

# Past-paper walk-through

## Organisation and management ■ 2.2

eXercise

## Questions in this set

- 0450/11 N25 Q3 ■ 20 marks
- 0450/22 M25 Q2 ■ 20 marks
- 0450/12 N24 Q4 ■ 20 marks
- 0450/21 N24 Q2 ■ 20 marks
- 0450/22 N24 Q2 ■ 20 marks

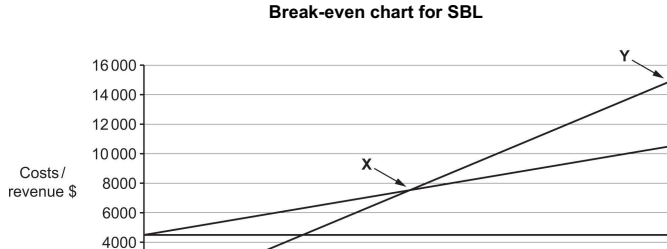
## Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- **//** separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

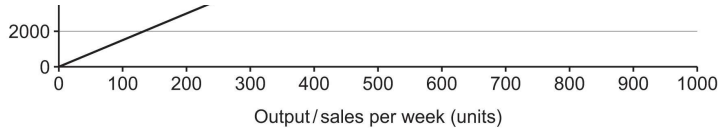
# Question 3

0450/11 N25 ■ Q3 ■ 20 marks

- 3 SBL is a fast food restaurant which sells 900 chicken burgers each week. It has 14 employees. The owner, Vicki, provides her employees with training but does not currently use delegation. She is preparing a break-even chart to help calculate SBL's margin of safety. A partially completed break-even chart is shown in Fig. 3.1. Vicki wants to know how an economic recession might affect her business.



## Question 3



**Fig. 3.1**

**(a)** Identify **X** and **Y**.

## Question 3

**(b)** Define 'margin of safety'.

## Question 3

(c) Outline **two** advantages of Vicki delegating tasks to her employees.

## Question 3

## Question 3

- (d) Explain **two** possible effects an economic recession might have on Vicki's business.

## Question 3

## Question 3

## Question 3

## Question 3

## Question 3

## Question 3

- (e) Explain **two** methods of training a business might use. Which is likely to be the best method for a service business to use? Justify your answer.

## Solution 3

(a)

### Mark scheme

- Identify X and Y.
- Award 1 mark for each correct answer.
- X: Break-even (point)
- Y: (Total) revenue
- 2 Only award the first response given for each.

## Solution 3

### (b) Mark scheme

---

- Define 'margin of safety'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- The difference between the current level of output/sales
- and break-even output/sales [2]
- ■
- The amount by which sales exceed the break-even

## Solution 3

- point [2]
- Partial definition e.g.
- ■
- Difference between total output and break-even point [1]
- ■
- Number of units that exceed break-even output [1]
- 2
- 0450/11
- October/November 2025
- Guidance

## Solution 3

### (c) Mark scheme

---

- Outline two advantages of Vicki delegating tasks to her
- employees.
- Award 1 mark for each relevant advantage (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
  - ■
- Motivate employees [k] helping increase sales above

## Solution 3

- 900 units [app]
- ■
- Develop employee skills / increase flexibility of
- workforce [k] when making burgers [app]
- ■
- Builds trust between the owner and her employees /
- better working relations [k]
- ■
- The owner cannot do all tasks alone / reduces her
- workload / she has time to focus on other tasks [k] such

## Solution 3

- as completing the break-even chart [app]
  - ■
  - Quality of the owner's work is often improved / she is
  - less likely to make mistakes [k] at the restaurant [app]
  - ■
  - She can measure performance/success of employees
- k
- Other appropriate responses should be credited.
  - 4 To use words from the stem as application, the reference
  - must be appropriate (i.e. make sense) in relation to the point

## Solution 3

- being made.
- The following words are likely to be appropriate for this
- question:
  - ■
  - (Fast) food/restaurant
  - ■
  - (Chicken) burgers
  - ■
  - 14 employees
  - ■

## Solution 3

- 900 (meals a week)
- ■
- 500/break-even
- ■
- 400/margin of safety
- ■
- Training
- ■
- (Economic) recession
- Other appropriate examples can be credited.

