



**2009 Business Management**

**Standard Grade – General**

**Finalised Marking Instructions**

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**2009 Business Management  
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QUESTION 1	KU	DM
<p>(a) <b>Suggest and justify 2 reasons why HobbyCraft may have chosen to locate at the Glasgow Fort.</b></p> <p><b>You must give 2 different justifications.</b></p> <ul style="list-style-type: none"> <li>• Close to motorway – easy access for customers/suppliers.</li> <li>• Lots of parking spaces – easy for customers to park.</li> <li>• Near other shops – gain from customers being in the area.</li> <li>• Attract customers from two cities – off the M8 road between Glasgow and Edinburgh/near to market/customers.</li> <li>• Out of town – no congestion.</li> <li>• Availability of land/cheap land/low rent.</li> <li>• Near to labour.</li> <li>• Near suppliers/near raw materials.</li> <li>• Given a grant to set up.</li> <li>• Accept near to competition – <b>with</b> justification.</li> <li>• Accept not near to competition – <b>with</b> justification.</li> </ul> <p>Suggestion must be in Suggestion area not as part of the Justification section.</p> <p>Suggestion cannot be one word eg ‘customer’.</p> <p><b>Do not accept competition on its own.</b></p>		4
<p>(b) <b>Identify 2 features of a private limited company.</b></p> <ul style="list-style-type: none"> <li>• Private sector business/owned by private individuals.</li> <li>• Owned by shareholders.</li> <li>• Limited liability.</li> <li>• Will have Ltd after their name.</li> <li>• Financed by selling shares.</li> <li>• Shares cannot be traded on the stock exchange/shares limited to family and friends.</li> <li>• Don’t need to publish final accounts.</li> <li>• Dividends are paid.</li> <li>• Run by a board of directors.</li> </ul> <p><b>Do not accept Shares cannot be bought.</b></p>	2	

		KU	DM
(c)	<p><b>Identify 4 steps used in the recruitment and selection process.</b></p> <ul style="list-style-type: none"> <li>• Draw up a job description.</li> <li>• Draw up a person specification.</li> <li>• Advertise the job.</li> <li>• Send out application forms.</li> <li>• Receive application forms/CVs.</li> <li>• Meet the applicants/draw up list of candidates for interview.</li> <li>• Gather in references.</li> <li>• Interview the candidates.</li> <li>• Appoint.</li> <li>• Send out letters to candidates who were unsuccessful.</li> <li>• Draw up Contract of Employment for successful candidate.</li> <li>• Give a trial period.</li> </ul> <p>Do not need to be in order. Accepting one word answers. Accept similar stages eg 'preparing interview questions' and 'holding interviews'</p> <p><b>Do not accept indication training.</b></p>	4	

QUESTION 2		KU	DM												
(a)	<p><b>Identify from the graph:</b></p> <p>(i) <b>Number of units sold at break-even point;</b> 1000 units</p> <p>(ii) <b>Total Revenue at break-even point.</b> £4000 accept 3999 Accept figure on its own ie not units and pound sign.</p>		2												
(b)	<p><b>Identify the following costs as fixed or variable. Put a tick (✓) in the correct box.</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Fixed cost</th> <th>Variable cost</th> </tr> </thead> <tbody> <tr> <td>Rent</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Raw materials</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Insurance</td> <td style="text-align: center;">✓</td> <td></td> </tr> </tbody> </table>		Fixed cost	Variable cost	Rent	✓		Raw materials		✓	Insurance	✓		3	
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(c)	<p><b>Aleksi is calculating his costs. Please help him to complete the missing figures. Insert your answers in the table below.</b></p> <table border="1"> <thead> <tr> <th>Month</th> <th>Fixed Cost</th> <th>Variable Cost</th> <th>Total Cost</th> </tr> </thead> <tbody> <tr> <td>January</td> <td>£1000</td> <td>£2500</td> <td>£3500</td> </tr> <tr> <td>February</td> <td>£1000</td> <td>£4000</td> <td>£5000</td> </tr> <tr> <td>March</td> <td>£1000</td> <td>£3500</td> <td>£4500</td> </tr> </tbody> </table> <p>Again do not need to have the pound sign.</p>	Month	Fixed Cost	Variable Cost	Total Cost	January	£1000	£2500	£3500	February	£1000	£4000	£5000	March	£1000	£3500	£4500		3
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(d)	<p><b>Suggest and justify a suitable software application which Aleksi could use to help him calculate the above information.</b></p> <ul style="list-style-type: none"> <li>• Microsoft Excel/Spreadsheet – use of formulae to calculate the figures</li> <li>• Lotus</li> <li>• Word</li> <li>• Database</li> </ul> <p>Justification must make reference to the use of <b>formulas</b> or <b>calculations</b>.</p> <p>Do not accept produces graphs or charts.</p>		2																

