



**2010 Business Management**

**Higher**

**Finalised Marking Instructions**

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**Section 1**

1. Identify the problems faced by i-Design. You should use the following headings. (Please identify problems only, solutions will not be credited.)

- Finance
- Human Resource Management
- Operations
- External Factors

**Finance**

- Shares slumped by 12.9%
- Delays will affect the money i-Design make from selling advertising
- Profits in 2008 fell
- Cost of move to new offices
- Losses increasing each year

Treat costs and profits separately – max 1 for each

**Human Resources Management**

- Lack of workers with the required skills to sell the product
- Cost of recruiting (sales) staff is expensive
- Do not have a large enough HRM department to carry out training
- Outside training agencies are expensive
- Staff retention
- Needed more staff

**Operations**

- Slower than expected introduction of its system for putting advertising on ATM machines/Having to reschedule work to a later date
- HSBC no longer going to use ATM: ad
- Largest contract of i-Design with RBS hit problems with the product installation

**External Factors**

- UK credit crunch ) OR one general point for “bad economic situation”
- Inflation rising )
- UK banks putting a hold on any increased or new expenditure
- Uncertainty in the financial sector

(10)

Max 3 per area

2. (a) *Describe the role of the Human Resource department in employee relations.*

- Recognition of trade unions
- (Written) procedures for dealing with staff complaints
- (Written) terms and conditions for all staff
- Make use of worker directors
- Use of works councils
- Ensure employees are aware of the goals and objectives of the organisation
- The role of appraisal
- Work with ACAS and take part in collective bargaining process
- Take part in conciliation process
- Take part in arbitration process

(No ID marks are awarded)

(5)

Any role of human resource management MUST be linked to employee relations

(b) *Explain the effects that poor employee relations could have on an organisation.*

De-motivated workforce may result in:

- Decreased productivity
- Increased staff turnover
- Increased staff absenteeism
- Impact on the quality of output
- Less co-operation of staff during periods of change could make it harder to introduce new policies or procedures

Increased industrial action which would have:

- Long-lasting effects on sales
- Reduced productivity
- Poor image of the organisation might mean potential customers and investors go elsewhere

(When the command word 'explain' is used there must be a development to explain the reason. No marks are credited for merely identification.)

(4)

3. *i-Design focus closely on customer requirements.  
Discuss the advantages and disadvantages of customer grouping.*

**Advantages**

- Service and product is tailor-made to customer needs
- Promotions can be directed towards specific customer groups
- Customer loyalty is built up due to personal service
- Quick response to change

**Disadvantages**

- Is an expensive system, due to high staff costs
- New staff are required if new customer group is formed
- Duplication of resources
- Competition between departments (either advantage or disadvantage depending on explanation)

Max of 3 and 1

(4)

4. *Describe the factors that would result in a quality decision being made.*

- 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 – 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 when making decisions
- Motivation of staff to properly implement the decision
- Finance
- Technology

(No ID marks are given.)

(4)

5. *Describe and justify 4 methods of direct selling that could be used by an organisation. (A different justification must be used to support each description.)*

- 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.)

(8)

Accept TV – shopping channels (description)

Phone/Door-to-door/Personal Selling = max 1

6. *Explain the reasons why some organisations produce a mission statement.*

- Could be released to the press which would help market the business and its products
- Issued to all employees allowing them to see the firm's aims and objectives linked to their roles as employees
- Shows the organisation's plans for the future and therefore how the customers will be treated/affected
- Will detail social responsibilities of the organisation which may attract customers to the organisation
- Could be used to attract quality staff who would agree with the information contained in the mission statement
- Improve the image of the organisation which could increase sales

(When the command word 'explain' is used there must be a development to explain the reason. No marks are credited for merely identification.)

