

**Published Mark Schemes for
GCE AS Business Studies
January 2010**

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**NORTHERN IRELAND GENERAL CERTIFICATE OF SECONDARY EDUCATION (GCSE)
AND NORTHERN IRELAND GENERAL CERTIFICATE OF EDUCATION (GCE)**

MARK SCHEMES (2010)

Foreword

Introduction

Mark Schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of 16- and 18-year-old students in schools and colleges. The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes therefore are regarded as a part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2010**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

TUESDAY 12 JANUARY, MORNING

MARK SCHEME

1 (a) Market share is important to a business such as Panasonic because;

- It needs to be able to monitor how it is performing against its competitors such as Samsung, LG and Sony.
- A larger market share usually translates into larger profits because Panasonic could control the market price for televisions.
- Losing market share might be a signal that Panasonic needs to extend the product life cycle for its TVs.
- It can be used to measure the success of Panasonic's various strategies such as its marketing mix.
- Shareholders will be concerned about it.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks
Level 2	[2] marks Candidate demonstrates good understanding of the importance of market share.	[2] marks Candidate applies knowledge effectively.
Level 1	[1] mark Candidate demonstrates some understanding of the importance of market share.	[1] mark Candidate attempts to apply knowledge.
Level 0	[0] marks Candidate demonstrates no understanding of the importance of market share.	[0] marks Candidate does not attempt to apply knowledge.

(b) The product life cycle charts the stages that a product will typically go through over its lifespan and measures the sales it is likely to have. The stages are development, introduction, growth, maturity and decline. It is not necessary for candidates to draw a product life cycle.

Analogue television sets reached the end of their life cycle and were replaced with digital ones. Brown panel sets were upgraded to flat panel ones. Now, it is suggested that 3D television represents the way forward for Panasonic.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks
Level 2	[2] marks Candidate demonstrates good understanding of the product life cycle.	[2] marks Candidate applies knowledge effectively.
Level 1	[1] mark Candidate demonstrates some understanding of the product life cycle.	[1] mark Candidate attempts to apply knowledge.
Level 0	[0] marks Candidate demonstrates no understanding of the product life cycle.	[0] marks Candidate does not attempt to apply knowledge.

(c) There are many implications for Panasonic of televisions having a shorter product life cycle. These might include;

- Product succession planning becomes more important. Panasonic needs to ensure that its research and development department is properly funded to continue to bring new products to market.
- Sufficient profits for a particular product need to be earned over a shorter period of time. This may mean that the pricing strategy for televisions will have to be changed.
- More market research and a higher promotional budget will be needed to move a new television into its maturity phases as quickly as possible.
- The workforce at Panasonic may have to become more flexible in order to produce new models using new techniques.
- There may be opportunities to gain market share from smaller competitors who cannot replace products so often. However, Panasonic will need to monitor the marketplace more closely.
- Panasonic may have to concentrate more on extension strategies.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks	A02 Analysis 4 marks
Level 2	[2] marks Candidate demonstrates good understanding of the relevant implications. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[4]-[3] marks Good analysis of relevant implications.
Level 1	[1] mark Candidate demonstrates some understanding of the relevant implications. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] mark Candidate attempts to apply knowledge.	[2]-[1] mark Limited analysis of relevant implications.
Level 0	[0] marks Candidate demonstrates no understanding of the relevant implications.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of relevant implications.

Credit should be given for answers which refer to the effects of a shorter product life cycle such as reduced profits.

- (d) A niche marketing strategy involves aiming a product at a particular group of customers in the market. Examples of such segments in the 3D television market include sports fans or video game players.

The advantages of Panasonic aiming the new 3D televisions at a niche market might include;

- Even a niche market in the television market is likely to be very large and profitable.
- Allows Panasonic to set a premium price for its 3D televisions knowing that customers in a niche market are more likely to pay.
- Panasonic can focus on customer needs in a niche market and allow it to gain a strong foothold against competitors.
- Design modifications can be finalised before a mass market is exploited. This might save expensive product recalls.
- It might be cheaper to launch the televisions in such a market. A good reputation might be built up more quickly amongst such specialised users.
- With a technological product such as 3D televisions, a niche market might have a very high growth rate.

