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)
- =<u>Total output</u>
  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have modern and more efficient machinery, they should be able to have higher output than employees who are using outdated equipment.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.

2(a)(i)

Identify <u>one</u> external stakeholder of a business partnership.
Responses may include:
Knowledge of an external stakeholder of a partnership
- Customers / consumers
- Suppliers
- Competitors
- Government
- Local community
- <u>Potential</u> investors/owners
- Banks

Do not accept owners, investors or shareholders, as these are internal stakeholders.

Accept all valid responses.

2(a)(ii)

Explain the term *outsourcing*.

AO1 Knowledge and understanding 1 mark	**AO2 Application 2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:
AO1 Knowledge and understanding
Knowledge of outsourcing (max 1 mark), including:
- Using another business (a third party) to undertake a business function
- Using an external business/producer to undertake a business function

AO2 Application
Limited application applies knowledge of outsourcing to a business context
Developed application - applies knowledge of outsourcing to a business context

- Examples of an outsourcing function; manufacturing, accounting and finance, HRM etc.
- Allow explanations of reasons for outsourcing; lack of skills, cost advantage, increasing capacity etc.
- Not using the business's own resources; employees, machines etc.

Accept all valid responses.

2(a)(ii)			
	Exemplar and annotations	**Mark**	**Rationale**
	Another business producing for you . To increase capacity by using the other business's facilities .	3	Knowledge of outsourcing, a reason to outsource and explanation of how this might happen.
	Using a third party to do tasks for your business , such as outsourcing HR tasks if they can do it cheaper .	3	Knowledge of outsourcing, with an example of an outsourced task and a reason.
	Contracting another business to do a job such as marketing	2	Knowledge of outsourcing and an example of an outsourced task.
	Using another business to do a business function . Drake uses outsourcing for some areas of his website.	1	Knowledge of outsourcing. Do not credit copied sections from the case.
	Partnering with another business to sell goods.	0	This is not outsourcing – this could be a distribution agreement.
	Drake uses another business for some areas of his website, such as keeping it up to date.	0	No knowledge of outsourcing. Do not credit copying of the case material.

2(b)(i)

Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the variance is favourable or adverse.

Formula:
Actual – Budget = Variance (1) OR Budget – Actual (1)

Calculation:

Variance = $3250 – $3900 = $650 (1)

Adverse (1) – only award if this is evidenced by the working/answer

Ans = $650 adverse (3 marks)
Accept 16.67% (must include % sign and be correctly rounded, i.e. 17%, 16.7% etc.) adverse as a correct answer

Examples and annotations

Marks	**Answer**	**Rationale**
3 marks	Correct answer **$650 adverse** *Accept 16.67% adverse*	**Working and $ do not matter**. **Award one** ✓ to denote the three marks. Do not award the minus sign as adverse.
2 marks	• A correct answer with incorrect or missing variance (650)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓ , one ✗ and one OFR
1 mark	**One** of the following: • Correct formula (can be implied)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

2(b)(ii)

Explain one way Drake could use the budget data in Table 2.1.

AO1 Knowledge and understanding **1 mark**	**AO2 Application** **2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:
AO1 Knowledge and understanding
Identification of a way to use budget data (max 1 mark), including:
- measuring performance
- allocating resources
- controlling
- monitoring a business
- decision making (or examples of decision making, e.g. pricing, costing)
- planning.

AO2 Application
Explanation of a way to use budget data (max 1 mark), including:
- measuring performance; by comparing actual data with budgeted data
- allocating resources; by allocating more budget to priorities
- controlling; by allocating less budget to low priority functions
- monitoring a business; to see areas of a business with greater variances.

2(b)(ii)

Context applied to Drake/LAF (max 1 mark), including:
- Drake ran his website in the weekends and evenings
- Drake gave free legal advice
- LAF still provides free legal advice but paid legal services
- Drake was the only internal stakeholder of his website
- Drake uses outsourcing
- Use of data in Table 2.1
- Drake has expanded LAF
- Will employ five lawyers
- Will employ three administrators
- Labour intensive business
- Sole trader

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
To identify variances of areas where LAF is overspending leading to the adverse profit variance of $650 .	3	A way identified, explained and in context, so all 3 marks.
To monitor the business to decide if Drake should continue outsourcing .	2	A way identified, and in context for Drake/LAF.
To know how much money is left	1	Identification of a way.
To grow the business	0	No specific way identified.

