



National
Qualifications
2017

2017 Business Management

National 5

Finalised Marking Instructions

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General marking principles for National 5 Business Management

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must always be assigned in line with these general marking principles and the detailed marking instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) If a specific 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.

- (d) i. Questions that ask candidates to Describe ...
Candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points. The points 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:

- 1 mark should be given for each accurate relevant point of knowledge
- a second mark could be given for any point that is developed from the point of knowledge

- ii. Questions that ask candidates to Explain ...
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:

- 1 mark should be given for each accurate relevant point of reason
- a second mark could be given for any other point that is developed from the same reason

- iii. Questions that ask candidates to Compare ...
Candidates must demonstrate a true comparison (like with like) in order to gain any mark. Both sides of the point must be clear but need not be linked (can be matched up). Candidates can write several points regarding the first comparison item followed by several points on the second and the marker match the points using codes (eg a, b, c).

Up to the total mark allocation for this question:

- 1 mark should be given for each compared point

Detailed marking instructions for each question

Section 1

Question			Expected answer(s)	Max mark	Additional guidance
1.	(a)	(i)	<p>Responses should include:</p> <ul style="list-style-type: none"> • Restaurant reviews in newspapers • Branding • Shop/Shop Premises • Website • Social Media (accept names - eg Facebook, Twitter, etc) 	2	<p>Candidates are required to identify 2 methods of promotion from the case study to gain full marks.</p> <p>Award 1 mark for each identified method of promotion.</p> <p>Do not accept online/Internet as an answer if candidate has also given Social Media or Website as their other answer.</p>
		(ii)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Brand advertises/promotes the product which increases brand recognition <ul style="list-style-type: none"> ○ Reduces spending on promotion/increases sales/increases profits • Customer loyalty which will lead to repeat purchases • Perception of quality which means customers will choose over rivals • Ability to charge higher prices which leads to increased revenues/profits 	3	<p>Candidates are required to explain at least 2 benefits of branding to gain full marks.</p> <p>Award 1 mark for each explained benefit. Accept the development of any benefit. Up to 2 marks may be awarded for explaining the benefit of branding.</p> <p>Watch for repeated explanations/development.</p> <p>Accept any other suitable response.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(b) (i)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Road • Sea • Rail • Air 	1	<p>Candidates are required to state one suitable method to gain full marks.</p> <p>Award 1 mark for stating a suitable method of distribution.</p> <p>Do not accept channels of distribution.</p> <p>Accept examples eg plane, truck, boat etc.</p>
	(ii)	<p>Responses could include:</p> <p>Road</p> <ul style="list-style-type: none"> • Direct distribution • Cheaper than rail/air transport • Difficult to carry large amounts • Slower method of distribution compared with sea/rail/air • Not environmentally friendly <ul style="list-style-type: none"> ○ Increases pollution <p>Sea</p> <ul style="list-style-type: none"> • Cheaper than rail/air transport • Large items can be transported • Slower method of transport than road/rail/air • Requires additional transport/not direct <p>Rail</p> <ul style="list-style-type: none"> • Large items can be transported • Quicker than road/sea • Reduces carbon footprint • Requires additional transport/not direct <p>Air</p> <ul style="list-style-type: none"> • Fast method of distribution • Expensive method 	3	<p>Candidates are required to discuss at least one cost and one benefit to gain full marks.</p> <p>Award 1 mark for any cost/benefit. Accept the development of any cost or benefit. Up to 2 marks may be awarded for a cost or benefit.</p> <p>Award consequentiality for channels of distribution from 1(b)(i).</p> <p>Easy/quick/cheap should be qualified and/or compared to another method(s) with the exception of air.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(c)	<p>Responses could include:</p> <p>Political</p> <ul style="list-style-type: none"> • Health and safety standards affect the business as they will have to train staff to follow guidelines <ul style="list-style-type: none"> ○ Will increase costs to provide these • Health and safety standards affect the business as they will have to provide safety equipment/clothing • EU legislation protects the brand name <ul style="list-style-type: none"> ○ Reduces impact of competitors <p>Competition</p> <ul style="list-style-type: none"> • Rivals could try to steal customers from the business <ul style="list-style-type: none"> ○ Which would reduce sales/profits/market share <p>Technology</p> <ul style="list-style-type: none"> • Social media increases customer awareness <p>Social</p> <ul style="list-style-type: none"> • Change in taste can lead to increased/higher demand 	3	<p>Candidates are required to describe the effect of at least 2 external factors.</p> <p>Award 1 mark for each description point. Up to 2 marks may be awarded for an external factor. Accept the development on any described effect.</p> <p>External factors must be identifiable from the case study.</p> <p>Do not accept any factors or examples related to economic or environmental factors.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(d)	<p>Responses could include:</p> <ul style="list-style-type: none"> • A sole trader is owned by one person whereas a private limited company is owned by shareholders • A sole trader is run by an individual whereas a private limited company is run by a managing director/board of directors • A sole trader makes the decisions in a business whereas a managing director/board of directors/shareholders make decisions in a private limited company • Sole traders have unlimited liability whereas private limited companies have limited liability • Both belong to the private sector of the economy • Legal documents required on forming a private limited company whereas a sole trader does not require any formal paperwork 	3	<p>Candidates are required to compare at least 3 features of each type of business organisation.</p> <p>Award 1 mark for each valid comparison.</p> <p>Candidates must demonstrate a true comparison in order to gain any mark. Both sides must be clear.</p> <p>Award 1 mark max. for a comparison of a sole trader/one person/individual vs shareholders with regard to ownership/control (own/run).</p> <p>Do not accept aims or objectives.</p> <p>Accept any other suitable response.</p>