The disadvantages of Panasonic aiming the new 3D televisions at a niche market might include;

- Niche market may not be profitable.
- Allows competitors time to develop 3D televisions aimed at the mass market. Reduces Panasonic's advantage over them.
- May not be a large enough segment to justify specialised product development and launch costs into it.
- Panasonic may make marketing decisions based on niche market experience which may not be valid for the mass market.
- Bad reputation gained in a niche market may spoil chances of success in the mass market for 3D televisions.
- May not be able to avail so much of economies of scale.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

	AO1 Knowledge and Understanding 3 Marks	A02 Application 2 marks	A02 Analysis 3 marks
Level 3	<p>[3] marks Candidate demonstrates very good understanding of the advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>		<p>[3] marks Very good analysis of arguments.</p>
Level 2	<p>[2] marks Candidate demonstrates good understanding of the advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] marks Candidate applies knowledge effectively.</p>	<p>[2] marks Good analysis of arguments.</p>
Level 1	<p>[1] mark demonstrates some understanding of the advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] mark Candidate attempts to apply knowledge.</p>	<p>[1] mark Limited analysis of arguments.</p>
Level 0	<p>[0] marks Candidate demonstrates no understanding of the advantages and disadvantages.</p>	<p>[0] marks Candidate does not attempt to apply knowledge.</p>	<p>[0] marks No analysis of arguments.</p>

	A04 Evaluation 4 marks
Level 3	<p>[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question.</p> <p>Answer is organised in a clear and coherent manner.</p>
Level 2	<p>[3]-[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question.</p> <p>Answer is organised in a satisfactory manner.</p>
Level 1	<p>[1] mark Candidate attempts some evaluation of the arguments presented.</p> <p>The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question.</p> <p>The organisation of the answer is limited.</p>
Level 0	<p>[0] marks Candidate makes no attempt to evaluate the arguments presented.</p>

- (e) A television manufacturer such as Panasonic is likely to experience both advantages and disadvantages of producing on a large scale.

Advantages

- Brand awareness will be raised as a result of operating on a large scale.
- Panasonic will become better known.
- Large scale production will mean that shortages are less likely.
- Panasonic will be able to target a mass market/global market.
- Goods can be made more quickly.
- Average costs fall leading to increase in profitability.

Disadvantages

- Losses may arise if demand is low, resulting in surplus stock.
- Panasonic may find it difficult to recruit workers.
- Panasonic may find it difficult to source materials.
- Products may need to be standardised.
- Increased costs.

Candidates may approach this question evaluating internal economies and diseconomies of scale:

The internal economies of scale experienced by Panasonic might include;

- The law of multiples. Panasonic will be able to employ a larger number of slower machines than fast ones so that a better overall balance in production is achieved.
- Increased dimensions. Increased plant size will lead to a proportionally smaller increase in costs.
- Machines will be able to be used at full capacity to make televisions so average production costs will fall.
- Flow production techniques will be employed by Panasonic enabling capital to replace labour.
- Managerial economies. Panasonic will be able to employ more specialised managers in order to increase efficiency.
- Financial economies. Panasonic would find it easier to raise capital and to borrow money. They may also receive more favourable interest rates.
- Purchasing economies. Panasonic will be able to buy raw materials for televisions in bulk, receiving discounts and keeping costs down.
- Marketing economies. Selling and administration costs will not rise in proportion to sales of televisions.

The internal diseconomies of scale experienced by Panasonic might include;

- Communication may become more difficult in larger factories so Panasonic may find it difficult to co-ordinate its activities.
- Morale amongst the workers at Panasonic may suffer as they see themselves becoming less important in a larger firm. This may impact upon productivity.
- Technical diseconomies in production may arise leading to an increase in average production costs beyond a certain level of output.