2(c) **Analyse two possible limitations for LAF as a labour intensive operation.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.

2(c)

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Annotate the first reason in the left-hand margin and the second reason in the right-hand margin

Answers must be about the limitations of operating as a labour intensive business, not simply the limitations of managing/having labour.

Responses may include:

AO1 Knowledge and understanding
Identification of a limitation of operating as a labour intensive operation , including:
- High labour cost
- Ongoing costs of labour (wages, salary, health care, training, induction etc.)
- Inconsistent quality – human error
- Labour relations problems
- Potential shortage of skilled employees
- Slower production

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2(c) **AO2 Application**
Application of the advantage to LAF , including:
- Drake ran his website in the weekends and evenings
- Drake gave free legal advice
- LAF still provides free legal advice but paid legal services
- Drake was the only internal stakeholder of his website
- Drake uses outsourcing
- Use of data in Table 2.1
- Drake has expanded LAF
- Will employ five lawyers
- Will employ three administrators
- Developed a business plan
- All employees would work in the same office in city G
- Employees will need to be able to use IT equipment
- Sole trader

AO3 Analysis
Limited analysis of a limitation of operating as a labour intensive business – developed analysis , including:
- High labour cost: increasing the pressure on the business to increase revenue – so that it does not make a loss.
- Ongoing costs of labour (wages, salary, health care etc.); which may make the business unprofitable – leading to bankruptcy.
- Inconsistent quality: leading to customer dissatisfaction and being sued in court – increasing business costs.
- Labour relations problems: workers may not get on together leading to high labour turnover – which may increase the business costs of recruitment and training and reduce profit / lead to loss.
- Potential shortage of skilled employees; so, the business is unable to meet demand and loses sales – reduced profitability.

Accept all valid responses.

2(c) **Exemplar and annotations**

AO1 Knowledge	AO2 Application	AO3 Analysis
High wage costs ,	of the five lawyers ,	Which will increase the total costs of the business leading to lower profit .
A slower service .	Because LAF will be using five human lawyers ,	Which may reduce demand for LAF's services and therefore decrease the profit .

2(d) **Evaluate the most important responsibility that Drake has as the owner of LAF.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Responsibility is the duty or state of being accountable for something, meaning Drake has the obligation to take care of it or to ensure this is done.

Do not reward characteristics/qualities of an entrepreneur – it must be something that an owner/manager is responsible for in a business.

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2(d) Responses may include:

AO1 Knowledge and understanding
Knowledge of owner responsibilities (max 2 marks), including:
- To create a business plan
- To develop aims, objectives, strategy and tactics
- To keep track of finances and accounting
- To manage marketing and sales
- To make sure the business is operating legally and compliantly
- Ensure excellent customer service
- To employ and co-ordinate human resources
- Manage day-to-day operations
- Plan new initiatives
- To train the employees
- To facilitate operations
- To oversee purchasing

AO2 Application
Application to Drake/LAF, including:
- Drake ran his website in the weekends and evenings
- Drake gave free legal advice
- LAF still provides free legal advice but paid legal services
- Drake was the only internal stakeholder of his website
- Drake uses outsourcing
- Use of data in Table 2.1
- Drake has expanded LAF
- Will employ five lawyers
- Will employ three administrators
- Labour intensive business
- Developed a business plan
- All employees would work in the same office in city G
- Employees will need to be able to use IT equipment
- Sole trader.

