



**2011 Business Management**

**Intermediate 2**

**Finalised Marking Instructions**

© Scottish Qualifications Authority 2011

The information in this publication may be reproduced to support SQA qualifications only on a non-commercial basis. If it is to be used for any other purposes written permission must be obtained from SQA's NQ Delivery: Exam Operations Team.

Where the publication includes materials from sources other than SQA (secondary copyright), this material should only be reproduced for the purposes of examination or assessment. If it needs to be reproduced for any other purpose it is the centre's responsibility to obtain the necessary copyright clearance. SQA's NQ Delivery: Exam Operations Team may be able to direct you to the secondary sources.

These Marking Instructions have been prepared by Examination Teams for use by SQA Appointed Markers when marking External Course Assessments. This publication must not be reproduced for commercial or trade purposes.

**2011 Business Management  
Intermediate 2  
Section 1 Solutions**

1. *Tom Hunter is an entrepreneur. Describe the role of an entrepreneur.*

- Someone who develops a business idea.
- Brings together the other factors of production.
- Willing to take a risk in order to produce a good or provide a service.
- Initially make all the business decisions.
- Raising start-up finance.

**1 mark per point.**

**(3)**

---

---

2. *The Hunter Foundation is a charitable organisation whereas West Coast Capital is a private partnership.*

*Compare the objectives of a charity with those of a partnership.*

- Charities will want to make maximum donations in order to help the cause whereas a partnership will want to make maximum profits for their partners.
- Charities will want to survive in order to continue to help the needy etc whereas a partnership will want to survive in order to continue making money for themselves.
- Charities will want to grow in order to help gain more donations and help more people whereas a partnership will want to grow in order to dominate a market.
- Charities will want to ensure their social image is intact so that people will continue to donate to their cause whereas a partnership will want to keep a good social image to ensure customers will continue to use their services.

**1 mark for comparing objectives – both sides required to gain mark**

**(2)**

If written as unconnected lists – use code (eg A, B) to show links – need to be quite obvious objectives to link together

---

Watch for repetition

---

3. *All of West Coast Capital's businesses use promotional activities.*

*Identify and describe 3 methods of promotion that can be used by an organisation in order to attract customers.*

- Newspaper Advertising – promoting a product or service through a printed image – colour, text enhancement used. ) Max 2 for any type of advertising – 4 marks
- TV Advertising – promoting a product or service through the medium of TV – moving image, sound, colour etc. )

[Advertising on own – 1 mark ID

Advertising done through the medium of TV – 2 marks

TV advertising – 1 mark ID

Newspaper/TV etc must have Advertising after for ID mark

Billboards on own – OK]

- Product endorsement – using a famous personality to wear/use a particular product – fans follow their idols and buy the product.
- Product placement – paying for products to appear in popular TV programmes or films – subtle way of advertising.
- BOGOFs/2 for 1/3 for 2 – consumer buys one product and gets another free – feel they are getting more for their money.
- Bonus Packs – eg 50% free whereby a consumer gets more of the product for the same money.
- Competitions – consumer buys a product then gets the chance to win something by entering a competition eg on cereal boxes, magazines etc.
- Free Samples – in supermarkets staff give out taster samples of new products or consumer gets free perfume samples when buying from a cosmetic counter.
- Direct Mail – sending specific details of products or services directly to identified consumers ie target market.
- Fundraising
- Discounts
- Promotional pricing/Sales
- Introductory Offer

**1 mark per method identified – max 3**

**1 mark per description – max 3**

**(6)**

---

Descriptions must be different for each method of promotion identified

---

Do not accept other extension strategies eg change product, change name etc

---

4. *Identify 3 problems that have faced Tom Hunter and West Coast Capital and explain why each of these was a concern to them.*

- Bad timing – Tom Hunter made this announcement when the financial climate was turning bad which means that it was very difficult to fulfil the pledge if he had no money to do so.
- TOO MUCH debt – WCC was carrying large debts which people would be requiring to be paid which takes away money he could have donated.
- Stock market falling – WCC investments are losing money (are worth less than they were previously) this means that they will gain less by selling the stock on.
- Property prices falling – people are unwilling to pay as much for property as they were previously therefore less profits are being made.
- Banks not lending – this affects the ability of consumers to get money to spend which will affect WCC by having less demand for their products and services.
- Consumer not spending – less houses are being demanded, therefore property sales falling, falling profits etc.
- Taxation – high levels of tax being charged by UK government which may force people to move from the UK to avoid paying this.

