National
Qualifications
2018

2018 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 detailed 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 detailed 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) 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.

(d) For each candidate response, the following provides an overview of the marking principles. Refer to the detailed 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

SECTION 1 – CASE STUDY

Question			Expected answer(s)	Max mark	Additional guidance

1.	(a)		Responses could include:
			
			• Increased sales revenue/market share/increased profitability.
			• Access to a wider market.
			• Increased brand awareness.
			• Can specialise in different countries.
			• Decreased cost of production.
			  ○ Lower wage rates.
			• Greater economies of scale.
			• Availability of skilled workers.
			• Access to cheaper suppliers.
			• Take advantage of other countries' Government incentives eg tax breaks, grants.
			• Lower rates of corporation tax in different countries.
			• Legislation in other countries may be more relaxed.
			• Avoid barriers to trade/quotas.
			  ○ Avoid tariffs.
				5	Award **1 mark** for each benefit described. **Up to 4 marks** may be awarded for any one benefit.
					
					Accept only benefits to BT.
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(b)		Responses could include: **Horizontal integration/Takeover** • Eliminates one of BT's competitors – so BT can raise prices. • Inherit EE's 31 million customers – which will increase BT's market share. • To accelerate its growth – by moving into a new market by purchasing an established firm. • Allows BT to achieve greater economies of scale – which may lower BT's costs. • BT will acquire the assets of EE eg premises, networks, transmitters – which are valuable and will contribute to BT's financial position. • As EE was one of the leading mobile network operators – this gives BT a more dominant position in the market. o Which will reduce its risk of failure. • Largest 4G customer base in Europe – which provides a platform to European markets. • Provides innovative and seamless communication services – which will lead to better customer satisfaction.	**4**	Award **1 mark** per explanation. **Up to 3 marks** may be awarded for any one advantage. Accept general advantages of horizontal integration/takeover. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance

	(c)		Responses could include:
			
			BT Apprenticeship Scheme
			
			• A professional qualification can be gained.
			• Will gain new/valuable skills specific to the job role.
			• Will gain practical experience and theoretical knowledge.
			• Supported during training.
			  o Will be less costly than outsourcing the training.
			• It involves a high degree of supervision from an experienced member of staff.
			  o It is an expensive method of training.
			  o It is a time consuming method of training.
			• Inexperienced apprentices may make mistakes.
			• No guarantee of a job once the apprenticeship is complete.
			• Apprentices are paid as they train.
			
			BT Academy/Off-the-Job
			
			• Delivered by specialists.
			• Can be tailored to the organisation's needs.
			• Employees can focus on training as they have no workplace distractions.
			• Existing staff aren't hindered or distracted by trainees.
			• Increased productivity when employees return to work after training.
			• Makes BT an attractive employer so will attract the best staff.
			• Decreased productivity whilst training takes place.
			• Travel and accommodation expenses may be incurred.
			• Employee may leave for a better job after the training.
			• May be motivating for staff.
				6	Award **1 mark** for each valid point of discussion.
					
					Up to 5 marks may be awarded for any one method.
					
					Watch for repetition between methods.
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance

	(d)		Responses could include:
			
			Gross Profit Ratio
			
			• Increasing the selling price of its product.
			• Decrease cost of sales.
			  o Finding a cheaper supplier.
			  o Negotiating trade discounts.
			
			Profit for the Year Ratio
			
			• Increase the gross profit figure.
			• Decrease expenses.
			  o Finding premises with lower rent.
			
			Current Ratio
			
			• Increasing current assets.
			  o Increase sales by offering discounts/advertising etc.
			  o Sell non-current assets.
			• Decreasing current liabilities.
				3	Candidates are required to refer to at least one profitability and one liquidity ratio to gain full marks.
					
					Award **1 mark** for each description.
					
					Up to 2 marks may be awarded for any one ratio.
					
