H

National
Qualifications
2026

2026 Business Management

Higher

Question Paper Finalised Marking Instructions

Qualifications Scotland
Teisteanasan Alba

General marking principles for Higher Business Management

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

(a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.

(b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.

(c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

(d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

For each relevant point of reason candidates must give a point of identification and a point of explanation to gain a mark. This is exemplified in the marking instructions, a dash (—) is used to show the two parts of the response.

(e) For **compare** questions, candidates must demonstrate knowledge and understanding of similarities and/or differences between things, methods or choices. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of comparison.

Where a mark is available for the development of a response this is exemplified in the marking instructions, a hollow bullet point is used to show the developed response.

Marking instructions for each question

Section 1

Question			Expected response(s)	Max mark	Additional guidance
1.	(a)		**sector of industry** • tertiary sector – provides a service **sector of economy** • private sector – owned by private individuals/shareholders/profit making	**2**	Candidates must describe **both** sectors to gain full marks. Award **1 mark** for each valid description. Accept any other suitable response.
	(b)		**advantages** • film titles/services can be tailored to national preferences/demand • can communicate better with the local area (eg different languages) • regional performance can be monitored • can respond to external market changes quickly **disadvantages** • regional groups may compete against each other • duplication of resource across each region/increased marketing expenses	**2**	Candidates must describe **one** advantage and **one** disadvantage to gain full marks. Award **1 mark** for each valid description. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		(***A different element of the marketing mix must be described for each threat below***.) **cost-of-living crisis** • lower prices that make cinema more affordable **(price)** • offer BOGOF deals to cheapen cinema trips (**promotion**) **online streaming services** • show more film titles **(product)** • offer enhanced experiences (IMAX, 3D etc) to compete better **(product)** • advertise films not yet available on streaming services (**promotion**) • increase the number of comfortable/VIP seating options • offer own online streaming service **(product)**	**2**	Candidates must describe a different element of the marketing mix for **each** threat to gain full marks. Award **1 mark** for each valid description. Marketing mix label not required. Accept any other suitable response.

<table>
<tr><th colspan="3">Question</th><th>Expected response(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td></td><td>(d)</td><td></td><td>costs
<u>£4 billion in debt</u> – may inherit some of Cineworld's debt increasing Vue's finance costs/expenses
<u>Vue reported a loss</u> – may have to borrow to finance takeover
leading to further debt for Vue
Vue may take years to create a profit
<u>Odeon, Cineworld and Vue already hold 70% of the UK's cinema market share</u> – takeover may be blocked by the CMA
consumers having less income to spend - so not a good time to expand/invest/could cause takeover to fail
benefits
<u>Cineworld has 128 cinemas in the UK</u> – better regional coverage for Vue
improves accessibility for consumers
increases Vue's market share in the UK - to better compete with Odeon
removes Cineworld from the UK market as Vue's competitor
<u>Cineworld's £592 million loss</u> – Vue may be able to negotiate a bargain takeover price</td><td>4</td><td>Candidates must explain at least one cost and one benefit to gain full marks.

Award 1 mark for each valid explanation.

Award 1 mark for each valid development.

Accept any other suitable response.</td></tr>
</table>

<table>
<tr><th colspan="3">Question</th><th>Expected response(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td></td><td>(e)</td><td>(i)</td><td>Gross profit/(loss) ratio
• gross profit/(loss)/sales revenue x 100
• shows the gross profit/(loss) for every £1 revenue/unit sold

Profit/(loss) for the year ratio
• profit/(loss) for the year/sales revenue x 100
• shows the profit/(loss) for the year for every £1 revenue/unit sold

Current (working equity) ratio
• current assets/current liabilities
• shows the organisation’s ability to pay back short-term debts
    ○ ideal is 2:1</td><td>3</td><td>Candidates must describe at least 2 ratios to gain full marks.

Award 1 mark for each valid formula.

Award 1 mark for each valid description/purpose.

Award 1 mark for each valid development.

Accept any other suitable response.

DNA ratios that cannot be calculated from exhibit 1.</td></tr>
<tr><td></td><td></td><td>(ii)</td><td>sales revenue has <u>increased</u> possibly due to
• raising/lowering ticket/food/drink selling prices
• more corporate event hires
• improved marketing attracting new/returning customers
• more sales after COVID restrictions removed

loss for the year <u>decreased</u> possibly due to
• increase in sales revenue
• an improving gross profit
• better controlling of expenses</td><td>2</td><td>Candidates must explain one reason for each trend to gain full marks.

Award 1 mark for each valid explanation.

