



2010 Business Management

Standard Grade – Credit

Finalised Marking Instructions

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**2010 Business Management
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QUESTION 1		KU	DM
(a)	<p>Describe 3 benefits to McDonald’s of having a strong brand.</p> <ul style="list-style-type: none"> • Increased recognition – one of the world’s most recognised brands. • Higher profits/higher sales/market share. • New products can be launched more easily under same brand. • Brand assurance, customer assured of same standards of quality and service. • Brand loyalty, repeat custom generated. • Ability to charge higher prices. <p><i>Any 3 points – 3 marks</i></p>	3	
(b)	<p>Other than social trends, identify and describe 2 external factors that may affect McDonald’s.</p> <ul style="list-style-type: none"> • Political – laws/regulations imposed by the government that may affect how McDonald’s operates, eg min wage, food hygiene, health and safety laws. • Economic – the economic climate will affect demand for McDonald’s products, eg in a recession consumers have less money to spend (may be more/less likely to purchase fast food). • Technology – the changing rates of technological development will affect how McDonald’s operates, how it advertises etc. • Environmental – McDonald’s needs to respond to the environment it operates in by choosing to be environmentally friendly – eg recyclable packaging etc. • Competition – the effects that other fast food outlets such as Burger King, KFC, Pizza Hut etc have on the operations of McDonald’s. <p><i>Any 2 factors – 2 marks</i> <i>Adequate descriptions x 2 – 2 marks</i></p> <p>Do not accept ‘Social Trends’.</p>	4	
(c)	<p>Suggest additional information that McDonald’s may display on their website, other than nutritional values of food.</p> <ul style="list-style-type: none"> • Locations of restaurants/maps. • Information on Product Range. • Information on special promotions. • Information on recruitment/working for McDonald’s. • Information on the company history/background. • Press releases/news about the company. • FAQs. <p><i>Any 4 suggestions – 4 marks</i></p>		4

		KU	DM
(d)	<p>Describe one method of on-the-job training and one method of off-the-job training.</p> <p>On-the-job training methods</p> <ul style="list-style-type: none"> • Fellow employees giving training on customer service/use of tills/food servery etc. • Observation – watching fellow colleagues at work/Shadowing. <p>Off-the-job training methods</p> <ul style="list-style-type: none"> • Attending college courses/‘Hamburger University’. • Distance learning courses via the Internet. • Individualised learning modules using company DVDs, training booklets. <p><i>Any one of each – 2 marks</i></p>	2	
(e)	<p>From the case study, identify ways in which McDonald’s have improved customer service.</p> <ul style="list-style-type: none"> • Healthier menu. • Nutritional information in stores/website. • Wi-fi access in restaurants. • Improved seating. • Modern styling. • Employee training. <p><i>Any 4 points – 4 marks</i></p>		4

QUESTION 2		KU	DM
(a)	<p>(i) Describe 2 advantages and 2 disadvantages of operating a flat management structure.</p> <p>Advantages</p> <ul style="list-style-type: none"> • Faster communication. • Faster decision making. • Less costly in wages/salaries. • Greater flexibility of employees. • Empowered employees. • Better employee relations. <p>Disadvantages</p> <ul style="list-style-type: none"> • Wider span of control for managers. • Less direction/supervision of workers. • <u>Less</u> chance of promotion for workers/workers may feel demotivated (must give reason why). <p><i>Any 2 advantages – 2 marks</i> <i>Any 2 disadvantages – 2 marks</i></p>	4	
	<p>(ii) Explain the term “span of control”.</p> <ul style="list-style-type: none"> • The amount of employees a manager has direct line authority over. 	1	
(b)	<p>Describe 3 skills or qualities of an effective manager.</p> <ul style="list-style-type: none"> • Well organised. • Good decision maker. • Good communicator. • Well motivated. • Good motivator. • Trustworthy. • Good planning skills. • Time management skills. • Accept functions of management. <p><i>Any 3 – 3 marks</i></p> <p>Accept reference to skills/qualities of an entrepreneur. Max 1 if just given points as a list (minimum of 2 points).</p>	3	

		KU	DM
(c)	<p>Suggest 4 examples of flexible working methods that could be offered in Moon Microsystems Ltd.</p> <ul style="list-style-type: none"> • Flexitime – would allow employees to avoid traffic problems, make appointments, take children/collect from school, etc. • Job-sharing – would enable more people to work shorter hours to suit personal arrangements. • Part-time working – as above. • Working from home – would save employees travelling times/costs, reduce need for workspace in shops/offices. • Shift-working – would allow Moon Microsystems to stay open longer, give employees more choice of working patterns. • Temporary contracts – would enable Moon Microsystems to increase/decrease staff numbers as required. • Compressed hours – employees work a 5 day week in 4 days (or 4 days in 3 etc). <p><i>Any 4 methods</i></p> <p>Accept descriptions of methods OR names of methods for Suggestion. Do not accept ‘Flexible Working’ as a method.</p>		4
(d)	<p>Give 2 benefits to Moon Microsystems of using just-in-time manufacturing.</p> <ul style="list-style-type: none"> • Less space is required to store stock. • Cost saving. • Stock does not deteriorate because it arrives just in time. • Less capital tied up in stock. • Less chance of damage or theft. <p><i>Max 1 for cost savings</i></p>	2	