					Do not award marks for listed expenses – how the expense may be reduced must be given.
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(e)		Responses could include: **4K Ultra HD** **Development stage** • Development stage so it is making a loss. • Making a loss as the product is not on sale yet. • Making a loss as the product has incurred costs. **OR** **Introduction stage** • Introduction stage so it is making a loss/profits are low. • Making a loss as sales are low. • Additional expenses/costs are involved. **BT Public Payphones (Decline Stage)** • Decline stage so profits are low/falling. • Sales/demand are in decline therefore profits are falling. • Costs may be higher than income therefore a loss could be made.	**2**	Award **1 mark** per explanation. Maximum **1 mark** per product. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(f)		Responses could include: **Application Forms/CV** • Allows BT to compare candidates like for like as they are asked the same questions. • Can be compared to the person specification to identify if they have the adequate skills and experience for the position. • BT set the questions so can tailor the application form to its own requirements. • Candidate can decide on the CV's content. **Telephone Interview** • Opportunity to hear the applicants' 'phone voice'. • Less time consuming for the candidate as they don't have to travel. • No travel expenses for the organisation. **Attainment Tests** • Can measure the knowledge and skills of a candidate required for the position. • Performance of candidates can be directly compared. **Panel Interview** • In-depth response can be gained from candidates as development of answers can be requested when required. • Can gauge how candidates cope under pressure. • Panel provides a more objective judgement. • Can judge more than just responses eg candidate's communication skills, appearance, personality, etc. **Assessment Centres** • Can assess candidates by observing and monitoring their performance in different scenarios eg role play, team building etc. • Assessed by specialist staff.	**6**	Award **1 mark** for each benefit discussed. **Up to 5 marks** may be awarded for any one method. Watch for repetition between methods. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(g)		Responses could include: **Shareholders/Owners and Customer/NHS** • Shareholders want high dividends whereas customers want low prices. **Shareholders and Employees** • Shareholders want high profits whereas employees want high wages. **Shareholders and Government** • Shareholders want high profits whereas government want all legislation followed which could increase costs. • Shareholders want a low rate of tax whereas the government may wish to increase it. **Shareholders and Managers/Chief Executive** • Shareholders will be looking for a return on their investment whereas managers may want to reinvest profits for product development. **Managers and Suppliers** • Managers want to delay payment of suppliers whereas suppliers want prompt payment. **Employees and Government** • Employees want a low rate of income tax whereas government may wish to increase it.	**4**	Award **1 mark** for each conflict described. Do not accept stakeholders who are not mentioned in the case study. Accept any other suitable response.

SECTION 2

Question			Expected answer(s)	Max mark	Additional guidance

2.	(a)		Responses could include:
			
			• Less storage may lower rent/premises costs.
			• Finance is not tied up in inventory.
			  ○ So can be better used elsewhere.
			  ○ Improved cash flow.
			• Reduced waste as less inventory is stored.
			  ○ Reduced risk from perishables going 'out of date'.
			  ○ Reduced risk from fashion changes.
			• Reduced theft as inventory is easier to monitor.
			• Dependent on reliable suppliers.
			  ○ If inventory does not arrive then production will halt.
			• Increased number of deliveries required eg increased administration costs.
			  ○ May lose out on economies of scale/buying in bulk.
				5	Award **1 mark** for each discussion point.
					
					Up to 5 marks may be awarded for any one advantage/disadvantage.
					
					Accept any other suitable response.

	(b)		Responses could include: • Cheaper for a supplier to deliver to one location. • Bulk purchasing allows for economies of scale/reduced costs/ discounts. • Reduces costly duplication of administration/storage facilities. • Items can be found quicker as they are in one place. • Specialist staff may be used. • Improved security. • Theft is reduced. • Standardised procedures can be used. • Accessible if located near infrastructure. • Less space is taken up in departments/outlets.	**3**	Award **1 mark** for each description point. **Up to 2 marks** may be awarded for describing any one advantage. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance

	(c)		Responses could include:
			
			• Identical products can be made.
			• Can be reprogrammed.
			• Fewer mistakes/flaws/consistent quality.
			  ○ Reduces waste.
			  ○ Less returns/customer complaints.
			• Reduction in labour costs as fewer employees are needed.
			• Reduced need for supervision.
			• Robots do not require a break/holiday/absence/operate 24/7 – **1 max.**
			• Robots can do work which is repetitive.
			• Robots can work in conditions employees would not be allowed to for health and safety reasons eg in extremely hot conditions.
				2	Award **1 mark** for each justification.
					
