



HIGHER BUSINESS MANAGEMENT

Past Paper Solutions

Solutions

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1 Case Study Solutions

1.1 2015 Paper

Question			Expected Answer(s)	Max Mark
1.	(a)	(i)	<ul style="list-style-type: none"> The type of production used to produce Google's headquarters is Job Production which is producing a single product/one off product/products to exact requirements 	1
		(ii)	<p>Advantages</p> <ul style="list-style-type: none"> The headquarters can be designed to exact specifications A higher price can be charged It allows the customer to change the design/make alterations during the process More motivated staff Will improve an organisation's competitiveness if it is the only one that can provide non-standard products <p>Disadvantages</p> <ul style="list-style-type: none"> The wages paid will need to be higher to reflect staff skills <ul style="list-style-type: none"> This will increase the overall final price of the product which may put some customers off There can be higher than average R&D costs Costs are high as a variety of machinery/tools are required which may often be laying idle Lead times can be lengthy 	5

Question		Expected Answer(s)	Max Mark
	(b)	<ul style="list-style-type: none"> • Allows organisation to spread risk over different markets • Can meet the needs of different market segments • 'Cash cows' can fund other, riskier, ventures • 'Stars' can allow a business to be a market leader • 'Problem Child' products give businesses opportunity to invest • 'Dogs' should be divested • Increased profits can arise from selling different products • Newer products can replace those at the end of the life cycle • A range of products increases brand awareness • Easier to launch new products with large existing portfolio 	5

Question		Expected Answer(s)	Max Mark
	(c)	<ul style="list-style-type: none"> • Google uses flexible working patterns which means staff work when is best suited to them/ when they are most productive • Staff can work from home/where they want which might motivate them to be more productive • Open plan/relaxed office layout encourages collaboration which means better communication and idea sharing <ul style="list-style-type: none"> ◦ This will also lead to better decisions being made • Perks such as pool tables, bowling alleys, gyms etc will mean staff are motivated and will work to a better standard <ul style="list-style-type: none"> ◦ This will also mean staff turnover will also be low meaning quality trained staff aren't lost to competition ◦ Perks will also attract the best staff to Google meaning they have an advantage over the competition • Roof gardens, coffee shops etc will encourage staff to communicate with each other in a relaxed informal way, leading to better decision making • Casual dress code will mean there is a relaxed environment in which to work in/will mean staff want to come to the office • Strong corporate identity through corporate colours/language and jargon etc which will mean employees feel part of the organisation • Use of relaxed and informal language means staff feel comfortable working there and perform well 	4

Question			Expected Answer(s)	Max Mark
	(d)	(i)	<ul style="list-style-type: none"> Revenue (sales): The amount of money received for selling goods or services during the year Gross Profit: The profit made from buying and selling OR GP is calculated by deducting cost of sales from sales revenue 	2
		(ii)	Possible trends: <ul style="list-style-type: none"> Profit has increased Gross profit has increased Profit for the year (Net Profit) has increased 	1
Question			Expected Answer(s)	Max Mark
	(d)	(i)	<ul style="list-style-type: none"> Revenue (sales): The amount of money received for selling goods or services during the year Gross Profit: The profit made from buying and selling OR GP is calculated by deducting cost of sales from sales revenue 	2
		(ii)	Possible trends: <ul style="list-style-type: none"> Profit has increased Gross profit has increased Profit for the year (Net Profit) has increased 	1

Question		Expected Answer(s)	Max Mark
	(f)	<p>Advantages</p> <ul style="list-style-type: none"> • Fresh, new ideas/skills are brought into the business • Wider pool of talent to choose from • There is no 'gap' created by promoting from within • It can avoid jealousy being created from one existing staff member being promoted over another <p>Disadvantages</p> <ul style="list-style-type: none"> • Timely to recruit and select from such a vast pool • Induction training will have to be carried out <ul style="list-style-type: none"> ◦ Production time lost ◦ Can be costly • Staff may be de-motivated because there is no internal promotion • New employee is unknown to the organisation 	5
	(g)	<ul style="list-style-type: none"> • Google has a charitable arm called Google.org which promotes renewable energy • Funding environmental research proves Google is willing to pay to help the environment • Google uses solar panels at the Googleplex to reduce its carbon footprint • Google focuses on air quality/letting less harmful chemicals into the environment • Google offers free EV charging stations for employees vehicles to reduce emissions • Google treats its staff well eg <ul style="list-style-type: none"> ◦ Publicity in Fortune: Best Company To Work For ◦ Perks such as flexible working, gym equipment etc 	3

1.2 Specimen Paper

Question			Possible response	Max mark
1	a	i	<p>Responses could include the following:</p> <ul style="list-style-type: none"> Market share is an organisation's percentage of the overall sales in a particular market. <p>Accept any other suitable response.</p>	1
1	a	ii	<p>Responses could include the following:</p> <p>People: anyone who comes into contact with your customers that will have an effect on customer satisfaction.</p> <ul style="list-style-type: none"> Sainsbury's ensures employees are highly trained. Sainsbury's employees are noted for providing excellent customer service. <p>Process: the ways of delivering the service, ie helpfulness of staff, quality of information given.</p> <ul style="list-style-type: none"> Providing innovative mobile scan-and-go facilities in stores. Using e-commerce for purchases. Using loyalty cards to maintain customer satisfaction. Offering customers targeted promotions. Providing nutritional information on food products. <p>Physical Evidence: the tangible aspect of delivering the service, ie the building.</p> <ul style="list-style-type: none"> Providing bright and modern extensions. Providing updated state-of-the-art stores. <p>Accept any other suitable response.</p>	3

			<p>employee learns from colleagues through demonstrating/coaching.</p> <ul style="list-style-type: none">• With off-the-job training the employee is away from colleagues and will still have to integrate when completed, whereas with on-the-job training, employee bonds can be built during the training process.• Sending a new employee to a training college may help them feel better prepared for the job; however, with on-the-job training the employee may feel apprehensive.• Off-the-job training is more expensive than on-the-job training. <p>Accept any other suitable response.</p>
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1	g	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Sainsbury's (owners) need employees to operate stores and employees require Sainsbury's to provide secure jobs. • Suppliers need Sainsbury's to buy their stock and Sainsbury's needs suppliers to provide good-quality products. • Employees need customers to give money to Sainsbury's in order to have job security and customers need good-quality service from employees. • Employees need owners for wages/training/career development and owners need employees for productivity/good customer service. • Owners need customers to give them profits/market share and customers need owners for quality services/products. <p>Accept any other suitable response.</p>	2
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1.3 Exemplar Paper

Question			Possible response	Max mark
1	a		<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Scottish Borders Council and Scottish Enterprise provide grants for training, research and development and innovation. • Banks Renewables “Learning Working Earning” initiative helps provide grants to allow local people looking for jobs to enter the job market with training, equipment, and childcare costs all being paid for. • The Scottish Government provides help by setting up discussions with interested parties who might have bought out Peter Scott & Co. • European Union initiatives provide help for staff training. <p>Accept any other suitable response.</p>	3
1	b		<p>Responses could include the following:</p> <p>Premium Pricing/High Pricing</p> <ul style="list-style-type: none"> • Choose a high price to sell the product. • High price is maintained throughout the life of the product. • This will give the customer an image of quality: <ul style="list-style-type: none"> — The use of quality material and hand craftsmanship allows for a high price to be charged (1 development mark). — The perception of quality with the ‘Made in Scotland’ / authentic Scottish identity allows high prices to be charged overseas (1 development mark). <p>Competitive Pricing</p> <ul style="list-style-type: none"> • Price of product is at the same price as similar products. • Helps prevent a price war. • Allows consumers to see the product as of similar value as competitors, eg, pricing golf jumpers the same as other brands. 	6

The image you are requesting is not available in our database.

The image may not necessarily be 100% accurate.

Question			Possible response	Max mark
			<p>Laissez-faire</p> <ul style="list-style-type: none"> • Peter Scott & Co. managers will give the full power of decision making in certain situations to the workers. • The managers will delegate tasks to the workers and leave them to complete the task. • A high degree of autonomy exists. • Works well when the employees are highly skilled and experienced in their jobs. <ul style="list-style-type: none"> — Employees will have a pride in their work and a personal drive to succeed (1 development mark). <p>Accept any other suitable response.</p>	
1	d	ii	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Carry out a skills analysis of current staff at the Hawick factory to look at gaps. • Examine local and national workforce skills. • Staffing forecasts for Peter Scott & Co. to meet future production demand. <ul style="list-style-type: none"> — Consider short and long term staffing requirements at Hawick. • Analysing the use of outsourcing/sub-contracting available to Peter Scott & Co. • Consider flexible work patterns, part-time/temporary/zero hour contracts. • Peter Scott & Co. needs to develop a strategy to fill identified gaps. • Continually monitor the flow of staff into and out of the organisation. <p>Accept any other suitable response.</p>	3
1	e		<p>Responses could include the following:</p> <ul style="list-style-type: none"> • The Boston Matrix shows market share and growth of each product which Peter Scott & Co. can use to analyse which products need further development or ones it needs to stop producing. • The Boston Matrix is helpful to evaluate the balance in Peter Scott & Co.'s product portfolio so that decisions on marketing investments can be made. 	4

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2 Understanding Business

2.1 Role of Business in Society

Old 2015

Question 2(b) (2 Marks)

- Using high quality raw materials will lead to a quality product or service 5
- Highly skilled staff will result in good customer services
- Using up-to-date machinery will help standardise product quality
- Should result in fewer products being faulty or not of a proper standard
- Should result in fewer customer complaints
- Should result in repeat sales
- Should result in the organisation having a good reputation
- May mean higher purchasing costs for raw materials
- Can result in high staff training costs • Increased expense of inputs – 1 max

2014

Question 4. (5 Marks)

Horizontal integration

- Can result in economies of scale/reduces unit cost of products
- Can dominate the market as a larger single organisation
- May allow for higher prices to be charged
- Competition is reduced

Vertical integration

- Profits are increased by cutting out the 'middle men'
- Stock can be cheaper
- Guaranteed source of supplies
- Prices of stock is controlled
- Guaranteed customer Max 4 per area

Practice Paper A

Question 3 (b) (4 Marks)

- Primary Sector – extract material from the ground. Includes agriculture, fishing, oil, gas and mining
- Secondary Sector – manufacturing goods. Takes raw materials and transforms them into finished products. Includes builders, bakers and car manufacturers.
- Tertiary sector – provide a service. Provided by people who have been trained Includes personal trainers, hotels and supermarkets.
- Quaternary sector – provides knowledge-based and information services. Includes consultants, ICT and computing and education

2.2 Types of Organisations

Practice Paper A

Question 3 (a) (3 Marks)

- A PLC is owned by shareholders, WHEREAS an organisation in the public sector is owned by the government
- A PLC is finance through the selling of shares, WHEREAS an organisation in the public sector is finance through taxes
- A PLC is controlled by a board of directors, BUT a public sector organisation is controlled by the Government
- A PLC aims to maximise profits, HOWEVER a public sector organisation aims to use taxes efficiently.

2.3 Objectives

Old 2015

Question 2. (b) (2 Marks)

- Private Sector – organisations owned and run by private individuals whose main concern is to make a profit.
- Third/Voluntary sector – not for profit organisations and charities operate within this sector.

