



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2013**

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

THURSDAY 20 JUNE, MORNING

MARK SCHEME

General Marking Instructions

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 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 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.

- 1 (a) Explain what is meant by the term cash flow, using an example from the case study to illustrate your answer.

Cash flow is the amount of money flowing into and out of a business over a period of time. Cash flow is vital to all businesses – if they don't ensure they have a healthy cash flow then they could find themselves in difficulty paying essential bills.

- Nestlé's cash flow decreased over the 12 month period by CHF (millions) 4,100 (5769 – 1669 CHF millions).

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the term cash flow.	[2] Candidate makes good application of the term cash flow to a business such as Nestlé.
Level 1	[1] Candidate demonstrates some understanding of the term cash flow.	[1] Candidate attempts to make some application of the term cash flow to a business such as Nestlé.
Level 0	[0] Candidate demonstrates no understanding of the term cash flow.	[0] No attempt at application.

[4]

(b) Explain two benefits to Nestlé of using non-monetary methods of motivation.

Nestlé offer its employees non-financial incentives.

- quality should not be affected because of poor quality work
- workers will feel more responsible for their own team's decisions
- employees feel committed and will be anxious to make their own team successful
- it can eliminate boredom
- team working can bring about a more motivated workforce; they may be much more flexible and can cover for each other if an absence arises
- team working is linked to Maslow and peoples need for belonging.

Other valid points accepted.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of what is meant by non-monetary methods of motivation.	[2] Candidate makes good application of the term non-monetary methods of motivation.
Level 1	[1] Candidate demonstrates some understanding of what is meant by the term non-monetary methods of motivation.	[1] Candidate attempts to make some application of the term non-monetary methods of motivation.
Level 0	[0] Candidate demonstrates no understanding of what is meant by the term non-monetary methods of motivation.	[0] No attempt at application.

[4]

(c) Analyse possible methods that Nestlé might use to improve its cash flow.

Cash flow is the most liquid of all business assets. In order to improve its cash flow Nestlé's can:

- keep up-to-date business records
- always plan ahead and keep accurate cash flow forecasts
- run an efficient credit control department
- speed up cash inflows
- delay cash outflows
- cutting or delaying expenditure
- finding additional funding to cover cash shortages.

Other valid points accepted.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of the cash flow.	[2] Candidate makes good application of the term cash flow to Nestlé.	[4]–[3] Good analysis of the term cash flow.
Level 1	[1] Candidate demonstrates some understanding of the term cash flow.	[1] Candidate attempts to make some application of the term cash flow to Nestlé.	[2]–[1] Limited analysis of the term cash flow.
Level 0	[0] Candidate demonstrates no understanding of the term cash flow.	[0] No attempt at application of the term cash flow to Nestlé.	[0] No analysis.

[8]

(d) Discuss the advantages and disadvantages to business such as Nestlé of having a flat organisational structure.

- fewer layers of managers may reduce costs
- a flatter structure is where a number of layers of management have been reduced and each manager has a wider span of control
- individual managers may have less time for each subordinate and must therefore delegate effectively
- more delegation means that staff are given greater responsibility, which might mean more opportunity to use their ability
- staff may become overstretched, which may in turn cause stress within Nestlé
- communication can be improved due to layers being removed and a further reduction in overheads should mean greater efficiency overall
- fewer opportunities for promotion.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of flat structure and their importance to a business such as Nestlé.	[2] Candidate shows excellent application of the term flat structure and their importance to a business such as Nestlé.	[3] Excellent analysis of the implications for a firm such as Nestlé of flat structure and their importance to a business such as Nestlé.	[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 flat structure and their importance to a business such as Nestlé.	[2] Candidate makes limited application of the flat structure and their importance to a business such as Nestlé.	[2] Good analysis of the implications for a firm such as Nestlé of analysing their flat structure.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.

Level 1	[1] Candidate demonstrates some understanding of flat structure and their importance to a business such as Nestlé.	[1] Candidate makes no application to Nestlé of the term flat structure.	[1] Limited analysis of the implications for a firm such as Nestlé of analysing their flat structure.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of flat structure and their importance to a business such as Nestlé.	[0] No attempt at application of the flat structure and their importance to a business such as Nestlé.	[0] No analysis of the implications for a firm such as Nestlé of flat structure and their importance to a business such as Nestlé.	[0] Candidate gives no evaluation of the arguments presented and forms a final judgement. QWC is poor.