(3)

7. *i-Design is a private sector organisation.*

(a) *Compare the objectives of a private sector organisation with those of a public sector organisation.*

- 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

(4)

On a point of distinction must show both parts and not just "and the other one doesn't"

(b) *Describe the different interests 5 stakeholders may have in an organisation.*

- Customers are interested in the best price for quality products
- Employees are interested in job security
- Managers are interested in future promotion prospects
- Suppliers are interested in receiving payment for supplies
- Banks are interested in the stability of the organisation
- Local community are interested in the social responsibility of the organisation
- Owners/shareholders are interested in the profits that the organisation makes
- Government are interested in the firm complying with laws and paying taxes

(5)

Any National Government interest – max 1

Local and national governments – treat separately if different interests

If managers and employees given then managers interest must be managerial

8. *Describe the main features of a matrix structure.*

- 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

(3)

Total 50 marks

[END OF SECTION ONE]

**Section 2**  
**SOLUTIONS**

1. (a) *Describe 5 factors an organisation might take into account before choosing a supplier of raw materials.*

- Do they supply appropriate quality raw materials
- Will they deliver on time and meet deadlines
- Can they supply the quantity needed
- Is the price competitive with rivals/best/value
- Do they offer any discounts
- Do they offer credit payment terms
- Is delivery free
- Is the supplier a reliable business
- Is the location of the supplier close
- Time/Price/Quality (will need description)

(No ID marks are awarded, ie, 'price' as a single word would not be credited with a mark.)

(5)

(b) *Discuss the advantages and disadvantages of empowering staff within an organisation.*

**Advantages**

- Employees will be more motivated and will produce more
- Decisions are made quicker as the employees doing the work make the decisions
- Employees gain more skills
- Employees should come up with better ideas on how to solve problems
- Employees are better prepared for promotion
- Senior managers are freed up for strategic decision making

**Disadvantages**

- All employees may not want the responsibility of making decisions
- Can be a costly process to train staff properly
- Managers may not trust lower level employees to make correct decisions
- Can mean increased cost of wages to employ appropriate staff

Max 5 and 1

(6)

Motivated/Job satisfaction/Valued/Morale etc – all need development before marks can be gained



(c) *Describe the main characteristics of high quality information.*

- Timely – information must be available when needed and be up-to-date
- 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

(No ID marks are awarded. A description of the characteristic must be given to be credited with a mark, ie, the word ‘timely’ would not be given a mark.)

(5)

No marks for a list

If no label given, characteristic being describe must be clearly identifiable to gain award

(d) *Explain the role of the finance department in an organisation.*

- 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

(When the command word ‘explain’ is used there must be a development to explain the reason. No marks are credited for merely identification.)

(4)

(e) *Describe the factors an organisation would take into account before choosing a channel of distribution.*

- The product being sold – if the product is flowers it needs to be a fast method with appropriate facility to transport flowers
- The finance available within the organisation – if there is limited finance available then this will affect the choice of channels
- The image of the product – if the image is of a high quality product this will affect the channel that the organisation chooses
- The reliability of the other companies in the chain
- Legal restrictions
- Where the product is in the life cycle
- The organisation's own distribution capabilities
- Durability of the product

Accept examples as part of the description.

(5)

Total 25 marks

2. (a) *Discuss the effects of ICT on an organisation.*

- Increased productivity for the organisation as more is produced using ICT and robotic machinery
- 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
- Resistance to the technology by staff
- Improved communications should exist both internally and externally
- More professional documentation will be produced
- The organisation will gain a competitive edge over its rivals who do not fully use ICT
- Teleworking will be possible for staff within the organisation as the ICT will exist to allow them to work from home

(Invites positive and negative comments but full marks can be awarded for positive or negative comments only.)

(5)

Do not accept uses only

Financial costs – max 1

(b) *Discuss the advantages and disadvantages of using a structured decision making model.*

**Advantages**

- Helps to identify the problem as managers are forced to go through a process
- By gathering all relevant information no rash decisions are made
- Ensures time is taken to analyse the information and develop alternative solutions
- 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

**Disadvantages**

- Is a time consuming process to gather the information
- Decision-making process is slowed down and is not good if quick decisions are required
- Is difficult to choose from a range of solutions as it is not always clear which is best
- Gut instincts and creativity are stifled due to having to follow a rigid process

Max 6 and 1

(7)

Time can be an advantage or disadvantage if described well

(c) *Appraisal has identified poor performance for a member of staff. Describe the actions that a manager could take to improve the employee's performance.*

- Employees may be set appropriate targets
- Staff training would be given
- 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 no skills the worker has are being overlooked or underused
- Appoint a mentor to a worker to give them support/advice

(No ID marks are given, ie, the word 'training' alone would not be credited with a mark.)