Question 2. (a) (4 Marks)

- Operate within a specific budget
- Provision of a service
- Meet local or national government priorities
- Be as efficient as possible/quality service

- Social responsibility
- Accept appropriate example specific to a local council

2014

Question 4 (b) (4 Marks)

- Private sector organisations objectives will focus on profit maximisation whereas public sector will require to operate within a specific budget
- Private sector will focus on sales maximisation but public sector organisations will focus on provision of a specific product or service
- Private sector organisations will be responsive to shareholders opinions however public sector will have local or national government priorities and objectives
- Increase market share/will have little or no concern with market share
- To expand globally/operate on a local or national basis only
- Both will look to provide a quality service
- Both will look to be socially responsible
- Both will try to be as efficient as possible

Exemplar Paper

Question 2 (a) (5 Marks)

- Vertical Integration — organisations at a different stage in the same industry combine together.
- Horizontal Integration — organisations at the same stage of production combine together.
- Backward Vertical Integration — when a business takes over a supplier.
- Forward Vertical Integration — when a business takes over a customer.
- Conglomerate/Diversification — organisations in completely different industries combine together.
- De-integration/de-merger — organisations cut back and concentrate on only their core activities.
- Divestment — sell off assets or subsidiary companies to raise finance for growth.

- Organic growth — organisations increase the number of products sold or number of outlets
- Merger — when two firms opt to join their operations together.
- Takeover — when an organisation purchases the majority of shares in another organisation.

2.4 External Factors

Old 2015

Question 1. (b) (i) (3 Marks)

- Weather – floods or severe weather can cause organisations to lose stock
 - lose customers
 - have high insurance claims/premiums
 - halt production
 - delay supplies
- Recycling – can cause organisations to incur higher costs to dispose of waste and this will lower profits
- Emission reductions – this can cause organisations to alter their production methods to ensure they are complying with carbon emission levels
- If they use renewable energy this will save energy costs in the long run
- Actions of pressure groups such as Greenpeace may cause the business to lose customers due to protests outside the organisation
- Natural disaster
- Ash die-back ...

3 Needs 3 different factors eg not 3 weather

Accept availability of natural resources if well explained

Watch for repetition for impact

Question 1. (b) (ii) (5 Marks)

- Economic factors such as a recession
- interest rates
- inflation
- Social factors such as changes in trends and fashion
- changes in patterns of employment

- Technology factors due to continually changing/improving technology
- Competitive factors such as the prices charged by a similar organisation
- Political factors such as changes in legislation

Max 4 per area

Practice Paper C

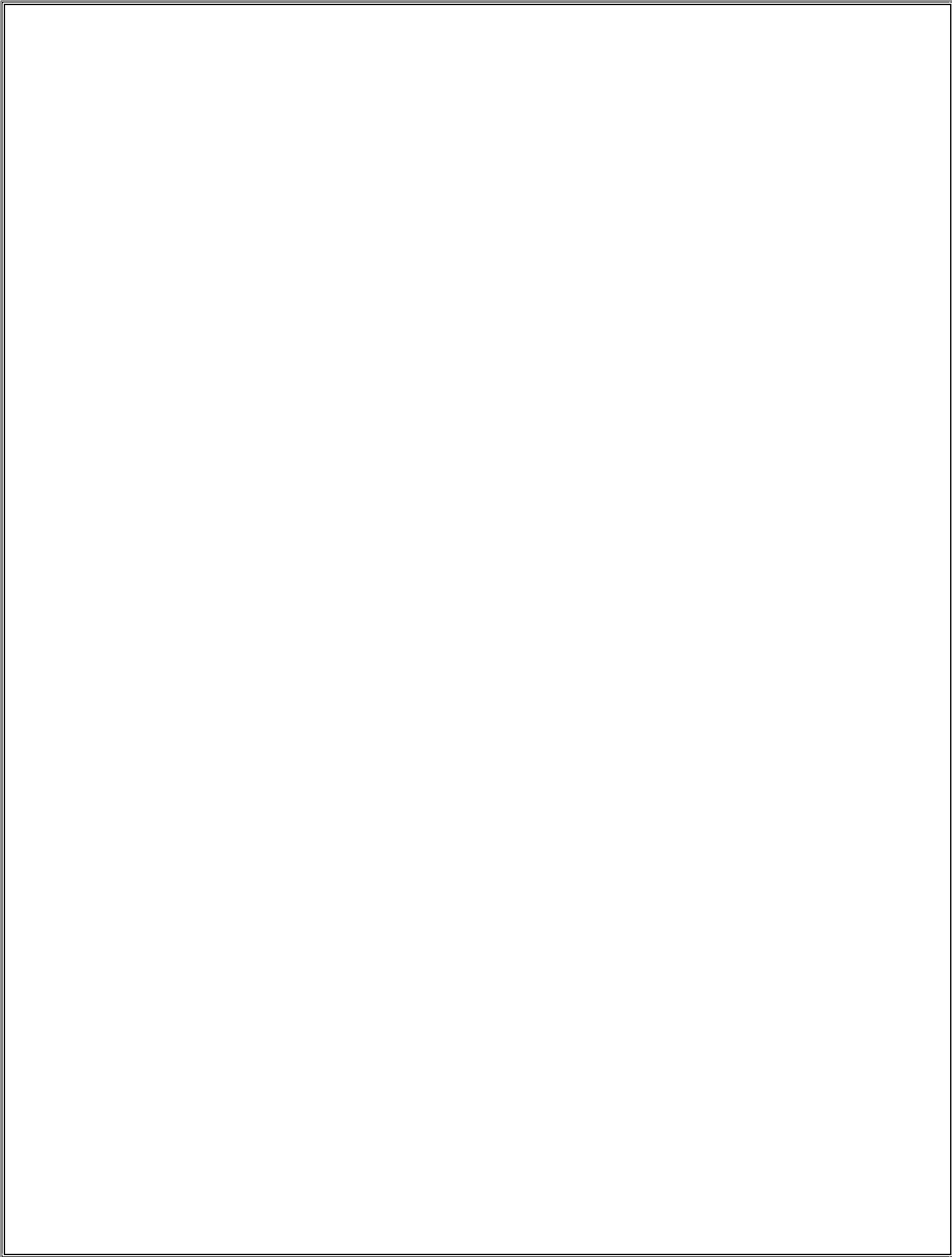
Question (1b) (5 Marks)

- Banks across the world have restricted lending, THIS MEANS THAT an organisation could find it difficult to get a loan to enable them to grow or buy a new asset.
- Government spending has been cut. This means organisations are less likely to sell goods to the public sector organisations, so could result in a fall in sales.
- Inflation being kept low COULD MEAN THAT there is a fall in demand for goods and services.
- Interest rates being kept low MEANS THAT customers are not encouraged to save money so this could increase sales and therefore profits.
- Government provided state aid given to some organisations results in them surviving.
- Quantitative easing provides new money to the economy which stimulates spending.

Exemplar Paper

Question 2 (b) (3 Marks)

- Legislation — any appropriate law with an appropriate effect, eg new laws on sale of alcohol have to be complied with or the organisation will face a fine from the government.
- Taxation rates may change which will affect the profitability of an organisation.
- Level of NHS funding may affect the number of people treated or the prices charged by private hospitals.
- Government initiatives in education have meant that private public 3 Award 1 mark for each explanation of the effect. Watch for repetition — eg legislation is one factor only. No development marks can be awarded in this question. Page ten Question Possible response Max mark Additional guidance partnerships have allowed companies to bid to build new schools.
- Credit any relevant government policy with an appropriate explanation of the effect on the organisation, eg giving loans to banks to help with credit crunch in 2009.



2.5 Internal Factors

Old 2015

Question 3. (c) (5 Marks)

- Implementing the ideals and beliefs of the owner
- By use of symbols or logos that customers recognise
- Staff uniforms consistent throughout the organisation
- Uniformity of layout of offices/branches
- Use of a phrase or motto that can be recognised by customers / used in marketing
- How staff interact with customers
- Merchandising of products linked to the organisation

Question 4. (a) (5 Marks)

- Managers that have the ability and experience to make good decisions from past experience
- Managers who are properly trained to make good decisions
- The quality of the information available on which to base the decision (max 1 for any characteristic of information)
- Use of decision making models (max 1)
- How much risk the managers/decision makers will take when making decisions
- Motivation of staff to properly implement the decision
- Finance available to implement the decision
- Technology available – is it capable of being used or is it outdated?

2014

Question 8 (4 Marks)

- Managers that have the ability and experience
- Managers who are properly trained
- The quality of the information available (max 1 for any characteristic of information)
- Use of decision making models – accept any stage(s) but must be qualified as to how it makes a quality decision
- How much risk the managers / decision makers will take
- Motivation of staff to properly implement the decision

- Finance available
- Technology available
- Enough time/time available

Practice Paper C

Question (1c) (2 Marks)

- Owners need employees to carry out different tasks and employees need owners to pay their wages
- Owners need employees to be as productive as they can and employees need owners to provide the necessary job training.

Practice Paper D

Question (2a) (4 Marks)

Finance

- There may not be enough finance to make new purchases
 - This could cause production to stop
 - This could lead to orders being delayed
 - Customers would then become unhappy.
- A lack of finance could also mean that objectives are not being met, e.g. growth.

Employees

- Employees may not have the correct skills to carry out a task/job, so the quality of the work may be poor.
- Employees may not be motivated to carry out a job.
- Customers would be put off by the poor quality workmanship
- Low motivation could result in high absences

Management

- Managers may not have enough experience or skill in decision making
- Could result in poor decisions being made
- This could impact the whole organisation, leading to lower sales/profits.

Existing Technology

- Current technology may be out-of-date so the production process may not be as effective as it could be.
- If old machinery breaks down, production stops and this could result in orders not being met and therefore unhappy customers.

- An organisation may not be able to keep up with competitors if they are unable to use social media to advertise or sell their products.

2.6 Stakeholders

Old 2015

Question 5. (d) (5 Marks)

- Manager – makes decisions on future plans of the organisation
- Worker – can produce a quality product or service by working hard
- Shareholders/Owners – purchase more shares
- Customer – buys the product or service
- Local Community – petitions the organisation to make a change to environmental policies ☐ Government – alters legislation
- Bank – approves a loan
- Suppliers – alter the price of supplies

Any appropriate influence from a stakeholder.

