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Business Management

Higher

Finalised Marking Instructions

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General Marking Principles for Higher Business Management

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. The marking schemes are written to assist in determining the 'minimal acceptable answer' rather than listing every possible correct and incorrect answer.

(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.

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

(c) For each candidate response, the following provides an overview of the marking principles. Refer to the specific Marking Instructions for further guidance on how these principles should be applied. Marks will be awarded as follows for:

(i) Questions that ask candidates to "Describe …"
Candidates must make a number of 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 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:

- **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 a number of 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.

Marking Instructions for each question

Question			Expected Answer(s)	Max Mark	Additional Guidance
1	(a)	(i)	**Premium Pricing** • A high price is set • Can give an impression of quality/exclusive image **Competitive Pricing** • Price is set similar to competitors • Requires effective promotion/advertising **Market Skimming** • Price is initially set high but will lower over time • Customers may want to try the product when it is introduced • High profit margins during the introduction stage help recover costs • Over time the price decreases • Effective for new product launches with few competitors **Penetration Pricing** • May be used to launch ice cream into a new market • A low price is initially set • With more sales over time the price will increase **Promotional Pricing** • Vouchers/offers/discounts are used to encourage customers to buy • Price may be lowered for a period of time • Used to quickly sell stock and aid cash flow Loss Leader… Destroyer Pricing… Psychological pricing… Cost-plus Pricing…	4	Award **1 mark** for each valid description given. Award **1 mark** for each valid development point. **Up to 3 marks** may be awarded for describing any one strategy. **Do not accept** low price or BOGOF. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
		(ii)	**Special offers/Save £1/Discount** • Price can be lowered for a period of time • Useful promotion method for shifting stock • Encourages new customers to purchase • Retain loyal customers • Can lower potential profit margin • Customers feel they are getting value for money **Competitions** • Customers have a chance of winning through purchasing a product • May incur additional marketing costs • Can gather marking details from customers eg e-mail, phone number etc • Encourages repeat custom to increase the chance of winning	**4**	Candidates' responses should only be awarded for the methods of promotion identified from the case study material. Award **1 mark** for each valid discussion point. Award **1 mark** for each valid development point. **Up to 3 marks** may be awarded for discussing any one method. **Do not accept** advertising methods eg social media, online or TV advertising. **Do not accept** BOGOF. Accept any other suitable response
	(b)		• Having different products such as crisps and ice cream spreads the risk therefore reducing the chances of making a loss • Cope with seasonal changes eg ice cream sells well in the summer so can provide higher revenue for this period • All products can be branded eg the crisps and the ice cream produce and therefore enhances the company image • Customers who are loyal may buy multiple products, such as ice cream and chocolate, which will increase sales • Can give a competitive edge to a company encouraging sales over rivals eg selling ice cream suitable for diabetics • The company may be worth more if it were to be sold or parts divested ie selling off crisp production • Can be efficient eg using the same production/employees to make ice cream and ice cubes • Allows for faster growth/easier to expand eg exporting crisps into other countries • Joint venture with Taypack means new skills can be brought in when developing products eg Taypack were potato specialists	**4**	Award **1 mark** for each valid explanation given. Award **1 mark** for each valid development point. **Up to 3 marks** may be awarded for explaining any one benefit. **A maximum of 2 marks** to candidates who make general points, without relating them to the Mackie's case study. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance

	(c)		• Provides possibly endless energy
			• Reduces running costs by saving the company £500,000/£280,000 a year
			  o Finance saved can be invested into better machinery
			• Scotland is very windy so there is plenty supply for wind turbine energy
			• Surplus of energy is sold for additional income
			• Helps meet the company's objective – to be the greenest company in Britain
			  o Helps meet the Government objective
			  o Can give the company a good image/reputation
			• Reduces emissions – saved 3,480 tonnes of carbon emissions
			• Customers may be attracted to purchase Mackie's goods as they care about the environment
			  o Provide a competitive edge
				3	Award **1 mark** for each valid description given. Award **1 mark** for each valid development point.
					