As part of their discussion, candidates should consider both economies and diseconomies of scale and come to a final judgement.

	AO1 Knowledge and Understanding 3 Marks	A02 Application 2 marks	A02 Analysis 3 marks
Level 3	<p>[3] marks Candidate demonstrates very good understanding of economies and diseconomies of scale.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>		<p>[3] marks Very good analysis of points.</p>
Level 2	<p>[2] marks Candidate demonstrates good understanding of economies and diseconomies of scale.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] marks Candidate applies knowledge effectively.</p>	<p>[2] marks Good analysis of points.</p>
Level 1	<p>[1] mark Candidate demonstrates some understanding of economies and diseconomies of scale.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] mark Candidate attempts to apply knowledge.</p>	<p>[1] mark Limited analysis of points.</p>
Level 0	<p>[0] marks Candidate demonstrates no understanding of economies and diseconomies of scale.</p>	<p>[0] marks Candidate does not attempt to apply knowledge.</p>	<p>[0] marks No analysis of points.</p>

	A04 Evaluation 4 marks
Level 3	<p>[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question.</p> <p>Answer is organised in a clear and coherent manner.</p>
Level 2	<p>[3]-[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question.</p> <p>Answer is organised in a satisfactory manner.</p>
Level 1	<p>[1] mark Candidate attempts some evaluation of the arguments presented.</p> <p>The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question.</p> <p>The organisation of the answer is limited.</p>
Level 0	<p>[0] marks Candidate makes no attempt to evaluate the arguments presented.</p>

2 (a) Reasons why HugX Ltd should carry out market research might include;

- Enables HugX to decide upon its marketing mix.
- Allows HugX Ltd to identify the wants and needs of consumers so that it can design the dog bowls to suit them.
- Modifications and improvements to dog bowl design can be made on the basis of feedback from customers.
- Will give HugX Ltd an idea of the size of its market so that production can take place at an appropriate scale.
- Allows HugX Ltd to identify different market segments such as those wanting a diamond studded bowl.
- To be aware of competition.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks
Level 2	[2] marks Candidate demonstrates good understanding of the reasons for market research.	[2] marks Candidate applies knowledge effectively.
Level 1	[1] mark Candidate demonstrates some understanding of the reasons for market research.	[1] mark Candidate attempts to apply knowledge.
Level 0	[0] marks Candidate demonstrates no understanding of the reasons for market research.	[0] marks Candidate does not attempt to apply knowledge.

- (b)** The marketing mix is the term used to describe the range of marketing activities that a firm can use to ensure that its output meets the needs and wants of its target market. The marketing mix includes product, price, place, promotion, processes, people and the physical environment.

HugX Ltd aims its products at customers with high disposable income. The product is made to very high specifications, is promoted accordingly and sold in upmarket stores at a premium price.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks
Level 2	[2] marks Candidate demonstrates good understanding of the marketing mix.	[2] marks Candidate applies knowledge effectively.
Level 1	[1] mark Candidate demonstrates some understanding of the marketing mix.	[1] mark Candidate attempts to apply knowledge.
Level 0	[0] marks Candidate demonstrates no understanding of the marketing mix.	[0] marks Candidate does not attempt to apply knowledge.

(c) HugX Ltd might have set the selling price at £49.99 per bowl for a number of reasons. These might include;

- Market research indicated that this was an acceptable price.
- The selling price needs to be compatible with the other elements of the marketing mix. It has to reflect both the build quality of the product and customer expectations regarding its value. Selling the bowls at a cheaper price would give customers the wrong image about the product.
- It has to be sufficient to cover both the costs of production and the risk involved in setting up in business. In other words, the bowls must meet the cost of the raw materials, production costs and include a mark-up for profit.
- The price of the bowls will be determined by the prices of competitors' products. HugX Ltd may want to show customers that it has a better quality bowl but it cannot go too far above competitors' prices without losing some customers.
- The price has to take into consideration the nature of the market segment that the product is aimed at. HugX Ltd has aimed its bowl at a 'sophisticated' niche market which may have an inelastic demand schedule. This enables it to set a higher than average price.
- Psychological pricing. £49.99 seems better than £50.