(No ID marks are awarded, a description of the influence on the organisation must be given)

2014

Question 7 (5 Marks)

- Employees – provide a good service through working efficiently, no absences, put forward good suggestions for improvement of services, go on strike
- Managers – at regular meetings can discuss staffing levels, suggest areas of investment, areas needing improved to provide a better service, ensure objectives are met
- National Government – take action on bonuses/overspends, legislation, eg, provide financial backing/support, recent recycling laws
- Community – petition local council over matters they are unhappy with to prevent similar problems in the future
- Suppliers – offer better discounts, quality materials at good prices
- Customers – continue to use RBS or move to another bank
- Shareholders – sell shares or attempt to further invest by buying more shares

2.7 Structures

Old 2015

Question 3. (3 Marks)

- One senior member of staff makes all the important decisions
- Decisions are therefore made quickly
- Staff are very rarely consulted on decision making
- Stifles staff initiative as they are not consulted
- Is mainly used in smaller organisations
- Employees know who they are accountable to
- May place over-reliance on key members of staff

Credit appropriate diagram

Question 3. (b) (4 Marks)

- Allows for specialisation in each functional area which should produce a quality product or service
- There is a clear structure to the organisation and therefore all stakeholders should know where to go for information
- Clear lines of authority exist
- Staff within each department can seek support from colleagues if required
- No duplication of resources

Question 4. (b) (5 Marks)

- Cuts out a complete level of management within the organisation which will reduce the salaries paid out by the organisation
- Managers have an increased span of control which may result in increased workload for the manager
- increased stress for the manager
- staff having to wait to meet with a manager
- less time for planning
- Communication should be improved and quicker to pass on which means the organisation will be more responsive to changes in the marketplace
- Empowers the staff which can lead to increased motivation

- Fewer promotion opportunities for staff which could lead to them leaving the organisation to gain promotion

Max 4 Adv/Disadvantages

Question 5. (c) (5 Marks)

- Specialists can be used to do the work
- Reduces staff costs in the area that has been outsourced
- Outsourced companies will have specialist equipment
- The service can be provided more cheaply – needs development
- The service can be more expensive – needs development
- The service needs only to be paid for when required
- Organisations can concentrate on core activities
- Organisations can lose control over outsourced work
- Sensitive information may need to be passed to the organisation
- Communication needs to be very clear or mistakes can arise

2014

Question 3 (4 Marks)

- Saves money on expensive managerial salaries or employee wages which increases profits
- Less layers for information to pass through leads to better communication
- Less layers for information to pass through leads to faster decision making
- Employees are more motivated as they are empowered to make decisions – which may also improve productivity
- Can respond quicker to changes in market/industry as decisions are faster/less levels to pass through

Question 2(a) (5 Marks)

- Normally set up to carry out a specific project
- Will consist of different specialists from functional areas
- Each team will have a project leader
- Can be motivational to the staff concerned
- Is a good method of solving complex problems

- Gives staff increased experience in different situations
- Is a relatively costly structure if many different teams are required
- Can be difficult to co-ordinate staff from different areas
- Each staff can have two managers, the project manager and their own functional manager which can cause confusion and conflict

Credit diagram – 1 mark

Question 3(a) (5 Marks)

- Specialists can be used to do the work which should mean better quality
- Reduces staff costs in the area that has been outsourced which should help increase profit
- Outsourced companies will have specialist equipment and this should allow for work to be carried out faster
- The service can be provided cheaper
- The service can be more expensive
- The service needs only to be paid for when required
- Organisations can concentrate on core activities
- Organisations can lose control over outsourced work
- Sensitive information may need to be passed to the organisation
- Communication needs to be very clear or mistakes can arise

Question 4 (e) (5 Marks)

Functional Grouping

- Organisations grouped into departments eg Marketing
- Allows for specialisation in each functional area
- There is a clear structure to the organisation
- Clear lines of authority exist
- Staff can seek support from colleagues if required
- No duplication of resources
- Organisational aims can be lost due to departments pursuing their own aims
- Can be unresponsive to change in the market
- Can produce large and unwieldy organisations

Product/service grouping

- Each division will be grouped according to a product or product range
- Allows for an organisation to be more responsive to changes in that market
- Expertise is developed within each specialised division
- Allows management to identify poor performing products
- There can be duplication of resources and personnel across groups
- Divisions may find themselves competing against each other

Geographical

- Grouping of resources is carried out across a geographical area, ie, Midlands, Scottish, South-East Division, Europe, USA, North America etc
- Allows to cater closer for the needs of different areas
- Can become familiar with local customs and cultures
- Is expensive with regards to administration and staffing costs

Technological

- Organisations group their activities according to technological process
- Suitable for large organisations with different production processes
- Again duplication of resources occurs

Customer

- Resources are organised around groups of customers with similar needs
- Allows for services to be tailored to each group of customers or a specific customer
- Builds up customer loyalty due to the personal service they receive
- There can be large staffing costs with this type of grouping
- Also duplication of resources in administration, finance, etc

Max 4 per grouping

Practice Paper A

Question 3 (c) (3 Marks)

- Chain of command is the order in which instructions are passed down in an organisation from one level of management to another. A long chain of command may mean that communication and decision making takes longer, compared to a short chain of command
- Delegation is one of the functions of management and takes place when someone requests a task to be completed by a subordinate. This could be because the senior staff member doesn't have the time or because the subordinate is more skilled in the task.

- Wide span of control relates to the number of subordinates who report to a manager. It can be difficult to manage as the manager has a lot of staff to oversee.

Practice Paper C

Question (1a) (3 Marks)

- Tall structures have many layers of management, WHEREAS flat structures only have a few layers of management.
- Tall structures have a long chain of command, WHEREAS flat structures have a short chain of command.
- Tall structures are often found in the public sector BUT flat structures are often found in small organisations.
- Flat structures have a wide span of control, BUT a tall structure has a narrow span of control.

Exemplar Paper

Question 2 (c) (2 Marks)

- The size of the organisation, larger organisations tend to be more formal and smaller organisations tend to be less formal.
- Technology used — the impact of modern technology can influence how organisations structure their activities, ie easier to communicate over larger distances.
- Staff knowledge and skills — if staff are highly skilled a less formal structure can exist.
- The market — firms may choose to group activities around their different customers or geographical area.
- Products they sell — firms with lots of different products might group their activities around the different products.
- Finance available — lack of finance could limit the choice of structure or grouping.

2.8 Decision Making

Old 2015

Question 9 (4 Marks)

- Time is taken to follow the model so no rash decisions should be made
- All information should be gathered prior to the decision allowing for a more informed decision

- Alternative solutions are prepared allowing for more than one option to be looked at
- The creation of more ideas
- It ensures the decision is communicated which means all stakeholders will know the decision
- The final decision is evaluated which allows for comparisons
- Corrective action can be made if required

Question 3.(d) (3 Marks)

- Strategic decisions are long term decisions whereas tactical are medium/shorter term decisions
- Strategic decisions are made by senior managers whereas tactical decisions are made by middle managers
- Strategic decisions carry a high risk whereas tactical decisions carry a lower risk
- Strategic decisions set out the objectives of the organisation whereas tactical decisions are used to help shape the strategic decisions

2014

Question 2(e) (4 Marks)

- Evaluate the decision with their staff to gain their views on the change and if it has been successful
- Issue questionnaires to customers to evaluate their response
- Check to see if sales have increased. If sales have increased then it could be assumed the decision was successful
- Check to see if profits have increased
- Monitor absenteeism
- Monitor staff morale
- Check to see if targets have been met
- Check to see if situation has improved

Question 3 (d) (5 Marks)

- Helps managers to identify the problem
- Ensures that all relevant information is gathered
- Ensures no rash decisions are made

- Ensures time is taken to analyse the information
- A range of possible solutions are devised from the relevant facts and information that has been gathered
- By following this process ideas can be enhanced
- Is a time consuming process to gather the information
- Decision making process is slowed down
- Is difficult to choose from a range of solutions as it is not always clear which is best
- Gut instincts and creativity are stifled

Practice Paper D

Question (2b) (3 Marks)

- Strategic decisions are long term decisions, WHEREAS tactical decisions are medium term, WHEREAS operational decisions are short term (day to day).
- Strategic decisions are made by senior managers, WHEREAS tactical decisions are made by middle management, WHEREAS operational decisions are made by team leaders/ supervisors.
- Strategic decisions are the aims of the organisation, WHEREAS tactical decisions help to achieve the aims.

2(c) (3 Marks)

- The process draws together Strengths, Weaknesses, Opportunities and Threats.
- Strengths identify the areas that are going well and might include things such as a highly qualified management team, large financial reserves, strong market share or patents and copyrights. They are areas over which the business has some control.
- Strengths will be used to gain a competitive advantage of the business
- Weaknesses represent issues within an organisations that can cause the business to be vulnerable to competition These might include out of date equipment, an unmotivated workforce or cash flow problems.
- Weaknesses are areas ripe for improvement.
- Opportunities should be exploited to give the organisation a competitive edge. Examples include deregulation of the market, developments in technology or lifestyle changes.
- Threats are any things that can adversely affect a business and could include potential rises in inflation, recession or potential competition.

- Attempts should be made to match Strengths with Opportunities and convert Weaknesses into Strengths.

2.9 Technology

Old 2015

Question 5. (6 Marks)

- Increases the speed of information handling through use of integrated systems such as photocopier, e-mail, scanner all in one PC
- Improves production methods through use of robotics and CAD/CAM which improves quality
- Enhances reputation with potential customers which will improve customer loyalty
- Reduces staffing costs which may increase profits
- Can mean e-commerce is possible which will increase sales
- Give access to global
- Smartphone apps allow organisations to stay in touch with customers easily
- Use of social networking which improves communication to customers
- Allows for more flexible working with staff as they can work from home and stay in contact via ICT
- Staff may be resistant to the change and become demoralised if they cannot operate the latest technology
- Increased initial costs – the initial financial costs will be high to install the ICT.
- Staff training may be required in order that staff fully utilise the ICT – this can be costly
- Maintenance/update costs can be high which will reduce profits

Max 5 per area, eg, e-commerce Max 5 for advantages or disadvantages

2014

Question 2 (5 Marks)

- Increases the speed of information handling
- Improves production methods through use of robotics and CAD/CAM
- Improves efficiency in administrative functions
- Enhances reputation with potential customers
- Reduces staffing costs

- Allows for teleworking
- Allows for improved communications on a global scale
- Can mean e-commerce is possible/increases sales
- Bluetooth/3G/wi-fi can be used for transferring files
- Gives organisation a competitive edge
- Smartphone apps to stay in touch with customers easily
- Email – instant communication
- Email – attachments
- Email – send to groups

Question 4 (a) (4 Marks)

- The full range of an organisations products can be shown on a website therefore the products are available for consumers to look at
- Customers can purchase online from their own home – increase sales
- Allows worldwide sales – global economy
- Sales can be made 24/7
- Reduces costs due to not requiring expensive premises or large amounts of staff
- Customers can leave comments on websites
- Can make use of customer details for market research purposes
- Customer satisfaction

3 Marketing

3.1 Customers

3.2 Market Research

New 2015

(2c) (2 Marks)

- Random sampling is when respondents are picked randomly whereas quota is picked from a group of people with specific characteristics
- Random uses pre-selected respondents who must be interviewed whereas Quota allows researcher to find respondents who fit the characteristics required
- Random is expensive to carry out because specific respondents must be interviewed and contacted until they are available whereas Quota is less expensive as the interviewer simply needs to find suitable respondents
- Random sampling reduces biased results because of method of selection of respondents but bias can occur with quota sampling as the interviewer decides who to question

Old 2015

Question 1. (d) (5 Marks)

- Timely – information must be available when needed
- Be up-to-date
- Reliable need to be clearly developed
- Objective – should be free from bias
- Accurate – the information must be correct
- Appropriate – the information should be for the purpose required
- Available – should be easily obtained
- Complete – nothing should be missing
- Concise – should be short and to the point
- Cost effective – value gained from information must be greater than the cost obtaining it

Question 2. (d) (3 Marks)

- Companies aim a specific product/service at a small market segment

- Attempt to build up expertise in that area
- Little competition exists in that area
- Can be risky as only a small group of specialised customers exist
- When a small gap in the market has been identified

Question 3. (a) (6 Marks)

- Age – different age groupings are used as young or old, under 12, 13-19, 20-35, over 35
- Occupation – the market is segmented into different types of occupation
- Education – segmented according to the level of education attained
- Socio-economic – socio-economic groupings are used to group customers in different economic classifications
- Geographical – customers are segmented by area they live in
- Cultural/religious background – various religions are used to segment the market
- Family lifestyle – customers can be segmented into either married or single

2014

Question 2(f) (4 Marks)

- Timely – information must be available when needed
- Up-to-date – current information
- Objective – should be free from bias
- Accurate – the information must be correct
- Appropriate – the information should be for the purpose required
- Available – should be easily obtained
- Complete – nothing should be missing
- Concise – should be short and to the point
- Cost effective – value gained from information must be greater than the cost of obtaining it

Question 3 (e) (4 Marks)

- Quantitative information is expressed in numerical format whereas qualitative information is expressed in words
- Quantitative information can be measured whereas qualitative information is descriptive