2(d) **AO3 Analysis**
Limited analysis of owner responsibilities – developed analysis, including:
- To create a business plan; to give the business direction so that it can operate efficiently – reduce costs / increase revenue.
- To develop aims, objectives, strategy and tactics – to give the business direction so that it can operate efficiently – reduce costs / increase revenue.
- To keep track of finances and accounting; so that the business does not go into debt – and go bankrupt.
- To manage marketing and sales; so that the business can gain revenue – to increase profit.
- To make sure the business is operating legally and compliantly; so that the business is not sued – which could increase the costs.
- Ensure excellent customer service; so that customers return – increasing revenue.
- To employ and co-ordinate human resources; so that the business can operate efficiently – reducing costs and increasing profitability.
- Manage day-to-day operations; to enable to business to meet its customers' needs – increasing revenue and repeat purchases.
- Plan new initiatives; to expand the business – increasing revenue.
- To train the employees; to increase customer satisfaction – increasing profit.
- To facilitate operations; to enable revenue to be created – increasing profitability.
- To oversee purchasing; to enable efficient operations – reducing average costs and increasing profitability.

AO4 Evaluation
Limited evaluation of the most important owner responsibility – developed – developed in context, including:
- A judgement of the most important responsibility of Drake as the owner of LAF.
- What the judgement may depend upon; Drake's own objectives/skills, the likely success of LAF as it expands, the finances available to Drake etc.
- It is unknown what the legal structure of LAF is – as a shareholder, Drake would have different responsibilities than a sole trader.
- Whether Drake is able to expand LAF as he plans to – his responsibilities as a 'one-person' business are different than his responsibilities as LAF grows and employs more people.
- The type of legal advice that Drake may be providing and the laws pertaining to legal advice in the countries where LAF operates.
- A judgement about the importance of one responsibility or a weighing up of the comparative importance of more than one responsibility.

Accept all valid responses

2(d)	**Exemplars for awarding evaluation** **Evaluate the most important responsibility that Drake has as the owner of LAF.**

L1 (limited supporting evidence)	**L2 (developed supporting evidence)**	**L3 (developed supporting evidence with context)**
The most important responsibility is to pay the lawyers.	The most important responsibility is to pay the lawyers because without them, the business has no service to provide and will go bankrupt.	The most important responsibility is to pay the five lawyers because without them, the business has no service to provide and will go bankrupt.
The most important depends on the size of the business.	The most important depends on the size of the business. As a small business, Drake might need to focus on making sure there is enough finance. When the business grows, this might change to customer satisfaction.	The most important depends on the size of the business. As a sole trader, Drake might need to focus on making sure there is enough finance. When the business grows, this might change to customer satisfaction.

1(a)(i) **Identify one quality an entrepreneur needs for success.**

Indicative content

Identification of a quality ✓ may include:
- Ambitious / inner drive
- Risk taker
- Confident
- Inquisitive
- Adaptability / flexible
- Resilience / persistence / determination
- Innovative / creative
- Communication
- Leadership
- Decision making
- Builds trust

If more than one answer is given, only mark the first, reading from top left to bottom right.

Accept all valid responses.

1(a)(ii) **Explain the term *working capital*.**

AO1 Knowledge and understanding 1 mark	**AO2 Application 2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of working capital will include (max 1 mark):
- Current assets minus current liabilities
- Money / cash / funds / finance (to run the business)
- Ability to run the business
- Day-to-day / general operations / current / short-term / immediate / trading

1(a)(ii) **AO2 Application**
Limited application applies knowledge of working capital to a business context.
Developed application + applies knowledge of working capital to a business context.
- Examples of short-term financial commitments, e.g. stock, salaries, utilities, suppliers, debts, financial obligations, bills etc.
- Reference to current ratio and/or acid test ratio (ideals of 2:1 or 1:1)
- Benefit of maintaining sufficient working capital, e.g. survival, avoid liquidation
- Ways to improve working capital, e.g. use of a bank overdraft
- Managing trade receivables, e.g. stopping/reducing trade credit to customers, debt factoring
- Managing trade payables, e.g. taking/prolonging trade credit from suppliers
- Example from a business concept

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
The ability to pay short-term financial obligations such as high interest on bank loans and avoid liquidation	3	An answer which starts with the knowledge and then applies it to SF (case mentions high-interest bank loans). Avoid liquidation (survival) is the second application.
Cash needed to fund the day-to-day operations such as paying staff salaries.	3	Again, knowledge first, followed by application to business operations (day to day) and includes an example (salaries).
Current assets minus current liabilities to measure the ability to pay day-to-day bills	2	Knowledge and explanation for one application mark.
It is a measure of the cash needed to operate.	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
The capital the business needs to work.	0	No knowledge of working capital. Tautological.