	AO1 Knowledge and Understanding 2 Marks	A02 Application 2 marks	A02 Analysis 4 marks
Level 2	[2] marks Candidate demonstrates good knowledge and understanding of factors determining selling price. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[4]-[3] marks Good analysis of relevant factors.
Level 1	[1] mark Candidate demonstrates some knowledge and understanding of factors determining selling price. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] mark Candidate attempts to apply knowledge.	[2]-[1] mark Limited analysis of relevant factors.
Level 0	[0] marks Candidate demonstrates no knowledge and understanding of factors determining selling price.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of relevant factors.

- (d) HugX Ltd operates as a private limited company. This means that it is incorporated and therefore is a separate legal entity from its owners. Shareholders liability is limited.

The advantages to HugX Ltd of operating as a private limited company might include;

- Easier to raise capital than a sole trader or partnership. There is no limit on the number of shareholders so HugX Ltd will find it easier to expand.
- Shareholders have limited liability. This limits Jane's risk to whatever she invests in the company.
- Outsiders cannot purchase shares in a private limited company so Jane can retain control.
- Continuity of existence. The limited company has a separate legal existence from that of its owners.

The disadvantages to HugX Ltd of operating as a private limited company might include;

- Accounts have to be filed with the Registrar of Companies and are then open to the public for inspection so Hugx Ltd cannot keep information from competitors.
- Profits now have to be shared out amongst shareholders so Jane needs to be careful that she does not issue too many shares.
- Compared to a sole trader or partnership, setting up a private limited company can be a more time-consuming and costly process for Jane.
- Jane is still limited in the capital she can raise since shares cannot be sold to the general public as in a public limited company.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

	AO1 Knowledge and Understanding 3 Marks	A02 Application 2 marks	A02 Analysis 3 marks
Level 3	<p>[3] marks Candidate demonstrates very good understanding of the advantages and disadvantages of private limited companies.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>		<p>[3] marks Very good analysis of arguments.</p>
Level 2	<p>[2] marks Candidate demonstrates good understanding of the advantages and disadvantages of private limited companies.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] marks Candidate applies knowledge effectively.</p>	<p>[2] marks Good analysis of arguments.</p>
Level 1	<p>[1] mark Candidate demonstrates some understanding of the advantages and disadvantages of private limited companies.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] mark Candidate attempts to apply knowledge.</p>	<p>[1] mark Limited analysis of arguments.</p>
Level 0	<p>[0] marks Candidate demonstrates no understanding of the advantages and disadvantages of private limited companies.</p>	<p>[0] marks Candidate does not attempt to apply knowledge.</p>	<p>[0] marks No analysis of arguments.</p>

	A04 Evaluation 4 marks
Level 3	<p>[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question.</p> <p>Answer is organised in a clear and coherent manner.</p>
Level 2	<p>[3]-[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question.</p> <p>Answer is organised in a satisfactory manner.</p>
Level 1	<p>[1] mark Candidate attempts some evaluation of the arguments presented.</p> <p>The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question.</p> <p>The organisation of the answer is limited.</p>
Level 0	<p>[0] marks Candidate makes no attempt to evaluate the arguments presented.</p>

- (e) A marketing plan begins with a marketing audit, designed to find out the internal and external factors which might affect a company's performance. This might be conducted using a SWOT or PESTLE analysis. In the light of this, the business must then set its marketing objectives and then devise marketing strategies which can be used to achieve those objectives.