QUESTION 3		KU	DM																		
(a)	(i)	<p><b>From the diagram, identify the market leader.</b></p> <p>(Nintendo) Wii</p>	1																		
	(ii)	<p><b>Suggest one reason why it is important to be the market leader.</b></p> <ul style="list-style-type: none"> <li>• Highest sales.</li> <li>• Most customers.</li> <li>• Highest market share.</li> <li>• Recognition.</li> <li>• Reputation.</li> <li>• Other companies want to follow.</li> <li>• Control over price/can charge higher prices.</li> <li>• Highest profits.</li> <li>• Less risk if ahead of competitors.</li> <li>• Economies of Scale.</li> </ul>	1																		
(b)	<p><b>Sony, Microsoft and Nintendo carry out market research. Identify and describe one method of field research and one method of desk research.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Accept examples of field research</th> <th style="width: 50%;">Accept examples of desk research</th> </tr> </thead> <tbody> <tr> <td>Questionnaires</td> <td>Newspapers/journals</td> </tr> <tr> <td>Interviews</td> <td>CD Roms</td> </tr> <tr> <td>Surveys</td> <td>Government statistics</td> </tr> <tr> <td>Focus groups/customer panels</td> <td>Financial statements</td> </tr> <tr> <td>Hall test</td> <td>Past sales records</td> </tr> <tr> <td>Observation</td> <td>Market research agencies</td> </tr> <tr> <td>Test marketing/Trial launch</td> <td>Internet research</td> </tr> <tr> <td>Internet poll</td> <td>Search on-line/<b>website</b> (not internet on its own)</td> </tr> </tbody> </table> <p>Descriptions must be given for these examples  Accept consequential wrong descriptions.  <b>Do not</b> accept 2 desk or 2 field examples.</p>		Accept examples of field research	Accept examples of desk research	Questionnaires	Newspapers/journals	Interviews	CD Roms	Surveys	Government statistics	Focus groups/customer panels	Financial statements	Hall test	Past sales records	Observation	Market research agencies	Test marketing/Trial launch	Internet research	Internet poll	Search on-line/ <b>website</b> (not internet on its own)	4
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(c)	<p><b>Suggest and justify a pricing policy which could be used by Microsoft.</b></p> <p><b>Competitive-based Pricing</b> – allows Microsoft to compete with Nintendo and Sony in the market – competing with goods which have similar quality, image etc. Prices are similar to, or just below the competition. This attracts customers.</p> <p>Accept competitor/competitive single word.</p> <p><b>Cost-plus Pricing/mark up</b> – allows the company to cover its costs and still make a profit.</p> <p><b>Penetration Pricing/introd</b> – could be used when Microsoft bring out a new model – the lower price will undercut the competition and persuade customers to buy the product.</p> <p><b>Premium Pricing</b> – could be used when Microsoft bring out a new model which has superior quality/ graphics/accessories – customers prepared to pay the higher price to get the product.</p> <p><b>Skimming Pricing</b> – when the new technology is introduced at a high price. Many customers are willing to pay the high price because the product is new. As more competition enters the market the price will be lowered.</p> <p><b>Destroyer pricing</b> – selling a product or service at a very low price, intending to drive competitors out of the market, or create barriers to entry for potential new competitors.</p> <p><b>Low pricing</b> – when products are priced at a low price in order to beat the competition. This will be used to promote high sales in the first instance.</p> <p><b>Promotional pricing</b> – this is when products are priced at a certain level for a particular promotion. Eg 10% off for the weekend. Attracts customers or those who impulse buy.</p> <p><b>Psychological pricing</b> – this is when products are priced at just below a psychological barrier eg £9.99 or £299 or £3.98 etc. This is to lure customers into thinking they are cheaper than they really are.</p>		2

		KU	DM
(d)	<p><b>Other than price, suggest 2 ways the games console manufacturers can compete with each other.</b></p> <ul style="list-style-type: none"> <li>• Development of existing/new models.</li> <li>• Quality of products.</li> <li>• Range of accessories available.</li> <li>• Supply dates.</li> <li>• Promotions.</li> <li>• After sales service.</li> <li>• Range of outlets for their products.</li> <li>• Advertising.</li> <li>• Expand/become global.</li> <li>• Accept product, place (and promotion).</li> </ul> <p>Accept 2 different advantages and/or 2 different promotions.</p>		2
(e)	<p><b>Other than price, describe 2 elements of the marketing mix.</b></p> <p><b>Product</b> – the good or service which the business is selling.</p> <p><b>Place</b> – how the product is made available to the customers.</p> <p><b>Promotion</b> – method used to pass information to the consumer about the product/price/place.</p> <p>Do not need to use the words – question is asking for a description.</p> <p>Do not accept examples on their own.</p>	2	