1(b)(i)	**Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse.** **Indicative content** Profit variance = actual profit–budgeted profit (1 mark – formula only) Profit variance = 250 000–2 000 000 (1 mark – use of correct figures in formula) Profit variance = ($) 1 750 000 adverse variance (1 mark – correct answer (must include adverse)) Answer = ($) **1 750 000 adverse variance / 1.75 m adverse variance** (3 marks – correct answer no working or $ needed) must include adverse OFR applies

1(b)(i)	**Exemplar and annotations**

Marks		
3 marks	Correct answer (3) **($)1 750 000 <u>adverse</u> or ($)1.75 m <u>adverse</u>**	**Working and $ and m do not matter.** **Ignore + or -** • **Must be three** ✓ to denote the three marks.
2 marks	**EITHER** • Correct formula AND • Correct identification of figures **OR** • An incorrect answer with one mistake allowing OFR for final stage. Must have the correct variance stated for the answer given. **OR** • A correct variance (1.75 m) with no adverse (or incorrectly states favourable)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR
1 mark	**One** of the following: • Correct formula • Correct identification of figures in an incorrect formula	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

1(b)(ii)	**Explain <u>one</u> drawback to SF of using budgets.**

AO1 Knowledge and understanding **1 mark**	**AO2 Application** **2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of a drawback of budgets K (max. 1 mark), including:
- Only as good as the figures used
- Do not take into account actual market conditions / external factors
- Ignores qualitative factors
- Can be manipulated to show desired rather than realistic outcomes / bias
- Time consuming to research / predict data
- Can hinder flexibility / innovation
- Less accurate in unstable times / long-term predictions
- Risk of internal conflict / managers competing for resources

1(b)(ii)

AO2 Application
Explanation of a drawback of budgets APP (max 1 mark), including:
- Only as good as the figures used–inaccurate data may lead to poor decision making
- Do not take into account actual market conditions–competitiveness
- Ignores qualitative factors–such as new managers/leaders/competitors
- Can be manipulated to show desired rather than realistic outcomes – biased
- Time consuming to research / predict data–opportunity cost of lost time which could be spent on more profitable tasks
- Can hinder flexibility–missed opportunities to increase market share / differentiate
- Less accurate in unstable times / long-term predictions–more suited to the short-term
- Risk of internal conflict / managers competing for resources–hindering teamworking

Context applied to SF APP (max 1 mark), including:
- Private limited company
- Capital intensive business
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers
- Cost of maintenance team / 7 engineers salaries
- Data from Table 1.1
- Can increase revenue by using batteries to store electricity generated by solar panels
- Can sell electricity at peak times for premium prices
- Needs investment into battery technology
- Bob wants to retain control of SF
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ZB is a multinational battery manufacturer
- ZB wants to start a joint venture with SF
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

Accept all valid responses.

1(b)(ii)

Exemplar and annotations	Mark	Rationale
A drawback is that the use of a budget is only as good as the figures used , which could lead to inappropriate decision regarding SF's five solar farms .	3	Accurate of data is a reasonable drawback, explained in the specific context of SF by using data from the context.
Budgeted figures are less accurate in the long-terr , as conditions are more likely to change which could affect SF's plans to form a joint venture .	3	Reduction in accuracy over the long term which could affect the business's plans . This answer is then applied to SF for three marks in total.
Future opportunities may be missed as budgets may hinder flexibility such as using batteries to store electricity .	3	Although the appears first, it cannot be awarded until the has been found. However, there is obvious , so you can go back and award the .
The budget ignores qualitative factors such as new competitors who may affect future sales .	2	Ignoring qualitative factors is . The answer includes a relevant example which is used to explain the drawback , but only one mark as no application to SF's context.
It is time consuming to forecast data to produce the budget .	1	Time consuming is a relevant drawback for , but it hasn't been explained.
SF has taken out high-interest bank loans to cover initial cash flow problems and so needs to use budgets .	0	Although there is some relevant context, there is no knowledge of a drawback to SF of using budgets, so no marks can be awarded.