[12]

(e) Evaluate the usefulness of budgeting to an organisation such as Nestlé.

A budget is a plan. A budget is normally a target and Nestlé will want to stick as closely to the planned budget as possible.

Advantages:

- to ensure that no department or individual spends more than the company expects, thereby preventing unpleasant surprises
- to provide a yardstick against which a manager's success or failure can be measured and rewarded. The company can then provide bonuses for achieving or beating the profit target
- to enable spending power to be delegated to local managers who are in a better position to know how best to use the firm's money. This should improve and speed up decision making process – and help motivate the local budget holders
- budgets are often said to be motivational
- required for bank loans
- shows FAV/ADV variances.

Disadvantages:

- budgeting is not an exact tool because it is based on assumptions and predictions which are subject to error
- clever or powerful managers may be able to convince their bosses to provide a higher budget than is really necessary
- can de-motivate staff within Nestlé.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the impact of budgeting on a business such as Nestlé.	[2] Candidate shows excellent application of the term budgeting on Nestlé.	[3] Excellent analysis of budgeting in relation to Nestlé.	[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 impact of budgeting on a business such as Nestlé.	[2] Candidate makes good application of the term budgeting on Nestlé.	[2] Good analysis of budgeting in relation to Nestlé.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the impact of budgeting on a business such as Nestlé.	[1] Candidate attempts to make some application of the term budgeting on Nestlé.	[1] Limited analysis of budgeting in relation to Nestlé.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the impact of budgeting on a business such as Nestlé.	[0] No attempt at application of the term budgeting on Nestlé.	[0] No analysis of budgeting in relation to Nestlé.	[0] Candidate gives no evaluation of the arguments presented and forms a final judgement. QWC is poor.

[12]

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- 2 (a) Explain the term Curriculum Vitae (CV). Illustrate your answer with an example from the case study.

A list of a person's qualifications, work and achievements which is used as a method of selection. Apple wants potential candidates to send in a CV.

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

[4]

(b) Explain how technology has had an impact on communication, in a business such as Apple.

- makes work quicker
- communicate easier
- buy and Sell over the Internet
- open to a wider consumer base
- increased costs of purchasing equipment
- improved customer satisfaction
- increased sales and profit
- less paperwork – invoices/receipts, etc
- it takes away from face-to-face interaction.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of how technology has impacted on a business.	[2] Candidate makes good application of the term impact of technology on Apple.
Level 1	[1] Candidate demonstrates some understanding of how technology has impacted on a business.	[1] Candidate attempts to make some application of the term impact of technology on Apple.
Level 0	[0] Candidate demonstrates no understanding of how technology has impacted on a business.	[0] No attempt at application.

[4]

(c) Analyse the benefits of using team working for a business such as Apple.

Employees are all grouped together in teams making sure that the team has the full range of abilities and skills required to make the iPad, iMac and iPhone, etc.

- Apple encourages teamwork – you can be a coach, partner, and friend
- productivity can increase
- flexible working arrangements can be used
- ideas can be generated through brainstorming ideas
- employees may become specialists in that particular area
- employees feel more responsible for their own team’s decisions
- employees feel more committed to Apple
- team working increases overall job satisfaction
- may be more willing to take risks.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of team working.	[2] Candidate makes good application of the term team working to a business such as Apple.	[4]–[3] Good analysis of team working.
Level 1	[1] Candidate demonstrates some understanding of team working.	[1] Candidate attempts to make some application of the term team working to a business such as Apple.	[2]–[1] Limited analysis of team working.
Level 0	[0] Candidate demonstrates no understanding of team working.	[0] No attempt at application.	[0] No analysis.

[8]

(d) Discuss the advantages and disadvantages of an authoritarian leadership style in a business such as Apple.

Steve Jobs was a forthright and demanding leader. He was quite a dictator. His style of leadership was autocratic. An autocratic leadership style is one where the manager sets objectives, allocates tasks, and insists on obedience. Therefore the team become dependent on him. This can lead to a lot of supervision by Steve Jobs and little motivation of staff.

Advantages:

- Theory X approach to management using rewards for good behaviour and performance, and penalties for bad performance
- there are clear lines of authority
- can result in quick decision-making.

