



National
Qualifications
2025

2025 Business Management

Higher

Question Paper Finalised Marking Instructions

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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

Question			Expected response(s)	Max mark	Additional guidance
1.	(a)		<p>Advantages</p> <ul style="list-style-type: none"> limited liability means owners' personal assets cannot be used to repay the organisation's debts shares can be sold on the stock market to raise finance/shares can be sold to raise finance can dominate the market <p>Disadvantages</p> <ul style="list-style-type: none"> dividends may be paid to shareholders may be expensive to set up no control over who buys shares 	2	<p>Candidates must describe one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>
	(b)		<ul style="list-style-type: none"> generates income from different markets (eg its veterinary practice and its retail stores) reduces risk for Pets at Home if one of its products/services fails develops brand awareness across different markets allows Pets at Home to target marketing at customers with different demands can create loyal customers as customer who buy pets in store are likely to purchase its veterinary services provides continuity of care for pets from sale to aftercare in its veterinary practices convenient for customers accessing its retail/grooming/veterinary services in one store different business areas can supply each other at cost prices (eg pet food can be sold at cost price to its veterinary business) 	4	<p>Award 1 mark for each valid justification.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>plan</p> <ul style="list-style-type: none"> • when each of the new stores will open • locations of the new stores <p>organise</p> <ul style="list-style-type: none"> • the planning permissions • payment for contractors <p>control</p> <ul style="list-style-type: none"> • budget to ensure the new store openings do not overspend • budget inventory for the new store <p>command</p> <ul style="list-style-type: none"> • the area managers to supervise the new store openings in their regions • store managers instruct staff of their duties in the opening of the new store <p>coordinate</p> <ul style="list-style-type: none"> • the workforce planning activities to recruit staff into the new stores • enrol newly recruited staff on the development programmes • prepare the staff rota in the new stores <p>motivate</p> <ul style="list-style-type: none"> • the staff to work towards the new store opening targets <p>delegate</p> <ul style="list-style-type: none"> • the inventory orders for the new stores to subordinates 	4	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Do not accept points which do not label one of the following roles: plan, organise, control, command, coordinate, motivate and delegate.</p> <p>Points must relate to the decision to open new stores.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(d)	(i)	<ul style="list-style-type: none"> • <u>pet breeders are reputable/accredited</u> - they may charge a higher price <ul style="list-style-type: none"> ○ may limit the number of suppliers available • <u>regularly conducts inspections</u> of breeders - requires frequent payments/time consuming • <u>regularly audits factories</u> - increasing wages/expenses • due to different legislation - it may be difficult to <u>control supply chain in Asia</u> • <u>only using pet suppliers that fulfil the requirements of UK legislation</u> - limiting choice of suppliers 	2	<p>Candidates must explain 2 challenges to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Accept any other suitable response.</p>