**1 mark per problem – max 3**

**1 mark per explanation – max 3**

**(6)**

---

Accept any reasonable explanation of a problem

---

ID taken from text – explanation needs to show they understand the problem to explain it

---

General problems – financial crisis, loss of profits etc – accept as ID

---

5. *One of the possible options for the future is for West Coast Capital to restructure some of its businesses. This could be done by downsizing some businesses.*

*Describe 3 advantages of downsizing.*

- Cuts costs – save them money on wages.
- Money being saved on smaller premises etc, which could lead to increased profits.
- Empowers more staff as responsibilities are being shared out amongst more people.
- Streamlining an organisation and letting them focus on their core activity will make them more efficient at that activity.

**1 mark per described advantage**

**(3)**

Do not accept obvious delaying advantages without ensuring they are relevant to downsizing  
eg faster communication due to fewer branches to communicate with

---

---

6. *West Coast Capital, like all organisations, would draw up a cash budget.*

*Describe the purpose of drawing up a Cash Budget.*

- To predict the cash inflows and outflows for a period of time.
- To compare actual cash flows to the predicted figures.
- To highlight periods of cash shortages.
- To allow an organisation to prepare for/take corrective action against predicted cash shortages eg arrange a loan.
- To highlight periods of cash surpluses.
- To allow an organisation to plan for large future purchases.
- To avoid liquidity problems.

**1 mark per described advantage**

**(3)**

Do not accept any reference to profit or loss in the description

---

---

7. *During difficult financial times, many organisations may have to employ staff on a more flexible basis.*

*Describe the following types of employment:*

- *Temporary*
- *Part-time.*

**Temporary**

- Job lasts for a short period of time.
- Period of time is often fixed.
- Often referred to as fixed term contracts.

**Part-time**

- Worker works less hours than with full-time contract.

**1 mark per type**

**(2)**

Accept a temporary contract is not a permanent contract

---

---

[END OF SECTION ONE]



## Section 2 Solutions

1. (a) *Enterprise is a factor of production. Identify and describe the other 3 factors of production.*

- Land – all natural resources.
- Labour – the workforce of an organisation.
- Capital – all man-made resources eg tools; the money invested in the organisation.

**1 mark for identifying the factor – max 3**

**1 mark for description – max 3**

**(6)**



(b) Describe a conflict that could exist between the following stakeholders:

- *Owners and Employees*
- *Managers and Suppliers.*
  
- Owners will want maximum profits but employees will want higher wages which will cut profits.
- Managers may want to take as long as they can before paying bills – slowing down cash outflows – but suppliers will want paid as quickly as possible to improve their own profits.
- Conflict on quality of materials – managers will want the best quality of materials at the cheapest prices but suppliers will want to charge a higher price for quality materials.

**1 mark for showing a conflict between given stakeholders**

**(2)**

---

---

(c) Describe **3** types of information.

- Written – information in text format.
- Oral – information in verbal or sound format.
- Pictorial – information in picture or photographic format.
- Graphical – information in form of graphs or charts.
- Numerical – information in number format.

Accept Qualitative and Quantitative

**1 mark per described type**

**(3)**

---

ID of type is not essential – if given must match the description otherwise no marks

---

Written in an email/letter BUT NOT just info in an email

---

- (d) (i) *Explain the advantages and disadvantages of grouping an organisation into functional departments.*

**Advantages**

- Staff with similar expertise work together. This allows for specialisation and workers being more efficient.
- Organisation has a clear structure as workers within a department are clearer on their possible promotion paths.
- Communication and co-operation within a department is better leading to better working relationship/happier staff within a department.
- Workers are motivated to work harder as they have better relationships and teamwork within a department.