The advantages to HugX Ltd of having a marketing plan might include;

- May be required in order to receive finance.
- It ensures the survival of HugX Ltd by giving it time to reflect upon the efficiency of its operations. The external environment changes constantly and HugX Ltd needs to take account of this.
- A marketing plan ensures that HugX Ltd uses its human and financial resources most effectively. Resources can be reallocated to where they are needed most.
- Through setting objectives and targets in the planning process, Jane will have a way of measuring the progress of HugX Ltd.
- The setting of such targets will also motivate Jane to achieve them.
- Ensures that the marketing mix is appropriate.

The disadvantages to HugX Ltd of having a marketing plan might include;

- The time and expense involved in drawing it up. Jane will also have to continually update it and evaluate progress. This takes focus off the core activities of HugX Ltd.
- The external environment is changing constantly so Jane will find it difficult to take account of all the relevant factors impacting upon HugX Ltd at any given time.
- Jane may find that having such targets might prove restrictive to HugX Ltd. Too much attention might be given to meeting targets causing the business to lose focus on its customers.
- It may be difficult or expensive for Jane to gather accurate, quantitative data necessary for a marketing plan.
- Workers may be demotivated if targets in plan not achieved.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

	AO1 Knowledge and Understanding 3 Marks	A02 Application 2 marks	A02 Analysis 3 marks
Level 3	[3] marks Candidate demonstrates very good understanding of the advantages and disadvantages of a marketing plan. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] marks Very good analysis of arguments.
Level 2	[2] marks Candidate demonstrates good understanding of the advantages and disadvantages of a marketing plan. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[2] marks Good analysis of arguments.
Level 1	[1] mark Candidate demonstrates some understanding of the advantages and disadvantages of a marketing plan. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] mark Candidate attempts to apply knowledge.	[1] mark Limited analysis of arguments.
Level 0	[0] marks Candidate demonstrates no understanding of the advantages and disadvantages of a marketing plan.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of arguments.

	A04 Evaluation 4 marks
Level 3	<p>[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question.</p> <p>Answer is organised in a clear and coherent manner.</p>
Level 2	<p>[3]-[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question.</p> <p>Answer is organised in a satisfactory manner.</p>
Level 1	<p>[1] mark Candidate attempts some evaluation of the arguments presented.</p> <p>The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question.</p> <p>The organisation of the answer is limited.</p>
Level 0	<p>[0] marks Candidate makes no attempt to evaluate the arguments presented.</p>

New
Specification



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2010**

Business Studies
Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

THURSDAY 21 JANUARY, AFTERNOON

**MARK
SCHEME**

- 1 (a) Explain what is meant by the term succession planning. Illustrate your answer using an example from the case study. [4]

Succession Planning

Succession planning includes analysing the current employment needs of the organisation, forecasting the future demand for employees, forecasting the future supply of employees and predicting labour turnover. In BP plc's case this is used to assess the strengths and depths of the workforce. Once these have been considered, the human resources department can then put in place strategies and courses of action to meet these needs. Bp plc believe that this is an important role as they take a long term approach to maintaining employment.

	AO1 Knowledge and Understanding 2 Marks	AO2 Application 2 Marks
Level 2	[2] Candidate demonstrates good understanding of the term succession planning	[2] Candidate makes good application of the terms
Level 1	[1] Candidate demonstrates some understanding of the term succession planning	[1] Candidate attempts to make some application of the terms
Level 0	[0] Candidate demonstrates no understanding of the the term succession planning	[0] No attempt at application

- (b) Explain what Tony Hayward means by an authoritarian leadership style. [4]

Authoritarian Leadership Style

The authoritarian leader makes all of the decisions for employees. Once objectives have been set by the manager, employees are expected to carry out the tasks exactly as the manager has stated. Under this approach employees within BP plc may have become dependant on managers as it is them who have made all of the decisions. Employees at BP plc would have needed high levels of supervision and may have been demotivated when working in these conditions. Because of the nature of this approach and the environment it creates, Bp plc's employees may have had a poor working relationship with management.