Question			Expected answer(s)	Max mark	Additional guidance
2.	(a)	(i)	<p>Responses should include:</p> <ul style="list-style-type: none"> • Lifestyle • Health conscious • Beauty conscious • Chocolate lovers • Ethical buyers • Organic buyers 	2	<p>Candidates must identify 2 markets from the case study to gain full marks.</p> <p>Award 1 mark per identified market.</p>
		(ii)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Able to adapt product to suit target market • Pricing strategy will be appropriate to target market • Appropriate places to sell product will be chosen • Reduces likelihood of wasted investment in wrong product/promotions • Can offer a range of products to suit different markets 	3	<p>Candidates must outline 2 benefits to gain full marks.</p> <p>Award 1 mark for each outlined benefit. Accept the development on any outlined benefit. Up to 2 marks may be awarded for an outlined benefit.</p> <p>Accept any other suitable response.</p>
	(b)	(i)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Batch production - where a group of identical products are made with all processes being carried out simultaneously • Flow production - where products are made in stages on a production line with processes being added at each stage 	1	<p>Candidates are required to describe one method of production to gain full marks.</p> <p>Award 1 mark for a description point.</p> <p>Do not accept job production.</p>

Question	Expected answer(s)	Max mark	Additional guidance
	<p>(ii) Responses could include:</p> <p>Batch</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Large amounts can be made • Batches can be customised <ul style="list-style-type: none"> ○ Meeting customer needs • Economies of scale gained <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Expensive initial outlay for equipment • Careful production planning required • Equipment needs to be cleaned between batches • Mistakes may lead to loss of whole batch <ul style="list-style-type: none"> ○ This can lead to a loss of profits <p>Flow</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • High quantity of products • Standardisation of quality of products • Economies of scale gained <ul style="list-style-type: none"> ○ Lower cost per unit of production • Machines can work 24/7 <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Expensive initial outlay for equipment • Maintenance costs • Lack of output if machines are broken 	<p>3</p>	<p>Candidates are required to give at least one cost and one benefit to gain full marks.</p> <p>Award 1 mark for any cost/benefit. Accept the development of any cost or benefit. Up to 2 marks may be awarded for a cost or benefit.</p> <p>Accept consequentiality on Job Production from 2(b)(i).</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(c)	<p>Responses could include:</p> <ul style="list-style-type: none"> • More expensive to purchase environmentally friendly/hybrid vehicles eg LPG fuel/electric • Reduces environmental damage/pollution • Costs of using ethical suppliers may be higher • Helps business to meet government targets • Efficiency may fall, ethical distribution may reduce amount of deliveries • Gives a competitive edge over rivals • Creates a positive image for the business/good CSR <ul style="list-style-type: none"> ○ Customer loyalty could increase 	3	<p>Candidates are required to give one cost and one benefit of ethical operations to gain full marks.</p> <p>Award 1 mark for each description point. Up to 2 marks may be awarded for a costs or benefit. Accept the development on any cost/benefit.</p> <p>Accept any other suitable response.</p>