					Up to 2 marks may be awarded for describing any one reason.
					
					Do not accept direct lifts from the case study without development.
					
					Accept any other suitable response.

	(d)		• Job production is labour intensive whereas Mackie's production is more capital intensive • Job production is when one product is made at a time whereas flow/batch/mass production is when multiple products are made at a time • Higher prices may be charged for job production as it is a one-off whereas Mackie's production can spread cost over multiple units/can benefit from economies of scale • Job production can customise individual products but Mackie's production can only customise each batch/run • Job production can be more motivating as the product changes/less repetitive… • Both methods of production can be expensive in terms of staff training and machinery	**4**	Award **1 mark** for each valid comparison given. Award marks for comparisons of batch/ flow/mass/capital production. The candidate does not need to label Mackie's production method. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(e)		**Quality inputs** • Products are carefully sourced from local/reliable suppliers which results in better quality output eg fresher produce (materials) • Staff are trained meaning they are skilled so less likely to make mistakes (labour) ○ Can be motivating for staff to receive training **Taste panel/Quality circle** • A group of employees who taste the goods to check the quality • May reduce complaints from customers/retailers if produce is checked thoroughly • May empower employees who are involved, increasing motivation **Quality assurance** • Quality checked throughout production • Mistakes are identified quickly reduces waste/saves money • Can be expensive due to the requirement of regular checks **Quality control** • Checks of only inputs and outputs • Cheaper than quality assurance as less checks are required **Continuous improvement** • Better machinery can result in better output • Requires a commitment from management **Benchmarking** • Best practice is identified from a competitor/market leader and targets are set • Increases competitiveness • Can be difficult to find a suitable company to benchmark	**5**	Candidates' responses should only be awarded for the quality management techniques identified in the case study. Award **1 mark** for each valid discussion point. Award **1 mark** for each valid development point. **Up to 4 marks** may be awarded for discussing any one method. **Watch for repetition.** Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(f)	(i)	**Gross Profit Ratio** • Gross Profit/Sales Revenue × 100 **OR** amount of gross profit made from every £ of sales • Percentage of profit made on sales before expenses are deducted/from buying and selling inventory **Profit For The Year Ratio** • Profit For The Year/Sales Revenue × 100 **OR** Amount of net profit made from every £ of sales • Percentage of profit made on sales after expenses are deducted	**3**	Award **1 mark** for each valid description given. Award **1 mark** for each valid development point. **Up to 2 marks** may be awarded for describing any one ratio. Accept correct and valid calculated ratios. **Do not accept** the uses of ratios. Accept any other suitable response.
		(ii)	**Gross Profit has <u>decreased</u> possibly due to:** • Sales revenue has decreased eg sales price has fallen/less customers purchasing • Wet summers reduce ice cream sales • Suppliers prices increasing • Economic recession • Competitive market **Profit For The Year has <u>decreased</u> in 2012 possibly due to:** • Wage costs may have risen • Marketing costs increased • Other income could have decreased **Profit For The Year has <u>increased</u> in 2013 possibly due to:** • Cheaper supplier • Cheaper/reduced energy • Less borrowing • Reduced wages • More automation • Cheaper advertising methods eg social media	**3**	Award **1 mark** for each valid point explained. Award **1 mark** for each valid development point. **Up to 2 marks** may be awarded for explaining any one trend. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance

2	(a)		• **Bonus/Performance-related Pay** – an additional payment on top of a basic wage or salary which will be received when agreed targets are met
			• **Commission** – calculated as a percentage of sales value made by the employee and is added to a basic wage
			• **Piece rate** – when the employee is paid per item they produce
			  ○ Quality may be compromised if workers are rushing to increase output
			• **Overtime** – paid when an employee works longer than their contractual hours at a higher rate than their basic rate of pay
			• **Share-save Schemes** – this is when employees save regular amounts each month for a set period after which their savings can be turned into shares in the business to be kept or sold at a profit
			• **Fringe Benefits** – rewards offered to employees as well as their wage/salary eg company car, discount, gym membership etc
			  ○ A company car can make the employee loyal to the firm/retain the worker
			