1(c)

Analyse two limitations to SF of operating as a capital-intensive business.

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Limitation 1 in the left-hand side column, Limitation 2 in the right-hand side column

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1(c)

Indicative content

AO1 Knowledge and understanding

Knowledge of limitations of investing into capital intensive operations (max s), including:

- High cost / expensive
- Cost of financing
- High maintenance costs
- The need for skilled workers for maintenance
- Need to train workers to use / maintain the capital equipment
- The quick pace of technological change
- Obsolescence of equipment
- Reliance on machines that might break-down
- Reduced employee motivation due to repetitive work
- Lack of flexibility

AO2 Application

Max one for application in the first limitation and max on for application in the second limitation

Application of the limitation of investing into capital intensive operations for SF (max s), including:

- Private limited company
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers
- Cost of maintenance team / 7 engineers salaries
- Data from Table 1.1
- Can increase revenue by using batteries to store electricity generated by solar panels
- Can sell electricity at peak times for premium prices
- Needs investment into battery technology
- Bob wants to retain control of SF
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ZB is a multinational battery manufacturer
- ZB wants to start a joint venture with SF
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

1(c)

AO3 Analysis

Limited analysis – candidate shows one link in the chain of analysis.

Developed analysis candidate shows two or more links in the chain of analysis or a two-sided analysis.

Limitations

- High fixed costs–[the 25% increase in solar panels] may require unplanned sources of possibly expensive finance–may reduce capital for future investment
- Cost of financing the equipment–high interest payments will increase expenses–reducing profits
- High maintenance costs–increase cash outflows–threaten liquidity/survival
- Need for skilled maintenance staff–[7 engineers] may require above average wages to travel across country X–add to fixed costs and reduce profitability
- Solar panels may be inefficient in 10 years compared to newest products–higher costs of operation in comparison to competition – make SF less competitive
- Need to train workers to use the machinery / capital equipment–cost of training–reduced profits
- The quick pace of technological change–need to purchase upgraded machinery to maintain competitiveness–high cost
- Obsolescence of equipment–competitors may have newer equipment giving them a competitive advantage–reduced market share
- Reliance on machines that might break down–disruption / delays to production–dissatisfied customers
- Reduced employee motivation due to repetitive work–reducing efficiency–reducing profitability
- Lack of flexibility–production stopped whilst machines are reset to produce different products–inefficiency

Accept all valid responses.

Exemplar and annotations

AO1 Knowledge	AO2 Application	AO3 Analysis
The high costs of initial investment -	Which could hinder Bob's wish to retain control -	As decisions will need to be shared as part of the joint venture – but it is a way of generating the additional finance needed .
Obsolescence of fixed assets –	Which could lead to profit reducing to below $0.25 m -	May lead to increased costs each year to update the fixed assets – and make SF less profitable .

1(d)	**Evaluate whether a joint venture is the most appropriate way for SF to grow.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

1(d)

Indicative content
AO1 Knowledge and understanding
Knowledge of joint ventures (max 2 K s), may include:
- Two (or more) parties
- Work towards a shared task/objective
- Maintain distinct identities
- Can be equity or non-equity based
- Shared profits/losses/responsibilities
- Pool resources/skills/experience/capabilities

AO2 Application
Limited application APP applies knowledge of growth to SF once
Developed application APP + APP applies knowledge of growth to SF twice.
- Private limited company
- Capital intensive business
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers
- Cost of maintenance team / 7 engineers salaries
- Data from Table 1.1
- Can increase revenue by using batteries to store electricity generated by solar panels
- Can sell electricity at peak times for premium prices
- Needs investment into battery technology
- Bob wants to retain control of SF
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ZB is a multinational battery manufacturer
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

1(d)

AO3 Analysis
Limited analysis AN – candidate shows one link in the chain of analysis.
Developed analysis DEV – candidate shows two or more links in the chain of analysis.