Accept any other suitable response.</td></tr>
</table>

Question			Expected response(s)	Max mark	Additional guidance
		(iii)	**shareholders** • to determine dividends **managers** • to evaluate decisions • to set targets • to control costs/expenses **banks** • to agree the terms of a loan/borrowing option • to decide if Vue is eligible for a loan **suppliers** • to establish the likelihood of repayment • to agree on trade credit terms **UK Government…** **CMA…** **customers…** **employees…** **utility providers…** **trade unions...**	**4**	Candidates must describe uses for at least **2** stakeholders to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each valid development. Accept any other suitable response. Stakeholder must be labelled. DNA competitors.

Question			Expected response(s)	Max mark	Additional guidance

	(f)		• automated entry systems may require fewer staff
			  ○ saves on recruitment and selection expenses
			• ASR saves creating staff rotas manually/saves HR time
			  ○ prevents overstaffing cinemas
			• may run training on cyber security
			• improved cyber security reduces the chances of a data/legislation breach
			• working remotely can motivate staff
			  ○ helps retain staff/lower staff turnover
			• working remotely can result in more supervision issues
			  ○ leading to grievance/disciplinary action
			• may have to issue homeworking contracts
				3	Award **1 mark** for each valid description.
					
					Award **1 mark** for each valid development.
					
					Accept any other suitable response.

	(g)	(i)	**costs**
			• may be more expensive to advertise
			• may take a long time to select candidates from a wider pool
			• might demotivate current employees/internal candidates
			• new employees need lengthier induction training
			  ○ which can lead to increased costs of training
			
			benefits
			• wider pool of applicants
			  ○ increased chance of appointing the best candidates
			• new skills introduced to the organisation
			• fresh ideas from external candidates
				4	Candidates must discuss at least **one** cost and **one** benefit to gain full marks.
					
					Award **1 mark** for each valid discussion point.
					
					Award **1 mark** for each valid development.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

		(ii)	**competitive salary**
			• helps to retain staff
			  ○ so you are not hiring new staff which saves on induction training
			• attracts applicants to Vue
			
			annual bonus scheme
			• helps meet targets/increases productivity/increases quality
			• reduces staff absenteeism
			
			generous pension plan
			• attracts staff
			• retains staff
			  ○ lowers recruitment costs
			
			unlimited cinema ticket/discount
			• can improve Vue's reputation with friends and family members
				4	Candidates must describe at least **2** advantages to gain full marks.
					
					Award **1 mark** for each valid description.
					
					Award **1 mark** for each valid development.
					
					Watch for repetition.
					
					Accept advantages to VUE without headings.
					
					Accept any other suitable response.

Section 2

Question			Expected response(s)	Max mark	Additional guidance
2.	(a)		**door-to-door/personal selling** • allows products to be demonstrated • experienced and trained staff can be used to sell the product straight to the customer • customer receives instant clarification/communication • customer specifications can be taken into account/discussed • can be considered intrusive ○ lowering customer satisfaction **mail ordering** • can offer credit facilities/hire purchase options • this increases sales as it allows customers to budget • reduced costs from high-street stores/retail staff wages • customers may consider postal forms/catalogues/brochures as junk mail **online ordering** • allows customers to purchase from the comfort of their own home • allows for a global market • can be accessed 24/7 • technical faults can prevent sales from being made	**6**	Candidates must discuss at least **2** methods to gain full marks. Award **1 mark** for each valid discussion point. Award **1 mark** for each valid development. Method of selling must be clear. Watch for repetition. DNA descriptions. DNA through permanent retail premises even if manufacturer owned. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
			specialist magazines • cater especially for the needs of a niche market **TV shopping channels** • may be seen by a large audience **telephone sales/cold calling** • without notice people may not answer the call • may receive a low response rate • fear of being scammed/nuisance calls		
	(b)		**impulsive** • when customers buy in a spur of a moment **routine/habitual** • the same product that is bought on a regular basis **informed** • the consumer researches the product before buying it	**3**	Candidates must describe **3** types to gain full marks. Award **1 mark** for each valid description. Accept any other suitable response.

	(c)		• one senior member of staff/a few core staff make all the important decisions
			  ○ decisions are therefore made quickly
			• pressure on decision makers
			• staff are very rarely consulted on decision making
			  ○ stifles staff initiative
			• is mainly used in smaller organisations
			• employees know to whom they are accountable
			• may over-rely on key members of staff
				3	Candidates must describe at least **2** features to gain full marks.
					
					Award **1 mark** for each valid description.
					