			• Empowerment…
			• Job enrichment…
			• Promotion prospects…
			• Good rate of pay…
			• Good working conditions…
			• Quality circle…
			• Appraisal…
			• Work Council…
			• Worker Director…
			• Positive corporate culture…
			• Open door policy…
			• Team working/building…
				4	Award **1 mark** for each valid point described. Award **1 mark** for each valid development point.
					
					Up to 3 marks may be awarded for describing any one method.
					
					Do not accept methods which are not positive eg discipline procedure or deadlines.
					
					Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(b)		• Good practice can be acknowledged which motivates the employee • Good practice can be highlighted and shared with all employees within the organisation, which can then be followed by the other employees • Improvements to policies and procedures can be made due to feedback from staff • Training needs can be identified which can increase quality standards • The firm can ensure all employees are aware of the organisation's aims and are working towards achieving these • Strong relationships are formed between manager and employee as they are given the opportunity to have a professional discussion • Targets will be set for the employee which motivates them to be successful by giving them a goal to work towards • Wage increases and bonus can be linked to the appraisal system and administered as they are based on performance which can be viewed as a fairer system • Staff are highlighted for promotion which will retain a core workforce	**4**	Award **1 mark** for each valid explanation point. Award **1 mark** for each developed point. **Up to 3 marks** may be awarded for explaining any one benefit. Accept both the benefits to the employer and the employee. Accept any other suitable response.
	(c)		• Gaps in the current staffing can be identified • Strategies can be put in place in order to fill gaps in staffing • Relevant training can be given • Staffing forecasts can be carried out • Allows continuity of production • Avoid overstaffing/surplus • Save costs through the use of outsourcing and sub-contracting • Flexible working practices may be considered so that staff are available when they are needed most • Workforce planning encourages managers to prepare and plan for changes rather than simply react to them • Allows businesses to prepare for periods of significant change eg restructuring, technological change, growth etc	**2**	Award **1 mark** for each valid description point. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
3	(a)		• No loss of control as the business is not integrating with others • Launch new products/services means businesses can target different markets ○ Exporting existing products abroad widens their market • Open new physical branches means they can reach new markets by opening up in new locations • Expand existing premises to cater for more products/staff and make more sales • Selling online the business can trade 24/7 around the world • Hire more staff will bring in new ideas to the business to develop new products/increase production etc • Increase production capacity by investing in new capital and technology to make more products themselves	4	Award **1 mark** for each valid explanation point. Award **1 mark** for each developed point. **Up to 3 marks** may be awarded for explaining any one advantage. Accept any other suitable response.
	(b)		**Advantages** • Each division can meet the needs of local markets eg different tastes or fashions in different towns or countries • The business can react to changing external (PESTEC) factors quickly • Easy to identify a failing division ○ Can hold divisional managers accountable • Can communicate better with the local area eg different languages **Disadvantages** • Duplication of resources, such as administration staff or IT equipment across each division • Divisions may compete against each other • A new division must be established if a new area is targeted	3	Award **1 mark** for each valid discussion point. Award **1 mark** for each developed point. **Up to 2 marks** may be awarded for discussing any one use. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(c)		• Help tackle social problems it has chosen • Some funding/grants/support is only available to social enterprises • Publicity for the social issue promotes the business • Attract customers who appreciate the good causes they help • Attract good quality staff who want to help the social cause • Can make use of an asset lock • Can sell shares to raise finance if they are a limited company	**3**	Award **1 mark** for each valid description point. Award **1 mark** for each developed point. **Up to 2 marks** may be awarded for discussing any one use. Accept any other suitable response.
4	(a)	(i)	• Cannot collude with other organisations to fix prices eg cartel o Cannot fix the bid for tendering on projects with other firms • Cannot use market power to pay unfairly low prices to suppliers • Prevents monopolies occurring o Block mergers and take-overs that are deemed anti-competitive o Enforcing the selling of divisions/branches/premises eg divestment • May be forced to change prices • May be fined for anti-competitive behaviour	**2**	Award **1 mark** for each valid description point. Award **1 mark** for each developed point. Accept reference to EU Competition Policy, Office of Fair Trading and Competition and Market Authority (CMA). Impacts must be linked to competition policy. Accept any other suitable answer.