Is appropriate
- Pool resources/skills/experience/capabilities–increased efficiency–improving overall profitability
- Fast growth–generates more finance–less risk/cost of borrowing / interest
- Maintain distinct identities–maintain brand/business name and reputation–support future growth

Is not appropriate
- Share profit/losses–lower profit than if worked on project alone–reduced funds for future growth
- Loss of control of operations–may have to change aims and objectives–affecting decision making
- Condition of joint venture if that SF uses ZB batteries–may not be the most appropriate type of battery–increase long term costs / decrease long term profit potential

AO4 Evaluation
Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment EVAL
Developed evaluation–supported judgement and/or reasonable evaluative comment E
Developed evaluation in context–supported judgement in context and/or reasonable evaluative comment in context EE .
- Relative importance of control–are other issues more important, e.g. market share, economies of scale, specific industry/technology experience, ability to source batteries by SF
- Choice depends on SF/Bob's long-term goals. Does he want to remain in sole control, does Bob want a partner to share the workload/risk.
- Comparison with other ways to grow, e.g. merger.
- The impact of external influences
- Choice of partner
- A judgement on whether a joint venture is the most appropriate way for SF to grow

Accept all valid responses.

1(d)

Exemplars for awarding evaluation

L1 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(developed supporting evidence with context)**
A joint venture is the best way for SF to grow.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology, and increase profitability by selling electricity at peak times for premium prices.
A joint venture is not the best way for SF to grow.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions. Bob can retain control of SF as he wishes.

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

1(a)(i)	**Identify <u>one</u> business activity within the quaternary sector.** Responses may include: The quaternary sector consists of those industries providing **knowledge/communication and information services**, such as • computing • ICT • consultancy • research and development (R&D) • digital marketing • digital recruitment and selection • Intellectual property (copyright, patents) Allow examples of specific business', industries etc. that exist in the quaternary sector, including • web/internet design • Education • Training • Media • Government • Cyber security *Note: – allow any activity that <u>**could**</u> be in the quaternary sector* Accept all valid responses.
1(a)(ii)	**Explain the term *supply chain management.*** <table><tr><th>AO1 Knowledge and understanding 1 mark</th><th>AO2 Application 2 marks</th></tr><tr><td></td><td>**2 marks** Developed application of **one** relevant point to a business context.</td></tr><tr><td>**1 mark** Knowledge of **one** relevant point is used to answer the question.</td><td>**1 mark** Limited application of **one** relevant point to a business context.</td></tr><tr><td>**0 marks** No creditable response.</td><td>**0 marks** No creditable response.</td></tr></table> Responses may include: **AO1 Knowledge and understanding** Knowledge of supply chain management K (max 1 mark), including: The coordination (allow management) of the flow/movement of goods and services. Allow – management of inventory –management of raw materials **AO2 Application** APP *Limited application* APP *applies knowledge of supply chain management from one aspect of the supply chain (ie suppliers to a business, within a business or from the business to customers).* *Developed application* APP + APP *applies knowledge of supply chain management in two or more aspects of a business.* Explanation of supply chain management APP (max 2 marks), including: **From** suppliers to business **Within** the business **To** the customer

1(a)(ii)	• **From** suppliers – and **to** customers . • Between different parts **within** the business – and **to** the customer. • Raw materials **within** the business – and **to** distribution channels. • Involves the complete chain of inventory **from** suppliers – **to** customers. • Involves inventories, **from** raw materials – **to** finished goods. Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
Coordination of the movement of products K. For example, how raw materials are delivered to the business APP and how the business delivers products to customers APP.	3	Explicit knowledge of supply chain management and explanation of two elements of the supply chain.
The coordination of products K from the suppliers delivering to the business APP and how the business moves these through its production process APP.	3	Poorly defined, but there is clear knowledge that the supply chain involves movement. Two elements of the movement, from the supplier to the business and then the business through the production process.
Movement of inventory K around a factory APP, and to the customers APP	3	Knowledge of movement with movement around a factory and to customers, so all three marks.
Management of the raw materials being turned into products K which can be sent to customers APP.	2	Clear knowledge, but only one type of movement.
Managing the movement of products K.	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
Looking after how products are offered to customers.	0	No explicit knowledge of movement. Can not award APP without K.
Managing the supply chain.	0	Tautology

