



2010 Business Management

Intermediate 1

Finalised Marking Instructions

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Intermediate 1**

Section 1 Solutions

1 *Identify 2 strengths of Jamie and Drew's business.*

- No competition.
- Tea is becoming very popular.
- Drew's experience/skills.

(2)

Max 1 for advantage of partnership

2 *During his time at Starbucks, Drew saw a rise in tea drinking.*

(a) *Describe 2 effects on a business of changes in demand for a product.*

- Fall in number of customers.
- Reduction in sales.
- Reduction in profits.
- Cash flow problems.
- Bankruptcy.
- Max 1 profit/customer.

(2)

(b) *State **one** internal factor that may affect the running of Tea Tree Tea.*

- Lack of finance.
- Poorly skilled staff.
- Poor stock control.
- Poor decision making.
- Breakdown of equipment.

(1)

3 *Drew felt that the tea was overpriced at £1.85.*

(a) *Identify and describe **one** method of pricing that a business may use.*

- High price – prices higher than other businesses.
- Market price – prices are the same as other businesses.
- Low price – prices are lower than other businesses.
- Destroyer pricing – prices much lower than competitors.
- Promotional pricing – prices reduced for a short time.

Any other reasonable answer

(2)

(b) *Give 2 reasons why choosing a suitable price is important.*

- So customers will buy product.
- To cover costs.
- To make a profit.
- To be competitive.

(2)

4 *Describe 4 benefits to a company of having a website.*

- Can reach more customers.
- Form of advertising.
- Can save money as no need to have shop etc.
- Can collect customer information easily.

(4)

Provide information – max 1 (eg prices, location, contact details)

5 *Survival will be an important objective for Tea Tree Tea in its first year of trading.*

(a) *Suggest why this would be important.*

- Financial investment at risk.
- To allow them to earn a salary.
- To allow them to pay their bills.

(1)

(b) *State 2 objectives of a Charity.*

- Provision of a service.
- Increase donations.
- Attract more volunteers.
- Increase sales (charity shops).
- To fund research.
- To relieve poverty.

(2)

6 *Tea Tree Tea may carry out staff appraisals.*

(a) *Define the term staff appraisal.*

- This is a review of an employee's performance.

(1)

(b) *Give 2 advantages of using staff appraisal.*

- Can set targets.
- Can give praise for good work.
- Help identify employees for promotion.
- Will motivate employees.
- Increased morale.
- Increased job satisfaction.

(2)

Watch for repetition between (a) and (b)

7 (a) *Outline 3 reasons why Tea Tree Tea might prepare a cash flow statement (cash budget).*

- Can see how much cash the organisation has available.
- Can see amount of money coming in/can see the amount of money firm is spending (max 1).
- Can identify any cash flow problems.
- Can arrange for extra finance.
- Can allow you to see when you have extra money to spend.

(3)

(b) *Identify the finance terms being described in the table below.*

- Debtors.
- Drawings.
- Gross Profit.

(3)

Total 25 marks

[END OF SECTION ONE]

Section 2 Solutions

1 *Thorntons plc is a public limited company (plc). State 2 features of a plc.*

- Owned by shareholders.
- Shares sold on stock market.
- Minimum of 2 shareholders.
- Run by a Board of Directors.
- Minimum start up capital.
- Limited liability.

(2)

2 *Thorntons uses machines in the production of chocolates.*

(a) *Outline 2 benefits of automation.*

- Produce products quicker.
- Produce large quantities.
- Products identical.
- Machines do not require breaks/holidays.

(2)

(b) *Thorntons aims to produce the finest quality confectionery. Describe 2 ways that they can ensure their chocolates are high quality.*

- Use good quality raw materials.
- Train workers.
- Check products at various stages.
- Maintain/update machinery.

(2)

3 *Identify 2 external stakeholders of Thorntons and describe their influence.*

- Customers – decide to buy or not buy a product.
- Suppliers – increase their prices.
- Banks – charge high rates of interest/decide to lend or not.
- Local community – complain to local council.
- Government – introduce new laws.

(4)

One mark ID one mark Influence

4 *Thorntons will use information from a variety of sources.*

(a) *Define each of the following sources of information and give an example.*

- Primary – first hand information gathered for a purpose eg a questionnaire, interview, observation.
- Internal – information taken from within a company eg financial record, personnel data.

(4)

(b) *Describe 2 uses of information in a business.*

- To help make decisions.
- To measure costs.
- To monitor performance.
- Identify business opportunities.

(2)

5 *Identify and describe 2 different methods of promotion that Thorntons could use.*

- Advertising – using TV/Radio to inform customers (max 1).
- Special Offers – BOGOF, 25% Discount (no max).
- Celebrity endorsement – getting a celebrity to advertise product.
- Free Samples – giving customers free products to try.

Any other reasonable promotion.

(4)

6 *Thorntons had to recruit employees for its new stores.
Outline 3 stages in the recruitment process.*

- Job Analysis.
- Job Description.
- Person Specification.
- Advertise the job.
- Send out application forms.

Any 3 stages in any order.

(3)

7 (a) *Define the term publicly funded organisation.*

- Organisations set up by government.
- Organisations owned by government.
- Organisations funded by taxes.

(1)

(b) *Give one example of a publicly funded organisation.*

- Local authority school or housing.
- NHS hospital.
- BBC.

Any other reasonable answer.

(1)

(a) do not accept funded from public – must say taxes

Total 25 marks

[END OF MARKING INSTRUCTIONS]