QUESTION 4	KU	DM
<p>(a) <b>Name and describe a suitable method of production which could be used by Beetroot Blue.</b></p> <p><b>Job Production</b> – one product is made at a time from start to finish, ie sandwiches for one order will be completed before another order is started.</p> <p><b>Batch Production</b> – a number of products (batch) will be produced at one time and each product in that ‘batch’ will be the same. Then after one group of products is done, a different group of products will be made, ie first cheese sandwiches are made, then ham sandwiches etc.</p> <p>Do not accept Flow or JIT.</p> <p>Do not accept ‘make a lot of products at one time’ for Batch.</p> <p>Accept correct description of Flow but no mark for method of production.</p>		2
<p>(b) <b>Suggest 2 advantages to customers of ordering on-line.</b></p> <ul style="list-style-type: none"> <li>• Can order without leaving the office/24/7.</li> <li>• Time will be saved by ordering on-line/don’t have to queue.</li> <li>• Easier to use if transport is not available.</li> <li>• Can choose items from the comfort of the office.</li> <li>• Easy, convenient method of payment.</li> <li>• Cheaper than going to the shops/on-line discount can get discount.</li> <li>• Can be delivered to your door.</li> <li>• Can reserve items before you buy.</li> <li>• Check stock availability.</li> <li>• Can compare the market/prices.</li> </ul>	2	

		KU	DM
(c)	<p><b>Suggest one disadvantage to customers of ordering on-line.</b></p> <ul style="list-style-type: none"> <li>• Cannot see the goods before buying/could be out of date.</li> <li>• Possible problem with secure payment facilities.</li> <li>• Computer problems while ordering.</li> <li>• Lack of personal touch/contact with business.</li> <li>• Viruses.</li> <li>• Delivery charges.</li> <li>• Website difficult to navigate.</li> <li>• Delivery can take a few days/delays.</li> <li>• Get lost or damaged in the post.</li> </ul> <p>Do not accept does not have computer/internet access.</p>	1	
(d)	<p><b>Beetroot Blue is involved in both secondary and tertiary sectors of industry. Explain the terms:</b></p> <p><b>Secondary Sector</b> Involved in manufacturing/constructing/processing. Takes natural resources and changes them into things we can use.</p> <p><b>Tertiary Sector</b> Providing a service for the customer. Getting the products to the customer.</p> <p>Do not accept examples.</p> <p>For Tertiary do not accept Service Sector.</p>	2	

QUESTION 5		KU	DM
(a)	<p><b>Give 2 headings contained in a Business Plan.</b></p> <ul style="list-style-type: none"> <li>• Details about the business (including aims/objectives/type of ownership).</li> <li>• Product or service.</li> <li>• Marketing.</li> <li>• Human Resources.</li> <li>• Financial Information (including start up finance/projected profit and loss/balance sheet/cash flow).</li> <li>• Production Details (including premises and equipment).</li> </ul> <p>Accept information under a heading but not 2 pieces of information under the same heading – eg Name but not Address as well or Cash Budgets and Finance.</p>	2	
(b)	<p><b>Suggest 2 aims which Jenny could have for her business.</b></p> <ul style="list-style-type: none"> <li>• Make a profit/maximise profits.</li> <li>• Maximise sales.</li> <li>• Customer satisfaction.</li> <li>• Provide quality goods.</li> <li>• Create a good reputation/loyal customers.</li> <li>• Social responsibility/environmentally friendly.</li> <li>• Value for money.</li> <li>• Keep stakeholders happy.</li> <li>• Survival.</li> <li>• Good brand image.</li> <li>• Beat competition.</li> <li>• Grow/become a chain/expand/multinational.</li> </ul>		2