		KU	DM
(e)	<p>Suggest and justify 2 ways in which Moon Microsystems could use ICT for communication.</p> <ul style="list-style-type: none"> • Internet Website – can give customers detailed information on products, reaches ww market 24/7, cost effective. • Intranet – enables employees to transfer information quickly, saves paper/more cost effective than using phone etc. • Email – allows business to keep in touch with customers and employees, direct marketing can be used giving information on special offers, cost effective etc. • Mobile Phone/SMS/Text Messaging – direct marketing can be used to give information on special offers. • Info terminals in store – customers can gain information on products reducing time spent with sales assistants. • Video conference – employees in other branches could meet by using two-way video link. This would save employees from having to travel to meetings. • Web conference – as above, however more cost-effective. • Skype. <p><i>Any 2 examples – 2 marks</i> <i>Adequate justifications x 2 – 2 marks (Do not accept repeated justifications)</i></p> <p>Accept – Fax/Voice mail. Do not accept – Telephone or answer machine.</p>		4

QUESTION 3		KU	DM
(a)	<p>Describe the difference between Gross Profit and Net Profit.</p> <ul style="list-style-type: none"> • Gross Profit is the profit made on <u>trading</u>, the difference between Sales and Cost of Sales. • Net Profit is the profit made after all operating expenses have been deducted – eg wages, utilities etc. 	2	
(b)	<p>Identify and give the formula for one financial ratio that can be prepared from the Trading, Profit and Loss Account.</p> <ul style="list-style-type: none"> • Gross Profit % – $GP/Sales \times 100$. • Net Profit % – $NP/Sales \times 100$. • Rate of Stock Turnover – $Cost\ of\ Goods\ Sold/Av\ Stock$. <p><i>1 mark for identifying ratio</i> <i>1 mark for giving formula</i></p> <p>Accept Gross Profit% or Gross Profit Ratio. Accept other Profit and Loss Ratios.</p>		2
(c)	<p>Describe 2 decisions that Danika could make to improve the Net Profit.</p> <ul style="list-style-type: none"> • Reduce wages/cut overtime/reduce temporary contracts/reduce staffing. • Reduce spending on utilities/conserve energy/switch to fixed price deals. • Cut back on administration costs/reduce use of paper/photocopying etc. • Reduce telephone expenditure/switch to fixed price deals. • Increase gross profit – buy cheaper raw materials/obtain bulk discounts etc. – do not accept increase gross profit on its own but must have explanation. <p><i>Any 2 points – 2 marks</i></p> <p>Do not accept – ‘Increase Sales’ on its own but can be accepted with explanation. Do not accept – ‘Sack the workers’.</p>		2

			KU	DM
(d)	(i)	<p>Explain the term Fixed Assets.</p> <ul style="list-style-type: none"> An item that is <u>owned</u> by the business and gives value to the business <u>for a period longer than one year</u> – accept owned for a long time. <p><i>1 mark for stating ‘owned’.</i> <i>1 mark for stating ‘for more than one year’ accept ‘for a long time’.</i></p> <p>Do not accept examples as part of description. Do not accept descriptions of fixed costs.</p>	2	
	(ii)	<p>Give one example of a Fixed Asset that Danika might have in the business.</p> <ul style="list-style-type: none"> Premises. Vehicle. Machinery/equipment- mention can be made of specific equipment. 		1
(e)		<p>Other than Danika, suggest another stakeholder that might be interested in the final accounts. Give one influence this stakeholder may have on the business.</p> <ul style="list-style-type: none"> Employees – influence the quality of output/work in the business, can take industrial action if unsatisfied, give an image of her business to customers. Lenders – influence how much money Danika can invest in her business by increasing or reducing lending. Suppliers – influence the quality of her products, poor quality raw materials will affect her products. Government – will apply taxes to profits/sales/employees wages which will reduce her profits. Landlord – can increase rent on premises, reducing Danika’s profits. Customers – can decide to buy or not to buy/sales and profits. <p><i>Any stakeholder – 1 mark</i> <i>Adequate explanation of influence – 1 mark</i></p>		2