		(ii)	<ul style="list-style-type: none"> • <u>panel of highly qualified employees</u> improves the safety of products for customers/pet owners <ul style="list-style-type: none"> ○ reduces the risk of injury to pets • <u>sudden impact testing ensures product durability</u> reducing Pets at Home's returns <ul style="list-style-type: none"> ○ durable goods last longer saving customers the cost of making repeat purchases • <u>tasting trials</u> ensure pets enjoy/eat the products being developed leading to customer satisfaction • customers trust Pets at Home giving them confidence when purchasing/improves reputation • high quality allows Pets at Home to charge a higher price • reduces waste as aims for zero errors 	4	<p>Award 1 mark for each valid justification.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p> <p>Accept generic benefits of quality management procedures.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(e)		<ul style="list-style-type: none"> enforce court orders/take legal action/sue the organisation block merging with/taking over other organisations compel Pets at Home to provide information to customers finances/penalties can be issued to the organisation/directors impose maximum prescription fees order the sale/disposal of assets directors can be disqualified directors can be prosecuted force marketing materials to be changed force advertisements to be withdrawn cease any practices which are deemed to be anti-competitive can force the organisation to make price changes 	2	<p>Candidates must describe 2 actions to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p> <p>DNA - close business down.</p>
	(f)		<p><u>pet care development</u></p> <ul style="list-style-type: none"> employees <u>develop their skills</u> - improving their confidence at work <ul style="list-style-type: none"> improves their CV/may gain formal qualifications <u>recognised pet care advisors</u> - a new title can fulfil their esteem needs (Maslow) reduces risk of injuries/accidents - as training focuses on how to do things right in stores employees' motivation may increase - as they feel Pets at Home has invested in them training on the job/<u>50 at-work hours</u> - saves time travelling to an external venue <ul style="list-style-type: none"> saves the cost of travelling to an external venue get paid while training/earn while they learn <u>permanent pay rise</u> - improving employees' personal wealth/discretionary income <p><u>fearless manager</u></p> <ul style="list-style-type: none"> <u>develops key management skills</u> - increases an employee's chance of internal promotion <ul style="list-style-type: none"> may lead to employees securing a higher paid job elsewhere 	4	<p>Candidates must explain at least 2 advantages to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Points must be for employees.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(g)		<ul style="list-style-type: none"> allows the full Pets at Home product range to be marketed allows sales revenue to be generated 24/7 increases sales revenue as customers can buy from home prices online/latest offers can be immediately updated may reduce the number of retail staff needed the help section can reduce the number of calls to customer services job adverts can reach a wide audience of people providing information about the job wider pool of candidates <ul style="list-style-type: none"> increases the chances of employing the best candidate advertising jobs on its own website may be cheaper than a specialist job website may reduce the number of retail outlets needed 	5	<p>Candidates must discuss at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Benefits must be to Pets at Home.</p> <p>Accept any other suitable response.</p>
	(h)		<p>non-current assets have increased due to -</p> <ul style="list-style-type: none"> purchase of new machinery/equipment purchase of more stores purchase of more vehicles <p>current assets have increased due to -</p> <ul style="list-style-type: none"> purchase of more inventory/overstocking inventory (eg pet food, bedding etc) not able to sell inventory more goods/services being sold to customers on credit (eg veterinary repayment plans) more being held in cash in the bank account <p>current liabilities increased due to -</p> <ul style="list-style-type: none"> purchase of more inventory on credit from suppliers (eg to supply the new stores) using a bank overdraft 	3	<p>Candidates must explain one valid reason for each change to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>DNA consequentiality for reading the change wrongly.</p> <p>Accept any other suitable response.</p>