					Award **1 mark** for a valid development.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(d)		• research customer's opinions using surveys • gather feedback from staff at meetings • compare the profits for an improvement • compare the sales figures for an improvement • compare the share price • compare the ratios • compare absenteeism to see if it has reduced • compare staff turnover levels to see if there has been a reduction • check if targets have been met • review the number of complaints made to see if they have decreased • compare SWOT analysis before and after	**3**	Candidates must describe at least **2** ways to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for a valid development. Accept any other suitable response.

<table>
<tr><th colspan="3">Question</th><th>Expected response(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td>3.</td><td>(a)</td><td></td><td>

organisations that outsource can concentrate on core activities
staff costs are reduced in the area outsourced
the outsourced company doing the work will have specialist equipment
which will reduce the cost of equipment that organisation has to own
specialist staff can be used to complete work/higher quality work can be completed by specialists
outsourced service only needs to be paid for when it is required
outsourced service may be available at cheaper rate than organisation can provide it themselves
outsourced service may be more expensive because of specialist staff/equipment
organisation outsourcing work can lose control of the work
organisation may have to pass on sensitive information (for example financial data) to the outsourced company
communications need to be very clear to ensure that no mistakes arise in outsourced work

</td><td>6</td><td>Award 1 mark for each valid discussion point.

Award 1 mark for each valid development.

Accept any other suitable response.</td></tr>
</table>

Question			Expected response(s)	Max mark	Additional guidance

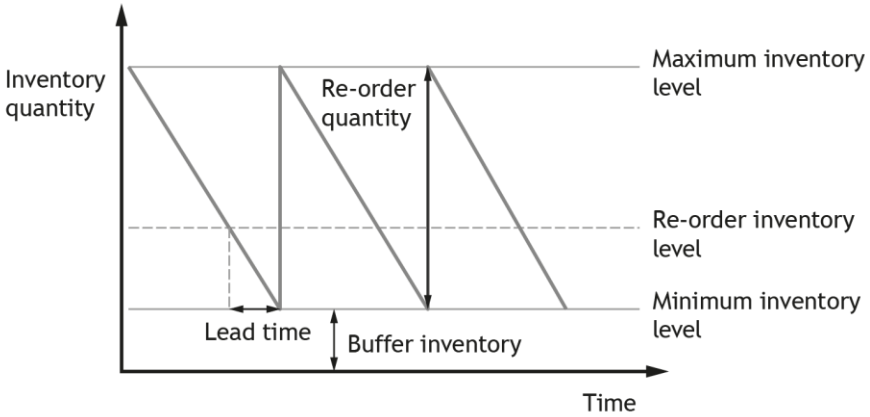
	(b)		**political**
			• a change in legislation and regulations – may need to introduce a new working practice/increase payment to staff
			
			economic
			• an increase in inflation – increases cost of production
			• recession – decreases customer spending power/decreases sales
			• decreases interest rates – reduces the cost of borrowing for an expansion
			
			social
			• changes in trends and fashions – may need to continually carry out market research
			    ○ having to alter the product line
			
			technological
			• new technology – may incur large financial costs to acquire/implement it
			
			environmental
			• recycling – may incur higher costs to dispose of waste
			• bad weather can mean a loss in sales if organisation suffer damage to property
			    ○ which may stop production
			
			competitive
			• competitors may decrease prices – causing the business to decrease their prices to match
				6	Candidates must explain the impact of at least **2** external factors to gain full marks.
					
					Award **1 mark** for each valid explanation.
					
					Award **1 mark** for each valid development.

Question			Expected response(s)	Max mark	Additional guidance

	(c)		• accounting information used to calculate the ratios is historic
			• can only be compared with like organisations (market, size, etc) which can be quite difficult
			• do not take into account external factors such as recession/competition
			• do not take into account internal factors
			  ○ do not reflect the morale/motivation of staff
			  ○ do not take into account recent investments
			  ○ do not take into account the launch of any new products
				3	Candidates must describe at least **2** limitations to gain full mark.
					
					Award **1 mark** for each valid description.
					
					Award **1 mark** for a valid development.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

4.	(a)		**quality circles**
			• employees and managers meet to discuss ways to improve quality
			   ○ improves communication
			• involving workers in decision making makes them feel valued
			• provide valuable feedback from workers to improve operations
			• reduce resistance to changes if workers were involved
			
			benchmarking
			• copying the best techniques used by another company regarded as the 'best' in the field and improving upon them
			• can be motivating for staff to reach and exceed the benchmark targets
			• can be difficult to find out information on competitors
			
			quality management
			• trying to make sure that every product is made perfectly every time
			   ○ this requires a commitment by the whole business towards quality
			   ○ zero errors are tolerated
			• products are constantly checked to minimise wastage
			• employees work together on ensuring quality – good for teamwork and motivation
			
			quality control
			• products are checked at the end of the production stage
			• ensures no sub-standard products are sold to customers
			• wastage may be high as errors are only discovered at the end of the production process
				6	Candidates must describe at least **2** methods to gain full marks.
					