	AO1 Knowledge and Understanding 2 Marks	AO2 Application 2 Marks
Level 2	[2] Candidate demonstrates good understanding of what is meant by an authoritarian leadership style	[2] Candidate makes good application of the terms
Level 1	[1] Candidate demonstrates some understanding what is meant by an authoritarian leadership style	[1] Candidate attempts to make some application of the terms
Level 0	[0] Candidate demonstrates no understanding what is meant by an authoritarian leadership style	[0] No attempt at application

- (c) Analyse the benefits to BP plc of providing a comprehensive induction programme for its new employees. [8]

Induction

Workers at all levels within an organisation need training and one of the first training activities that workers are exposed to is induction. Induction at BP plc will provide a general introduction to the organisation and how it operates rather than being job specific. It is intended to help the new employee adjust to the new work environment and to meet other employees who they will be working alongside. The induction process at BP plc is an important activity for the human resources department as newly appointed employees are most likely to leave within the first few weeks of employment. BP plc’s induction provides an overview of the organisation, an explanation of how it works, and how employees can make a contribution to its success.

	AO1 Knowledge and Understanding 2 Marks	AO2 Application 2 Marks	AO3 Analysis 4 Marks
Level 2	[2] Candidate demonstrates good understanding of BP plc’s decision to provide induction training for its employees	[2] Candidate makes good application of the terms	[4–3] Good analysis of BP’s decision to provide induction training for its employees
Level 1	[1] Candidate demonstrates some understanding of BP plc’s decision to provide induction training for its employees	[1] Candidate attempts to make some application of the terms	[2–1] Limited analysis of BP’s decision to provide induction training for its employees
Level 0	[0] Candidate demonstrates no understanding of BP plc’s decision to provide induction training for its employees	[0] No attempt at application	[0] No analysis

- (d) Discuss the implications of de-layering for a firm such as BP plc. [12]

De-layering

In recent times there has been a tendency to remove layers within organisations and create flatter organisations.

Advantages of de-layering:

- De-layering could make BP plc more efficient.
- Communication at BP plc may be speeded up.
- Decision making at BP plc may be speeded up.
- There will be cost savings as a result of a smaller workforce.
- Overlap between jobs may be reduced or removed.

Disadvantages of de-layering:

- Unless the managers at BP plc have the correct skills and the capability to “manage” more, the advantages that should be gained can be lost.
- It may be argued that the managers who are left at BP plc simply have more to do.
- Specialist and experienced staff may be lost within BP plc.
- Motivation levels at BP plc may go down.
- Staff may look to change jobs before they are pushed.

	AO1 Knowledge and Understanding 3 Marks	AO2 Application 3 Marks	AO3 Analysis 2 Marks	AO4 Evaluation 4 Marks
Level 3	[3] Candidate demonstrates excellent understanding of the implications for a firm such as BP plc delayering	[3] Candidate makes excellent application of the terms	[2] Excellent analysis of the implications for a firm such as BP plc delayering	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[3] Candidate demonstrates good understanding of the implications for a firm such as BP plc delayering	[3] Candidate makes good application of the terms	[2] Good analysis of the implications for a firm such as BP plc delayering	[2–3] Candidate gives a satisfactory evaluation of the arguments presented. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the implications for a firm such as BP plc delayering	[1] Candidate attempts to make some application of the terms	[1] Limited analysis of the implications for a firm such as BP plc delayering	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the implications for a firm such as BP plc delayering	[0] No attempt at application	[0] No analysis	[0] Candidate gives no evaluation of the arguments presented and forms a final judgement. QWC is poor.

- (e) Evaluate the effectiveness of using financial incentives for an organisation such as BP plc. [12]

Drawbacks of Financial Incentive Schemes

Incentive schemes that attempt to encourage more efficient and more productive work can have many drawbacks.