					Up to 2 marks may be awarded for any one justification.
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance

3.	(a)		Responses could include:
			
			• **Bank loan** which is a sum of money borrowed from a bank and is paid back with interest.
			  o Aids budgeting as it is paid back in instalments.
			• **Equity** is the issue of shares in return for investment.
			• **Venture Capital** is investment received in return for a share in the business.
			  o Investments are often given in situation which are seen as too risky by a bank.
			• **Debenture** is a long-term loan where the holder of the debenture receives annual interest.
			  o The loan must be repaid in full at the end of the agreed period of time.
			• **Selling off assets** which are no longer needed.
			• **Sale and lease back** is when the business sells an asset eg machinery to raise finance quickly and then rents it back from the company that bought it.
			• **Mortgage** is a loan given to purchase a property.
			  o Interest is added to the amount borrowed and it is repaid in equal monthly instalments over a long period of time (eg 25 years).
			• **Hire purchase** allows a business to pay for an asset in instalments which is owned after the final payment.
			  o Avoid paying for the asset upfront.
			• **Leasing** is the renting of an asset.
			• **Overdraft** allow a business to withdraw cash which it does not have in its account.
			• **Government grant** does not have to be repaid.
			• **Owner's investment** the equity provided by the owner.
			• **Retained profits** are held within the organisation rather than paying them out to shareholders.
				4	Award **1 mark** for each valid description given.
					
					Up to 3 marks for any one source**.**
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(b)		Responses could include: • To state the value/net assets of the organisation. • Informs decision making. • Compare with previous years/competitors. • Shows the working equity figure. • Shows the equity of the business/total value of shares. • Used by creditors/suppliers to determine the risk of lending to the organisation/likelihood of repayment. • Used by investors and potential investors to determine the possible return on their investment. • It is a legal requirement. • Can be used to calculate ratios. Shows the value of: • Current assets/trade payables/inventory. – **1 max** • Non-current assets/property/fittings/vehicles. – **1 max** • Current liabilities/trade payables. – **1 max** • Non-current liabilities/long term loans. – **1 max**	**4**	Award **1 mark** for each description. Accept any other suitable response.

	(c)		Responses could include:
			
			• Formulae can be entered to carry out calculations.
			  ○ Minimising human error.
			  ○ Replication automates calculations.
			• Charts/graphs can be created.
			• IF statements can be used to check whether a condition has been met.
			• Templates can be setup.
			  ○ Data input may be done by a less-skilled employee.
			• Can be password protected.
				2	Award **1 mark** for each justification. **Up to 2 marks** for any one justification.
					
					Points must link to the use of the software.
					
					Points that do not relate to spreadsheet/accounting software must relate to financial information.
					
					Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
4.	(a)		Responses could include: **Focus Groups** • Detailed feedback can be given to the organisation. • Participants are more likely to give better feedback as they have agreed to take part. • Qualitative information can be difficult to analyse. **Personal Interviews** • Interviews allow the organisation to directly gain the views of customers. • Can clarify any questions to aid understanding. • It can be time consuming to carry out the interview. • Respondents may lie to get through the interview quickly. **Telephone Survey** • Telephone surveys mean instant feedback can be given. • Sometimes gains a hostile response from the person being called. **Postal Survey** • Postal survey can be sent out to all customers (wide geographical area). • Can target customers in selected areas. • Customers can compete the survey at a time that suits them. • Low response rate as often viewed as 'junk mail'. • Cannot ask for clarification.	**5**	Award **1 mark** for each valid discussion. **Up to 4 marks** may be awarded for any one method. Watch for repetition/flips between methods. Do not accept desk/field points without reference to a method. Do not accept descriptions of methods. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
			Hall Test • Relatively inexpensive to carry out. • Feedback can be gathered instantly. • As customer is giving feedback directly, they may not want to give a negative response. **Observation** • Can provide accurate quantitative information. • Customers will act naturally as they do not know they are getting watched. • There is no direct contact with customers to ask about their actions. **Test Marketing** • Once feedback is received changes can be made to the product prior to launch. • Not representative of the wider market as only a small area gets to test the product. **Social Networking Websites** • Can gather large amounts of information quickly. • Can only gather information from those who use social media. • Comments are 'public' so anyone can read reviews including competitors. **Internet** • Customers can be surveyed across a wide geographical area • Software enables easy analysis of the results • Access to the internet must be available		