- Quantitative is easier to analyse, is factual, can be used to make forecasts or comparisons whereas qualitative can be used to find out customer opinions, can be used to make judgements on a product Primary and secondary information.
- Primary information has been gathered by the organisation however secondary information has often been gathered by another organisation
- Primary information has been gathered for a specific purpose whereas secondary information has been gathered for one purpose and used for another

Max 3 per area

Question 4 (c) (6 Marks)

Personal Interview

- Allows 2 way communication and encourages answers
- Misunderstandings can be ironed out
- Can be an expensive method
- Home interviews tend to be unpopular with consumers

Telephone Survey

- Is fairly cheap
- Response is immediate allowing large numbers to be surveyed quickly
- Hostility to the person making the call is common as people do not like being disturbed at home

Postal Survey

- Is cheaper method than street survey as it does not require trained personnel
- Questions need to be very simple and easily understood
- Response rate is very low
- Free gifts are used to increase the return rates
- High design costs
- Wide range of views and opinions

Hall Test

- Gives consumers the chance to see or try a product and to be questioned on their opinions of the product
- Is often used in supermarkets and wholesalers
- Fairly cheap method
- Can be difficult to analyse qualitative information

- Consumers often give favourable replies simply to be polite 6 No definition marks

Consumer Audit

- Can be accurate information on consumer buying patterns which can be used to predict consumer trends
- Is a very expensive method as many consumers receive payments to complete diaries
- Consumers get fed up quickly resulting in a high turnover of respondents and inaccurate data
- Consumers may not complete the journals accurately or on time

Test Marketing

- Allows for the product to be amended or improved before national launch
- Saves the cost of a national launch if the product does not receive good reviews in the test market
- Regional tastes may not represent the nation as a whole Observation
- Provides accurate quantitative information
- There is no direct contact with the customers
- Cannot clarify any situations or ask for explanations

On-line Poll

Focus Group

EPOS

Watch for repetition and flipping

Practice Paper B

Question (2c) (3 Marks)

- Field research is carried out by an organisation for their own purpose, WHEREAS desk research is information that already exists.
- Field Research is expensive to carry out, BUT desk research is fairly cheap in comparison.
- Desk research can be carried out quickly, BUT this is not so for field research
- Field research ensures the information gathered is relevant and accurate, WHEREAS desk research could contain lots of unnecessary information.
- BOTH desk and field research allow an organisation to find out what the customer thinks about their products.
- BOTH desk and field research will allow an organisation to tailor adverts to different market segments.

3.3 Marketing Mix

3.3.1 Product

Old 2015

Question 2. (c) (6 Marks)

- Own labels require very little advertising which will save costs
- Can attract customers to the store ie George at ASDA
- Own brand products are not exclusive to supermarkets
- The retailer does not need to produce the own brand products
- Retailers control the price of marketing
- A range of products with own labels can be sold
- Some own brands can be seen as value for money and a quality product
- Own labels are cheaper for customers
- Whole brands can be tarnished over one product's failure or problem
- Run the risk of imitator brands

Max 5 per area

Practice Paper C

Question (4b) (4 Marks)

- Development – no sales so high costs and no profits
- Introduction - Sales are low and costs are still high This means here is very little profit if any at all.
- Growth – Sales grow rapidly. The means profits begin to increase.
- Maturity – Sales are stable and profits are high
- Saturation – High profits before they start to decline
- Decline – Sales fall therefore profits fall and a loss will eventually be incurred.

2014

Question 1 (d) (6 Marks)

- Products in the brand range are instantly recognisable and brand loyalty can be built up
- Repeat purchases increase sales/profits
- Is perceived to be of high quality therefore premium prices can be charged
- Can be used as a marketing tool for advertising purposes to increase sales

- Makes it easier to launch new products onto the market
- Brand names can be expensive to build up
- Bad publicity can affect the whole brand
- Imitation and fake products are common

Specimen Paper

Questions 5 (a) (4 Marks)

- Allows organisation to spread risk (1 mark). If one product's sales decline, another product's sales could be growing (1 development mark).
- The opportunity for increased sales/profits from selling different products (1 mark) due to customers having a number of products to buy from one brand (1 development mark).
- Seasonal fluctuations can be evened out (1 mark) — the company may not struggle as much if they have products that are popular at certain times of year (1 development mark).
- They can meet the needs of different market segments.
- Newer products at growth stage can replace those at the decline stage of the product life cycle.
- Reference to analysis of Boston Matrix — resources can be allocated from poorer performing products ('dogs') to income-generating products ('stars' or 'cash cows').

3.3.2 Price

Old 2015

Question 4. (d) (6 Marks)

- High Price – price is set higher than competitors to give the image of quality and exclusiveness
- Low Price – price is set lower than competitors to attract customers to their product/service
- Market Pricing – price is set at the same level as competitors, normally used for products that are identical
- Promotional Pricing – a low price is set for a short period of time to boost sales in the short term, possibly even making a loss on the product
- Destroyer Pricing – price is set very low compared to competitors and once there is no competition in the market the price is then put back up to the previous level or higher, used mainly by larger organisations to destroy competition, must have large reserves to sustain this over any length of time

- Cost plus pricing – reducing the mark up onto the cost of the product

Accept skimming if well described

Loss leaders not accepted Max 5 per tactic

2014

Question 5 (6 Marks)

High/Premium Price – price is set higher than competitors – gives the image of quality and exclusiveness

- Low Price – price is set lower than competitors
- Skimming – price is set high initially when no competition exists, – when competitors enter the market the price is lowered to market price
- Market/Competitive Pricing – price is set at the same level as competitors – normally used for products that are identical
- Penetration Pricing – price is set slightly lower than competitors to attract customers – once a customer base has been created price is slowly increased to same as competitors
- Promotional Pricing – a low price is set for a short period of time – used to get rid of old stock – possibly even making a loss on the product
- Destroyer Pricing – price is set very low compared to competitors – once there is no competition in the market the price is then put back up to the previous level or higher – used mainly by larger organisations to destroy competition – must have large reserves to sustain this over any length of time
- Cost Plus Pricing – add up the costs of production and add on a percentage profit

Practice Paper D

Question (3c) (2 Marks)

- Attracts customers in to the shop
- Encourages customers to purchase other products that are priced normally.
- Profit is made on the total amount of purchases the customer makes.

Specimen Paper

Question 5(b) (3 Marks)

- Penetration pricing is used in a highly competitive market, whereas skimming pricing is used in a market with little or no competition.
- Penetration pricing means that the product will be introduced at a low price, whereas skimming pricing means that the product is introduced at a high price.
- With penetration pricing the price will be increased once the product has been established, whereas with skimming pricing the price is decreased as competition enters the market.
- Penetration pricing is used to entice consumers to switch from other brands, whereas skimming pricing is used when the product is new or unique.
- Both penetration and skimming pricing are short-term pricing strategies.
- Both penetration and skimming pricing are used when introducing new products to the market.

3.3.3 Place

New 2015

(2b) (4 Marks)

- Type of Product – suitable transportation/storage for type of product; product durability eg electrical, frozen food, flowers, liquid, livestock
- Finance available – if finance is limited this may affect the choice of channel selected • Image of Product – channel should reflect the quality of the product eg high quality distributed through exclusive, up-market retailers
- Legal restrictions – some products can only be sold in certain ways/places eg cigarettes/alcohol/medicines
- Where the product is in its life cycle – as it progresses through growth to maturity it needs to be more available to the market
- Distribution capability of the organisation – does it have transport or does this need to be outsourced
- Technical products – if highly technical it may need to be demonstrated through direct sales

2014

Question 1(b) (5 Marks)

Road

- Refrigerated vehicles can be used to transport perishable items
- Is an easy way to get direct to a customer's location
 - As road networks improve it is a quick method
- Is relatively cheap
- Can have problems with delays, road works and weather
- Cost of fuel rising makes the overall cost dearer
- Industrial action taken by lorry drivers (max 1 on industrial action)

Rail

- Ideal for heavy products
- Less restrictions on how long the goods can be on the move
- Is more environmentally friendly than road
- Requires specialised freight terminals to load products
- Not suitable in rural areas with no rail network

Air

- Is perfect for long distances or more remote areas
- Is a faster method for overseas distribution
- Can be more expensive than road or rail
- Often still requires road transport Sea
- Ideal when heavy or bulky goods are transported
- Is good for items that are not time bound
- Is a slower method than the others

Pipeline

Cable

Electronic

Watch for flipping and repetition between methods

Question 5 (a) (5 Marks)

- The product being sold
- The finance available within the organisation
- The image of the product
- The reliability of the other companies in the chain
- Legal restrictions

- Where the product is in the life cycle
- The organisations own distribution capabilities
- Durability of the product
- Target market

Practice Paper B

Question (2b) (4 Marks)

- Distribution and storage costs are reduced because products might be bought in bulk
- The wholesaler may promote the manufacturing product, resulting in less cost for the manufacturer.
- The risk of not selling the product to a retailer or to the customer is taken on by the wholesaler, and therefore risk for the manufacturer is reduced
- Packaging, labelling and marketing might be carried out by the wholesaler
- The manufacturer does not have to worry about having to sell excess stock if there are changes in the business environment (e.g. fashion)
- The wholesaler may provide information on the product for the retailer
- Retailers do not have to pay for expensive storage facilities to hold stock, as they can buy smaller quantities, compared to sourcing directly from the manufacturer.

Practice Paper B

Question (4b) (5 Marks)

- Reliability of other organisations
- Legal restrictions
- Availability of finance
- The product being distributed
- The image associated with the product
- The stock management system being used
- The distribution capability of the manufacturer

3.3.4 Promotion

New 2015

Question 2a (4 Marks)

- Free samples to try
- Free entry to competitions
- Demonstrations of products - let customers see/try new product before buying
- Credit facilities allow customers to buy and pay back over a period of time
- Free gift with purchase of the new product
- BOGOF – buy new product, get another item free
- Free delivery with purchase
- Offering discounts/promotional pricing

Old 2015

Question 7 (8 Marks)

- **Personal selling – products are sold by experienced sales personnel.**
 - Direct contact can be made to the retailer or consumer
 - Can be tailor-made to customer requirements
 - Demonstrations of the product or service can be shown
- **Mail order – goods sold via catalogues.**
 - Offers credit facilities
 - No need for high street stores
- **Internet selling – making use of websites to sell products.**
 - Consumers can order online from offices or homes
 - Is available worldwide
 - Can be accessed 24/7
- **Specialist magazines – used to describe and sell specialised products or services.**
 - Customers who are sent or purchase the magazine are directly interested
 - Consumers can phone in orders or speak to specialists
 - Max of 4 description marks

Watch for repetition (No ID marks are given. A description of the method must be given to be awarded a mark.)

2014

Question 1 (e) (5 Marks)

- Use of press release to counteract bad publicity

- Give donations to charities
- Sponsor events locally and nationally
- Product endorsements/celebrity endorsements
- Publicity literature given out
- Give out company merchandise
- Use press conference – invite media to attend – 2-way interaction
- Release Mission Statement

Practice Paper B

Question (2a) (3 Marks)

Into the pipeline

These are aimed at retailers who agree to sell the finished products from the manufacturer. There are a number of different promotions, as follows:

- Dealer promotions and loaders, such as prizes given to the retailer that sells the most of the product or extra products given for volume, e.g. one free box of sweets for every five boxes stocked.
- Point of sale displays including posters, stands, free samples
- Staff training on the product features and advantages, so that they can deal confidently with consumers who are purchasing
- Extended credit given to enable retailers to purchase stock

Out of the pipeline

These are aimed at consumers in order to persuade them to buy products. There are a number of different promotions as follows:

- Discounts
- Special offers – such as buy one get one free
- Free samples or tasting
- Price reductions e.g. 65p off for a limited period only
- Loyalty cards
- Celebrity endorsement
- Vouchers or coupons
- Free entry into competitions
- These promotions are effective in the short term as they can attract the consumer's attention

Practice Paper C

(4c) (3 Marks)

- Discounts
- Special offers – such as buy one get one free
- Free samples or tasting
- Price reductions e.g. 65p off for a limited period only
- Loyalty cards
- Celebrity endorsement
- Vouchers or coupons
- Free entry into competitions

Specimen Paper

Question 5 (c) (3 Marks)

- These are promotions that a manufacturer gives to the wholesaler or retailer that sells their products (definition).
- Dealer loaders are one example of 'into the pipeline promotion': this involves the wholesaler/retailer receiving an extra amount free, eg five boxes for the price of four.
- The manufacturer may also provide the wholesaler/retailer with staff training.
- The manufacturer may provide the wholesaler/retailer with point of-sale displays.
- The manufacturer could allow sale-or-return.

