2(a)	**Explain <u>two</u> 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 • **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 • **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.

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.**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using 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	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**
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.	**1–4**
0	No creditable response.	**0**

2(b)	Relevant points might include:

Decrease in 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 • 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-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** • 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	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 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.