



**2013 Business Management**

**Standard Grade Credit**

**Finalised Marking Instructions**

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## **Part One: General Marking Principles for Business Management Standard Grade Credit**

*This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.*

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
  
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

### **GENERAL MARKING ADVICE: Business Management Standard Grade Credit**

*The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.*

**Part Two: Marking Instructions for each Question**

Question		Expected Answer/s	Max Mark	Additional Guidance
1	a	<p><b>Type of business organisation:</b> Nairn's is a private limited company.</p> <p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• Increased capital investment through shares</li> <li>• Less vulnerable to take over as shares not traded on Stock Exchange</li> <li>• Limited liability</li> <li>• Shared decision making/responsibility</li> <li>• Financial affairs can be kept private</li> </ul>	<b>3 (KU)</b>	
1	b	<p>A brand is a name, logo or symbol which identifies a business or product.</p> <p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• Easily recognised</li> <li>• Brand loyalty can be created</li> <li>• Creates a brand image</li> <li>• Reduces need for advertising, brand advertises itself</li> <li>• Easier to launch a new product/line</li> <li>• Higher prices</li> <li>• Higher profit/sales/market share</li> <li>• Higher prices may be charged for the product</li> <li>• Increase profits/sales/market share</li> <li>• Easier to obtain finance as established business</li> </ul>	<b>3 (KU)</b>	
1	c	<p><b>Problems that Nairn's could face in trading globally:</b></p> <ul style="list-style-type: none"> <li>• Competition</li> <li>• Currency differences</li> <li>• Trade barriers</li> <li>• Language differences</li> <li>• Cultural differences</li> <li>• Transport problems/distribution</li> <li>• External factors (accept all separately)</li> <li>• Legal complications</li> <li>• Time differences</li> </ul>	<b>3 (DM)</b>	

Question		Expected Answer/s	Max Mark	Additional Guidance
1	d	<p><b>Methods of advertising:</b>            TV Advertising – justification – reaches a wide audience            Newspaper Advertising – justification – target economic groups            Radio Advertising – justification – captive audience ie in cars            Website – justification – global appeal            Email/Direct Marketing – justification – no wasted advertising costs            Outdoor media – accept as separate points</p> <p><i>Must be <u>advertising</u> promotions, do not accept sales promotions, celebrity endorsements etc.</i></p>	<b>4 (DM)</b>	
1	e	<p><b>Stages in new product development:</b></p> <ul style="list-style-type: none"> <li>• Market Research</li> <li>• Brainstorming / Developing ideas</li> <li>• Creating a prototype</li> <li>• Test Marketing</li> <li>• Modification</li> <li>• Advertising</li> <li>• Launch</li> <li>• Obtaining finance</li> <li>• Decisions made eg price/package design – accept as separate points</li> </ul>	<b>3 (KU)</b>	
2	a	<p><b>Role of ACAS in settling industrial disputes:</b></p> <ul style="list-style-type: none"> <li>• Act as an intermediary between both parties – listen to both points of view</li> <li>• Act as arbitrator/negotiator in helping both parties to agreement</li> <li>• Can offer expert advice to both parties</li> <li>• Can make a decision that both parties must agree to</li> </ul>	<b>2 (KU)</b>	
2	b	<p><b>Consequences to the business of employees taking strike action:</b></p> <ul style="list-style-type: none"> <li>• Reduced output</li> <li>• Poor image/bad reputation</li> <li>• Difficult to recruit workers/may lose workers – accept separately</li> <li>• Lose customers</li> <li>• Lose customer/loyalty</li> <li>• Lose sales</li> </ul>	<b>2 (DM)</b>	

Question		Expected Answer/s	Max Mark	Additional Guidance
2	c	<p><b>Other than strike, 2 forms of industrial action:</b></p> <ul style="list-style-type: none"> <li>• Work to rule</li> <li>• Go slow</li> <li>• Ban on overtime</li> <li>• Sit in</li> <li>• Boycott/Blacking</li> </ul>	2 (KU)	
2	d i	<p><b>Management style that could improve relations with employees:</b></p> <ul style="list-style-type: none"> <li>• Democratic Management</li> <li>• Managers consult with employees on decision making.</li> <li>• Laissez-faire Management</li> <li>• Managers leave decision making to employees</li> <li>• Consensual</li> </ul> <p>Give description mark if no ID</p>	2 (DM)	
2	d ii	<p><b>Ways to motivate employees:</b></p> <ul style="list-style-type: none"> <li>• Praise employees regularly</li> <li>• Use appraisals to give feedback</li> <li>• Consult in decision making</li> <li>• Improve working environment</li> <li>• Increase pay/bonuses</li> <li>• Increase holiday leave</li> <li>• More social events</li> <li>• Increased training</li> <li>• Internal promotion opportunities</li> <li>• Perks</li> <li>• Employee of the month</li> <li>• Job enrichment</li> <li>• Targets to achieve</li> </ul>	3 (KU)	
2	e	<p><b>Features of a public sector organisation:</b></p> <ul style="list-style-type: none"> <li>• Owned/run by the government</li> <li>• Non profit making/ break even</li> <li>• Provides (essential) services</li> <li>• Funded through taxation</li> <li>• Large organisation/many employees</li> </ul>	2 (KU)	