## Solution 3

- 0450/11
- October/November 2025
- Guidance

## Solution 3

### (d) Mark scheme

---

- Explain two possible effects of an economic recession
- on Vicki's business.
- Award 1 mark for identification of each relevant method
- (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:

## Solution 3

- ■
- Lower/fewer sales [k] leading to lower revenue [an] from
- selling burgers [app]
- ■
- May need to lower costs [k] as revenue is likely to be
- falling [an] for the restaurant [app]
- ■
- More workers available to select from [k] so may be
- able to lower labour costs [an] of the 14 employees

app

## Solution 3

- ■
- Workers may be made redundant / reduce workforce /
- downsize [k] which could demotivate other workers [an]
- ■
- Low business confidence [k] so less willing/likely to
- invest [an]
- ■
- The business may fail / hard to survive [k] so may lose
- their investment [an]
- ■

## Solution 3

- May have cash flow problems [k] so cannot pay day-to-
- day costs [an]
- ■
- May have to lower prices [k]
- ■
- May delay any expansion plans [k]
- ■
- Banks may not be willing to lend [k]
- ■
- May change objective to survival [k]

## Solution 3

- ■
- Lower profit [k] so less funds to invest [an]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ■
- (Fast) food/restaurant

## Solution 3

- ■
- (Chicken) burgers
- ■
- 14 employees
- ■
- Delegation
- ■
- 900 (meals a week)
- ■
- 500 (break-even output)

## Solution 3

- ■
- 400 (margin of safety)
- Other appropriate examples can be credited.
- Some points can be [k] or [an] but only award once.
- Effects can be positive or negative, but mirror answers can
- only be credited once.
- 0450/11
- October/November 2025
- Guidance

## Solution 3

### (e) Mark scheme

---

- Explain two methods of training a business might use.
- Which is likely to be the best method for a service business to use? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to which is likely to be the best method for a service business to use.
- Points might include:

## Solution 3

- On-the-job training [k]
  - ■
- Being trained in the workplace [an]
  - ■
- Watching a more experienced worker doing the job [an]
  - ■
- Allows business specific training to be given [an]
  - ■
- Low(er) cost [an]
  - ■

## Solution 3

- Some work completed during training [an]
- ■
- May learn bad habits from trainer [an]
- ■
- Trainer may not be as productive as usual [an]
- Off-the-job training [k]
- ■
- Being trained away from the workplace [an]
- ■
- Allows employees to be trained by experts [an]

## Solution 3

- ■
- New/up-to-date skills/knowledge can be taught [an]
- ■
- High(er) cost [an]
- ■
- Wages paid but no work is being done [an]
- ■
- Induction training [k]
- ■
- Can help new employees understand / familiarise with

## Solution 3

- the work/workplace/job role [an]
- ■
- New workers settle into their job quickly [an]
- ■
- Delays when start work [an]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- Points can refer to the business or employee.
- Analysis can be awarded for explaining the

## Solution 3

- method/advantages/disadvantages of using the named
- method.
- Some points can be written as an advantage of one method,
- or a disadvantage of another - only award once.
- 0450/11
- October/November 2025
- Guidance
- Justification might include:
- On-the-job training [k] is where trainees watch a more
- experienced worker [an]. Alternatively, off-the-job training [k]

## Solution 3

- will teach up to date skills [an]. Off-the-job training is the
- best method as the business is more likely to improve
- productivity by learning the ideas [eval] whereas on-the-job
- training may lead to employees picking up bad habits so
- would have limited value [eval].
- Guidance

## Question 2

0450/22 M25 ■ Q2 ■ 20 marks

- 2 (a)** Explain **two** functions of management for Charly when she is operating her new business.

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

[8]

- (b) Using Appendix 2 and other information, consider the following **two** possible locations for CR's new factory. Which location should Charly choose? Justify your answer.
- Location A
  - Location B

## Question 2

## Question 2

[12]

## Solution 2

### (a) Mark scheme

---

- Explain two functions of management for Charly when she is operating her new business.
- Award 1 mark for each function (max 2).
- Award a maximum of 3 additional marks for each explanation of the function of management – one of which must be applied to this context.
- Functions might include:
  - ■
  - Planning – setting aims and targets for the business – will give a sense of

## Solution 2

- direction with common targets to work towards
- ■
- Organising – arranges the tasks for the employees – as a manager
- cannot do all the tasks and will need to delegate
- ■
- Coordinating – bringing together the different departments/parts in the
- business – so tasks are carried out efficiently
- ■
- Commanding – instructs the employees on how to carry out their tasks –
- gives guidance as required