Disadvantages:

- prevents staff from promotion and development
- it can cause resentment because Apple would be so reliant on the manager and there would less participation by other workers
- can be de-motivating
- very little if any consultation and delegation
- managers may have little faith in their employee's ability
- may be used because managers are reluctant to give up their powers
- there may be a need for a lot of supervision
- prevents staff from learning new skills.

An autocratic is needed when quick decisions need to be made. Steve Jobs was the genius behind Apple and it was his creative mind that made Apple a success.

Autocratic suited Steve Jobs because of the tasks set and the tradition of the company.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent knowledge and understanding of advantages and disadvantages of authoritarian style of leadership.	[2] Candidate demonstrates excellent application.	[3] Excellent analysis of an authoritarian style of leadership.	[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 advantages and disadvantages of authoritarian style of leadership.	[2] Candidate makes good application of the term monetary method of motivation.	[2] Good analysis of the implications for Apple of using monetary methods of motivation.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of advantages and disadvantages of authoritarian style of leadership.	[1] Candidate attempts to make some application of the term monetary method of motivation.	[1] Limited analysis of the implications for apple of using advantages and disadvantages of authoritarian style of leadership.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of advantages and disadvantages of authoritarian style of leadership.	[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.

[12]

- (e) Evaluate the use of monetary methods of motivation within a business such as Apple.

Workers respond to financial rewards. Examples of financial incentives include wages, salaries, piece rate, commission, fringe benefits, PRP and profit-sharing.

Apple gives their employees fringe benefits and share ownership.

As part of their discussion candidates can evaluate the advantages and disadvantages of using monetary methods of motivation without making reference to specific methods of motivation.

Advantages:

- motivates
- appeals to Theory X workers
- encourages to work harder to reach targets
- increased productivity
- creates a sense of loyalty to Apple.

Disadvantages:

- they are costly to Apple
- they may cause resentment amongst employees. A Them vs. Us Culture.

A **fringe benefit** is received over and above their wages/salaries. Apple allows their employees to receive products at a discounted rate. They are a tax efficient way of rewarding employees. Also, it will help Apple achieve even greater sales. It will motivate staff in two ways:

- may satisfy the basic needs outlined by Maslow. They also meet the hygiene factors as outlined in Herzberg's two-factor theory
- the awarding of fringe benefits can be linked to achievement and promotion
- it can make employees more loyal to the company. Retain staff for longer
- workers and managers identify more closely with the company objectives – they understand that they will benefit (dividends and share value) if the company does well
- a fringe benefit rewards employees without actually increasing their wage or salary. They do add on additional costs to the company however
- fringe benefits can be more common at senior level, this can lead to resentment further down the hierarchy.

Share ownership

It has been argued that workers in Apple would be:

- motivated by owning a share in the business
- they would then have an incentive to work hard because their efforts contribute to profit
- Apple would benefit from high profits as they get a share of the profits
- the value of shares in Apple would rise if the company is successful.

Commission

Is a payment system mainly used with sales representatives. It is a payment made when the employee reaches a set target. An employee may be paid a basic salary and any commission on top. Basic pay tends to be quite low.

Time rates

Rewards employees for the amount of hours they actually spend working.

- employees may not rush their work
- as a result quality is not affected
- there is no incentive to work harder and employees can waste valuable time
- employees may need to work overtime – which adds additional overheads to the business.

Piece rates

Rewards an employee according to the quantity of products produced.

- employees may rush their work
- quality may drop
- the business would need to bring in quality control to ensure the products are made to the correct standard
- employees may lose out on pay if a machine breaks down – this is not their fault but may still be at a loss.

Performance-related pay

PRP is a pay designed specifically to motivate staff. PRP gives employees additional pay for meeting an agreed target. The targets may have been set based on their appraisal. However, the bonus set may be too low to motivate staff. Targets may be virtually impossible to achieve in the eyes of the employees, therefore it could de-motivate staff.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of monetary methods of motivation.	[2] Candidate demonstrates excellent application of monetary methods of motivation.	[3] Excellent analysis of monetary methods of motivation.	[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 monetary methods of motivation.	[2] Candidate makes good application of the term monetary methods of motivation.	[2] Good analysis of monetary methods of motivation.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of monetary methods of motivation.	[1] Candidate attempts to make some application of the term monetary methods of motivation.	[1] Limited analysis of monetary methods of motivation.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of monetary methods of motivation.	[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.

[12]

Total

40

80