**Disadvantages**

- Staff become bored doing the same job every day therefore output and productivity may suffer.
- Rivalry between departments may occur which can be destructive to an organisation.
- Communication between departments may be difficult which leads to slower communication and decision making for the organisation.
- Changes may be more difficult due to communication barriers and rivalry which may be detrimental to the organisation as a whole.

**1 mark for each advantage explained – max 3**  
**1 mark for each disadvantage explained – max 3**

**(4)**

---

---

(ii) *Describe the role of a manager in an organisation.*

- To make appropriate decisions for an organisation.
- To plan for the future of an organisation.
- To ensure that resources are in the right place at the right time.
- To give staff instructions.
- To oversee the running of the organisation so that it meets its objectives.
- To delegate appropriate work to staff.
- To motivate staff to do their best at all times.

**1 mark for each role**

**(4)**

Do not need Plan, Coordinate etc

---

---

(e) *Identify and describe 3 stages of the product life cycle.*

- Development – product is planned, developed and tested before being introduced onto the market.
- Introduction – product is launched onto the market.
- Growth – sales of the product are rising as consumers become more aware of it.
- Maturity – product is well known in the market and growth is slowing down. Competition increases and the price of the product falls.
- Saturation – competition is very fierce and prices fall significantly.
- Decline – sales and profits fall as new and more advanced products enter the market.
- End – product withdrawn from the market.

**1 mark per stage – max 3**

**1 mark per description – max 3**

**(6)**

Sales low is not enough on its own – need to be qualified (see script 1)

Extension strategies can be awarded a mark as a feature of Decline if linked to this stage

2. (a) (i) *Identify 2 sources of finance available to an organisation when looking to expand.*

- (Bank) loan.
- Take on a partner.
- Issue shares.
- Issue debentures.
- Mortgage premises.
- Retained profits.
- Grants (from government, the EU, LECs or Prince's Trust etc)
- Leasing.
- Hire purchase.

**1 mark for each source**

**(2)**

---

---

- (ii) Explain **one** advantage and **one** disadvantage for each source identified in (i).

#### **Bank Loan**

- + Can be paid back in instalments thereby spreading payments over a long period of time.
- Higher interest will be charged if deemed to be of higher risk.

#### **Partner**

- + Introduces more finance that does not need to be repaid.
- + Brings extra expertise which may make them more efficient.
- Sharing control over the organisation which may make decision-making harder/more time consuming.
- Profits having to be shared ...

#### **Issue Shares**

- + Can generate large sum which does not need to be repaid.
- + Shareholders only get an annual dividend which is payable only if profits are made.
- Cost of issuing shares can be very high and thereby prohibitive.
- Spreading control of the organisation which means there will be more people having a say in decisions.

#### **Issue Debentures**

- + Only need to pay an annual interest charge over period of loan. The capital is not repaid until the end – smaller payments.
- Interest must be paid even if a loss is made.

#### **Mortgage**

- + Can be paid back in instalments over a period of time thereby spreading payments.
- Due to paying mortgage over a very long period of time, interest charges are very high.

#### **Retained Profit**

- + Does not need to be repaid as the money belongs to the organisation.
- + No loss of control of business if not taking on other owners.
- If only small amounts being made, then may take a long time to generate enough.

#### **Grant**

- + Does not need to be repaid thereby saving money.
- Must adhere to the conditions set with the grant otherwise may have to repay it.

#### **Leasing**

- + Frees up capital to be spent on other things.
- + Easier to change equipment when it becomes obsolete.
- Business never owns the equipment ...
- Renting over a long period of time can work out more expensive than purchasing.



**Hire Purchase**

- + Cost is spread over a long period of time ...
- Good is never owned until the last instalment is made.