## Solution 2

- ■
- Controlling – makes sure the employees produce the expected output
- each week – and that all aims are achieved
- For example: Planning (1) – setting aims and targets for the employees (1) so
- they remain efficient and produce the correct number of rugs (app). This will
- mean that CR will be able to meet orders and satisfy customer demand (1).
- Application could include: rugs; worked for a large rug manufacturer for 10
- years; luxury product; forecast demand is 20 rugs per week; 2 possible
- locations for the new factory; needs to produce a cash flow forecast; store
- inventories of raw materials / finished products; 4 or 8 employees; new

## Solution 2

- factory.
- 8
- 0450/22
- February/March 2025

## Solution 2

### (b) Mark scheme

---

- Using Appendix 2 and other information, consider the following two
- possible locations for CR's new factory. Which location should Charly
- choose? Justify your answer.
- ■
- Location A
- ■
- Location B
- Level

## Solution 2

- Description
- 3
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of the two locations.
- Well-justified recommendation.
- Candidates discussing the two locations in detail, in
- context and with a well-justified recommendation,
- including why the alternative location was rejected,

## Solution 2

- should be rewarded with the top marks in the band.
- 9–12
- 2
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of at least one location.
- Judgement with some justification/some evaluation of
- choice made.
- Candidates discussing one or more locations in

## Solution 2

- detail and applying them to the case should be
- rewarded with the top marks in the band.
- 5–8
- 1
- Limited application of knowledge and understanding
- of relevant business concepts.
- Limited ability to discuss the locations with little/no
- explanation.
- Simple judgement with limited justification/limited
- evaluation of choice made.

## Solution 2

- Candidates outlining the two locations in context
- should be rewarded with the top marks in the band.
- 1–4
- 0
- No Creditable Response
- 0
- 12
- 0450/22
- February/March 2025
- Relevant points might include:

## Solution 2

- Location A:
  - ■
  - Rent and other costs are much lower at \$400
  - per week – helping to reduce total costs to
  - \$1000 per week – may mean CR can charge a
  - lower price for each rug – may be more
  - competitive
  - ■
  - Total costs may be less than half Location B
  - even though output is half at 40 rugs per week

## Solution 2

- – may not need to borrow \$20 000 bank loan
- reducing interest payments in the future – less
- likely to have a cash flow problem
- ■
- Total costs for Location A are \$1000 whereas
- total costs for Location B are \$2200
- ■
- Average cost per rug for Location A if operating
- at maximum output is 50 *but rises to* 62.50 if
- there is disruption to output – a lower increase of

## Solution 2

- 12.50 *than Location B which is* 18.33 more for
- each rug produced
- ■
- If there are power cuts, then they can only
- produce 16 rugs a week – demand is likely to be
- 20 – so they could be letting customers down
- and gain a poor reputation
- Location B:
- ■
- Can produce double the output at 40 rugs each

## Solution 2

- week – increases revenue if all the rugs are sold
- ■
- Has 5% more impact on output if there are
- power cuts than Location A – reducing the
- number of rugs for sale to 30 – reducing
- possible revenue
- ■
- Total costs are more than twice as much at
- \$2200 per week – may lead to higher prices
- ■

## Solution 2

- Average cost to produce each rug is \$55 if no
- power cuts but it rises to \$73.33 if 25% output
- lost due to power cuts – this is a much higher
- increase than for Location A
- ■
- Sales in the future could increase to 40 rugs per
- week so will be easier to meet this demand
- without needing to move to a larger factory or
- open another factory
- 0450/22

## Solution 2

- February/March 2025
- Recommendation Justification might include:
  - ■
- Charly should choose Location A as the total
- costs each week are less than half that for
- Location B and this will help CR get started
- without needing to borrow all \$20 000 from the
- bank. A smaller bank loan will reduce interest
- payments and make it less likely that CR fails.
- Location B has higher average costs which may

## Solution 2

- result in a higher price for the rugs making them
- less likely to sell.
- ■
- Charly should choose Location B as it is twice
- as large as Location A and can produce double
- the output at 40 rugs each week so in the long
- term when CR has become well known Charly
- can meet demand without needing to move to a
- larger factory.
- 0450/22

## Solution 2

- February/March 2025

## Question 4

0450/12 N24 ■ Q4 ■ 20 marks

- 4 TLA is a large hotel with 200 rooms and 3000 employees. Many of these employees are members of a trade union. The Managing Director is planning to expand the business but is worried about possible diseconomies of scale as TLA grows. The Human Resources Director has been asked to recruit 2 new managers. She knows it is important that all managers use the most appropriate leadership style. All of TLA's new employees receive induction training.
- (a) Identify **one** advantage and **one** disadvantage to employees of being members of a trade union.