1(b)(i)	**Refer to Table 1.1 and other information. Calculate TT's forecast total profit from the QZ contract.** **Formula:** Profit = TR – TC (direct costs + indirect costs) (1) **OR** Calculation of total direct costs = \$5 × 5000 = \$25 000 (1) **Calculation of TC:** TC = \$25 000 + \$9000 = \$34 000(1) **Answer** \$40000 – \$34000 = \$6000 (1 – OFR rule applies) **Ans = \$6000 (3 marks)**

1(b)(i) **Exemplars and annotations**

Marks		
3 marks	Correct answer **6000**	**Working and \$ sign do not matter**. An answer of 6 is incorrect.
2 marks	Correct calculation of total costs (TC) (\$34 000 – with working). **OR** Correct calculation of gross profit (\$15 000 – with working) **OR** An incorrect answer with one mistake allowing OFR for final stage.	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR **OR** • Two OFR and a ✗
1 mark	**One** of the following: • Correct formula • Correct calculation of total direct costs (\$25 000)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be a minimum of one ✗

1(b)(ii) **Explain <u>one</u> reason why TT needs accurate cost information.**

AO1 Knowledge and understanding **1 mark**	**AO2 Application** **2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:

AO1 Knowledge and understanding
Identification of a reason why a business needs accurate cost information K (max 1 mark), including:
- To calculate the total cost of production
- To make sure a profit is made
- To identify the profit margin
- To identify the break even point / margin of safety / target profit level
- To know how much finance is needed
- To categorise costs
- To forecast sales
- To budget/plan
- To set prices

1(b)(ii)	**AO2 Application** Explanation of a reason why a business needs accurate cost information (max 1 mark), including: • To calculate the total cost of production – to calculate profit levels • To make sure a profit is made – which can increase dividends • To identify the profit margin – to benchmark against other businesses • To identify the break-even point / margin of safety / target profit level – to ensure the business sells enough to cover the costs • To know how much finance is needed – so that a bank can see how much profit may be made • To categorise costs – to budget for cost centres • To forecast sales – to estimate the break-even level of sales • To budget – so that the business can plan for future expansion • To set prices – by knowing the total costs which need to be covered. Context applied to **TT** (max 1 mark), including: • TT has shareholders • Specialises in supply chain management • Contracts to deliver raw materials • To secondary and tertiary sector businesses • Agreed contract between TT and QZ • Use of Table 1.1 • TT employs 120 drivers • Objective to increase sales • Targeting small, online retail businesses • Requires a new fleet of smaller trucks

1(b)(ii)

Exemplar and annotations	**Mark**	**Rationale**
To set prices by calculating the total costs and setting a price higher than the cost per unit when delivering 5000 products for QZ .	3	A reason identified, explained and in context, so all 3 marks.
To set budgets for the 5000 QZ deliveries .	2	A reason identified, but not explained. The context about QZ is fine.
So that TT can know how much finance it needs to cover the QZ order.	1	Identification of a reason, but no explanation and the context is TV. Names are not enough for context.
So that TT can survive.	0	No specific reason identified.

- Plans to use digital promotion.

Accept all valid responses.

1(c) **Analyse two advantages to TT of improving diversity and equality in the workplace.**

Level	**AO1 Knowledge and understanding 2 marks**	**AO2 Application 2 marks**	**AO3 Analysis 4 marks**
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

1(c) *Note: Annotate the first advantage in the left-hand margin and the second advantage in the right-hand margin.*

Responses may include:

AO1 Knowledge and understanding

Identification of an advantage of improving diversity and equality , including:

- Increase potential supply of workers
- Reduce the chance of being sued
- Increase motivation
- Improve reputation/ brand image
- Attract more diverse employees
- Reduce labour turnover

AO2 Application

Application of the advantage to TT , including:

- TT is a private limited company
- Specialises in supply chain management
- Contracts to deliver raw materials
- To secondary and tertiary sector businesses
- Works with one of the largest manufacturers in country J
- Agreed contract between TT and QZ
- Use of Table 1.1
- TT employs 120 drivers
- Objective to increase sales
- Targeting small, online retail businesses
- Requires a new fleet of smaller trucks
- Plans to use digital promotion
- Industry has been criticised for not having diversity and equality

1(c)

AO3 Analysis

- Limited analysis of an advantage of improving diversity and equality to a business – developed analysis , including:
- Increase potential supply of workers: reduce labour costs – increase profitability.
- Reduce the chance of being sued – decrease business costs – increase profit.
- Increase motivation – increase efficiency of the business – increase profitability.
- Improve reputation – increase sales / contracts – increase profit.
- Attract more diverse employees – brings new ideas into the business – increase sales / profit.
- Reduce labour turnover – reduce business costs – increase profitability.