Question		Expected Answer/s	Max Mark	Additional Guidance	
3	a	<p><b>Benefits of market research:</b></p> <ul style="list-style-type: none"> <li>• Helps to identify target market</li> <li>• Helps to identify competition</li> <li>• Helps to plan the marketing mix</li> <li>• Reduces risk of business failure</li> <li>• Identify pricing strategy</li> <li>• Identify customer needs/wants/trends</li> </ul>	2 (KU)		
3	b	<p><b>Reasons for locating in a shopping centre:</b></p> <ul style="list-style-type: none"> <li>• Lots of passing trade/customers</li> <li>• Lots of parking/free parking</li> <li>• Longer opening hours than in high streets</li> <li>• May be no competition</li> <li>• May have low rent charges</li> <li>• Shop sizes/facilities may be suitable</li> <li>• Close to suppliers</li> <li>• Government incentives</li> <li>• Shared security</li> <li>• Near competition – positive or negative but not both</li> </ul>	3 (DM)		
3	c	i	<p><b>Stakeholders of the business:</b></p> <ul style="list-style-type: none"> <li>• Customers</li> <li>• Suppliers</li> <li>• Lenders/Bank</li> <li>• Local Community</li> <li>• Employees</li> <li>• Government</li> <li>• Owners of shopping centre</li> <li>• Shareholder/Owners/Partners</li> </ul>	3 (DM)	
3	c	ii	<p><b>Stakeholders' influence:</b></p> <ul style="list-style-type: none"> <li>• Customers – level of spending influences profits/cater to customer needs</li> <li>• Suppliers – quality of raw materials, delivery times</li> <li>• Lenders/bank – interest rates can rise increasing costs</li> <li>• Local Community – can object to development of shopping centre</li> <li>• Employees – quality of work/industrial action can affect the business</li> <li>• Government – laws influence the operation of the business</li> <li>• Owners of shopping centre – influence rent costs of the business</li> </ul>	3 (DM)	Accept all answers which relate specifically to decisions the business will make as a result of stakeholder influence.

Question			Expected Answer/s	Max Mark	Additional Guidance
3	d		<p><b>Stages of the Business Cycle:</b></p> <ul style="list-style-type: none"> <li>• Growth – where the spending / output of the economy / GDP is increasing</li> <li>• Boom – a prolonged period of increased growth/spending/output/GDP</li> <li>• Recession – where spending / output / GDP is low</li> </ul>	2 (KU)	
3	e		<p><b>Reasons for success of the business:</b></p> <ul style="list-style-type: none"> <li>• Good location</li> <li>• Good products</li> <li>• Good service</li> <li>• Low prices</li> <li>• Customer loyalty</li> <li>• Lack of competition</li> <li>• Good reputation</li> <li>• Catering to growing Polish population</li> <li>• Good business planning</li> <li>• Prepared Cash Budget to avoid financial risks</li> </ul>	4 (DM)	
4	a		<p><b>Advantages of operating as a partnership:</b></p> <ul style="list-style-type: none"> <li>• Greater capital invested in business</li> <li>• Easier to obtain finance</li> <li>• Spreads risk for owners</li> <li>• Partners can specialise</li> </ul> <p><b>Disadvantage of partnership:</b></p> <ul style="list-style-type: none"> <li>• Unlimited liability</li> <li>• Partners may disagree</li> <li>• Shared profits</li> </ul>	2 (KU)	
4	b	i	<p><b>Gross profit formula:</b> Gross Profit ÷ Sales x 100; GP/Sales x <u>100</u></p> <p><b>Current Ratio:</b> Current Assets : Current Liabilities ; CA/CL</p>	2 (KU)	<p>Must have x 100 in formula for GP</p> <p>Accept : or ÷ or <math>\frac{CA}{CL}</math> as format</p>