(d)	<p>Responses should include:</p> <p>Owners</p> <ul style="list-style-type: none"> • Make decisions this could affect product development • Invest more money which can aid expansion <p>Suppliers</p> <ul style="list-style-type: none"> • Can increase price which increased production cost <ul style="list-style-type: none"> ○ This reduces profit margins <p>Customers/Independent Retailers/Health Centres</p> <ul style="list-style-type: none"> • Customer satisfaction will impact upon sales and revenues • Customer loyalty which means repeat purchases • Customer recommendations which leads to increased sales 	3	<p>Candidates are required to explain the influence of at least 2 stakeholders to gain full marks.</p> <p>Award 1 mark for each explained influence. Up to 2 marks may be awarded for explaining the influence of one stakeholder. Accept the development of any explained influence.</p> <p>Only accept stakeholders identified in the case study.</p> <p>Accept any other suitable response.</p>

Section 2

Question			Expected answer(s)	Max mark	Additional guidance
3.	(a)	(i)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Private • Public • Third/voluntary 	2	<p>Candidates are required to identify 2 sectors of the economy to gain full marks.</p> <p>Award 1 mark for each identified factor.</p>
		(ii)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Both the third and public sector organisations have the objective to make a difference • Private sector organisations have an objective to make a profit whereas a public sector organisation has the objective to use public funds effectively • Third sector organisations have an objective to increase awareness/sales whereas public sector organisation has the objective to provide a service • All sectors have the objective to be socially responsible 	2	<p>Candidates are required to compare 2 objectives to gain full marks.</p> <p>Award 1 mark for each valid comparison.</p> <p>Candidates must demonstrate a true comparison in order to gain any mark. Both sides must be clear.</p> <p>Accept consequentiality on sectors of industry from 3(a)(i).</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(b)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Have a good aftersales service • Have a returns policy • Ensure all staff are highly trained • Keep staff motivated • Use quality indicators to measure performance • Recruit suitable staff, eg helpful, polite, etc • Use high quality raw materials/quality control • Ensure system of customer feedback is in place 	3	<p>Candidates are required to describe 3 methods of ensuring good customer service to gain full marks.</p> <p>Award 1 mark for each description point.</p> <p>Award 1 mark maximum for quality methods.</p> <p>Award 1 mark maximum for forms of market research methods.</p> <p>Accept any other suitable response.</p>
(c)	<p>Responses could include:</p> <ul style="list-style-type: none"> • A lack of finance means not having enough money to carry out expansion plans • Having excess finances that enables an organisation to train staff, invest in more equipment etc. • If staff are skilled they will provide good quality customer service • The morale of staff to carry out their jobs to a high standard • Available technology used within the organisation could increase the rate of production • If technology breaks down this can result in delays in production • If managers are inexperienced they could make poor decisions 	3	<p>Candidates are required to explain at least 2 internal factors to gain full marks.</p> <p>Award 1 mark for each explained influence. Up to 2 marks may be awarded for explaining the influence of an internal factor. Accept the development of any explained influence.</p> <p>Accept any other suitable response.</p>