Accept all valid responses.

Exemplar and annotations

AO1 Knowledge	AO2 Application	AO3 Analysis
Motivate drivers ,	as there are 120 of them ,	so this might lead to more productive employees leading to lower average costs .
Attract better employees .	Which will help TT reach its objective to increase sales ,	by having more skilled employees, TT can increase the number of deliveries and therefore increase the profit .

1(d)

Evaluate the usefulness of digital promotion to TT when targeting small online retailers.

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

1(d)

Responses may include:

AO1 Knowledge and understanding – knowledge of digital promotion

Knowledge of digital promotion (max 2 marks), including:

- Social media
- Email
- Using the internet /technology (marketing)
- Online (marketing)
- Spam
- Influencer
- Search engine optimisation
- Mobile/smartphone/ app-based (marketing)
- Viral (marketing)
- Pay per click

AO2 Application

Application to TT , including:

- TT is a private limited company
- Specialises in supply chain management
- Contracts to deliver raw materials
- To secondary and tertiary sector businesses
- Works with one of the largest manufacturers in country J
- Agreed contract between TT and QZ
- Use of Table 1.1
- TT employs 120 drivers
- Objective to increase sales
- Requires a new fleet of smaller trucks

1(d)

AO3 Analysis

Analysis of the usefulness of digital promotion, including

- Limited analysis of the use of digital promotion – developed analysis , including:
- To communicate: relatively inexpensive which reduces business costs – increases profit.
- To inform: digital promotion can be very fast with messages reaching customers instantly, this is likely to increase customer knowledge of a business and increase sales – increasing profit.
- To persuade: people spend vast amounts of time on digital devices so digital promotion is likely to target these customers more than other types of promotion, increasing sales – increasing profit.

Always on: especially with the increase in wearable technology, digital promotion increases the chances of customers seeing the promotion and being persuaded to make a purchase – increasing profit.

AO4 Evaluation

Limited evaluation of the usefulness of digital promotion – developed – developed in context , including:

- Relative usefulness of digital promotion in targeting smaller online retailers.
- Comparison with non-digital types of promotion
- Comparison of different digital promotion methods.
- Use of digital methods may depend upon; cost of method, target market of customers for the online retailers, advances in technology (speed, influence etc.), budget available, geographical spread of market etc.
- The impact of the chosen digital promotion methods method(s) and the impact of the methods themselves.
- The likely response from competitors.
- A judgement of the most useful method of digital promotion.

Accept all valid responses.

1(d)	**Exemplars for awarding evaluation** **Evaluate the usefulness of digital promotion to TT when targeting small online retailers.**

L1 (limited supporting evidence)	**L2 (developed supporting evidence)**	**L3 (developed supporting evidence with context)**
Digital promotion is very useful for TT.	Digital promotion is very useful for TT because it is a low-cost way to change customers opinion about the business.	Digital promotion is very useful for TT because it is a low-cost way to change customers opinion about the business. Low cost is important so that TT can make the new QZ contract successful.
Digital promotion is not useful for TT.	Digital promotion is not useful for TT because it is more likely to be ignored by customers as spam.	Digital promotion is not useful for TT because it is more likely to be ignored by customers as spam because of the newspaper criticism.

Answer	Marks
Explain one 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.	
AO1	1
AO2	2

Answer	Marks
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.	2

Answer	Marks
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.	2

<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>

<table>
<tr><th>Answer</th><th>Marks</th></tr>
<tr><td>
nfluence the activities of a business.

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

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

ay a business behaves – distinguishing between ‘right’ and ‘wrong’ and then making
</td><td>5</td></tr>
</table>

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. 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	8

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

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