## Question 4

## Question 4

## Question 4

## Question 4

(b) Identify **one** benefit and **one** limitation of a business using induction training.

## Question 4

## Question 4

## Question 4

## Question 4

- (c) Outline **one** reason why each of the following stages of recruitment might be important for TLA:

## Question 4

## Question 4

(d) Explain **two** possible diseconomies of scale as TLA grows.

## Question 4

## Question 4

## Question 4

## Question 4

- (e) Do you think the advantages of managers using a democratic leadership style are greater than the disadvantages for a business? Justify your answer.

## Solution 4

### (a) Mark scheme

---

- Identify one advantage and one disadvantage to
- employees of being members of a trade union.
- Award 1 mark per advantage/disadvantage (max 2).
- Points might include:
- Advantages:
- ■
- Strength in numbers/more power when negotiating with
- employers / collective bargaining

## Solution 4

- ■
- Offer (legal) advice to employees
- ■
- Protect job security / protect against possible redundancy
- / protect against unfair dismissal
- ■
- Improve health and safety / better/good working
- environment / protect against unfair work practices
- ■
- Help obtain a pay rise/extra holiday entitlement/change

## Solution 4

- in hours
- ■
- Improved benefits for members who are not working
- because they are sick, retired or made redundant
- ■
- Protect employee rights / ensure workers are not
- exploited / protect interests
- Disadvantages:
- ■
- Must pay (membership fee) / expensive

## Solution 4

- ■
- Decisions of majority is binding on all members, even if
- do not agree with the decision
- Other appropriate responses should be credited.
- 2 Only award the first response given for each answer.
- 0450/12
- October/November 2024
- Notes

## Solution 4

### (b) Mark scheme

---

- Identify one benefit and one limitation of a business
- using induction training.
- Award 1 mark for each benefit/limitation of induction training
- (max 2).
- Points might include:
  - Benefits:
    - ■
- Familiarise with work/settle quickly into the job

## Solution 4

- ■
- Helps to be made aware of workplace/ important health
- and safety issues before starting the job
- ■
- Helps to understand job role/who the main personnel in
- the organisation are
- ■
- May be a legal requirement for health and safety (at
- start of job)
- ■

## Solution 4

- Workers are less likely to make mistakes
- Limitations:
  - ■
- Increases costs/expensive
  - ■
- (Wages are paid but) there is no output
  - ■
- Time-consuming
  - ■
- Delay when employee starts working

## Solution 4

- Other appropriate responses should be credited.
- 2 Only award the first response given for each answer.
- Do not award:
  - Answers about on-the-job/off-the-job training
  - 0450/12
  - October/November 2024
  - Notes

## Solution 4

### (c) Mark scheme

---

- Outline one reason why each of the following stages of
- recruitment might be important for TLA:
- Award 1 mark for each relevant reason (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- Job description:
- ■

## Solution 4

- Provides a clear idea of what job involves / sets out
- clearly the roles and responsibilities of the position [k] for
- the 3000 employees [app]
- ■
- Provides basis for drawing up a contract [k] for the new
- managers [app]
- ■
- Helps decide basis for pay [k]
- ■
- Helps create person specification [k]

## Solution 4

- ■
- Helps create appropriate job advert/help decide where
- to advertise [k]
- ■
- Helps resolve disputes [k]
- Job advertisement:
- ■
- Makes (potential) applicants aware of / know about the
- job [k] at the hotel [app]
- ■

## Solution 4

- Helps attract a range of applicants [k] as planning to
- expand [app]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ■
- Large business

## Solution 4

- ■
- Hotel
- ■
- 200 rooms
- ■
- 3000 (employees)
- ■
- (2/new) managers
- ■
- Induction training

## Solution 4

- ■
- Trade union
- ■
- Planning to expand/grow
- Other appropriate examples can be credited.
- 0450/12
- October/November 2024
- Notes

## Solution 4

### (d) Mark scheme

---

- Explain two possible diseconomies of scale as TLA
- grows.
- Award 1 mark for identification of each relevant diseconomy
- of scale (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:

## Solution 4

- ■
- Low morale/motivation / lack of loyalty/commitment [k]
- from its 3000 employees [app] leading to higher labour
- turnover / more workers leaving [an]
- ■
- Poor communication [k] as more levels for messages to
- pass through / more mistakes [an] in the hotel [app]
- ■
- Weak/lack of co-ordination [k] leading to the wrong
- decisions [an] by the 2 managers [app]

## Solution 4

- ■
- Lack of control [k] which may lead to some employees
- working less efficiently [an] at this large business [app]
- Other appropriate responses should also be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ■

## Solution 4

- Large business
  - ■
- Hotel
  - ■
- 200 rooms
  - ■
- 3000 (employees)
  - ■
- 2/new managers
  - ■

## Solution 4

- Induction training
- ■
- Trade union
- Other appropriate examples can be credited.
- Increase in average/unit cost [an] only.
- Analysis can be awarded for either:
  - Explaining the effect of the diseconomy.
  - Reasons why the diseconomy arises.
- 0450/12
- October/November 2024

## Solution 4

- Notes

## Solution 4

### (e) Mark scheme

---

- Do you think the advantages of managers using a
- democratic leadership style are greater than the
- disadvantages for a business? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to whether the
- advantages of managers using a democratic leadership
- style are greater than the disadvantages for a business.

## Solution 4

- Points might include:
- Advantages:
  - ■
  - Gain (more) ideas/suggestions [k] which may increase
  - sales [an]
  - ■
  - Can increase motivation/more committed [k] leading to
  - less absenteeism/(lower) labour turnover / improve
  - efficiency/output [an]
  - ■

## Solution 4

- Better decisions could be made [k] as can use
- employees' experience and skills [an]
- ■
- Positive work environment [k]
- Disadvantages:
- ■
- Employees may not have the necessary experience /
- want to be involved in decisions [k] leading to mistakes

an

- ■

## Solution 4

- Takes time to consult employees [k] which can slow
- down decision-making [an]
- Other appropriate answers should also be credited.
- 6 This is a general question so there are no marks for
- application.
- To access [eval], must discuss a valid advantage and a valid
- disadvantage.
- Some points can be [k] or [an] but only award once e.g. help
- keep worker loyalty.
- Points about motivation could be an advantage or

## Solution 4

- disadvantage but only award once.
- Do not award:
- Reference to delegation.
- 0450/12
- October/November 2024
- Notes
- Justification might include:
  - One advantage is that it can lead to new ideas [k] which can
  - increase sales [an]. However, it can take time to consult all
  - employees [k] which delays decision-making [an].

## Solution 4

- The advantage is greater because if the employees' ideas
- are successful, they could increase revenue [eval] so the
- extra time to obtain these ideas would be worthwhile [eval].

## Question 2

0450/21 N24 ■ Q2 ■ 20 marks

- 2 (a)** Explain **two** functions of management for CC's new manager.

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

- (b)** Consider how a decrease in interest rates and an increase in taxes in country P could affect CC. Which is likely to have the biggest effect on CC's profit? Justify your answer.

## Question 2

## Question 2

..

## Solution 2

### (a) Mark scheme

---

- Explain two functions of management for CC's new manager.
- Award one mark for each named function (max 2).
- Award a maximum of 3 additional marks for each explanation of the function of
- management – one of which must be applied to this context.
- Functions might include:
  - ■
  - Planning – setting aims and targets for the business – will give a sense of
  - direction with common targets to work towards

## Solution 2

- ■
- Organising – arranges the tasks for the employees – as a manager
- cannot do all tasks and will need to delegate
- ■
- Coordinating – bringing together the different departments in the
- organisation – so tasks are carried out efficiently
- ■
- Commanding – instructs the employees on how to carry out their tasks –
- gives guidance as required
- ■

## Solution 2

- Controlling - checking the employees work so that the expected output is
- produced each week – and that all aims are achieved
- For example: Planning (1) setting aims and targets for the business (1) such
- as sales targets for the cookies (app) will give CC a sense of direction with
- common targets to work towards (1).
- Application could include: cookies; batch production; high-quality products;
- fresh ingredients; baking equipment; messages put on cookies; orders for
- birthdays or weddings; 10 production employees; 5 shop employees;
- Operations manager; oversee production; sole trader; small business;
- established for 5 years; sells at own shop in city centre.