3.3.5 Extended Marketing Mix

Practice Paper C

Question (4a) (3 Marks)

- Process – the different processes and systems used to deliver the service being provided.
- People – Those involved in providing the service to customers, e.g. staff.
- Physical Evidence – The location of where the service is being offered and what it looks like, e.g. store layout and design.

Practice Paper D

Question (3a) (4 Marks)

- Changing the appearance of the packaging to give the product a new image

- Changing the size, variety or shape of the product, as this makes it different from the original.
- Improving the quality of the finished product by, for example, using higher quality raw materials.
- Changing the method of promotion used to promote the product, for example, by offering a discount.
- Changing the method of advertising the product to reach a larger number of people.
- Changing the price of the product (up or down), to reach a different market segment.
- Changing the place the product is sold, for example, offering it online as well as in a shop.
- Changing the name of the product.
- Changing the use of the product so that it can be used for a different purpose.

3.4 Technology

Practice Paper D

Question (3b) (4 Marks)

- Customers worldwide can purchase goods therefore reaching a larger number of customers
- Customers can buy online 24/7 from their own home so this should increase sales
- Online discounts may be available as a shop is not required. This should attract more customers
- Product information can be updated and accessed quickly. This means all products information should be accurate.
- Products can be compared with others allowing a customer to make a fully informed decision.
- It is convenient if access to a retailer is not available, so customers unable to get to a retailer will buy the product.
- Stock availability can often be checked instantly and products reserved. This will save the customer valuable time travelling to a retailer to find the product out of stock
- A website can be set up fairly cheaply. This will save the organisation money.

4 Operations

4.1 Methods of Production

Old 2015

Question 1 (a) (i) (4 Marks)

- In job production, organisations can produce products to meet exact customer requirements; in batch production, groups of similar products are made
- Job production allows the customers to change the design during the process whereas in batch production once the process is started it won't change
- In job production the wages paid will need to be higher whereas in batch production wages will be lower to reflect less skilled jobs
- In job production individual unit costs are high whereas in batch production the individual costs can be reduced
- Both may require expensive equipment

Question 1 (a) (ii) (2 Marks)

- Products move continuously from one stage to the next
- Products are of a standard specification
- Costs of machinery can be high
- Saves on labour costs
- Produces high volume
- Low unit costs

2014

Question 1(a) (4 Marks)

Job production

- Where a single product is made to a customers' specifications
- Involves skilled workers making the product
- Can charge a higher price
- Can be motivational to workers
- High quality

Batch production

- Products are made in groups (sets) of similar products

- No item goes onto the next stage until they are ready
- Batches can be made for specific customer requirements
- Slight alterations can be made to batches

Flow production

- Items move continuously along a production line from one operation to the next
- Each part of the operation leads to the eventual end product being manufactured
- Machinery is used to reduce labour costs
- Huge quantities can be produced
- Can reduce the cost of individual products

One description mark and one justification for each of the 2 types chosen.

Specimen Paper

Question 4 (a) (4 Marks)

- Job production — one-off single product is made to a customer's specification (1 mark). This method of production requires highly skilled workers (1 development mark) and the business can charge a premium price for the product (1 development mark).
- Batch production — groups of similar products are made at the same time and no item in the batch goes to the next stage until the whole batch is ready.
- Flow production — items move continuously from one operation to the next and each part of the process leads to the completion of the final product.
- Labour-intensive — production is carried out by a high level of labour.
- Capital-intensive — production is carried out using mainly machinery, highly automated production.

4.2 Stock Management

New 2015

Question (3a) (4 Marks)

Advantages

- Stock may be ordered in bulk and economies of scale taken advantage of
- Reduced risk of pilferage as staff may be employed to monitor issues of stock
- Stock is maintained in appropriate conditions which reduces waste
- No space is taken up in departments with storage
- Specialist staff handle stock more efficiently
- Centralised warehouse can be cheaper than using multiple warehouses

- Centralised ensures consistent stock handling procedures

Disadvantages

- More time is taken to access stock – physically moving the stock to department and the paperwork involved
- Additional staff increases costs
- Cost of specialist equipment and storage facilities
- Not reflective of actual stock usage in each division/branch

Question (3b) (4 Marks)

- It is harder to cope with unexpected changes in demand which means customers may go elsewhere
- If customers are forced to go elsewhere for a product they may be lost completely to a competitor
- Could cause delays in production or possibly halt production as there are no raw materials to use in production
 - Which can mean paying for workers who aren't producing any goods
- Continually ordering stock can mean increased administration costs
- Increased transport costs due to the number of deliveries taking place
 - Can also increase carbon footprint
- Increased unit costs due to making small orders as opposed to buying in bulk
- Relies on good communication/relationships with suppliers to work effectively

Old 2015

Question 5. (b) (i) (6 Marks)

- Capital is not tied up in stock and can be used elsewhere in the organisation
- There is less warehouse space needed for stock
- Less stock is stored which should result in less wastage
- Theft will be reduced as stock is more tightly controlled
- Changes in fashion or trends will have less of an impact
- If stock does not arrive production can stop
- May lose out on bulk buying discounts
- There will be an increase in delivery costs as more frequent transportation exists
- There is a high dependence on suppliers
- May increase administration costs due to more ordering

- Stock may have to go straight into production and may not be time to check it for quality

Question 5. (b) (ii) (5 Marks)

- The ability to supply the appropriate quality because this will affect the quality of the final product
- The ability to deliver on time because this may prevent the firm meeting deadlines
- The ability to supply the quantity needed because this will hold up production
- The ability to supply at a competitive price because...
- The discounts offered because...
- The credit terms offered because...
- The cost of delivery because...
- The reliability of the supplier because...
- The location of the supplier because...

Price/Quality will need description

Max of 4 marks per factor

2014

Question 3 (c) (6)

- Maximum stock level: the level of stock that should be held to minimise costs and involves examining storage space available and finance required for this level
- Minimum stock level: level that stock should not fall below as shortages could result and production could be halted
- Re-order level: the level which stock should be re-ordered at, takes into account usage and lead times
- Re-order quantity: the amount that is ordered to take the stock back up to maximum level once it is delivered
- Lead time: the time taken between ordering new stock and it arriving at the organisation

Max 2 for diagram – 1 mark for labelled shape; 1 mark for 2 labelled axes

Max 5 for text only

Question 3 (e) (4 Marks)

- Quantitative information is expressed in numerical format whereas qualitative information is expressed in words
- Quantitative information can be measured whereas qualitative information is descriptive
- Quantitative is easier to analyse, is factual, can be used to make forecasts or comparisons whereas qualitative can be used to find out customer opinions, can be used to make judgements on a product Primary and secondary information.
- Primary information has been gathered by the organisation however secondary information has often been gathered by another organisation
- Primary information has been gathered for a specific purpose whereas secondary information has been gathered for one purpose and used for another

Max 3 per area

Practice Paper A

Question 1. (a) (4 Marks)

Advantages

- Less warehouse space is needed –
 - Reduced rent costs
- Capital is not tied up in stock so can be used elsewhere
- Order must be placed before production starts
 - Reduced waste as less stock is stored
 - Reduced risk from changes in fashion/trends
- Reduced theft as stock is easier to monitor

Disadvantages

- Dependant on reliable suppliers
 - If stock does not arrive on time then production will stop
 - May not have time to check the quality of stock before production starts
- Increase numbers of delivery charges
 - Increased administration costs
- May lose out in economies of scale/bulk buying discounts

Practice Paper A

Question 1. (b) (3 Marks)

- Machines can work 24/7. This means more products can be made
- Machines produce a better quality of product as they don't make mistakes. This means that there will be less customer complaints.
- Machines can work faster than humans. This leads to increased efficiency and productivity.
- Machines don't get bored of repetitive tasks. This means there will be a consistent standard across all products.

Practice Paper D

Question (4a) (5 Marks)

Maximum Stock Level

- The highest amount of stock that can be stored at one time.
- At this level stock costs will be at the minimum per unit because the organisations are at full capacity.

Minimum Stock Level

- The lowest amount of stock that should be stored at one time
- At this level there is a danger that stock levels could fall too low and production would stop

Re-order Level

- The quantity at which more stock is ordered.

Re-order quantity

- The quantity of stock that has to be ordered to bring levels back to the maximum stock level.

Lead Time

- The time that passes between ordering stock and it arriving.

Specimen Paper

Question 4 (b) (6 Marks)

- Just-in-time (JIT) stock control system reduces storage costs as stock is delivered as it is needed (1 mark).

- This means that the organisation is more responsive to consumer demand (1 development mark) and that money is not tied up unnecessarily in buying large volumes of stock (1 development mark).
- This can also result in less wastage of stock as it is only being ordered when it is needed (1 development mark).
- However, it also means that organisations can lose out on bulk-buying discounts (1 mark).
- Having a JIT system relies heavily on suppliers' co-operation in delivering stock when it is needed (1 mark).
- Using a JIT system could result in high admin and delivery costs as there are many small deliveries (1 mark).
- This could mean that production may be interrupted/halted if there is a delay with a delivery (1 development mark).
- Deliveries of small quantities and not holding stock could mean the organisation is unable to meet sudden increases in demand (1 development mark).

4.3 Quality

Old 2015

Question 2. (b) (5 Marks)

- Using high quality raw materials will lead to a quality product or service
- Highly skilled staff will result in good customer services
- Using up-to-date machinery will help standardise product quality
- Should result in fewer products being faulty or not of a proper standard
- Should result in fewer customer complaints
- Should result in repeat sales
- Should result in the organisation having a good reputation
- May mean higher purchasing costs for raw materials
- Can result in high staff training costs
- Increased expense of inputs – 1 max

2014

Question 9 (6 Marks)

Proves the product/service has met an agreed level of quality

- Can be used as a marketing tool to gain a competitive advantage
- Will give customers confidence when purchasing the product

- May ensure repeat sales of the product
- Higher prices can then be charged
- Less customer complaints/less returns
- Limits waste
- Involves a very lengthy and time consuming process
- Agreed standards need to be maintained at all times
- Will require thorough checks and audits by BSI staff to prove the standards have been met
- Rigorous record keeping of purchases and production must be kept
- Expensive staff training
- Might not see the benefit for a number of years

Practice Paper D

Question (4b) (5 Marks)

A quality product involves

- Using high quality materials
- Training employees regularly and to a high standard
- Using up-to-date machinery and equipment
- Using appropriate packaging
- The product being delivered on time
- Being produced to quality standard, e.g. Kitemark

Quality Circles

- This involves groups of employees coming together with the management in order to discuss the issues of quality
- Employees are usually trained to identify, analyse and solve some of the problems in their work. This would then present solutions to management, and where possible, implement solutions themselves.
- One of the aims is to give employees more responsibility and increased motivation.