QUESTION 4		KU	DM
(a)	<p>Explain the term Market Leader.</p> <ul style="list-style-type: none"> • A company which has the highest sales in the industry. • A company which has the most customers in the industry. • A company which has the highest market share. • The most popular company. • The company all other firms want to follow. <p><i>Any of the above – 1 mark</i></p> <p>Do not accept – ‘biggest’ company</p>	1	
(b)	<p>(i) From the Case Study identify the method of integration that has taken place. Give one possible disadvantage of this integration.</p> <ul style="list-style-type: none"> • Horizontal integration. <p>Disadvantages</p> <ul style="list-style-type: none"> • Somerfield customers unhappy with takeover. • May result in higher prices in stores. • May result in store closures/job losses. • Reduced choice for consumers. 	2	
	<p>(ii) Identify and describe another method of integration.</p> <p>Conglomerate/Lateral Integration/Diversification</p> <ul style="list-style-type: none"> • Merger/Takeover of another company at same stage but in different business. • Diversification/Spreading risk. <p>Vertical/Backward Integration</p> <ul style="list-style-type: none"> • Merger/Takeover of a company at an earlier stage in the chain of production. • Secures supply of raw materials. <p>Accept consequential answers from part (i) – ie if candidate has given wrong method of integration in (i), accept ‘Horizontal’ in (ii).</p>	2	

		KU	DM
(c)	<p>Give reasons why customers may prefer to use a local shop rather than a superstore.</p> <ul style="list-style-type: none"> • Costs of travelling to superstore too high/fuel prices. • Customers do not have a car/poor public transport. • More personal service at local store. • Local store may have more appealing special offers. • Local store may have longer opening hours. • May have conscientious objection to superstores (eg Tesco's market domination). • Convenience. • Better quality food at local store. • Want to support local industry. <p><i>Any 3 points – 3 marks</i></p>		3
(d)	<p>Identify 3 factors influencing the location of a business.</p> <ul style="list-style-type: none"> • Availability of land. • Near to market. • Cost of land. • Availability of labour. • Infrastructure. • Communications and utilities. • Government incentives. • Location of competition. • Nearness to raw materials. • Parking. <p><i>Any 3 – 1 mark each</i></p>	3	

		KU	DM
(e)	<p>Suggest and justify 2 ways in which the Co-op can compete with its rivals.</p> <ul style="list-style-type: none"> • Special offers – eg buy one get one free – customers will feel they are getting value and may be more attracted to buying products. • Attractive window displays – customers may be more willing to go into one shop rather than another if they look attractive. • Advertising in press, TV, radio, billboards, transport etc – makes potential customers more aware of the shops and therefore more likely to go there. • Good customer service – can breed customer loyalty. • Good facilities – eg toilets, cafes etc – more convenient for customers who may spend longer in shop if facilities are good. • Longer opening hours – more convenient for shoppers who work unsocial hours. • Good quality goods – can breed customer loyalty, customers may be willing to pay more for good quality goods. • Lower prices – customers prefer better value for money. • Variety of goods. • Unique product. <p><i>1 mark per suggestion x 2 – 2 marks</i> <i>Adequate justifications x 2 – 2 marks</i></p>		4

QUESTION 5		KU	DM
(a)	(i) Explain the difference between market led and product led business. <ul style="list-style-type: none"> • Product Led – where a company produces a product which it is good at and focuses on developing that product. • Market Led – where a company adapts products to suit changing consumer demands. 	2	
	(ii) Give one advantage and one disadvantage to a business of adopting a market led approach. <p>Advantages</p> <ul style="list-style-type: none"> • Good image for business. • Competitive edge over rivals. • High sales/profits/market share. <p>Disadvantages</p> <ul style="list-style-type: none"> • Expensive costs for product development/Market Research. • High marketing costs. • May take longer to get products to the market. <p><i>1 advantage – 1 mark</i> <i>1 disadvantage – 1 mark</i></p>	2	
(b)	Suggest, describe and justify an appropriate pricing strategy for Nintendo's games consoles. <ul style="list-style-type: none"> • High/Premium pricing – a long term consistent high price – will make products appear exclusive. • Skimming pricing – a higher price at start then drops as competition enters market/market gets saturated – will generate high profits in the initial stages needed to cover development costs. • Competition based/Market pricing – Nintendo may want to achieve a similar price to rivals such as Sony and Microsoft – will make products look comparable to similar products, customers will feel they are getting similar value. • Destroyer pricing – where the business sets a price drastically below that of competitors – to try to eliminate competition. • Cost-plus – Nintendo calculate the cost of production and add on a profit margin. Enables Nintendo to cover their costs and make a profit. <p><i>1 mark for suggestion/name of pricing strategy</i> <i>1 mark for adequate description of strategy</i> <i>1 mark for adequate justification</i></p>		3

		KU	DM
(c)	<p>In December 2007 production did not meet consumption levels. Describe ways in which Nintendo could have avoided this problem.</p> <ul style="list-style-type: none"> • Effective market research to determine planned demand. • Increasing output in factories by updating equipment to operate faster. • Increase number of employees to increase output. • Employ 24/7 working by introducing shifts. • Improve distribution of products. • Increase price to reduce demand. • Increased production. • Increased machinery. <p><i>Any 2 points – 2 marks</i></p>		2

[END OF MARKING INSTRUCTIONS]