## Solution 2

- 8
- 0450/21
- October/November
- 2024

## Solution 2

### (b) Mark scheme

---

- Consider how a decrease in interest rates and an increase in taxes in
- country P could affect CC. Which is likely to have the biggest effect on
- CC's profit? Justify your answer.
- Level
- Description
- 3
- Sound application of knowledge and
- understanding of relevant business concepts using

## Solution 2

- appropriate terminology.
- Detailed discussion of both changes.
- Well-justified conclusion.
- Candidates discussing both changes in detail, in
- context and with a well-justified conclusion,
- including why the alternative change, is rejected
- should be rewarded with the top marks in the
- band.
- 9–12
- 2

## Solution 2

- Sound application of knowledge and
- understanding of relevant business concepts using
- appropriate terminology.
- Detailed discussion of at least one change.
- Judgement with some justification / some
- evaluation of choices made.
- Candidates discussing both changes in detail and
- applying them to the case should be rewarded
- with the top marks in the band.
- 5–8

## Solution 2

- 1
- Limited application of knowledge and
- understanding of relevant business concepts.
- Limited ability to discuss the changes with
- little / no explanation.
- Simple judgement with limited justification / limited
- evaluation of choices made.
- Candidates outlining both changes in context
- should be rewarded with the top marks in the
- band.

## Solution 2

- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/21
- October/November
- 2024
- Relevant points might include:
- Decrease in

## Solution 2

- interest rates
  - ■
- Decrease in interest costs of a new bank loan –
- Sam may be more likely to invest in batch
- production facilities using a bank loan – may
- buy new ovens – lower interest rates reduce
- expenses
  - ■
- Reduces the cost of overdrafts – reduces interest
- payment for expenses – lower costs

## Solution 2

- ■
- May lead to higher economic growth – lower
- unemployment – higher incomes for consumers –
- increased demand for cookies
- ■
- Increases the available income consumers can
- spend
- ■
- If customers had a mortgage to repay – lower
- repayments – may increase demand for high-

## Solution 2

- quality cookies
- Increase in
- taxes
- ■
- May reduce CC's sales – as a result of less
- spending by consumers on high-quality
- products
- ■
- Less retained profit and less investment in
- bakery equipment

## Solution 2

- ■
- May lead to an increase in the price of cookies –
- may lead to lower sales and revenue
- ■
- May allow an increase in government payments
- to people on a lower income – may increase the
- sale of CC cookies if these people choose to
- celebrate an occasion such as a birthday or
- wedding with a cookie
- Conclusion

## Solution 2

- Justification could include:
  - ■
  - A decrease in interest rates will have the biggest
  - effect on CC's profit as higher taxes may not
  - affect demand for products that are not a high
  - proportion of consumers incomes. Whereas a
  - decrease in interest rates may encourage Sam to
  - expand CC's production facilities by purchasing
  - bakery equipment and increase future profit
  - from higher sales of cookies / reduced average

## Solution 2

- costs.
- ■
- An increase in taxes will have the biggest effect on
- CC's profit as consumers will have less income
- after tax to spend and therefore revenue from the
- sale of cookies in their shop will fall reducing
- profit.
- 0450/21
- October/November
- 2024

## Question 2

0450/22 N24 ■ Q2 ■ 20 marks

- 2 (a)** Explain **two** effects of BB having a short chain of command.

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

## Question 2

(b) Consider the following **three** extension strategies BB could use for its best-selling product. Which strategy should BB use? Justify your answer.

- Adding new features
- Start selling in toy shops
- Television advertising campaign

## Question 2

## Solution 2

### (a) Mark scheme

---

- Explain two effects of BB having a short chain of command.
- Award 1 mark for each effect (max 2).
- Award a maximum of 3 additional marks for each explanation of the effect of
- having a short chain of command – one of which must be applied to this
- context.
- Relevant effects might include:
  - ■
- Communication is more accurate – as fewer people for messages to be

## Solution 2

- passed through – less chance of errors being passed on
- ■
- Senior managers are less remote from lower levels in the hierarchy -
- allows these managers to be more aware of the views of employees -
- less likely to be disputes between production employees and managers
- ■
- Decision-making can be quicker – as fewer levels to discuss issues and
- pass on decisions – react to customer changes more quickly
- ■
- Manager may have a wider span of control – which may increase the

## Solution 2

- opportunities for delegation – employees feel more trusted/greater job
- satisfaction
- ■
- Managers may have less control of what their subordinates are doing
- may be more likely for subordinates to make mistakes – increases costs
- ■
- Increased workload for managers
- ■
- Communication is quicker
- For example: Communication is more accurate (1) as there are fewer people