(4)

Financial incentive – max 1

(d) *Describe a selection process that an organisation could use to ensure it employs the best workers.*

- Compare application forms and CVs
- Send for references
- Interview the candidates (max 1)
- Test the candidates eg psychometric, aptitude etc (max 1)
- Second set of interviews for a short leet
- Use assessment centres for some candidates – must be different to just testing if testing given already

(No ID marks are awarded, ie, 'CVs' would not be credited with a mark.)

(4)

Ignore order

Give no appointment stage

- (e) *Many companies are now classed as multinationals. Explain the advantages and disadvantages of operating as a multinational.*

**Advantages**

- An organisation may be given grants from governments to locate in that country and the grants will not require to be paid back improving their financial position
- Organisations will become larger which may result in them being safer from takeovers
- Can allow organisations to increase their sales which in turn should increase their overall profits
- Will allow organisations to take advantage of economies of scale and reduce unit costs of products
- Could allow organisations to employ cheaper staff which will result in greater profitability
- May help avoid legal restrictions in the organisation's own country which could allow them to sell/produce their products abroad
- Could allow for tax advantages which will increase profitability
- Will mean the organisation can avoid restrictions on imports into a country which will help overall sales

**Disadvantages**

- Legislation may be different in other countries which may require the organisation to alter its product/service
- Legislation may exist on how a product/service is marketed and may result in some marketing techniques having to be changed
- Cultural differences will mean that organisations have to be sensitive to different countries cultures
- Different languages will exist and this may mean that organisations have to employ specialist linguists to work with the organisation

Max 4 and 1

(5)

Total 25 marks

3. (a) *Describe the reasons why organisations focus on research and development.*

- Ensure consumers are provided with the products they want – this is the only Market Research point available
- Improves on existing products
- Produces new products
- Keeps the organisation ahead of its competitors
- Finding a unique product can become very profitable
- Ensures products are safe

(No ID marks are awarded, ie, the words ‘unique products’ would not be credited with a mark.)

(4)

(b) *Describe the benefits to an organisation of staff training.*

- The flexibility of staff to carry out different jobs is increased
- Staff ability to carry out jobs is improved
- Staff knowledge of systems and processes is improved
- This should increase productivity within an organisation
- May also increase profits if productivity is improved
- Training will be motivational to staff
- Makes the introduction of change easier for managers
- The overall image of the organisation is improved
- May be easier to recruit staff if training is given

(No ID marks are awarded. A description must be given to be credited with a mark.)

(5)

(c) *Explain how various methods of extending a product's life cycle can increase sales.*

- Improve the product – this will attract new consumers to purchase the product, or previous consumers to retry the product to find out what has been improved or if the product is better
- Alter the packaging – this may appeal to a different market segment or may attract new customers to the product as the packing is eye-catching. Eg, Pepsi altered the colour of their cans to attract a younger generation
- Increase/decrease the price – price changes can attract new consumers to purchase the product and existing consumers to purchase more of the product. Price rise may make the product seem more exclusive and attract new customers. Price decrease may mean existing customers purchase more of the product. Eg, lowering the price will mean families with lower income may purchase the product
- Use a different or new advertising campaign/advertising media – this will highlight the product in a different manner or could be eye-catching to a new group of consumers. Eg, change advertising from newspapers/billboards to TV
- Change the use of the product – new use of the product will be popular with different market segments than the original use and attract a wider consumer base. Eg, Lucozade became a fitness drink from a health drink
- Introduce line extensions to the product – various product line extensions will appeal to different segments and may increase overall sales
- Change the name of the product – by changing the name, the product may appear different or better in the eyes of the consumer. Also allows for a whole new range of promotions/adverts to be launched which should attract attention
- Alter the place the product is sold – selling the product in a variety of ways will mean a larger number of consumers can purchase the product, ie, selling online can attract a worldwide audience

An example can be used as part of the explanation of the method

(When the command word 'explain' is used there must be a development to explain the reason. No marks are credited for merely identification.)