Section 2

Question			Expected response(s)	Max mark	Additional guidance
2.	(a)		<p>Advantages to the franchisee</p> <ul style="list-style-type: none"> existing customer base/already established brand assistance/training in setting up franchiser marketing campaigns can mean free advertising franchiser pays for the equipment/machinery <p>Disadvantages to the franchisee</p> <ul style="list-style-type: none"> have to pay a fee to the franchiser have to pay a percentage of profits (royalties) each year to the franchiser less 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 	5	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(b)		<ul style="list-style-type: none"> shareholders may want to maximise profits whereas customers will want to buy goods at the lowest prices owners may want to expand its business by opening a new factory however the local community may object to this if they believe it will be harmful to the environment owners may want to cut costs by downsizing the organisation whereas employees will not want to lose their jobs managers want to purchase stock for the lowest price possible whereas suppliers want to charge high prices. 	3	<p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(c)		<ul style="list-style-type: none"> • can compare actual budgets with planned budgets - so if there are any deviations, corrective action can be taken • highlights periods where a negative cash flow is expected - which allows for appropriate finance to be arranged for that period • highlights times of excess cash - which allows for investment to be made • allows managers to see what expenditure is expected - so that they can keep costs under control • can be used to set targets for workers - which may motivate staff/increase productivity <ul style="list-style-type: none"> ○ can link to rewards for staying within budget • can be used to give managers spending targets - so if they over- or under-spend they must explain the reasons • can be used to show potential investors/banks - demonstrate liquidity/to secure a loan 	4	<p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(d)		<ul style="list-style-type: none"> • sales maximisation by generating as much sales revenue as possible • profit maximisation by generating as high a level of profit as possible • to survive in times of recession or increased competition • to grow/expand by moving into another country • to increase market share by taking customers from their competitors • to be cost effective by not wasting resources • to be socially responsible by acting appropriately in the eyes of consumers or local communities • to provide the <u>best</u> service possible 	3	<p>Candidates must describe 3 objectives to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance											
3.	(a)		<table><tr><th>Strategic</th><td rowspan="5">whereas</td><th>Tactical</th></tr><tr><td>long term</td><td>medium term</td></tr><tr><td>made by senior managers/owners/board of directors</td><td>middle managers/made by heads of department</td></tr><tr><td>carry high level financial risk</td><td>medium level of financial risk</td></tr><tr><td>set out main objectives/policy</td><td>help to achieve strategic decisions/policy</td></tr></table>	Strategic	whereas	Tactical	long term	medium term	made by senior managers/owners/board of directors	middle managers/made by heads of department	carry high level financial risk	medium level of financial risk	set out main objectives/policy	help to achieve strategic decisions/policy	3	Award 1 mark for each valid distinction. Accept any other suitable response.
Strategic	whereas	Tactical														
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set out main objectives/policy		help to achieve strategic decisions/policy														
	(b)		<ul style="list-style-type: none">• highlights areas of internal strength which can be built upon to improve the business• highlights areas of internal weakness to allow action to be taken, these can be turned into strengths/eliminated if action is taken• identifies external opportunities that can be exploited to increase competitiveness/profitability/market share• identifies external threats corrective so action can be taken to avoid/eliminate• can be used to identify strengths, weaknesses, opportunities and threats to allow the company to be proactive• provides information for strategic decision making<ul style="list-style-type: none">○ reducing the risk of rash decisions	4	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
	(c)	<p>Postal survey</p> <ul style="list-style-type: none"> • is often thought of as junk mail and not returned • can target certain area by postcode to refine feedback <p>Telephone survey</p> <ul style="list-style-type: none"> • provides an instant response <ul style="list-style-type: none"> ○ can probe for further detail • cold calling can frustrate/upset customers <p>Online survey</p> <ul style="list-style-type: none"> • requires a live internet connection which is not always available • convenient for customers to answer from home or on the go <p>Mystery shoppers</p> <ul style="list-style-type: none"> • could provide undercover research to identify weakness in service <ul style="list-style-type: none"> ○ which can be used to better train employees ○ can be used to identify strengths for motivating staff through praise • specialist shoppers can be expensive to hire <p>Loyalty cards</p> <ul style="list-style-type: none"> • can be used to track customer behaviour • can reward customers by offering a point system or exclusive offers <ul style="list-style-type: none"> ○ encourages repeat custom • competitions/rewards can be costly to maintain <p>Customer focus groups</p> <ul style="list-style-type: none"> • can be expensive to run as often customers receive a fee/voucher • customers may feel their opinion is valued <p>Comment cards</p> <p>Street/door-to-door/in-store interview</p>	6	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Candidates must discuss at least 2 methods to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for repetition.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance													
	(d)		<table><tr><th>Market-led</th><td rowspan="6">whereas</td><th>Product-led</th></tr><tr><td>high levels of market research carried out to determine customer wants</td><td>high levels of product research and development takes place</td></tr><tr><td>spend a lot of resources researching what the market actually wants</td><td>do not take into account the wants of the market</td></tr><tr><td>may have to continually launch new products</td><td>spend a lot of time focussing on the quality of the product</td></tr><tr><td>produces a product that consumers want/need</td><td>produces a product and then attempts to sell it</td></tr><tr><td>highly competitive markets</td><td>little competition</td></tr></table>	Market-led	whereas	Product-led	high levels of market research carried out to determine customer wants	high levels of product research and development takes place	spend a lot of resources researching what the market actually wants	do not take into account the wants of the market	may have to continually launch new products	spend a lot of time focussing on the quality of the product	produces a product that consumers want/need	produces a product and then attempts to sell it	highly competitive markets	little competition	2	Award 1 mark for each valid distinction. Accept any other suitable response.
Market-led	whereas	Product-led																
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produces a product that consumers want/need		produces a product and then attempts to sell it																
highly competitive markets		little competition																
4.	(a)		<ul style="list-style-type: none">• issue a press release/formal statement to the media• hold a live press conference to address the media/public directly OR answer questions/two-way communication• give donations to local charities, worthy causes or voluntary groups• sponsor a local or national event• contract a celebrity or public figure to endorse a product or service• issue company merchandise• publicise an appropriate mission statement• dismiss/remove the member of staff responsible for causing bad publicity	5	Candidates must describe 5 actions to gain full marks. Award 1 mark for each valid description. Accept any other suitable response.													