Question			Expected Answer(s)	Max Mark	Additional Guidance
		(ii)	**Political** • Legislation and regulations will affect an organisation in that they need to comply with the laws **Economic** • Factors such as inflation, recession/boom periods, interest rates will affect organisations in a number of ways ie consumers not spending as much on luxury items/more expensive to borrow money **Social** • Changes in trends and fashions mean that organisations must continually carry out market research **Technological** • As technology changes organisations must keep up-to-date and this will involve a large financial cost **Environmental** • Organisations now attempt to be socially responsible and environmentally friendly to possibly comply with legislation/satisfy consumer groups • Weather/flooding can mean a loss in sales if organisation cannot open due to flooding	**5**	Award **1 mark** for each valid explanation point. Award **1 mark** for each developed point. **Up to 4 marks** may be awarded for explaining any one factor. **Watch for repetition of impacts for the same factor.** Accept any other suitable response.
	(b)		• Tactical decisions are made to achieve the strategic objectives whereas an operational decision is made to ensure smooth running of the business on a daily basis • Tactical decisions are normally made by middle managers whereas operational decisions can be made by any level of management (most likely to be lower level) • Tactical decisions are more likely to be medium term whereas operational are day-to-day • Tactical decisions have a medium level of risk however operational decisions have little or no risk	**3**	Award **1 mark** for each valid point. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance

5	(a)		• Performs "What if" scenarios eg IF statement
			• Produces graphs and charts
			• Formulae calculations are carried out instantly and accurately
			  o Formulae are amended automatically when the spreadsheet is amended
			  o Formulae can be replicated
			• Easy to edit/amend
			• Conditionally format data
			• Can secure data with passwords
			• Can use templates for financial statements
				4	Award **1 mark** for each valid point. Award **1 mark** for each developed point.
					
					Up to 3 marks may be awarded for justifying any one use.
					
					Answers must link to spreadsheet software.
					
					"Quick" and "easy" must be quantified or compared before they can be credited.
					
					Accept any other suitable response.

	(b)		• **Database** – can be used to sort large quantities of information on suppliers and customers
			• **Word Processor** – can be used to send letters and invoices to customers
			  o Preparing financial reports
			• **PowerPoint** – used to present information to staff
			• **Internet** – used to check share prices/exchange rates
			  o **Online banking** saves travelling to the bank
			• **Video-conferencing** – finance manager can hold meetings with other managers without leaving their office
			• **E-mail** – messages can be sent to more than one employee at a time
			• **Attachments** - can be sent to customers eg invoices
			• **Network (LAN/4G/Cloud)** – can share files with all staff members
			• **Smartphone** – allows for teleworking/remote meetings
			  o **Apps** – allow for portable accounting software eg Sage and Quickbooks
			
			Electronic Point Of Sales (EPOS)…
			Electronic Funds Transfer Points Of Sale (EFTPOS)…
				6	Award **1 mark** for each valid description point. Award **1 mark** for each developed point.
					
					Up to 5 marks may be awarded for describing any one piece of technology.
					
					A maximum of 3 marks to candidates who make general points, without relating them to the finance department.
					
					Modern technology described must be clear in the candidate's answer.
					
					Accept any other suitable response.

[END OF MARKING INSTRUCTIONS]