3(a)

Define the term *labour productivity*.

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- the ratio of outputs to labour input during production (2)
- output per worker (2)
- =Total output
  Number of employees (2)

Clear understanding of the term *labour productivity* is worth 2 marks. This is indicated by 2 tic✓✓ .

PARTIAL UNDERSTANDING (1 mark)

Partial understanding of the term *labour productivity* is worth 1 mark. This is indicated by 1 ti✓. .

- output of labour/workforce (1)
- how much employees are able to do/how productive workers are (1)

Accept all valid responses.

3(b)

Explain <u>one</u> way that a business can improve labour productivity.

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark for identifying ONE WAY that a business can improve labour productivity.

- motivate employees
- train employees
- employ experienced workers
- increase hours worked
- change way work is done
- invest in equipment and technology

AO2 Application

2 marks for DEVELOPED application/explanation of ONE way
1 mark for LIMITED application/explanation of ONE way

- effort and productivity may increase if employees are offered financial or non-financial rewards – they may feel more valued and work harder e.g. piece rate pay
- training/experience increases employee output by helping them to gain more skills and learn new and better ways of doing things
- working more hours may mean an individual employee could produce more products i.e. increase their own total output
- team working, altering the layout of the workplace, implementing employee recommendations on how they could work more effectively could improve the speed of production and productivity
- if employees have modern and more efficient machinery, they should be able to have higher output than employees who are using outdated equipment. ***(NOTE:** suggesting replacing employees with machines to improve business productivity is not answering the question)*

Accept all valid responses.

3(a)

Define the term capital intensive operations.

Indicative content

Responses may include:

AO1 Knowledge and understanding
Clear understanding
- Capital intensive operations involve business processes/production that require large amounts of capital expenditure/machinery/equipment (1) compared to labour (1)

Partial understanding
- Production/business processes that need capital (1)

Accept all valid responses.

3(b)

Explain <u>one</u> limitation to a business of labour intensive operations.

There are 3 marks for this question**:**

1 mark for K

2 marks for APP

Indicative content

Responses may include:

AO1 Knowledge and understanding
1 mark for identifying **one** limitation of using labour intensive operations

- Expertise, experience of employees can vary
- Skilled workers may take time to train.
- It can be more expensive
- Relatively inefficient and inconsistent/unreliable levels of effort/not as fast as machines
- Labour relations problems.
- Difficulty of replacing/recruiting staff.

3(b)

AO2 Application

2 marks for **developed** APP of the limitation given

1 mark for **limited** APP of the limitation given

Production processes that have a high level of labour input and a low level of capital input may have the following limitations:

- Variable levels of labour expertise and experience may lead to variable levels of product quality.
- The training and re-training of employees may be very expensive and may disrupt the production process.
- Due to lower productivity the unit cost may be higher than capital intensive operations
- Unable to reach the consistency levels of machine production-employees fall ill and take holidays.
- Employees may seek better conditions leading to disputes, strikes, unionisation.
- Labour turnover may be high, competitive markets for labour may mean labour shortages-growth targets threatened.

Accept all valid responses

<table>
<tr><th>Answer</th><th>Marks</th></tr>
<tr><td>

Explain <u>one</u> advantage to a business of data collected using primary research methods.

Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate response.
AO1 out of 1 mark.
AO2 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- Primary research methods produce first-hand data directly related to the needs of a business.
- Advantage of primary data which shows knowledge of the term.
- Method of primary research which shows knowledge of the term.

AO2 Application
- Primary research methods may produce data that will be more up-to-date than data from secondary sources – may therefore be more useful to a business.
- Primary research methods may produce data that will be more relevant to a business than secondary sources – data will be collected for a specific business purpose.
- A business has direct control as opposed to secondary sources – over what and how data is collected using primary research methods.
- The data collected will be confidential unlike secondary sources – and can be hidden from competitors.

Accept all valid responses.

</td><td>3</td></tr>
<tr><td>AO1</td><td>1</td></tr>
<tr><td>AO2</td><td>2</td></tr>
</table>

<table>
<tr><th>Answer</th><th>Marks</th></tr>
<tr><td>

Define the term ‘sustainability’.

Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response.
AO1 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- Production systems that prevent waste – by using the minimum of non-renewable resources.
- Production levels that can be sustained in the future – by using renewable resources.
- Production levels which have minimum impact on society – by creating minimum levels of waste.

Accept all valid responses.

</td><td>2</td></tr>
</table>

<table>
<tr><th>Answer</th><th>Marks</th></tr>
<tr><td>
Define the term ‘zero budgeting’.

Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response.
AO1 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
• An approach to budgeting that sets budgets to zero each year – not from the current year’s levels.
• Requires budget holders to justify their budgets each year – in order to gain financial resources.

Accept all valid responses.
</td><td>2</td></tr>
</table>

<table>
<tr><th>Answer</th><th>Marks</th></tr>
<tr><td>
Explain <u>one</u> benefit to a business of using budgets.

Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate response.
AO1 out of 1 mark.
AO2 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
• A budget is a detailed financial plan for the future.
• Any benefit of using budgets, e.g. allocating resources, assessing performance, giving managers authority.

AO2 Application
• Budgets are set for both sales revenue and business costs – allowing a business to create and monitor profit centres and cost centres.
• Budgets require budget holders to consider their future financial requirements – and to set realistic financial targets.
• A system of budgets facilitates financial performance measurement – and increases budget holder accountability.
• Budgets require careful financial planning – that should lead to a more efficient allocation of resources.
• Budgets may well serve to motivate budget/profit and cost centre managers – creating an incentive to perform.
• Budgets throughout a business may encourage co-operation and co-ordination of business activities – helping to avoid conflict.
• Budgets are a measure of control – and allow monitoring to provide financial discipline within a business.
• Budgets may indicate the need for change – by signalling the unrealistic nature of financial plans in the light of changed situations.
• Budgets allow for the use of variance analysis – which indicate major areas for management action.

Accept all valid responses.
</td><td>3</td></tr>
<tr><td>AO1</td><td>1</td></tr>
<tr><td>AO2</td><td>2</td></tr>
</table>

Answer	Marks
ɲfluence the activities of a business.	!

at the top of this mark scheme and use this table to give marks for each candidate

AO2 Application 2 marks	AO3 Analysis 2 marks
Description	**Description**
2 marks Developed application of **one** relevant point to a business context.	**2 marks** Developed analysis that identifies connections between causes, impacts and/or consequences of one relevant point.
1 mark Limited application of **one** relevant point to a business context.	**1 mark** Limited analysis that identifies connections between causes, impacts and/or consequences of one relevant point.
0 marks No creditable response.	**0 marks** No creditable response.

ay a business behaves – distinguishing between 'right' and 'wrong' and then making

Answer	Marks
AO2 Application • The objectives of a business may include survival, growth, market domination, profit and the pursuit of any of these may well involve ethical dilemmas. • Ethical decisions will be required when pressures or demands develop which suggest that business performance can be improved through unethical actions. **AO3 Analysis** • A business may decide not to engage in unethical practices such as employing child labour, using inferior raw materials, engaging in questionable advertising or promotion activities. • A business could reject cheap production methods that pollute the environment and add to social costs. • A business could decide to be more responsible and avoid locating in countries with low inferior employment conditions. • A business could avoid supplying or promoting products that might damage health. • A business could avoid exploiting suppliers and develop strong, more trusting partnerships. • A business could subscribe to corporate socially responsible practices and objectives. • Such ethical decisions and practices will likely build and maintain a positive reputation and prevent financial and legal problems. • A commitment to ethical business activities will enrich the business culture and encourage more productive relations between customers, managers, and employees. Accept all valid responses.	
AO1	1
AO2	2
AO3	2

Answer	Marks
Analyse <u>two</u> reasons why it is important for a business to set SMART objectives.	8

Use Table D to mark each candidate response.
AO1 out of 2 marks.
AO2 out of 2 marks.
AO3 out of 4 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- An objective is a statement of what a business hopes to achieve.
- SMART is an acronym used as a guide for setting objectives.
- It has come to mean objectives that are:
  SPECIFIC
  MEASURABLE
  ACHIEVABLE
  REALISTIC
  TIME-LIMITED.