**1 mark for each advantage – max 2**

**1 mark for each disadvantage – max 2**

**(4)**

Accept “Not getting funds (any source)” followed by an explanation – only given once

---

---

(b) (i) *Describe the role of the Marketing Department in an organisation.*

- To raise awareness of products and services on offer.
- To raise the profile of an organisation.
- To encourage customers to purchase.
- To target new customers and retain old ones.
- To find out what the customer wants.
- To monitor changing tastes and trends in the market.
- To find the correct price for the product.
- To find the right place to sell the product through.

**1 mark for describing a role**

**(4)**

Methods of market research – 1 max

(ii) *Identify and describe 2 methods of sampling the Marketing Department could use.*

- Random – individuals are randomly pre-selected from a list eg telephone book; once selected must be interviewed.
- Quota – individuals are selected based on a pre-determined set of characteristics/criteria; can interview anyone who matches these characteristics.

**1 mark for identifying a method – max 2**

**1 mark for description – max 2**

**(4)**

---

---

(c) Outline ways an organisation could use the following pieces of technology.

- *Video conferencing.*
- *Email.*
- *Satellite navigation systems.*
- *Bluetooth on mobile phones.*

Video conferencing – to hold a meeting between managers who are in different parts of the world.

Email – to contact customers with new promotions.

Satellite navigation systems – to help delivery drivers locate customers all over the country/world.

Bluetooth on mobile phones – to transmit data (eg photo of a site) from a mobile phone to a computer/printer etc wirelessly – must be an implication of hands-free or wi-fi.

**1 mark per example**

**(4)**

---

If specifically about driving they could get bluetooth mark without mentioning handsfree

---

(d) (i) *Describe factors an organisation might consider when choosing a supplier.*

- Quality – should be at an acceptable level for the goods being made.
- Quantity – supplier must be able to deliver the required quantity.
- Delivery Time – goods must be delivered when the organisation needs them.
- Delivery charges – does the supplier charge for delivery.
- Dependable – supplier must be likely to stay in business and be reliable to meet the needs of the organisation.
- Price – price must reflect the quality of goods received and show value for money.
- Discount – if bulk purchases made will the organisation be given discount and at what level.
- Credit terms – what length of credit will the organisation be given eg 1 month, 3 months.

**1 mark for each described factor**  
**No marks for list only**

**(5)**

(ii) *Explain possible problems of under-stocking.*

- May be unable to cope with unexpected demand which may result in customer orders not being met and they go elsewhere.
- Production may have to stop which means that machinery is sitting idle and sales are lost.
- Stock ordering will happen more frequently which may be more expensive as small orders will not benefit from bulk discounts.
- Reputation of organisation may suffer if customers are being let down.

**1 mark per explained problem**

**(2)**

---

---

3. (a) *Employees are protected at work by The Health and Safety (Display Screen Equipment) Regulations 1992.*
- (i) *Identify 3 possible health and safety issues resulting from the use of ICT for a long period of time.*
- Eyestrain.
  - Headaches.
  - Backache.
  - Repetitive Strain Injury.
  - Stress.

**1 mark per health and safety issue**

**(3)**

- (ii) *Outline ways an organisation could overcome these issues.*

- Regular eye tests.
- Use of anti-glare screen.
- Suitable lighting.
- Adjustable chairs.
- Use of wrist and foot rests.
- Regular breaks.
- Change of activity.

**1 mark per suitable solution**

**(3)**

Do not need to link a(i) and a(ii)

---

Do not accept repeat solutions

---

(iii) Name and describe 2 other pieces of legislation affecting organisations.

Equal Pay Act

Employees who do the same job should be paid the same rate of pay.

Sex Discrimination Act

Employees should not be treated differently just on the grounds of their gender or marital status.

Race Relations Act

Employees should not be treated differently just on the grounds of their race, colour, nationality or ethnic origin.

Disability Discrimination Act

Employees should not be treated differently just on the ground of their disability.

Employers must make reasonable adjustments to the workplace to accommodate the disabled.