(6)

Allow more than one explanation per method

(d) *Describe the advantages and disadvantages of methods of physical distribution that a producer could use to get their product to consumers.*

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

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

Watch for flipping and repetition between methods

(No ID marks are awarded, ie, 'rail transportation' would not be credited with a mark.)

(5)

Minimum of 2 methods required

If no label, method must be clear from advantages/disadvantages given to gain award(s)

Accept: industrial action (max 1)

Accept: delays – max 1 under each heading as long as they are different delays



(e) *Discuss the effects of becoming part of a franchise.*

- Using an established name/brand
- Reduces the risk of failure in the marketplace
- Franchiser will provide training
- Franchiser will advertise nationally
- Business idea is already successful
- Product innovation is shared
- Royalties are paid to the franchiser from profits
- Franchiser can demand exactly how a business operates
- Bad publicity can affect the whole franchise

(Invites the use of positive and negative comments but full marks can be gained by only positive or negative comments.)

(5)

Total 25 marks

4. (a) Describe 4 different sources of long term finance available to a private limited company.

- Bank loan – paid back over a number of years with interest – time or interest payable
- Commercial mortgage – paid back over a long period with interest – commercial or property must be mentioned together with time or interest payable
- Venture capitalists – invest in an organisation if a more risky venture is undertaken/may request a share in the organisation in return
- Invite new shareholders to invest in the organisation
- Local/national government grants which do not have to be paid back
- Sale and leaseback of any assets will gain finance
- Sell off unwanted assets to raise finance
- Debentures – issued to investors and interest payments are made yearly with the lump sum paid back at an agreed time – interest or repayment at end of term needed
- Retained profits of the organisation reinvested

(No ID marks are awarded, ie, 'bank loan' would not be credited with a mark. A description must be given to gain the mark.)

(4)

Do not accept loans from friends and family

If no label given, description must make clear which method is being described to gain award

(b) (i) Describe accounting ratios managers could use.

- Current ratio: – current assets/current liabilities shows the ability to pay short term debts, answer of 2:1 is the accepted ratio
- Acid test ratio: – current assets – stock/current liabilities shows the ability to pay short term debts quickly, 1:1 is the accepted ratio
- Gross profit ratio: – gross profit/sales x 100 measures the percentage profit made from buying and selling stock
- Net profit ratio: – net profit/sales x 100 measures the percentage profit after expenses have been paid
- ROCE: – net profit/opening capital x 100 measures the return on capital for investors in a business, can be compared to other organisations or a safe investment such as a building society
- Mark Up: – gross profit/cost of good sold x 100 measures how much is added to the cost of goods for profit

(Credit the ratio with a mark.)

(6)

Max 3 per ratio

If no label for ratio, ratio being described must be clear to gain award

(ii) *Explain the limitations of using accounting ratios.*

- Information is historical which means it could lead to bad decisions being made as it is out of date
- Does not take into account external factors therefore the business may have performed well during a recession (max 1 – do not need example)
- Does not show staff morale which may be poor and the business has therefore performed well
- Recent investments are not shown which could result in future increase in performance/profits
- New products could just have been launched and again these may improve performance although ratios will not show this
- Can only be used to compare against similar organisations which may not be of great use in certain situations for managers
- Different accounting process used from one year to the next can alter ratios which could result in the wrong decisions being made

(When the command word ‘explain’ is used there must be a development to explain the reason. No marks are credited for merely identification.)

(5)

(c) *Describe 4 different sales promotions that could be carried out by a retailer.*

- Free samples to consumers to attempt to make them purchase the product if they like the sample
- Credit facilities given to customers to allow them to pay back over a period of time
- Bonus packs for customers that often have extra free amounts or a gift included
- BOGOF – buy one item and get another item free of charge
- Competitions used by companies which consumers enter to win prizes
- Demonstrations of products in supermarkets to let customers try products/services before purchasing
- Loyalty cards

(No ID marks are awarded, ie, ‘credit facilities’ would not be credited with a mark. A description must be given.)

(4)

Do not accept advertising

(d) Describe the uses of ICT in decision making.

