finance, Marketing, Human Resource, Operations) • specialisation can occur in each of the functions • clear structure and clear lines of authority • reduces duplication of resources • can be unresponsive to market changes • department aims can take over from organisational objectives		

5.	(a)		**Justify the use of electronic point of sale (EPOS) for inventory management.**
			
			• instantly tracks inventory levels
			• inventory levels can be amended immediately
			• automatic re-ordering inventory
			    ○ which means the organisation are less likely to run out of inventory
			• automatic updating of inventory records using barcodes and scanners
			    ○ so there will be less need for manual inventory taking to be done
			• reports can be produced from the system
			• highlights trends in demand to help set inventory levels
			    ○ which allows popular inventory quantities to be increased/poor sellers to be discontinued
			• reduces theft as inventory is checked in and out
			• can highlight seasonal variations
				3	Award **1 mark** for each valid justification.
					
					Award **1 mark** for each valid development.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(b)		**Describe the methods of promoting a positive corporate culture.** • set a mission statement to display the objectives and values of the business • enforce employee uniform policy ○ makes employees feel part of a team/gives a sense of belonging • design a corporate identity (for example a logo on stationery, marketing, premises) • create a standardised layout for stores/outlets/offices • set clearly defined policies and practices for example organisation rules/disciplinary procedures • organise team building and social events for employees • empower employees with more responsibility • model an appropriate leadership style • train employees on the company culture/values/norms • hold a press/media event to promote the business's culture to the public	**5**	Candidates must describe at least **2** methods 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

6.	(a)		**Justify the use of the following:**
			
			apprenticeships
			• employees gain a recognised qualification
			  ○ can increase salary when qualified
			• may lead to a permanent job with the organisation
			• more job opportunities at the end of the apprenticeship
			• employees learn more through practical application
			• employees' skills are developed at college/university
			  ○ can increase motivation
			• employees contribute to the organisation while training
			• employees are paid during training
			
			corporate training schemes
			• the organisation can train employees in skills that are directly linked to the work they do/relevant to their job
			  ○ produces higher quality outputs
			• employees may feel appreciated when the organisation invests in their development
			  ○ can reduce absenteeism
			• employees are more likely to stay with the business if they are given opportunities to learn
			• prepares internal candidates for promotion
			• employees can be awarded certificates once training has been completed
			• training in the workplace can save money because there is no need to pay for travel/outside trainers
				6	Candidates must justify the use of **both** training methods to gain full marks.
					
					Award **1 mark** for each valid justification.
					
					Award **1 mark** for each valid development.
					
					Watch for repetition.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(b)		**Describe the factors which may be considered when selecting a suitable method of production.** • budget available for investing in production as capital-intensive production requires expensive technology • size of the business as smaller companies may have to outsource production as they cannot install machinery on site due to a lack of space • skill of staff as both labour and capital-intensive production often requires specialists • product being made (such as electrical goods) often requires standardised production for consistent quality/intricate circuit manufacturing • demand of the market/quantity required means a global company may be forced to manufacture using capital-intensive production (eg Apple iPhones) • technology available to be used in production as labour intensive might be the only option if technology is lacking	2	Candidates must describe at least **2** factors to gain full marks. Award **1 mark** for each valid description. Accept any other suitable response.

[END OF SPECIMEN MARKING INSTRUCTIONS]

Published: September 2026

Change since last published:

Reduction of the exam duration from 2 hours 45 minutes to 2 hours and 15 minutes.
Reduction of total marks from 90 to 70 marks: Section 1 remains 30 marks; Section 2 changed from 60 marks to 40 marks.

The case study and questions about Toyota have been replaced with Costco.