

# **MARKSCHEME**

**May 2001**

**BUSINESS AND ORGANISATION**

**Standard Level**

**Paper 1**

1. Explain *three* factors that Foremost will need to take into account when deciding upon the location of their new design and production premises. [6 marks]

**Labour** - they need to consider the needs of those that currently work for them and ensure that their needs *e.g.* transport are taken into account. They also need to ensure that there is sufficient future labour available with the appropriate skills.

**Cost of relocation**

**Physical size and quality** of the proposed new premises

**Local bylaws** *e.g.* traffic restrictions.

**Proximity of competitors**

**Market** - need to be accessed by customers

**Services** - need to ensure the correct services are available in the quantity required, *e.g.* waste disposal, utilities.

**Transport** - need to consider the cost of transporting raw materials to the workshop and finished good to the restaurants. Also need to consider transport links for staff and for suppliers and customers.

**Local services and amenities** - should be considered in regard to the needs of their staff

**Government grants** - may be available for relocating in certain areas

**Image of the area**, - should be appropriate to their needs

*(Award up to [2 marks] for each factor explained and related to the case study up to a maximum of [6 marks].)*

2. What particular problems do small businesses, such as Foremost, experience if they decide to trade overseas? [6 marks]

**Problems**

with which countries should they trade?

how will they enter overseas markets?

what they will sell overseas and how they should adapt their current product

price charged?

promotion method

distribution channels

tariffs

political risks

legislation

increased transport and distribution costs

remoteness of customer

language barriers

cultural differences

exchange rates

economic factors

customer needs

competition

social influences

skills of local labour

inflation and taxes

*(Award up to [2 marks] for each problem described and appropriate to the case study up to a maximum of [6 marks].)*

3. (a) Produce a cashflow budget for Foremost for the January to June 2001. [8 marks]

\$000s	Jan	Feb	Mar	Apr	May	June
Inflow						
Balance Brought forward	60	205	196	(49)	(54)	(83)
Capital	200					
Sales:						
Cash	80	160	120	200	160	240
Credit	20	20	40	30	50	40
Total Inflow	360	385	356	181	156	197
Outflow						
Purchases:						
Cash	50	75	60	100	75	130
Credit	30	50	75	60	100	75
Advertising			12			
Wages	60	60	60	60	60	60
Telephone	3			3		3
Electricity	8			8		8
Rates			5			
Purchase of premises			180			
Insurance			9			
Motor costs	4	4	4	4	4	4
Total outflow	155	189	405	235	239	280
Closing Balance	205	196	(49)	(54)	(83)	(83)

**Level 4 [8 marks]**

Produces a correct cashflow budget that contains no errors. It is laid out in a suitable format and includes all information.

**Level 3 [5 to 7 marks]**

Produces a cashflow budget that contains few errors. It is laid out in a suitable format and includes most information.

**Level 2 [3 to 4 marks]**

Produces a cashflow budget that contains several errors. It may not be laid out in a suitable format or does not include all information required.

**Level 1 [1 to 2 marks]**

Attempts to produce a layout, but it is incorrect and/or contains many omissions.

- (b) **Outline, with reference to Foremost, *two* ways in which the company could improve cashflow.**

***[2 marks]***

avoid making all annual repayments in March  
arranging shorter credit sales repayments  
negotiating longer payment periods with their creditors  
spreading annual payments monthly  
spreading payments for telephone and electricity monthly  
increasing sales revenue  
reducing costs  
renting/leasing/mortgaging premises

*(Award [1 mark] for each suggestion outlined, up to a maximum of [2 marks].)*

4. **Using motivation theories to support your answer, assess the contribution of investing in the training and development of staff.**

*[8 marks]*

**Benefits**

improved motivation  
highly skilled  
work to quality standards  
pride in work  
work as a team  
feel valued  
achieve higher levels of Maslow's hierarchy  
achieve Herzberg's motivators rather than hygiene factors  
transferable skills  
staff suitable for promotion  
staff use initiative and suggest improvements

**Costs**

expensive in terms of costs for training  
productivity reduced due to time away from job  
staff may move on when they are trained  
possible headhunting  
threat to line managers if staff become more highly skilled

***Level 4 [7 to 8 marks]***

Assesses at least two advantages and disadvantages of investing in training and development of staff and uses theory such as Maslow and Herzberg appropriately to support the answer.

***Level 3 [5 to 6 marks]***

Assesses at least one advantage and disadvantage of investing in training and development of staff and attempts to use theory such as Maslow and Herzberg appropriately to support the answer, though there may not be reference by name.

***Level 2 [3 to 4 marks]***

Attempts to assess at least one advantage and/or one disadvantage of investing in training and development of staff but may not use theory such as appropriately to support the answer.

***Level 1 [1 to 2 marks]***

Writes a very limited response.

5. (a) **If Foremost accepts the Big Bucks' contract, explain how it might experience lower costs when moving from a unique and individual style of design and production, to a standardised style.**

**[3 marks]**

This is due to economies of scale. The advantage gained when an increase in the scale at which a business operates will lead to a reduction in unit cost.

*(Award [1 mark] for recognising that they will gain increasing economies of scale and up to a further [2 marks] for a correct definition and /or relating economies of scale to the case study.)*

- (b) **If Foremost decide not to accept the contract from Big Bucks. Evaluate *three* alternate methods of promotion Foremost could use to attract new customers.**

**[6 marks]**

attend trade exhibitions  
mailshot prospective customers  
internet website  
visits to prospective customers  
lunch and dinner meetings  
hold meetings in recently refurbished restaurants  
celebrity endorsement

The candidate should recognise that they have a cashflow problem and should not be awarded marks for expensive suggestions such as radio and TV advertising

They should not be awarded marks for suggesting personal recommendations and advertising in trade magazines.

***Level 3 [5 to 6 marks]***

Evaluates three alternative methods of promotion in detail, which are directly relevant to the case study.

***Level 2 [3 to 4 marks]***

Attempts to evaluate three alternative methods of promotion but the answer lacks detail or relevance to Foremost OR candidate evaluates 2 methods of promotion in detail with relevance to case study.

***Level 1 [1 to 2 marks]***

Writes a limited response.

6. (a) **Write a memo, in the appropriate format, to Mike Collinson, explaining the advantages and disadvantages of appointing a training manager, instead of continuing to subcontract to a training and development company.**

**[7 marks]**

**Advantages**

training programme specific to Foremost's needs  
possibly cheaper than subcontracting  
Mike and Stella have more control over staff development.

**Disadvantages**

cost - salary/recruitment  
lacks the economies and breadth of a large, specialised firm  
new manager may lack the expertise indicated by the training award.

*(Award [1 mark] for a memo produced in an appropriate format to, from, date, subject.)*

**Level 3 [5 to 6 marks]**

Explains at least two advantages and disadvantages of appointing a training manager, and compares this to subcontracting to the training and development company

**Level 2 [3 to 4 marks]**

Explains at least one advantage and disadvantage of appointing a training manager, and attempts to compare this to subcontracting to the training and development company

**Level 1 [1 to 2 marks]**

Produces a limited response.

- (b) **If Foremost decide to appoint a training manager select the *four* most important qualities you would expect the person to have, providing a reason for each quality selected.**

**[4 marks]**

good interpersonal skills  
organised  
leadership qualities  
ability to be part of a team  
good written and oral communicator  
able to meet deadlines  
self starter  
conscientious  
patient  
enthusiastic

*(Award [1 mark] for each quality identified with a suitable reason and applicable to a training manager up to a maximum of [4 marks]. If only a list is produced award a maximum of four qualities of [2 marks].)*

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