

1(a)

Explain two advantages and two disadvantages of BB being a public limited company.

Award 1 mark for each relevant advantage/disadvantage (max 4).

Award 1 additional mark for **each** explanation of the advantage/disadvantage **applied to this context**.

Relevant advantages might include:

- Able to sell shares to the public – so additional capital can be raised to finance the new factory
- Rapid expansion possible by raising large sums of capital – to become a multinational company
- Limited liability would encourage more people to invest in the public limited company
- Continuity

Relevant disadvantages might include:

- Accounts available to the public – competing bike manufacturers can see the accounts
- Pressure to pay large dividends to shareholders – this restricts the planned expansion for the children's bike
- Risk of takeover/original owners may lose control – and use its flow production line to produce competitors' products
- Divorce between ownership and control
- More complex accounting and reporting requirements/more legal formalities

For example: Able to sell shares to the public (1) so additional capital can be raised to finance the new factory (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; components of bikes e.g. gears; 100 production workers; sells through specialist bike shops; high labour turnover; sales have increased every year since set up.

1(b)

Consider the advantages and disadvantages of the following three methods BB could use to motivate its production workers. Which method should BB use? Justify your answer.

- Piece rate
- Teamworking
- Job rotation

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more methods. Well-justified recommendation. Candidates discussing all three methods, in context and with a well-justified recommendation, including why the alternative methods 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 method. Judgement with some justification/some evaluation of choice made. Candidates discussing two or more methods 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 methods with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the three methods in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

1(b)	Relevant points might include: <table border="1"> <tr> <td data-bbox="293 153 477 715">Piece rate</td><td data-bbox="477 153 960 715"> - Employees would receive payment for each product/task they carry out – encourages them to work harder/carry out more tasks – produce more output – possibly increased sales from higher output of bikes - Taylor – increased pay leads to employees being more motivated and may reduce the high labour turnover - May be unfair if some tasks take longer than other tasks – so some employees gain more than others in higher payment – may demotivate some employees - If machinery breaks down, then the employees will earn less total pay - The 100 skilled production employees may work quickly to earn higher wages and hence may make more mistakes/reduce quality - May not be able to sell the increased output – increasing storage costs - May be difficult to measure the output of each of the 100 production employees – so difficult to calculate piece–rate and easier to stick to paying \$10 per hour </td></tr> <tr> <td data-bbox="293 715 477 1016">Teamworking</td><td data-bbox="477 715 960 1016"> - Production employees become more involved with the decision–making when working together in a team – makes them feel more valued as have more responsibility in the production process manufacturing bicycles - Feel have more control over tasks – more loyal to BB – less likely to leave so may reduce recruitment costs - Some parts of the flow production process may not easily be divided so a team of employees can work together/may not be easy to apply to the flow production process </td></tr> </table>	Piece rate	- Employees would receive payment for each product/task they carry out – encourages them to work harder/carry out more tasks – produce more output – possibly increased sales from higher output of bikes - Taylor – increased pay leads to employees being more motivated and may reduce the high labour turnover - May be unfair if some tasks take longer than other tasks – so some employees gain more than others in higher payment – may demotivate some employees - If machinery breaks down, then the employees will earn less total pay - The 100 skilled production employees may work quickly to earn higher wages and hence may make more mistakes/reduce quality - May not be able to sell the increased output – increasing storage costs - May be difficult to measure the output of each of the 100 production employees – so difficult to calculate piece–rate and easier to stick to paying \$10 per hour	Teamworking	- Production employees become more involved with the decision–making when working together in a team – makes them feel more valued as have more responsibility in the production process manufacturing bicycles - Feel have more control over tasks – more loyal to BB – less likely to leave so may reduce recruitment costs - Some parts of the flow production process may not easily be divided so a team of employees can work together/may not be easy to apply to the flow production process
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1(b)	Job rotation	- Makes the employees' job more interesting/less boring - Change tasks around from one product to another on the flow production line – and may need different skills to complete this work - May keep working with different employees from the 100 production workers which employees prefer - May increase training requirements as each worker may only be able to perform one task – so may need additional training to carry out different tasks – increases costs for BB - Quality of bikes may be lower if employees are less specialised in different tasks - May mean sometimes a worker does a job that is not liked – may reduce motivation - May only be motivating in the short term until the worker gets used to the new tasks - Does not make the individual tasks themselves more interesting
	Recommendation	Justification might include: - Introducing piece–rate should be chosen as it will motivate the 100 production employees to increase output to increase their wages. BB will earn a higher revenue if all output is sold, and employees are less likely to leave. Teamworking may make employees feel more motivated but may not lead to a higher output just happier production employees. Job rotation may not increase motivation if the different tasks are all equally boring on the production line. - Introducing teamworking should be chosen as this will make employees feel some control over the tasks they carry out on the flow production line and will give them chance to work together leading to higher motivation and they are less likely to leave. - Introducing job rotation between tasks producing bikes is the best method to choose because it will not cost BB any money if no training is required. It will give variety to the employees' jobs and will encourage them to stay at BB instead of leaving.