- Workers at BP plc may not be able to achieve targets through no fault of their own. As an example if an employee is working on an assembly line and the line goes down, the worker may fail to meet the targets that were agreed.
- There may be changes in the external environment that may result in changes in demand or supply for the product or service. This is particularly evident in the environment in which BP plc operates in. In such cases, the employee has no control over the achievement of targets.
- Quality can also suffer at BP plc if employees become reliant on an incentive scheme. If there is pressure to achieve targets, these may be pursued by taking shortcuts or cutting corners.
- Unhealthy staff relationships can also develop if employees become jealous of others and resent the payments being made to them.

Advantages of Financial Incentive Schemes

Incentive schemes that attempt to encourage more efficient and more productive work can also have many advantages.

- Employees at BP plc who are motivated by financial rewards will try to work harder to achieve a higher wage.
- Incentive schemes can be linked to productivity at BP plc, ensuring that output will increase as workers work harder.
- If wages are directly linked to performance, in situations where demand falls for BP plc's products fall, the total wage bill will also fall.
- A competitive working environment can develop where employees will compete against each other, benefiting output and performance for BP plc as a whole.

	AO1 Knowledge and Understanding 3 Marks	AO2 Application 2 Marks	AO3 Analysis 3 Marks	AO4 Evaluation 4 Marks
Level 3	[3] Candidate demonstrates excellent understanding of the effectiveness of using financial incentives for an organisation such as BP plc	[2] Candidate makes excellent application of the terms	[3] Excellent analysis of the effectiveness of using financial incentives for an organisation such as BP plc	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the effectiveness of using financial incentives for an organisation such as BP plc	[2] Candidate makes good application of the terms	[2] Good analysis of the effectiveness of using financial incentives for an organisation such as BP plc	[2–3] Candidate gives a satisfactory evaluation of the arguments presented. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the effectiveness of using financial incentives for an organisation such as BP plc	[1] Candidate attempts to make some application of the terms	[1] Limited analysis of the effectiveness of using financial incentives for an organisation such as BP plc	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the effectiveness of using financial incentives for an organisation such as BP plc	[0] No attempt at application	[0] No analysis	[0] Candidate gives no evaluation of the arguments presented and forms a final judgement. QWC is poor.

2 (a) Explain two reasons why John should draw up a cash flow forecast for Homegrown. [4]

- To allow John to forecast periods when outgoings are higher than incomings.
- To allow John to highlight periods when overdraft facilities may be needed.
- To allow John to take remedial action before cash flow problems arise.
- To allow John to identify areas where costs need to be cut.
- To allow John to identify seasonal fluctuations and take appropriate action.

	AO1 Knowledge and Understanding 2 Marks	AO2 Application 2 Marks
Level 2	[2] Candidate demonstrates good understanding of why John should draw up a cash flow forecast for Homegrown	[2] Candidate makes good application of the terms
Level 1	[1] Candidate demonstrates some understanding of why John: should draw up a cash flow forecast for Homegrown	[1] Candidate attempts to make some application of the terms
Level 0	[0] Candidate demonstrates no understanding of why John should draw up a cash flow forecast for his Homegrown	[0] No attempt at application

(b) Calculate the following for Homegrown: [4]

(i) The total payments for January
 (ii) The net cash flow for April
 (iii) The closing balance for April
 (iv) The closing balance for June

- (i) 11500
- (ii) (1500)
- (iii) 7000
- (iv) 13500

(c) Analyse possible reasons for the variances that have occurred in Homegrown.

Variances in relation to sales, raw materials and wages can arise as a result of many factors including:

- Random Deviations. Variances can be outside the control of Homegrown
- Cash flow is set incorrectly. Sometimes the forecasts may be set too ambitiously or some expenses may be omitted. However, if John is careful when drawing the cash flow forecast up this should not occur.
- External shocks may have an impact on demand.
- Prices may rise unexpectedly as a result of inflation.
- Economic conditions may make it difficult for debtors to pay on agreed dates.
- Sales may have been forecasted too highly.
- Seasonal variations may not have been taken into account.
- Costs of raw materials may change.