Quality Control

- This involves checking products after they have been produced to make sure they meet the standards expected.
- If a product fails the quality check, it is discarded or recycled back into the production process.

- Quality control can be wasteful if it is only carried out at the end of production process.

Quality Assurance

- This involves a planned and systematic approach to checking products at more regular intervals during the production process and trying to avoid problems happening in the first place.
- Quality assurance involves the whole production process, i.e. starting with good quality raw materials
- If quality assurance checks are carried out, employees are more confident that the completed product will be acceptable to customers

Total Quality Management

- This involves every employee in the organisation ensuring that quality is built in at each and every stage of the production process.
- It is an overall business philosophy designed to ensure customer satisfaction.
- It ensures that quality raw materials are purchased from reliable suppliers
- Any errors or problems in the production process are eliminated and the failure rate of finished products is very low indeed.
- All staff, including office staff, are involved in the quality process.
- Often organisations have quality awards for their high standard, e.g. Investors in People, Charter Marks, Kitemark.
- Customers can therefore see that the product s good quality.

Quality Standards and Symbols

- In the UK, there are recognised systems of quality standards, e.g. The British Standards Institute which places a Kitemark on products that meet the standard.
- British Standards cover a wide range of businesses and products.
- Other standards include ISO 9001, which is an international standard for Quality Management.

Benchmarking

- Benchmarking is an approach to quality that involves the business applying a set of standards or benchmarks.
- The business has to make sure that it achieves these benchmarks in order to stay competitive.
- Benchmarking can be internal or external.
- Internal benchmarking involves setting standards within the organisation that are then used to compare performance across different departments.

- External benchmarking involves setting standards within the industry against which each business can be measured.

Mystery Shopping

- The use of Mystery Shopper has grown in recent years as an indicator of quality.
- This can be used to gauge the quality of a product or a service
- Typically a member of the public is trained to act as a 'normal' shopper, when in fact they are analysing and evaluating their shopping experience or the quality of the product.
- The employees of the business are unaware that this is taking place, so very important and accurate feedback can be received about the customer experience.

4.4 Ethical and Environmental

New 2015

(3c) (2 Marks)

- Fairtrade certification improves the image of the organisation
- Attracts consumers who have positive attitudes towards products which are ethically made
- The Fairtrade trademark can be used as a marketing tool
- The trademark shows international standards have been met
- Higher prices can be charged for Fairtrade products
- May attract staff who wish to work for an ethical company

Practice Paper A

Question 1. (c) (3 Marks)

Recycling

- Encourage employees to use recycling bins
- Reuse materials in the production process

Reduce Packaging

- Use only the amount of packaging needed
- Cuts down on costs
- Use environmentally friendly packaging

Operate a Fair Trade Policy

- Use suppliers that have produced or obtained raw materials in an ethical manner

Minimise Waste

- Ensure employees are trained well so no human errors occurs
- Ensure machinery is kept in good condition to avoid errors
- Do not 'dump' waste in a landfill if it can be recycled
- Dispose of waste in an environmentally-friendly manner.

4.5 Technology

Practice Paper B

Question (4a) (5 Marks)

- Computer facilities (e.g. computer and internet) can be used for purchasing materials online
- Email can be used to confirm an order has been received and to let the customer know about the progress and status of the order (e.g. when it has been dispatched).
- Websites can be used to compare the process of different suppliers before deciding which ones to purchase
- Deliveries can be tracked and traced via the websites of logistical companies
- Computer programmes (e.g. a database or spreadsheet) can be used to store stock levels.
- EPOS can provide automatic updates on stock and sales levels.
- Computer-aided design (CAD) can be used in the research and design stage of a new product before it is manufactured.
- Computer-aided manufacturer (CAM) involves using computer controlled equipment and robots.

5 Human Resources

5.1 Workforce Planning

Practice Paper C

Question (2b) (5 Marks)

- From the strategic aims of the organisation, plans can be made for when new staff will be required.
- Analysis of the labour market allows an organisation to foresee any shortages in the specifically qualified staff.
- Analysing the demand for the business lets an organisation determine how many employees they are likely to need in the future.
- Analysis of the existing workforce allows training needs to be identified
- Analysis of the existing workforce allows an organisation to plan for people retiring and how their experience should be replaced.

5.2 Recruitment and Selection

Old 2015

Question 6. (4 Marks)

- The vacancy can be filled relatively quickly with internal sources but can take a lot longer with external sources
- Staff can be motivated if they get promotion for a job internally but it can mean there are no new ideas brought in by new staff
- The managers will already know if the employee has the required skills for the job if internal, however, with external the candidate's skills are unproven
- With internal recruitment the number of potential candidates is restricted whereas with external the vacancy is open to a vast number of potential candidates
- When a vacancy is filled it will mean another one opening up and then requiring to be filled, but with external recruitment only one vacancy will need to be filled
- Can cause tension amongst staff if a colleague gets a job, but also if there is a new person in charge that they have never met before
- Is cheaper to fill a vacancy using internal recruitment whereas external recruitment costs can be very high

Question 4. (e) (6 Marks)

- Attainment – a candidate is given the chance to demonstrate their skills; would be used to test skills in ICT or to measure skills against a set standard
- Aptitude – assesses a candidate's personal abilities and skills; would be used to decide if the candidate had the required skills for a job, ie, numerical skills for an accounts vacancy
- Intelligence/IQ – measures a candidate's mental ability; used for jobs where candidates may be solving problems
- Psychometric/psychological – assesses a candidate's personality; used to assess the candidates mental suitability for a job
- Medical – measures a candidate's physical attributes; used for jobs such as the fire brigade that require certain levels of physical strength
- Justification may also include:
 - to prove claims made on application forms
 - compare candidates
 - evaluate the candidate to the person specification

2014

Question 4 (d) (6 Marks)

Attainment

- A candidate is given the chance to demonstrate their learned skills/knowledge
- Would be used to test skills in ICT
- To measure skills against a set standard

Aptitude

- Assesses a candidate's natural abilities and skills
- Would be used to decide if the candidate had the required skills for a job

Intelligence/IQ

- Measures a candidate's mental ability
- Used for jobs where candidates may be solving problems/literacy/ numeracy

Psychometric/Psychological

- Assesses a candidate's personality
- Assesses a candidate's behaviour/traits
- Assesses a candidate's ethical/moral standards
- Used to assess the candidates mental suitability for a job

Medical

- Measures a candidate's physical attributes
- Used for jobs such as the fire brigade that require certain levels of physical strength

Max 5 per area

Practice Paper A

Question 2 (b) (4 Marks)

- Psychometric tests can be used to establish if someone would fit in to a particular culture
- Used to confirm what an applicant has stated on their application form/CV
- Test results of each candidate can be compared
- Skills and abilities can be confirmed
- Competencies can be compared against the essential and desirable criteria for the job.

Practice Paper B

Question (1b) (4 Marks)

Internal Recruitment

- Involves appointing existing employees to new positions within the business
- Includes promotion
- No external advertising fees
- Staff members are already known to the organisation
- Less training is required
- No fresh blood is brought in to the organisation

External Recruitment

- Involves appointing a new employee from outwith the organisation
- Jobs are advertised externally
- Anyone can apply for the job
- Wider range of applicants
- New ideas are brought into the organisation
- High costs of advertising externally
- Existing staff may feel aggrieved if an external candidate gets the job
- More training needed for new employees.

Practice Paper D

Question (1b) (3 Marks)

Benefits

- Potential candidates can apply for the job at any time of the day
- Wider pool of potential candidates
- Reduces advertising costs

Costs

- A more thorough selection process may be needed, which can be expensive
- There is a chance the wrong person is given the job, as an external candidate is unknown to the organisation
- Could attract a high volume of time-wasters, as applying online is often easier to do.

Specimen Paper

Question 2. (a) (4 Marks)

Application forms

- Forms are created to request relevant information from applicants.
- Comparison of applicants is easier as all provide the same information.

CVs

- A written summary of an applicant's experience, educational background and any other relevant information.
- Candidates are free to provide the information they feel is relevant, which may not be requested on an application form.

Interviews

- A formal face-to-face meeting between an employer and an applicant.
- Candidates can be compared in a pressure situation.
- Allows candidates to respond to questions; they can also ask questions about the job/company.

- Interviewers can compare notes to get a consensus on the best applicants.

Assessment centres

- Candidates can be observed in practical situations.
- Tasks can be tailored to the vacancy, eg in-tray exercise, group task, presentation, case study.
- Candidates can be moved around to work with a variety of others to see how they perform with different people and personality types.

Testing

- Attainment testing allows a candidate to demonstrate their skills, eg ICT, joinery skills, childcare skills.
- Medical testing measures physical fitness which may be required for certain jobs, eg fire service, armed services, professional football.

Accept any other suitable response.

5.3 Training and Development

2014

Question 5 (f) (4 Marks)

- Allows for a wider pool of skills to be available to the organisation
- Staff can carry out a wider range of tasks
- Cover for absent colleagues
- Is motivational for staff and will improve performance
- Can improve the quality of product/service provided
- Improved customer relations
- Improves the image of the organisation and they will attract a better calibre of worker
- Might reduce the number of accidents at work
- It may be required to introduce change/make the staff more acceptable to change
- Allow the organisation to be more flexible in the marketplace

Practice Paper A

Question 2 (a) (2 Marks)

Appraisals are used to:

- Assess employees' performance in their post
- Identify employees' strengths and highlight any areas of concern so that effective training or other support can be given
- Improve employee motivation and performance
- Identify any promotional possibilities

Practice Paper C

Question (2a) (5 Marks)

Advantages

- A recognised qualification can be gained
- Training often takes place on the job
- Assessment is carried out by a qualified assessor
- The organisation benefits from having skilled staff

Disadvantages

- Time-consuming to complete
- Some people might not want to complete a qualification
- Costs money to train someone for a qualification

Specimen Paper

Question 2(b) (3 Marks)

- Visuals from presentation software provide reinforcement to verbal information from trainer/speaker (1 mark), therefore it holds the attention of the trainees longer (1 development mark).
- Staff in remote locations can be involved in training events using web conferencing, reducing the need to travel.
- Live-link meetings/online tutorials can be set up between trainer and trainee so support is immediately available.
- Staff being trained can access centrally-stored shared files from any geographical location. Accept any other suitable response.

Exemplar Paper

Question 4 (b) (3 Marks)

- Allows for a wider pool of skills to be available to the organisation which can mean staff can carry out a wider range of tasks.

- Staff are able to cover for absent colleagues as they now have the skills.
- Training is motivational for staff and should mean they are happier at their work which will improve performance.
- Can improve the quality of product/service provided which will result in improved customer relations.
- Improves the image of the organisation which means they will attract a better calibre of worker.
- Might reduce the number of accidents at work which will reduce any compensation or injuries to employees/customers.
- It may be required to introduce change and will make the staff more acceptable to change.
- This will allow the organisation to be more flexible in the marketplace as more people wish to work for them.