Question		Expected answer(s)	Max mark	Additional guidance
4.	(a)	<p>Responses could include:</p> <p>Job description</p> <ul style="list-style-type: none"> • States the tasks and responsibilities of the job <ul style="list-style-type: none"> ○ Includes the conditions of the post eg pay, hours <p>Person specification</p> <ul style="list-style-type: none"> • Describes the ideal candidate for the post <ul style="list-style-type: none"> ○ Contains the essential and desirable characteristics ○ Skills, qualities and qualifications necessary to do the job <p>Job advert</p> <ul style="list-style-type: none"> • Usually contains aspects of the job description and person specification <ul style="list-style-type: none"> ○ Could be placed internally or externally ○ Internally on the organisation's intranet, noticeboards etc ○ Externally in newspapers, job centres etc <p>Application form</p> <ul style="list-style-type: none"> • Standard form sent out by an organisation for candidates to complete using personal details 	3	<p>Candidates are required to describe at least 2 documents to gain full marks.</p> <p>Award 1 mark for each description point. Up to 2 marks may be awarded for the description of one document.</p> <p>Do not accept documents used in the selection process - eg interview checklist, reference, CV, covering letter etc.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(b)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Internal recruitment ensures candidates already have knowledge of the organisation however external recruitment can attract candidates with new ideas • Internal recruitment is fast as candidates are already in the organisation however external recruitment can take a very long time • Internal recruitment is more cost effective as advertising can be done on staff newsletters or intranet whereas external recruitment can be very expensive in costs of advertising • Internal recruitment can create another vacancy whereas external recruitment adds a new employee to the staff • Internal recruitment is motivating for staff who see a promotion path however external recruitment may cause conflict with existing staff • Internal vacancies can be advertised on noticeboards and via email whereas external vacancies can be advertised using websites and job centres 	2	<p>Candidates are required to compare 2 features, benefits or costs of internal and external recruitment.</p> <p>Award 1 mark for each valid comparison.</p> <p>Candidates must demonstrate a true comparison in order to gain any mark. Both sides must be clear.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(c)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Employees who are trained will have better skills meaning a higher quality output • Employees who are trained will be more efficient at their job which means productivity will increase • Employees will be more motivated which means they are less likely to be absent • Employees may gain qualifications which may give them more incentive to remain with the organisations • Employees may be able to gain experience which can help them to achieve promotion 	3	<p>Candidates are required to explain 2 benefits of training to gain full marks.</p> <p>Award 1 mark for each explained benefit. Up to 2 marks may be awarded for explaining the benefit of training. Accept the development of any explained benefit.</p> <p>Accept any other suitable response.</p>
(d)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Protection against discrimination • Protected characteristics • Age/sex/sexual orientation/gender re-assignment/disability/race, religion or belief/marriage or civil partnership/pregnancy and maternity • Includes workplace victimisation, harassment and bullying 	2	<p>Candidates are required to outline 2 features of the Equality Act to gain full marks.</p> <p>Award 1 mark for each outlined feature.</p> <p>Maximum 1 mark for a list of protected characteristics - at least 2, eg race, age.</p>