Question			Expected Answer/s	Max Mark	Additional Guidance
4	b	ii	<p><b>Measures to improve Net Profit Ratio:</b></p> <ul style="list-style-type: none"> <li>• Increase selling price</li> <li>• Reduce expenses – accept separate examples</li> <li>• Reduce cost of sales/cheaper raw materials – accept changes to the gross profit ratio</li> </ul>	2 (DM)	
4	c		<p><b>Problems of using ratios to analyse financial information:</b></p> <ul style="list-style-type: none"> <li>• Information is historical/out of date</li> <li>• Must compare 'like with like' to be useful</li> <li>• Does not take account of other factors such as reputation/brand loyalty</li> </ul>	1 (KU)	
4	d		<p><b>Software used in preparing financial information:</b></p> <ul style="list-style-type: none"> <li>• Spreadsheet (accept names eg Excel, Calc etc)</li> </ul> <p><b>Benefits of using Spreadsheet software:</b></p> <ul style="list-style-type: none"> <li>• Calculations can be performed easily using a formula/Quicker than calculating information with a calculator</li> <li>• Templates can be saved to store information</li> <li>• Graphs/Charts can be prepared to present information</li> <li>• Integrate into WP document</li> </ul>	3 (KU)	
4	e		<p><b>Suitable method of growth:</b></p> <ul style="list-style-type: none"> <li>• <b>Internal growth</b> – take on more employees, increase range of services offered</li> <li>• <b>Horizontal integration</b> – merge with/take over a rival business</li> <li>• <b>Vertical integration</b> – merge with/take over a secondary or primary business</li> <li>• <b>Diversification/Conglomerate</b> – move into a different market</li> <li>• <b>Merger</b></li> <li>• <b>Takeover</b></li> <li>• <b>Ways to make the business bigger by taking on more capital</b> -Taking on more partners or becoming a limited company</li> <li>• <b>Franchising</b></li> </ul>	2 (DM)	



Question		Expected Answer/s	Max Mark	Additional Guidance
5	a	<p><b>Suitable market segment for Cameron House:</b></p> <ul style="list-style-type: none"> <li>• Income – high earners would be attracted to a 5 star hotel</li> <li>• Families – as it is a resort with lots of facilities</li> <li>• Sports people – as it offers sporting facilities</li> <li>• Young couples – may be interested in the wedding service</li> <li>• Older people – who are retired and take more holidays</li> </ul>	<b>2 (DM)</b>	
5	b	<p><b>Service to its customers:</b></p> <ul style="list-style-type: none"> <li>• hotel</li> <li>• luxury lodges</li> <li>• a golf course</li> <li>• spa and leisure centre</li> <li>• luxury rooms</li> <li>• top quality restaurants</li> <li>• wedding co-ordinator service</li> </ul>	<b>3 (DM)</b>	
5	c	<p><b>Ways to measure customer satisfaction:</b></p> <ul style="list-style-type: none"> <li>• Feedback forms in rooms / restaurants / suggestion boxes</li> <li>• Good reputation/recommendation</li> <li>• Financial tips received from customers</li> <li>• Repeat business/loyalty</li> <li>• Survey/market research</li> <li>• Increased sales/profits</li> <li>• Reduced complaints</li> <li>• Customer observations</li> <li>• Comments on Trip Advisor/Social media</li> </ul>	<b>3 (KU)</b>	Max 1 mark for ways to survey staff
5	d	<p><b>Benefits to the local community:</b></p> <ul style="list-style-type: none"> <li>• Creates employment</li> <li>• Creates spending in local businesses</li> <li>• Increased taxes paid to local authority improves</li> <li>• Better infrastructure created</li> <li>• More services/facilities for local community</li> <li>• Helps local suppliers</li> <li>• Less anti-social behaviour/falling crime rate</li> <li>• Improving reputation of the area</li> </ul>	<b>2 (KU)</b>	

Question		Expected Answer/s	Max Mark	Additional Guidance
5	e	<p><b>Two records that may be stored on a database:</b></p> <ul style="list-style-type: none"> <li>• room/lodge bookings</li> <li>• supplier details</li> <li>• employee details</li> <li>• stock</li> </ul> <p><b>Do not accept customer details</b></p>	2 (DM)	

[END OF MARKING INSTRUCTIONS]