(National) Minimum Wage Regulations/Act

Employers must be paid at least the minimum wage rate

Rate is split into 3 levels depending on age

**1 mark for identifying – max 2**

**1 mark for description – max 2**

**(4)**

Equality Act – subsumes others – watch for repetition

---

Watch they just don't just reword name of act for description

---

If no ID but a CLEAR description given – 1 mark for description

---

(b) Describe ways that each of the following might use an organisation's financial information:

- *Government*
  - *Creditors*
  - *Employees*
  - *Managers*
  - *Financial Journalists.*
- Government will use the Net Profit figures to ensure the correct level of taxation is charged.
  - Creditors will use the Working Capital figure or ratio to see if the organisation is able to repay its debts.
  - Employees will use the Net Profit made so that they can negotiate higher wages or better working conditions.
  - Managers will use the Net Profit figure or sales figures to see if they meet the targets in order to get a bonus.
  - Financial Journalists will print profit figures of the organisation to see how they are doing in comparison to another period of time.

**1 mark for a suitable use**

**(5)**

Do not need to name the financial information being used but must link to a financial implication

---

Could be based on an organisation from ANY sector eg public sector

---

(c) (i) *Distinguish between a tall and a flat organisational structure.*

- A tall structure has many levels of management whereas a flat structure has few levels of management.
- In a tall structure communication is slower due to many levels to go through whereas in a flat structure communication is much faster.
- In a tall structure decision making is slower due to many levels to go through whereas in a flat structure decision making is much faster.
- In a tall structure span of control tends to be narrow whereas in a flat structure span of control tends to be wide.
- In a tall structure chances of promotion are greater due to fewer workers competing for the same job whereas in a flat structure promotion prospects are fewer.

**1 mark per distinguished point – max 2**

**(2)**

---

---



(ii) *Describe the advantages and disadvantages of decentralised decision making.*

**Advantages**

- Decision making delegated to departments/branches which relieves senior management from routine day-to-day decisions.
- Subordinates are more motivated as they are given extra responsibility.
- Decision making is quicker.
- Better decisions are made as they are made by the people who are on the front line and know their area/customer better.

**Disadvantages**

- Senior managers lose control of what is going on in their departments/branches.
- Lack of standard procedures between departments if making their own decision.
- Rivalry may exist between branches if they feel they are separate from one another.

**1 mark for each advantage or disadvantage – max 3 in any area**

**(4)**

If manager is not specified (eg branch manager or manager from head office) assume candidate is talking about the decentralised manager

---

---

(d) *Explain the effects of external factors on an organisation.*

Political – changes in legislation set by government may mean that organisation has to implement change to the way it carries out process etc which lead to higher costs.

Political – changes to the level of taxation to be paid by an organisation may mean that the organisation has less money to do other things.

Economic – changes in the level of interest charged by a bank may mean that a loan becomes unaffordable and therefore any plans may need to be put on hold.

Economic – changes in the level of inflation may mean that supplies become more expensive and the organisation may have to look further afield for cheaper alternatives.

Social – changes in people's tastes will require an organisation to continually be doing market research and having to change its product range in order to keep up.

Technological – advances in technology may mean that an organisation may have to change production methods costing it large sums of money initially.

Environmental – UK government push to reduce carbon emissions has resulted in organisations having to change processes which have cost it money.

Competitive – if a direct competitor changes their pricing, for example, then an organisations may be forced to do the same otherwise it may lose out on custom.

**1 mark for explaining an effect**

**(4)**

---

Do not need to state the name of the external factor

---

4. (a) (i) Describe **3** channels of distribution which an organisation could use.

- Manufacturer to Customer – goods sold directly from the producer to the customer.
- Manufacturer to Retailer to Customer – goods sold to the customer through a retail shop.
- Manufacturer to Wholesaler to Customer – goods sold in bulk to a wholesaler before being broken down into smaller amounts and passed onto a customer.
- Agent to Customer – goods eg holidays, houses sold through a person/firm which represents a client and acts on their behalf.

**1 mark per described channel**  
**Accept a flow diagram**

**(3)**

(ii) Outline factors that might be considered when choosing a channel of distribution.