AO2 Application
- SMART is considered to be an effective business tool and helps to measure business performance.
- It provides the clarity, focus, and motivation that is required if business goals are to be met.

AO3 Analysis
- Effective business decisions require SMART objective setting to allow business to measure whether it has met its original objectives.
- A SPECIFIC approach requires objective setters to ask the correct questions: what needs to be accomplished in this business, why it is important, what resources are involved.
- A focus on a MEASURABLE approach focusses on questions such as when it will be accomplished, so that progress can be tracked and assessed and deadlines reached.

Answer	Marks

- A concern with REALISTIC asks whether the timing is right and the conditions in the external environment are appropriate.
- TIME-LIMITED provides discipline and ensures that short-term tasks do not take priority over longer term-objectives.
- Could SMART become inflexible and stifle creativity?

Accept all valid responses.

AO1	2
AO2	2
AO3	4

Answer	Marks
Evaluate the view that a mission statement is only important to a bank if it significantly influences the strategy and tactics of that business.	12

Use Table E to mark each candidate response.
AO1 out of 2 marks.
AO2 out of 2 marks.
AO3 out of 2 marks.
AO4 out of 6 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- Mission statements define the core purpose and focus of a business.
- Internally they are designed to motivate employees and provide a context for all business activity.
- Strategy is about the long-term business decisions affecting the whole of the business and the focus of senior managers.
- Tactics are short to medium-term decisions taken by less senior managers in departments or divisions of a business.

AO2 Application
- Mission statements can be devised by the directors of the bank and referred to by all bank employees.
- Mission statements are devised to become part of the operating focus of all the bank employees.

Answer	Marks
AO3 Analysis • A mission statement may provide direction which allows a business to develop tactics and strategy and meet objectives such as profit and sales. • Without the direction a business' stakeholders may pull in different directions leading to inefficiency, increased costs, failure. • If mission statements did not work they would not be used by so many businesses. • A business may spend significant time formulating a mission statement which is so general that it has little relation to actual direction of the business and does not provide focus. • A business may be so focused on a 'pre-set' mission that it misses new opportunities which could allow the business to diversify. • A mission statement might add no value to the business, increasing costs with no increase in profit/profitability. **AO4 Evaluation** • What are the most important factors that could affect the impact of a mission statement on a bank? • Changes in the dynamic business environment can make a mission statement set several years ago seem irrelevant. • Are mission statements often little more than vague statements or wish lists that few believe in? • Can mission statements really influence strategic and tactical business decisions when most banks are trying to maximise profits? • To what extent might factors such as exceptional leadership in a bank or a carefully crafted bank mission statement affect the importance and influence of a bank mission statement? • Mission statements can also have an external impact and allow businesses to be made accountable to stakeholders. • Judgement made on the significance or importance of mission statements. Accept all valid responses.	
AO1	2
AO2	2
AO3	2
AO4	6

Answer	Marks
Analyse <u>two</u> possible disadvantages to a business of using performance-related pay to motivate its employees. Use Table D to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Performance-related pay (PRP) links salaries/wages to an assessment of performance measured against pre-agreed performance criteria. • PRP may set non-achievable targets. • May lead to conflict between employees. **AO2 Application** • Often used to remunerate employees whose output is not measurable in quantitative terms such as management/ supervisory/clerical posts. • An optional reward/motivation method for employees who are considered to have given exceptional performance. **AO3 Analysis** • For some employees PRP is seen as a device to intensify work demands, increase productivity leading to worker exploitation and high stress. • It can lead to rifts and divisions in teams if some are not included in a PRP scheme – they will feel their work is less valued. • There are problems in deciding how to measure 'above average' performance – employees' views will differ from managers' views. • PRP can put power into the hands of managers leading to favouritism or discrimination. • It requires detailed information about employees and their jobs.	8