5.4 Motivation and Leadership

New 2015

Question (5a) (4 Marks)

- Maslow's theory classifies human needs and how they are related to each other (hierarchy)
- A person starts at the bottom of the hierarchy and will initially seek to satisfy basic needs eg food and shelter
 - o These can be satisfied through pay
- Once these needs have been satisfied they are no longer a motivator
- The next level which is security and protection (safety needs)
 - o Job security/safe working environment
- The next level is social/love and belonging needs where most people want to belong to a group
 - o Working with colleagues who provide support, teamwork communication
- Esteem needs are about being given recognition for a job well done
 - o A promotion might achieve this
- Self-actualisation is how people realise their potential
 - o May be measured by the extent of success and/or challenge at work
- If management can identify which level each employee has reached they can decide on suitable rewards

Old 2015

Question 1. (c) (5 Marks)

- Employee may be set appropriate targets
- Staff training needs would be identified
- Employee motivation could increase because of/following the appraisal
- Could give positive feedback to the employee.
- Meet regularly to discuss progress
- Allow the worker to have their say during appraisal and air any problems
- Ensure the skills the worker has are not being overlooked or underused
- Appoint a mentor to a worker to give them support/advice

Practice Paper B

Question (1a) (4 Marks)

- Taylor states that employees are only interested in money, WHEREAS Mayo claims they need social interaction.
- Taylor states that employees are only interested in money, WHEREAS Maslow states that employees have five needs that need to be met at work.
- Herzberg believed that a job should be enhanced by empowering employees, WHEREAS Taylor claimed that employees needed larger tasks broken down into smaller, repetitive tasks.
- BOTH Mayo and Maslow believed that employees needed more than just money to motivate them at work.

Specimen Paper

Question 2 (c) (3 Marks)

Maslow's Hierarchy of Needs

- Maslow suggested that there were five interdependent levels of basic human needs (motivators) that must be satisfied in a strict sequence (1 mark), starting with the lowest level and working up to the highest (1 development mark).
- Physiological needs (to stay alive and reproduce), and security needs (to feel safe) are the most fundamental and pressing needs (1 mark).
- They are followed by social needs (for love and belonging), self-esteem needs (to feel worthy/respected) and, lastly, self actualisation needs (to realise potential and have status) (1 mark).

- You cannot progress to the next level in the hierarchy until the previous level is satisfied (1 mark).

McGregor's Theory X and Theory Y

- McGregor believed there were two distinct sets of assumptions that managers, in general, have about their employees (1 mark).

Theory-X assumptions are:

- Most employees dislike work and will avoid it at all costs (1 mark), therefore workers must be continually coerced, controlled and threatened to get the work done (1 development mark).
- Employees have little or no ambition/prefer to avoid responsibility and choose security above everything else (1 mark).

Theory-Y assumptions are:

- Most employees find work to be a source of satisfaction/are generally self-motivated in meeting individual and company goals (1 mark).
- Workers either seek responsibility or learn to accept it willingly (1 mark) and are motivated by the needs at the top end of Maslow's hierarchy (1 development mark).

Hertzberg

- Hertzberg believed that employee satisfaction is related to factors which motivate, and factors which cause dissatisfaction — hygiene factors (1 mark).
- Motivating factors give job satisfaction and include giving employees increased responsibility/recognition for their effort/personal sense of achievement/changes for promotion, etc.
- Motivating factors refer to things involved in doing the job.
- Hygiene factors need to be met to prevent dissatisfaction and include pay and conditions/support for colleagues/company policies and procedures, etc.
- Hygiene factors are things which define the job.

Accept any other suitable response.

5.5 Employee Relations

New 2015

Question (5b) (3 Marks)

- Employees will have their chance to discuss changes or grievances so will feel happier and more secure in the workplace
- It will be easier to introduce change within the organisation as staff will become flexible with suggestions from management

- Disputes are less likely to arise as the workers will have been consulted and understand what it is that the employer is trying to achieve through the changes and why the changes are necessary
- Good employee relations mean that the workforce will be committed and will help ensure the business meets its objectives
- The organisation will gain a good image for treating its employees correctly and maintaining good employee relations and therefore will attract new employees easily

Old 2015

Question 3. (e) (4 Marks)

- Verbal warning during a meeting outlining the issue
- Written warning stating clearly the issue
- how the issue may be resolved by the employee
- Involve union officials/allow the employee to seek union advice
- Worker could be suspended
- this may be without pay
- Hold a disciplinary hearing
- Eventually the employee may be dismissed
- Appeal the decision/industrial tribunal

Question 3. (f) (3 Marks)

- Representing a large number improves the negotiating position
 - this increases the chance of success for members
- Agreements reached can be on a national level
- Reduces the number of individual meetings required to resolve an issue
- Without collective bargaining the employees could be taken for granted and deliberately left out of discussions, consultations or told very little by the organisation
- Speed/urgency is given to the issue

Question 8.(5 Marks)

- **Commission**
 - Is a reward for the amount of a product or service sold to customers
 - Can be paid on top of a basic salary
 - Paid as a percentage of the product's sale value

- **Overtime**
 - Normal hourly rate plus an increase for extra hours worked
 - Is an incentive to work more than the contracted hours
- **Bonus Rate**
 - Employees are paid a basic rate with a bonus on top for meeting agreed targets
 - Is an incentive to produce more or work harder
- **Annualised Hours/Flat Rate/Salary**
 - Employees are paid assuming a basic working week
 - Employees receive the same amount each week/month
 - May have to work longer some weeks/months or less in others depending on demand

Accept any other payment system Max 4 for any one system

2014

Question 2 (c) (5 Marks)

- Strike – employees refuse to do their work and do not enter the workplace
- Sit in – employees are in their place of work but do not do any work •
- Work to rule – employees only undertake the exact jobs written in their job description
- Go slow – employees deliberately work at a much slower rate
- Overtime ban – employees do not do any overtime
- Picketing – employees protest at entrance to the place of work

Question 2 (d) (5 Marks)

- Loss in production will lead to possible shortages in stock
- Loss in sales revenue may lead to liquidation
- Long term loss of customers who now shop at competitors
- Image of organisation is tarnished
- Damage to long term reputation of organisation
- Share price can fall
- May result in redundancies
- Improves working practices
- Facilitates change

- ACAS/Trade Union involvement

Practice Paper B

Question (1c) (2 Marks)

- Works council –enables employees to be consulted and involved in the decision-making process of the business.
- Team working – Employees are given the opportunity to work with others in teams or on specific projects. They share decision making, successes and failures. They learn from each other and build trust and respect.
- Staff training – leads to increased efficiency and a higher rate of staff retention
- Communication – Employees value their opinions being listened to but equally they do not usually have difficulty following instructions, provided they are kept informed of decisions and the reasons why they have been made.
- Support systems – Many businesses and organisations have a separate Human Resources department or section that is able to give a range of support to employees, eg. This can take the form of counselling for stress or bereavement. They may have in place absent management procedures where employees are encouraged to take part in ‘return to work’ interviews or ‘phased’ return to work after a long absence. They may offer a range of ‘family friendly’ policies such as flexible working or working from home.
- Quality circles – Groups of volunteer employees who meet to discuss issues of improvements in the business
- Employee of the month and achievement awards – Many businesses operate schemes whereby employees can receive awards, bonuses or recognition for their role in the business. It can be a competition type event or based on feedback from customers and colleagues.

Practice Paper D

Question (1a) (3 Marks)

Trade Unions

- A trade union is an organisation that employees can join to help them negotiate better pay and conditions.
- A trade union will advise union members and help resolve disputes with employers.
- The trade union may also offer additional benefits to its employees such as financial services and legal advice.

ACAS (Advisory, Conciliation and Arbitration Service)

- When industrial disputes cannot be resolved, businesses will often ask for direct help from an organisation called ACAS.
- ACAS provides information, advice, training, conciliation and other services for employers and employees to help prevent or resolve workplace problems.
- Their overall aim is to improve employee relations and to prevent disputes from arising in the first place or escalating after they have begun.
- Often ACAS provides 'arbitration' whereby both sides in the dispute ask for an agreement to be reached to which they can both adhere.

5.6 Employee Legislation

New 2015

Question (5c) (3 Marks)

- Avoids discrimination within the workplace
- Requires organisations to promote equality
- They must ensure that their recruitment policies are compliant with the act
- They must have comprehensive anti-discrimination and harassment policies in place
- Action needs to be taken against barriers that prevent employees with protected characteristics from carrying out their job, making it accessible for them
 - Ensuring disability access in the workplace may be costly
- The organisation must investigate any accusations of discrimination and take action where necessary
- The organisation may face legal action
 - Could result in fines/sanctions
 - Reputation may be negatively affected

Old 2015

Question 2. (a) (5 Marks)

- An organisation can only hold information for a specific lawful purpose
- Not excessive
- It must register this purpose with the Data Protection Registrar
- Individuals have a right to access the information held about them
- Compensation may require to be paid if the information is inaccurate
- The information must be accurate

- The information must be up-to-date
- There must be appropriate security measures in place to safeguard the information
- Information should only be held for as long as necessary
- Permission is required to export the data out with EU

Practice Paper A

Question 2 (c) (4 Marks)

Equality Act 2010

- When job adverts are created, managers need to ensure that they have not been discriminatory in the wording of the advert or this could lead to prosecution.
- Any physical barriers that would stop someone from accessing the building need to be considered and dealt with; ramps, lifts, etc installed, or this could lead to the business being taken to court.
- All employees of a business need to be aware of legislation and what they need to do to comply with it so they don't break the law.

Employment Rights Act 1996

- Employers must provide a written statement of employment or they risk being taken to court by the employee
- Employers have the right to a payslip, so employers will need to keep a record of pay or they could be fined.
- Employees have a right not to be unfairly dismissed. So employers will need to have policies in place covering dismissal, to ensure that they don't unfairly dismiss an employee and end up in court.

National Minimum Wage Act 1998

- Employers must pay the legal minimum wage depending on the age of the employee. Failure to do so would result in the organisation being fined.
- This may mean an organisation has to budget carefully to ensure it can afford the wage costs or the organisation may not be able to pay the wages.

Practice Paper D (1c) (4 Marks)

- When job adverts are created, managers need to ensure they have not been discriminatory in the wording of the advert.
- Any physical barriers that would stop someone from accessing the building need to be considered. This means that ramps, lifts, etc may need to be installed at a high financial costs.

- All employees of a business need to be aware of legislation and what they need to do to comply with it, so policy documents will need to be drawn up and issued to all staff. This costs money and time
- If an employee feels they are being discriminated against, the organisation has a duty of care, This means they will have to investigate it and take action where necessary. This takes time and costs money.

Exemplar Paper

Question 4 (a) (3 Marks)

- Managers are required to ensure the organisation complies with the Act.
- Provides protection for employees who have “protected characteristics”.
- Organisation cannot discriminate because of: age, disability, gender, pregnancy and maternity, race, religion or belief and sexual orientation.
- Harassment — employees can complain of behaviour they find offensive even if it is not directed at them.
- Victimisation — someone is treated badly because they have made/supported a complaint or grievance under the Act.

6 Finance

6.1 The Role of Finance

2014

Question 2 (b) (4 Marks)

- Control costs – the Finance department will help control costs of an organisation which should help it be more profitable
- Monitor cash flow – will closely monitor cash flow and take corrective action if any problems arise to ensure proper liquidity
- Plan for the future – by analysing past and future trends the department will hopefully make decisions which will improve the organisation's efficiency
- Monitor performance – use the final accounts to analyse how the organisation has performed and help improve any areas of weakness identified
- Make decisions – the department will make use of the information it has to plan budgets and make financial decisions, this should help an organisation's performance and profitability
- Pay staff wages – ensure each worker is receiving the correct pay every period

Practice Paper B

Question (3a) (4 Marks)

- Reduce theft or breakages of stock
- Increase current assets
- Decrease current liabilities
- Use JIT stock management

Practice Paper C

Question (3a) (4 Marks)

- The figures are based on historic data and while past performance is a good indicator of future performance, it is only a guide.
- Making comparisons between different organisations can be difficult because there are often many differences, e.g. size.
- External factors (PESTE) are not taken into account
- No consideration is taken of what stage the product being sold is at in the Product Life Cycle.