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(c)	<p><b>Suggest 2 stakeholders in “Lily” and the interest each stakeholder will have in the business.</b></p> <table border="1"> <thead> <tr> <th>Stakeholder</th> <th>Interest</th> </tr> </thead> <tbody> <tr> <td>Jenny</td> <td>The business will do well and she will make a profit.</td> </tr> <tr> <td>Prince’s Trust</td> <td>The business will survive and the funds and advice given will have been well used. Loan will be paid back.</td> </tr> <tr> <td>Employees</td> <td>The business will be successful and they will continue to have a job.</td> </tr> <tr> <td>Customers</td> <td>The shop will continue to exist for customers to buy their jewellery. They want quality products at low prices.</td> </tr> <tr> <td>Suppliers</td> <td>The business will be successful so that they will receive more business supplying the jewellery/accessories.</td> </tr> <tr> <td>Local Community/Local Public</td> <td>The business will survive and be an asset to the town – attracting people to the area and providing employment.</td> </tr> <tr> <td>Government</td> <td>The business continues to pay taxes and abide by the law.</td> </tr> <tr> <td>Managers</td> <td>Get a bonus.</td> </tr> <tr> <td>Banks/Investors</td> <td>To get loans paid back/return on investment.</td> </tr> <tr> <td>Pressure groups</td> <td>Ensure that Lily does not destroy environment/exploit workers.</td> </tr> </tbody> </table>	Stakeholder	Interest	Jenny	The business will do well and she will make a profit.	Prince’s Trust	The business will survive and the funds and advice given will have been well used. Loan will be paid back.	Employees	The business will be successful and they will continue to have a job.	Customers	The shop will continue to exist for customers to buy their jewellery. They want quality products at low prices.	Suppliers	The business will be successful so that they will receive more business supplying the jewellery/accessories.	Local Community/Local Public	The business will survive and be an asset to the town – attracting people to the area and providing employment.	Government	The business continues to pay taxes and abide by the law.	Managers	Get a bonus.	Banks/Investors	To get loans paid back/return on investment.	Pressure groups	Ensure that Lily does not destroy environment/exploit workers.		4
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(d)	<p><b>“Lily” operates a flat structure. Suggest one advantage of this type of structure.</b></p> <ul style="list-style-type: none"> <li>• Better communication.</li> <li>• Able to respond better to changes in customer’s wants (market).</li> <li>• Gathering information is quicker.</li> <li>• Decision making is quicker.</li> <li>• Motivates and empowers workers.</li> <li>• Less managers = less wages.</li> </ul> <p>Do not accept reference to changes in structure.</p> <p>Do not accept less workers.</p>	1	
(e)	<p><b>Identify and describe one other type of organisation structure.</b></p> <p>Tall Structure – a structure with many layers of authority through which decision making and communication will be passed.</p> <p>Hierarchical.</p> <p>Narrow span of control. Long chain of command.</p> <p>Do not accept...many levels.</p>	2	

QUESTION 6		KU	DM
(a)	<p><b>Suggest one reason why businesses are keen to support “Save the Children”.</b></p> <ul style="list-style-type: none"> <li>• Gain a good reputation.</li> <li>• Gain more business/more sales/more profits.</li> <li>• Social responsibility/because it is a charity/to help the children.</li> </ul>		1
(b)	<p><b>Other than business support, suggest 3 ways “Save the Children” can raise finance.</b></p> <ul style="list-style-type: none"> <li>• Fundraising events accept all types of fundraising events.</li> <li>• Donations.</li> <li>• Door-to-door collections.</li> <li>• Sponsorship.</li> <li>• Lottery money.</li> <li>• Loans from banks.</li> <li>• Their own shops – Charity Shops.</li> <li>• Government support/grant/finance.</li> </ul>		3

		KU	DM
(c)	<p><b>“Save the Children” is in the voluntary sector of the economy. Name and describe 2 other sectors of the economy.</b></p> <p><b>Private sector</b> All businesses owned/run by private individuals. Businesses are run for the benefit of the people who own them. Main aim is to make a profit (not money).</p> <p><b>Public sector</b> Includes all organisations set up and owned by the government. Organisations are run for the benefit of everyone. Provides essential services which do not have a profit motive.</p> <p>Mark what is right and ignore what is wrong.</p> <p>Not examples on their own.</p>	4	
(d)	<p><b>Suggest 2 ways “Save the Children” could raise awareness of the charity.</b></p> <ul style="list-style-type: none"> <li>• Advertising – TV/billboard/newspaper/radio/leaflets/flyers – accept once.</li> <li>• Special appeals/fundraising events/petitions – accept once.</li> <li>• Creating a website.</li> <li>• Celebrity endorsement.</li> <li>• SMS/Text messages.</li> <li>• Direct mail.</li> <li>• Sponsorship of events.</li> <li>• Giving a lecture.</li> </ul> <p>Only accept one advertising.</p>		2

[END OF MARKING INSTRUCTIONS]