	AO1 Knowledge and Understanding 2 Marks	AO2 Application 2 Marks	AO3 Analysis 4 Marks
Level 2	[2] Candidate demonstrates good understanding of possible reasons for the variances that have occurred in Homegrown	[2] Candidate makes good application of the terms	[4–3] Good analysis is made of possible reasons for the variances that have occurred in Homegrown
Level 1	[1] Candidate demonstrates some understanding of possible reasons for the variances that have occurred in Homegrown	[1] Candidate attempts to make some application of the terms	[2–1] Limited analysis is made of possible reasons for the variances that have occurred in Homegrown
Level 0	[0] Candidate demonstrates no understanding of possible reasons for the variances that have occurred in Homegrown	[0] No attempt at application	[0] No analysis is made

- (d) Discuss the advantages and disadvantages to John using variance analysis within Homegrown. [12]

Advantages

- Variance analysis allows John to analyse areas where greater control needs to take place.
- Variance analysis identifies areas where actual and budgeted figures differ.
- Variance analysis helps make John's organisation more efficient
- Variance analysis helps with the management process.
- Variable analysis provides quantitative data on which decisions may be based.
- Variance analysis can provide information that can be used as a benchmark for future years.

Disadvantages

- Variance analysis is no substitute for good management.
- The process can be quite rigid, meaning that there is no flexibility for managers to deviate from the set budget if required. For example due to unforeseen circumstances, an organisation may be faced with a downturn in sales.
- A manager may feel that additional advertising is needed, but this may not have been identified in the budget.

	AO1 Knowledge and Understanding 3 Marks	AO2 Application 3 Marks	AO3 Analysis 2 Marks	AO4 Evaluation 4 Marks
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of John using variance analysis within Homegrown	[3] Candidate makes excellent application of the terms	[2] Good analysis is made of the advantages and disadvantages of John using variance analysis within Homegrown	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages of John using variance analysis within Homegrown	[2] Candidate makes good application of the terms	[2] Good analysis is made of the advantages and disadvantages of John using variance analysis within Homegrown	[2–3] Candidate gives a satisfactory evaluation of the arguments presented. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages of John using variance analysis within Homegrown	[1] Candidate attempts to make some application of the terms	[1] Limited analysis is made of the advantages and disadvantages of John using variance analysis within Homegrown	[1] Candidate gives some evaluation of the arguments presented. QWC is satisfactory.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of John using variance analysis within Homegrown	[0] No attempt at application	[0] No analysis is made of the advantages and disadvantages of John using variance analysis within Homegrown	[0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor.

- (e) Evaluate the usefulness of motivational theories to a business such as Homegrown.

Advantages

- The hierarchy can be used to increase motivation within Homegrown.
- John can identify where individuals fit into Maslows hierarchy.
- Individual needs can be met based on where individuals fit into Maslows hierarchy.
- Productivity should increase as a result of increased motivation.
- Better working relationships should exist within the workplace.

Disadvantages

- It may be difficult for John to put the theory into practice.
- The model assumes that workers want to be motivated.
- It may be difficult to identify where individual workers fit into the hierarchy.

	AO1 Knowledge and Understanding 3 Marks	AO2 Application 2 Marks	AO3 Analysis 3 Marks	AO4 Evaluation 4 Marks
Level 3	[3] Candidate demonstrates excellent understanding of motivational theories for a business such as Homegrown		[3] Excellent analysis of the usefulness of motivational theories for a business such as Homegrown	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the usefulness of motivational theories of needs for a business such as Homegrown	[2] Candidate makes good application of the terms	[2] Good analysis of the usefulness of motivational theories for a business such as Homegrown	[2–3] Candidate gives a satisfactory evaluation of the arguments presented. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the usefulness of motivational theories of needs for a business such as Homegrown	[1] Candidate attempts to make some application of the terms	[1] Limited analysis of the usefulness of motivational theories for a business such as John's	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the usefulness of motivational theories of needs for a business such as Homegrown	[0] No attempt at application	[0] No analysis	[0] Candidate gives no evaluation of the arguments presented. QWC is poor.