- Only financial information is considered and so human resources are not factored in. For example, the recent retirement of an effective Chief Executive Officer (CEO) would be ignored. Staff motivation and morale are also ignored.
- New product developments are ignored.

6.2 Sources of Finance

New 2015

Question (4c) (4 Marks)

Share issue

- Shareholders become owners of plc which may mean founders lose control
- Large sums of money can be raised by this method

Government grant

- May take a long time to secure the grant
- Must meet specific conditions to secure grant
- Does not have to be paid back

Bank loan

- Simple and fast way to increase finance in business
- Interest charges may affect cash flow in a negative way
- Repaid in instalments which aids budgeting

Commercial mortgage

- Repaid with interest over long term

Debentures

- Interest is charged and may affect cash flow

Venture capital/business angels

- Will provide capital when banks think it is too risky; advise and support may also be provided to help improve/grow the business

Hire purchase... Leasing...

2014

Question 1(c) (5 Marks)

- Share issue – shares sold on the stock market (PLC)
- Share issue – people invited to buy shares (Ltd)
- Bank Loan – a loan paid back over time with interest

- Commercial Mortgage – a loan secured against property owned by the organisation
- Sell Assets/Land – sell assets to raise funds
- Venture Capitalists – investment from a venture capitalist who will receive a share in the organisation in return
- Retained profits – use retained profits from previous years to fund the takeover
- Debentures – loans paid back at the end of a period of time/with interest
- Govt grant – cash from the govt that does not need to be repaid

Practice Paper B

Question (3b) (4 Marks)

Selling Shares

- only available to limited companies on the stock market
- large sum of money raised
- have limited liability

Venture Capitalists

- available when other lenders consider the organisation too risky
- sometimes come with expertise and advice

Leasing

- no initial large investments
- any faults, breakdowns or maintenance are usually covered by the lease agreement
- organisation given most up to date models when they are released.

Mortgage

- can secure a large amount of money
- long period for repayment

Retained Profits

- no interest charged
- no increase/change in ownership
-

6.3 Cash Flow and Budgeting

New 2015

Question (4a) (4 Marks)

- They help to highlight periods when cash flow problems may occur;

- o This allows the organisation to take corrective action
- Cash budgets can be used to secure borrowing/show potential investors
- They can be used to make comparisons between actual spending and targeted spending
- They can show periods of surplus cash which could be used for capital investment
- They can be used to give departments/managers a budget/target to focus on
- They can be used to aid future financial planning
- They can help to measure performance of organisation/departments

Old 2015

Question 4. (4 Marks)

- Ensure less cash is tied up in stock
- Give customers a shorter credit period
- Lower credit limit to customers
- Owners should limit how much money they take out through drawings
- Reduce interest rates on loans if possible
- Ask suppliers for longer credit periods
- Attempt to increase sales through promotions/advertising – 1 max
- Reduce expenses as much as possible – 1 only for reduced expenses
- Place a hold on any capital expenditure
- Take out a loan
- Debt factoring

Practice Paper B

Question (3c) (2 Marks)

- It shows whether the business will have a surplus (more cash expected to come in than will go out) or deficit (more cash expected to go out than will come in). THIS MEANS THAT the business can take corrective action.
- It shows whether additional finance is required to ensure the business continues to operate effectively SO the business can arrange a loan.
- It helps control expenses by highlighting periods when expenses could be high. This lets the business ensure they have the funds available.
- It helps to make decisions, e.g. whether to launch into a new product area

- It measures performance of departments. Could be used as a target for the organisation and different departments within the organisation to work towards.

2014

Question 6 (5 Marks)

- Managers can compare actual budgets with planned budgets – if there are any deviations make corrective action where required
- Highlights periods where a negative cash flow is expected and then allows for appropriate finance to be arranged for that period
- Allows for investment to be made in times of excess cash flow
- Allows managers to control expenditure
- Used to set targets for workers and managers
- Can be motivational for employees

Specimen Paper

Question 3 (a) (4 Marks)

- Too much money tied up in unsold stock.
- Customers being given too long a credit period.
- Customers being given too high a credit limit.
- Owners taking excessive cash drawings.
- Suppliers not allowing a trade credit period.
- Sudden increase in an expense, eg heat and light.
- High capital expenditure outlay in one month instead of spreading payments over a period of time.

6.4 Financial Statements

New 2015

Question (4b) (2 Marks)

- To measure the organisation's market share
- To compare costs eg expenses
- To compare GP%/NP%
- To find out if they may be a target for takeover
- To help their own decision making
- To compare prices
- To offer better salaries

Old 2015

Question 4. (c) (3 Marks)

- Fixed Assets and Current Assets
- Gross Profit and Net Profit
- Debtors and Creditors
- Fixed Assets are possessions that last longer than one year whereas Current Assets are possessions that will change in value within a year
- Current Assets are more liquid than Fixed Assets
- Gross Profit is the profit made from trading only whereas Net Profit is the final profit made at the end of the period
- Gross Profit only takes in the cost of purchasing or manufacturing the good whereas Net Profit takes into consideration all overheads/expenses
- Debtors owe the business money whereas Creditors are owed money by the organisation
- Debtors are an asset to the business whereas Creditors are liabilities

Question 5. (a) (4 Marks)

- Trading account – shows the gross profit over a period of time
 - is the difference between the cost of goods sold and sales
- Profit and loss account – shows the net profit or loss over a specified period of time and takes into account all expenses
- Appropriation account – shows what has been done with the total funds available to a company. It shows the division of total funds between tax payments, investment, external loans, retention of cash balances and the distribution to shareholders
- Balance sheet – shows the value of a business at a specific date
 - contains items such as fixed and current assets, liabilities and capital
- Cash Flow Statement (FRS1) – shows the movement of cash in and out of the business over the financial year.

Accept new terminology Max 3 per account

2014

Question 5 (c) (3 Marks)

Gross Profit and Net Profit Fixed Assets and Current Assets Debentures and Shares.

- Gross Profit – turnover less cost of sales whereas Net Profit – profit after the firms expenses have been deducted from the gross profit
- Fixed Assets – items which the business owns and will be kept for longer than one year whereas Current Assets – items which the business owns and will be kept for less than one year
- Debentures – a loan where there fixed interest is paid over the stated period of the loan and then the full amount is paid back whereas Shares – investment in a company that receives a dividend each year if profits allow

Practice Paper A

Question (4b) (5 Marks)

- Reduce purchases (raw materials) to reflect falling sales.
- Find a cheaper supplier of raw materials
- Encourage debtors, those who have bought sales on credit, to pay quicker by offering cash discounts
- Take advantage of the full credit period to delay paying for purchases
- Encourage sales by advertising
- Arrange loans just before they are needed
- Rent or lease new machinery rather than buy it
- Reduce wage costs by
 - Reducing working hours
 - Banning overtime payments
 - Changing payment system to be based on sales
 - Terminating employment contracts, e.g. temporary staff
 - Moving production to another country with cheaper costs

Practice Paper C

Question (3c) (2 Marks)

- The balance sheet shows how much a business is worth, WHEREAS a profit and loss account shows how much profit an organisation has made.
- The balance sheet shows how many assets the organisation has, WHEREAS the profit and loss account lists all the expenses of the organisation.
- Both the balance sheet and the profit and loss account are prepared at the end of the financial year.
- Both the balance sheet and profit and loss account are used in ratio analysis.

Exemplar Paper

Question 3 (a) (3 Marks)

- Trading section of the Income Statement (Trading account) — shows the gross profit over a period of time. Gross profit is the difference between the cost of goods sold and sales (1 development mark).
- Profit section of the Income Statement (Profit and loss account) — shows the net profit or loss over a specified period of time and takes into account all expenses.
- Appropriation account — shows the amount of profits distributed to owners and the amount retained.
- Statement of Financial Position (Balance sheet) — shows the value of a business at a specific date. Contains items such as fixed and current assets, liabilities and capital

Question 3 (b) (2 Marks)

- To work out if they are making a similar percentage profit. GP% or NP%.
- To compare expenses.
- To see if they are ripe for a takeover.
- To measure the other organisation's market share.
- To aid decision making.

6.5 Ratio Analysis

Old 2015

Question 2 (e) (6 Marks)

- Compare current performance with previous years to see if there is any improvement
- To make comparisons with similar size organisations in similar industry
- To measure an organisation's profitability
- Allows for better control of expenses
- To show if an organisation has the ability to pay short term debts
- To measure an organisation's efficiency
- Allows for corrective action to be taken against inefficient areas
- Highlight trends so managers can be aware of profitable periods or problem periods eg seasonal demand Ratios can be historic and therefore not always accurate

- Different financial calculations can alter the ratio

2014

Question 5 (d) (4 Marks)

- To compare current performance with previous years to see if there is any improvement
- To make comparisons with similar size organisations in similar industry which allows them to analyse if the organisation is making appropriate GP% or NP%
- To measure an organisation's profitability which allows for better control of expenses
- To show if an organisation has the ability to pay short term debts which gives warnings to managers of the problems that could happen with higher than average debt ratios
- To measure an organisation's efficiency which allows for action to be taken against inefficient areas to improve on them
- Highlight trends so managers can be aware of profitable periods or problem periods, ie, seasonal demand

Specimen Paper

Question 3 (b) (6 Marks)

Advantages

- Good for comparing current performance with that of previous years.
- Good for comparing with rival businesses.
- Highlights differences in performance that will aid future decision-making/financial planning.
- Good for highlighting trends over a period of time.

Disadvantages

- Ratios are based on historic financial information which limits usefulness.
- Comparisons only useful if made with like-for-like organisations — firms in the same industry may differ in size/product mix/objectives.
- The accounting information used to calculate ratios does not take account of other internal factors, eg quality of managers/staff, staff motivation, staff turnover, location of business.
- Calculations do not show the implications of product developments or declining products.

- The accounting information used to calculate ratios does not include external factors — PESTEC.

Exemplar Paper

Question 3 (c) (5 Marks)

- Assumes the information they are based on is reliable.
- Information is immediately historical.
- Findings do not take into account external factors.
- New products or product development is not taken into account.
- Staff morale or turnover is not taken into account.
- Difficult to compare different organisations as you may not know the basis used, eg stock valuations.

6.6 Technology

Practice Paper A

Question (4a) (5 Marks)

Spreadsheets

- Perform 'what if' scenarios – by changing projected sales figures, the finance department can see the effect on profits
- Produce graphs and charts – easy to identify any changes in profits over a period of time
- Formulae calculations are carried out instantly and accurately – beneficial when preparing financial statements.
- Formulae are amended automatically when the spreadsheet is amended.
- Formulae can be replicated – saves time

Word

- Can be used to produce financial reports for shareholders – graphs and charts can be inserted in to word processed documents. THIS MEANS THAT the shareholder can get all the information they need in an easy to read and professional format.

Accounting Packages

- Used to calculate payroll, track credit transactions and produce Cash Budgets, Financial Statements and Ratio Analysis.
- One of the benefits of dedicated software is that a suite of specialised reports can be embedded within the system. THIS MEANS THAT reports that are relevant to the business can be produced quickly and accurately.
- Increase the speed of decision making
- These systems can also link into external bodies such as HM Revenue and Customs. This allows the electronic submission of forms, such as VAT returns. This process will remove human error from the submission process, as it is an automatic submission from the system.

Cloud Accounting/Computing

- Organisations do not physically process the software in their premises but simply access it on a rental basis from a remote site. This reduces short-term costs with no need for a dedicated server and will ensure that accounting data is backed up.
- Organisations can store their data in 'the cloud'. This means that the data can be accessed from anywhere and is usually backed up so there is less chance of it becoming lost or corrupt.

Practice Paper C

Question (3b) (4 Marks)

- (As above)