Question			Expected response(s)	Max mark	Additional guidance
	(b)		<ul style="list-style-type: none"> • uses more machinery/robotics/automation OR fewer staff may be required <ul style="list-style-type: none"> ○ reducing wage costs • may use staff with less skill <ul style="list-style-type: none"> ○ therefore lower labour rates • can create standardised products • can benefit from economies of scale/can spread cost across many units/can buy in bulk • 24/7 operation/no need for breaks • has high machinery/set-up costs • consistent quality of product <ul style="list-style-type: none"> ○ increases customer loyalty 	4	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(c)		<p>Advantages</p> <ul style="list-style-type: none"> • money is not tied up in inventory <ul style="list-style-type: none"> ○ results in better cash flow • waste/damaged inventory is reduced <ul style="list-style-type: none"> ○ less impact on environment • less space required for inventory <ul style="list-style-type: none"> ○ reduced warehousing costs • more adaptable to changes in tastes and fashion • reduced costs of insurance/inventory holding • reduced theft of inventory <p>Disadvantages</p> <ul style="list-style-type: none"> • administration and delivery costs are increased • may lose bulk buying discounts • time consuming to check many deliveries for quality before use in production • delays in deliveries/external factors may disrupt production • if there is a sudden increase in demand the organisation may not be able to meet customer orders due to low inventory holding 	6	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
5.	(a)		<p>Retained profits</p> <ul style="list-style-type: none"> • surplus withheld from previous trading periods <ul style="list-style-type: none"> ◦ does not need to be paid back/can be used to pay debts and expenses without creating further liabilities <p>Grant</p> <ul style="list-style-type: none"> • finance paid to organisations for a specific purpose • does not need to be repaid • certain conditions must be met eg to improve employment in an area • often a one-off payment • application process can be time-consuming <p>Mortgage</p> <ul style="list-style-type: none"> • a large sum of finance on loan secured against <u>property or land</u> • interest rates may be lower than a shorter-term loan • the property is owned by the firm after the final payment • failure to repay the mortgage payments results in the property or land being repossessed <p>Share issue</p> <ul style="list-style-type: none"> • selling a percentage of ownership on the stock market (plc) • raise large sums of finance by selling shares on the stock market • loss of control if a large number of shares are sold • no need to repay (dividend is only paid if a profit is made) • dividends are paid annually <p>Bank loan</p> <ul style="list-style-type: none"> • agreed sum of finance borrowed and paid back <u>with interest</u> <ul style="list-style-type: none"> ◦ assists budgeting and planning as paid in monthly instalments • can be arranged relatively quickly with online banking 	8	<p>Candidates must describe at least 2 sources to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p> <p>Watch for repetition</p>

Question			Expected response(s)	Max mark	Additional guidance
			<p>Debentures</p> <ul style="list-style-type: none"> • a bond (or long-term loan) from investors bought on a stock market • fixed interest over a long period of time/annual (fixed) interest • the loan amount is paid in full at the end of the period (interest only payments until then) • interest is often very high • can only be issued by limited companies <p>Sale of assets</p> <ul style="list-style-type: none"> • no money needs to be repaid to anyone • the asset might be sold for less than it is worth in order to raise cash in an emergency <p>Debt factoring</p> <ul style="list-style-type: none"> • selling trade receivables (debtor/credit sales) to a specialist firm (for immediate cash) • saves time/effort collecting debts • the business loses out on potential debt owed to it as debts are sold for less than they are worth <p>Bank overdraft</p> <ul style="list-style-type: none"> • a limit to which an account holder can borrow from the bank when no funds are available (a negative balance in current account) • can be arranged in advance so cash available instantly • can be expensive due to high interest (charged daily) <p>Crowd funding</p> <ul style="list-style-type: none"> • raising small amounts of money from a large number of people via the internet • the organisation secures funds which may not have to be repaid • may be considered 'internet begging' so creates a poor image <p>Trade credit Sell and leaseback Hire purchase</p>		

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<p>Advantages</p> <ul style="list-style-type: none"> allows employees to access training material at any time of the day <ul style="list-style-type: none"> can help users be focused/motivated to complete it materials can be accessed from any location training materials can be accessed by large numbers of people at the same time support can be provided remotely <ul style="list-style-type: none"> users can assist each other through the use of discussion forums/chat facilities is more environmentally friendly as it reduces the amount of printing required for training progress of each individual can be tracked easily through online testing <p>Disadvantages</p> <ul style="list-style-type: none"> a VLE facility can be expensive to set up as specialists would be required can cause communication problems as employees may feel isolated employees can be reluctant to use it if VLE appears complicated requires self-discipline from employees <ul style="list-style-type: none"> may require deadlines to be built in to motivate staff to complete it 	4	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(c)		<ul style="list-style-type: none"> existing staff have a chance to be promoted <ul style="list-style-type: none"> can motivate employees may save time on filling a post due to shorter internal notice period inexpensive to advertise on intranet/e-mail/noticeboard saves time on induction training familiar with the candidates' abilities staff have existing knowledge of organisation's processes/policies 	3	Award 1 mark for each valid justification. Award 1 mark for each valid development. Accept any other suitable response.

[END OF MARKING INSTRUCTIONS]