Question			Expected answer(s)	Max mark	Additional guidance
			Consumer audit • Customer trends can be identified • Customers are paid so this can be an expensive method **EPOS** • Gathers information about consumer behaviour eg what is bought, how they react to changes in price or promotions • Promotions can be tailored to the individual customer • Expensive to set up • If money-off vouchers are offered, it may lower profits **Newspapers** • Easily accessible as the information already exists • May be biased • Has been gathered for an alternative purpose		

Question			Expected answer(s)	Max mark	Additional guidance
	(b)		Responses could include: • Building awareness/creating a positive image for an organisation. • Generating press releases. • Organising press conferences/managing bad press. • Organising sponsorship. • Promoting CSR. • Donating to charity.	**3**	Award **1 mark** for each description. **Up to 3 marks** may be awarded for any one role. **Accept any other suitable response.**
	(c)		Responses could include: • Brings customers into the shop to buy the products – and then customers may be enticed to buy other full priced items. • Can be used in advertising campaigns to attract customers to come into the organisation – therefore increasing the number of customers. • It can create customer loyalty – as customer may be more likely to stay with the organisation rather than going to its competitors. • Customers may purchase the loss leader priced items in bulk – which can increase sales.	**2**	Award **1 mark** for each explanation. Accept any other suitable response.
5.	(a)		Responses could include: • Support a specific cause. • Provide a service. • To continue operating/survival. • Raise awareness and promote the cause. • Maximise its donations. • Increase the number of volunteers available. • To advance education. • To advance religion. • To better a community. • To operate ethically/be socially responsible. • To make a surplus/profit to reinvest for the cause.	**3**	Award **1 mark** for each description. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(b)		Responses could include: • Functional grouping organises staff with similar skills and knowledge together whereas customer grouping structures staff around a targeted type of customer/client/supplier. • Functional grouping caters for the whole organisation whereas each customer group will focus on its customers' needs. • It is easier to compare performance for each customer grouping whereas function grouping will show results for the entire organisation. • Functional grouping may be cheaper than customer grouping as there is less duplication. • Customer groups are more responsive to changing customer needs whereas functional groups can lose sight of market changes/may be slow to react. • Both groups can compete with each other inside the organisation. • Both groups allow staff to build expertise/specialise.	**4**	Award **1 mark** for each valid comparison given. Accept any other suitable response.
	(c)		• **Weather**, such as heavy snowfall, can result in suppliers not being able to deliver goods on time. o Can delay production/sales. • **Climate change** may lead to changes in demand for products eg warmer coats, therefore, the firm may need to change the products they offer. • **Seasonal changes** can lead to changes in customer demand/shopping habits. • **A natural disaster** could force the company to close for a period of time which means sales/profits are reduced. • **Bio-fuels** will reduce a firm's carbon footprint which will improve its image. o However eco-friendly chemicals are significantly more expensive.	**3**	Award **1 mark** for each valid explanation point. It must be clear which environmental factor is being referred to. Accept any other suitable response.

Question			Expected answer(s)	Max mark	Additional guidance
	(c)		• **Reducing packaging** can result in the company reducing costs. • **Pressure to recycle rubbish/waste** increases the company costs. • **Reducing emissions** and waste can increase costs eg processing waste, using specialist removal services. **Waste regulations** • Require businesses to separate metal, plastic, glass, paper and card for collection which takes more time **Eco tax** • A tax is placed on activities which are harmful to the environment which results in additional costs for the business **Renewable energy** • Changing to renewable energy such as solar power requires further investment which may result in a business having to borrow to fund it **Sustainable sourcing** • Sourcing products ensures raw materials are not being depleted which means organisations can continue to source these materials in the future		

[END OF MARKING INSTRUCTIONS]