## Solution 2

- for messages to be passed through (1) less chance of errors in the messages
- (1) about the production of bikes (app).
- Application could include: new factory; bikes; flow production; wants to
- become a multinational company; bike manufacturer; exports 30%; target
- market of adults and young children; bike components e.g. gears; 100
- production workers; sells through specialist bicycle shops; higher labour
- turnover; flat organisational structure; named director/manager from Appendix
- 1.
- 8
- 0450/22

## Solution 2

- October/November
- 2024

## Solution 2

### (b) Mark scheme

---

- Consider the following three extension strategies BB could use for its
- best-selling product. Which strategy should BB use? Justify your
- answer.
- ■
- Adding new features
- ■
- Start selling in toy shops
- ■

## Solution 2

- Television advertising campaign
- Level
- Description
- 3
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of two or more strategies.
- Well-justified recommendation.
- Candidates discussing all three strategies, in context

## Solution 2

- and with a well-justified recommendation, including
- why the alternative strategies were rejected, should
- be rewarded with the top marks in the band.
- 9–12
- 2
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of at least one strategy.
- Judgement with some justification/some evaluation of

## Solution 2

- choice made.
- Candidates discussing two or more strategies in
- detail and applying these to the case should be
- rewarded with the top marks in the band.
- 5–8
- 1
- Limited application of knowledge and understanding
- of relevant business concepts.
- Limited ability to discuss the strategies with little/no
- explanation.

## Solution 2

- Simple judgement with limited justification/limited
- evaluation of choice made.
- Candidates outlining the three strategies in context
- should be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/22

## Solution 2

- October/November
- 2024
- Relevant points might include:
- Adding new
- features
- ■
- Bike will have additional features – such as
- more gears – making it easier to ride and
- therefore attractive to a wider range of
- customers

## Solution 2

- ■
- Bikes may be better than competitors' bikes
- – encouraging customers to buy BB's bikes
- instead of competitors' bikes
- ■
- May encourage existing customers to get rid
- of their old bike and buy a bike with the new
- features – as they will want the most up-to-
- date version to show their friends – increasing
- revenue

## Solution 2

- ■
- Takes time and cost to develop the new
- features of the product
- Start selling in toy
- shops
- ■
- A different target market will see the
- children's bike in toy shops and may be
- attracted to buy it as usually sold through
- specialist bike shop so will not usually be

## Solution 2

- seen by these other customers – increasing
- sales
- ■
- May be more toy shops in country X than
- specialist bike shops – making the bike
- more accessible to potential customers –
- greater number of shops where can buy/see
- the bike so more likely to buy the bike
- ■
- Potential customers go into toy shops to buy

## Solution 2

- other products such as a scooter – see the
- bike whilst in the toy shop and may be
- attracted to buy one
- ■
- Also selling competitors' products so may be
- more competition
- 0450/22
- October/November
- 2024
- Television

## Solution 2

- advertising
- campaign
- ■
- A wider range of people will see the
- advertisement and will become aware of the
- bike – leading to higher sales
- ■
- TV adverts can be attractive and persuasive
- – using moving images and colour to attract
- children or their parents to purchase a bike

## Solution 2

- – can reinforce the brand image and attract
- customers
- ■
- The TV advert can be put on between
- programmes that are watched by children –
- so they are seen by target customers –
- increasing the effectiveness of the marketing
- budget
- ■
- High cost of television advertising

## Solution 2

- Recommendation
- Justification might include:
  - ■
- Bikes with new features will attract existing
- customers to upgrade their bike leading to
- increased sales. These customers are already
- familiar with the BB brand and will want the
- latest version of the bike. Selling through toy
- shops will be less effective as customers may
- not go to toy shops to buy a bike, preferring

## Solution 2

- instead to go to a specialist shop where they
- can get advice. A TV campaign may not be
- effective if customers do not watch television.
- ■
- Starting to sell through toy shops should be
- used as it will enable BB to reach a wider
- market of potential customers including
- children and their parents and therefore,
- they may be more likely to buy a BB bike if
- they are now aware of the product.

## Solution 2

- ■
- A new TV campaign should be used as it will
- make many more people aware of the
- children's bike and parents might be
- attracted to buy one leading to increased
- revenue.
- 0450/22
- October/November
- 2024