- Spreadsheets in ICT can allow for projections to be made
- Comparisons or what if scenarios can be done using spreadsheets
- Can improve the speed of handling the information/data with use of database or spreadsheets
- Should allow access to better quality information by using the Internet
- Larger amounts of information can be stored and retrieved quicker using databases allowing for easier access to information
- Presentation software can be used to show customers/staff information on which decision will be based
- Information can be shown in more easy to understand format using presentation/wp/dtp software
- Wp software can allow for decisions to be communicated via letters
- E-mail can allow for instant flow of information/attachments during the decision making process
- Videoconferencing can be used to have face-to-face discussions over a wide area when making decision

(No ID marks are awarded, ie, 'formulas in spreadsheets' would not be credited with a mark. A link to decision making is required.)

(6)

Total 25 marks

Must link to decision making

ID of piece of ICT is not needed – difficult to gain many marks

5. (a) (i) *A manager decides to grant a worker's request to have a week's holiday. Identify and justify this type of decision.*

- Operational decision
- Is a decision made by a lower level manager
- Has little or no risk
- Is made on short term basis

(2)

No consequentiality

(ii) *Describe 2 other types of decisions and give an example of each.*

- Tactical decision is medium term/is made by middle level managers/has a slightly increased risk
- Any appropriate example
- Strategic decision is long term/made by senior managers/has a greater risk
- Any appropriate example

(Consequentiality is possible from part a(i).)

(4)

(b) (i) *Describe different methods organisations can use to develop a corporate culture.*

- 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 interacts with customers
- Merchandising of products linked to the organisation

(No ID marks are awarded, ie, the word 'merchandising' alone will not be credited with a mark. A description must be given to gain the mark.)

(4)

Do not accept team building

(ii) *Explain the advantages to an organisation of having a strong corporate culture.*

- Improved customer satisfaction and loyalty as the consumers associate with that organisation due to brand/logos, etc
- Increased staff motivation as they can associate with the organisation
- Staff can move between branches/departments easier as they are aware of the practices and policies
- Staff will form an identity with the organisation which could result in reduced absences or lower staff turnover
- A single corporate identity is given to customers who will then associate with that organisation
- The organisation can be easily recognised anywhere in the world which will allow customers to feel comfortable with products/services wherever they are

(When the command word 'explain' is used there must be a development to explain the reason. No marks are credited for merely identification.)

(4)

(c) *Distinguish between job production and flow production.*

- Job production is a one-off product whereas flow production is mass production
- Job production can allow for higher prices to be charged
- Specifications can be changed in job production easily whereas in flow, the same product is continually produced
- Job production is more motivating to workers whereas in flow, workers are doing the same task repeatedly
- Skilled workers are required in job production but not in flow
- Costs are spread over only one product in job production but can be spread over more than one product in flow which may reduce unit costs
- Labour costs are often higher in job production

(5)

- (d) *Organisations use various forms of advertising media to bring their products to the attention of consumers.  
Describe and justify different forms of advertising media.*

Television

- Large audiences can be targeted at the one time which allows it to cover all market segments
- Products can appear appealing which will attract more customers
- High profile can be maintained with regular advertising which will keep the product in the consumer's mind

Newspapers/Magazines

- National or local exposure can be obtained in order to suit the market segment or product
- Technical information can be given to customers which is necessary for some products or situations such as high specification cars
- Customers can refer back to the advert allowing consumers longer to make purchasing decisions
- Large national circulations allow for a large exposure of the product or service over wide geographical locations

Radio

- Cheaper than television therefore saves the organisation's costs
- Can have a captive audience as listeners tend not to change channels if an advert comes on
- Particular radio shows will allow for specific market segments to be targeted

Billboards/Posters

- Can have an excellent visual impact which will last in the consumer's mind
- Is frequently seen by the same consumer which will enhance the impact

Internet

- The use of links can allow exact markets to be targeted which should increase the effectiveness of the advert
- It is very easy to change adverts on websites which allows for them to be constantly changed quite cheaply

Direct Mail

- Specific market segments are targeted based on previous purchasing which may result in repeat sales
- Is a cheap method of advertising which saves the organisation costs

(No ID marks are awarded.)

(6)

Total 25 marks

No more than 3 forms – max 1 per description of form  
Max 2 for justifications per form  
Do not accept repeated justifications

[END OF MARKING INSTRUCTIONS]