- The product being sold.
- The finance available to the organisation.
- The reliability of the other organisations in the chain.
- The desired image of the product.
- Government restrictions.
- The product's life cycle.
- The manufacturer's distribution capacity.
- The manufacturer's capacity to hold stock

**1 mark per factor**

**(3)**



(b) (i) *Distinguish between job production and flow production.*

- Job production is used when a unique item is made whereas flow production is used when vast quantities of the same product are made.
- Job production relies on skilled labour whereas flow production would rely on machines.
- In job production goods can be made to specific customer requirements whereas in flow production all goods are standard.
- Job production could be a slow method of production due to the level of skill etc required whereas flow production would be faster due to machinery working non-stop.

**1 mark per distinguished point**

**(2)**

(ii) *Explain advantages and disadvantages to an organisation of using automation (capital-intensive production).*

**Advantages**

- Identical products are made which means that there will be fewer complaints about standards and flaws.
- Fewer workers are required which will cut the wages bill.
- Machines can operate 24/7 which means that there will be very little down time unlike in manual work.

**Disadvantages**

- Large amounts of machinery and robotics are required which has a very high set up cost.
- Machinery can break down; this can lead to loss of production until it is fixed.
- Difficult to make products to meet customer's individual requirements which may mean that customer goes elsewhere.

**1 mark per described advantage/disadvantage**

**Max 3 for advantages/disadvantages**

**(4)**

(c) Describe ways each of the following departments may assist the Marketing Department:

- Finance
- Human Resources
- Operations.

**Finance**

- Will set the budget that the marketing department can spend on advertising.
- Will set the price the goods will be sold at.

**Human Resources**

- Will ensure that there are enough staff employed to work in marketing.
- Will train staff in the appropriate duties to work in marketing.

**Operations**

- Will produce the products that marketing will be trying to encourage people to buy.

**1 mark for a described point**

**(3)**

---

If department is not stated, assume order as given

---

- (d) (i) *Prior to advertising a job, identify and describe the stages an organisation would go through to recruit staff.*

**Job analysis**

- Analyse the vacancy to identify the skills, tasks and responsibilities required in the job.
- Analyse the job to see if there is a vacancy or not to be filled.

**Job description**

- Draw up a description of the task, duties and responsibilities to be carried out.
- Can state the conditions of service eg hours, salary etc.

**Person specification**

- Draw up a description of the type of person that would be suitable for the job.
- Can describe the qualifications, experience, qualities required.

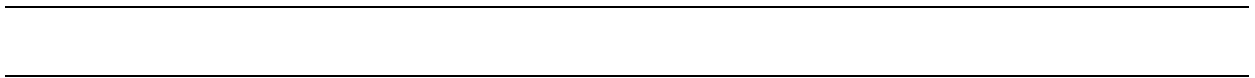
**Create a job advert**

- Gather information and key in the particulars which will be used to advertise the vacancy.

**1 mark for identifying a stage – max 3**

**1 mark for description – max 3**

**(6)**



(ii) Describe an advantage of each of the following methods of advertising a job vacancy. (A different advantage must be given for each).

- *Internal.*
- *Newspaper.*
- *Internet.*
- *Recruitment Agencies.*

**Internal sources**

- Internal sources are cheaper than external sources.
- Create better morale in workplace if recruiting from within.

**Newspaper adverts**

- Advert reaches a wide audience.

**Internet adverts**

- Has the potential to reach applicants from all over the world.

**Recruitment agencies**

- Temporary or permanent workers can be found.
- Saves cost of advertising for the organisation.

**1 mark per described advantage**

**(4)**

If method not stated, assume order as given

---

---

5. (a) Describe the type of advice the following individuals/groups could offer an organisation. (A different type of advice must be given for each).
- *Bank Manager.*
  - *Local Business Owners.*
  - *Inland Revenue.*
  - *Lawyers.*
- Bank Manager – advice on drawing up a Business Plan, types of loans or accounts they could set up.
  - Local Business Owners – market information, general advice about the area. (Accept any reasonable local issue)
  - Inland Revenue – taxation rates, taxable allowances, tax breaks.
  - Lawyers – advice on legislation eg health and safety, legal documents required to set up a business.