					Award **1 mark** for each valid description.
					
					Award **1 mark** for each valid development.
					
					DNA Mystery Shopper.
					
					Accept any other suitable response.
					
					Accept quality standards only if linked to the production process.

Question			Expected response(s)	Max mark	Additional guidance
			quality assurance • products are checked at each stage of the production process • errors can be picked up early and products sent back to be re-worked/resulting in less wastage • production rates may be lower due to constant checks at each stage of production **quality inputs....** **continuous improvement...**		
	(b)			4	Award any **4** of the following: • **1 mark** for axes labels. • **1 mark** for max/min labels. • **1 mark** reorder label. • **1 mark** for shape. • **1 mark** for buffer inventory. • **1 mark** for lead time. • **1 mark** for re-order quantity.

Question			Expected response(s)	Max mark	Additional guidance
	(c)		**plan** • setting targets to meet aims **organise** • ensuring resources are in the right place at the right time • booking regular meetings with various departments **control** • ensuring resources are spent within budget • ensuring performance matches the targets **command** • issuing instructions to subordinates **coordinate** • ensure that all members of organisation are working towards the same goals **delegate** • give authority to subordinates to carry out tasks ○ so the manager can focus on other responsibilities **motivate** • encourage staff to work hard/offering financial/non-financial incentives	**5**	Candidates must describe at least **2** roles to gain full marks. Award **1 mark** for each valid description. Award **1 mark** for each valid development. Roles **MUST** be labelled. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

5.	(a)		**minimise wastage**
			• by providing training
			  ○ reduce errors/increasing efficiency
			• implementing an inventory management control system
			  ○ reduce overstocking
			• by maintaining and servicing machinery regularly
			• by disposing of wastage in an environmentally friendly way
			
			recycle
			• by making use of appropriately coloured recycling bins
			• re-using materials in the production process where necessary
			• meaning less is being sent to landfill
			
			minimise packaging
			• to only protect the product and its quality (for example packaging used in Easter eggs has been reduced by using less cardboard and plastic)
			
			prevent pollution and emissions
			• fuels and chemicals used in the production process should be disposed of in environmentally friendly ways
			• light and noise pollution should be carefully monitored to identify ways to reduce where possible
			
			fair trade…
			circular economy…
				6	Candidates must explain at least **2** ways to gain full marks.
					
					Award **1 mark** for each valid explanation.
					
					Award **1 mark** for each valid development.
					
					Watch for repetition.
					
					Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance
	(b)		• employees may become a registered member of a professional institute • can increase salary when qualified • employees can be awarded ‘in-house’ certificates once training has been completed ○ employees may feel valued which improves productivity • employees may have better chance of promotion after training as training is relevant to the job • training can be logged in their CPD record to comply with minimum training standards/contracted development time • can be tailored to suit the organisation’s needs • training normally takes place in the workplace which can save costs for the organisation • employees can be productive while being trained	**5**	Award **1 mark** for each valid justification. Award **1 mark** for each valid development. Accept any other suitable response.

Question			Expected response(s)	Max mark	Additional guidance

	(c)		• **provide free point of sales materials** for window displays and indoor displays
			• **dealer loaders** is when branded gifts are given to retailers eg a mini-fridge provided when a business buys a certain quantity
			• exclusive signage or lighting for in-store use can be given as a reward for meeting ordering a specific quantity
			• where manufacturers offer retailers extra goods if they purchase a certain quantity of an item eg buy 30 cases, get 2 free
			• **sale or return**, if the retailer does not manage to sell all the inventory purchased, they can return it and get a refund
			  o encourages organisations to try new selling new products
			• **dealer competitions** offer prizes to the most successful dealer
			  o this encourages the dealer to sell more of the manufacturer's product than of a rival's
			• **staff training** can be provided by the manufacturer to train retail staff on products
			  o improves the retailer's confidence when selling the product
			• **credit facilities** will encourage retailers to stock a product as the retailer will pay for the goods at a later date
			• **prompt payment discount** for paying an invoice quickly
			• **loyalty discounts** reduced prices for being a loyal customer
			• **bulk buying discount** reduced prices to retailers for bulk orders/economies of scale
			• **bonus/trade deals** offering additional units for free if a certain quantity is purchased
				4	Award **1 mark** for each valid description.
					
					Award **1 mark** for each valid development.
					
					Accept any other suitable response.

[END OF MARKING INSTRUCTIONS]