**1 mark per valid type of advice given for each**

**(4)**

Do not accept – Lawyers give advice on laws

---



- (b) (i) *Explain the advantages and disadvantages to an organisation of training staff.*

**Advantages**

- Staff will become more competent at their jobs because they will have been shown how to carry out their duties and will make less mistakes.
- Staff will become more flexible because their range of skills will be greater and therefore they will be able to do more than just their original job – making it easier for them to rotate in jobs.
- Staff motivation will increase because they feel that they are being valued and the organisation is investing in them – this will make them more productive.
- The organisation's image improves because the public and potential staff will see that it cares about the future of its workers.
- May be easier to attract new staff due to the improved image.

**Disadvantages**

- Once trained, staff may leave which means that the organisation has paid out money and is not reaping the benefits.
- Financial cost of training is high with not only the cost of the course but also the cost of the transport, cover required to fill their places etc.
- Work time is lost whilst training takes place which means productivity will be down – orders may be delayed.
- After training, workers may demand a pay rise which the organisation may have to pay in order to retain them, this increases its costs and reduces profits.

**1 mark per explained advantage/disadvantage  
Max 4 for any one area**

**(6)**

---

---

- (ii) *Identify and describe 3 quality measures (other than training) an organisation could use.*

**Quality Control**

- Quality is checked at the beginning (inputs) and end (outputs) of the production process only.
- Unacceptable products are either scrapped or put back for reworking.

**Quality assurance**

- Quality is checked at every stage of the production process.

**Quality circles**

- Groups of workers meet at regular intervals to discuss quality and how to improve it.
- Suggestions taken to management for approval.

**Benchmarking**

- Identifying the best performers in an industry and trying to match.

**Quality inputs**

- Ensuring that raw materials are the best that they can be to ensure a quality output.
- Ensuring that machinery and equipment is up-to-date and fully serviced so that it is working to its best at all times.
- Ensuring the recruitment process gets the best staff.

**Quality Management**

- All staff are involved in ensuring they reach the standard of quality required.
- Doing things right first time – no tolerance for errors.

**Quality Standards**

- A symbol or logo that indicates that a product/service has met an agreed quality standard.
- Gives an organisation a competitive edge.

**1 mark for identifying method – max 3**

**1 mark for description point – max 3**

**(6)**

---

---

(c) (i) Describe the following financial statements.

- Trading Account.
- Profit and Loss Account.
- Balance Sheet.

**Trading Account**

- Shows the amount of gross profit made in an organisation.
- Shows the amount of profit made from buying and selling goods only.

**Profit and Loss Account**

- Shows the amount of net profit made in an organisation.
- Shows the amount of profit made after all expenses have been deducted.

**Balance Sheet**

- Shows the value of the assets and liabilities in an organisation.
- Shows how an organisation has been financed.

1 mark per statement

**(3)**

(ii) Identify **3** accounting ratios that could be calculated from these statements.

- Gross Profit %.
- Gross Profit Mark-up.
- Rate of Stock Turnover.
- Net Profit %.
- Working Capital (Current) Ratio.
- Return on Capital Employed.

1 mark per valid ratio

**(3)**

---

If financial statement is named, ratio must match otherwise no marks

---

(d) Describe the **3** types of decision a manager can make.

**Strategic**

- Long-term decision.
- Made by senior management.
- Concerned with the overall aims and purpose of the organisation.

**Tactical**

- Medium-term decisions.
- Made by middle management.
- Concerned with how the strategic aim will be achieved.

**Operational**

- Short-term decisions.
- Made by all staff.
- Day-to-day decisions.

**1 mark per description point – max 1 per decision**

**(3)**

Accept tactical as short to medium term decision ONLY if operational is given as day to day decision – not if operational is given as short term

---

[END OF MARKING INSTRUCTIONS]