Question		Expected answer(s)	Max mark	Additional guidance
5.	(a)	<p>Responses could include:</p> <p>Internet</p> <ul style="list-style-type: none"> • Ordering inventory online <p>Database/EPOS</p> <ul style="list-style-type: none"> • The use of bar codes can be used to keep a running total of inventory in hand • It can be useful for the re-ordering of inventory as can be linked directly to supplier • It can help staff to locate inventory within the warehouse <p>CAM (Computer Aided Manufacture)</p> <ul style="list-style-type: none"> • Could be used to help control the machinery of the business • This would allow for capital intensive production to run smoothly <p>CAD (Computer Aided Design)</p> <ul style="list-style-type: none"> • Could be used to help design products on a computer screen • This would allow for problems to be solved before prototypes are made <p>GPS</p> <ul style="list-style-type: none"> • Could allow an organisation to keep track of deliveries 	4	<p>Candidates are required to describe at least 2 types to gain full marks.</p> <p>Award 1 mark for each description point. Up to 3 marks may be awarded for the description of one type of technology.</p> <p>Accept any other suitable response.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(b) (i)	<p>Responses could include:</p> <p>Quality control</p> <ul style="list-style-type: none"> Quality is checked at the beginning (inputs) and end (outputs) of the production process only Unacceptable products are either scrapped or put back for reworking <p>Quality assurance</p> <ul style="list-style-type: none"> Quality is checked at every stage of the production process Mistakes are found early in the process <ul style="list-style-type: none"> Less waste <p>Quality inputs</p> <ul style="list-style-type: none"> Ensuring that raw materials are the best that they can be to ensure a quality output Ensuring that machinery and equipment is up-to-date and fully serviced so that it is working to its best at all times Ensuring the recruitment process gets the best staff Training staff to ensure they can produce goods to the best quality 	4	<p>Candidates are required to describe at least 2 methods to gain full marks.</p> <p>Award 1 mark for each description point. Up to 3 marks may be awarded for describing one method of maintaining quality.</p> <p>Candidates can describe/develop quality inputs up to a maximum of 3 marks.</p> <p>Accept any other suitable response.</p>
	(ii)	<p>Responses could include:</p> <p>Maximum inventory (stock) level</p> <ul style="list-style-type: none"> The highest level of inventory that should be held at any one time <p>Lead time</p> <ul style="list-style-type: none"> The time from placing the order to the goods being delivered 	2	<p>Candidates are required to define both terms to gain full marks.</p> <p>Award 1 mark for each valid definition.</p> <p>Accept any other suitable response.</p>

Question		Expected answer(s)	Max mark	Additional guidance
6.	(a)	<p>Responses should include:</p> <ul style="list-style-type: none"> • A - Sales revenue/Sales/Revenue • B - 30,000 • C - 20,000 	3	<p>Candidates are required to identify all 3 entries to gain full marks.</p> <p>Award 1 mark for each correctly identified entry.</p> <p>Watch for consequentiality of C ie if B is 110,000 do not award a mark for B but award consequential mark for C if C = 100,000.</p>
	(b) (i)	<p>Responses could include:</p> <ul style="list-style-type: none"> • Retained profits - reinvested from previous years • Share issue - selling shares to friends and family (Ltd) • Bank loan - money borrowed from the bank repaid with interest/OR in instalments • Government grant - money received from the government that does not need to be repaid • Overdraft - taking more money out of your bank account than is present in your account • Mortgage - money borrowed to buy property • Hire purchase - purchasing assets and repaying over time with interest • Leasing - renting equipment/assets 	2	<p>Candidates are required to describe 2 sources of finance to gain full marks.</p> <p>Award 1 mark for each description point.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
	<p>(ii) Responses could include:</p> <p>Retained profits</p> <ul style="list-style-type: none"> • Cash is readily available • Does not have to be paid back • No interest charged <p>Share issue</p> <ul style="list-style-type: none"> • No interest charged • Does not have to be repaid <p>Bank loan</p> <ul style="list-style-type: none"> • Repaid in instalments <ul style="list-style-type: none"> ○ Aids budgeting <p>Government grant</p> <ul style="list-style-type: none"> • Does not need to be paid back <p>Overdraft</p> <ul style="list-style-type: none"> • Easy to arrange • Only pay interest on amount borrowed <p>Mortgage</p> <ul style="list-style-type: none"> • Repaid over a long period of time • Large amount can be raised <p>Hire purchase</p> <ul style="list-style-type: none"> • Costs spread over a period of time • Helps cash flow issues <p>Leasing</p> <ul style="list-style-type: none"> • Can acquire an expensive asset without a capital outlay • Easier to change equipment when it becomes obsolete 	3	<p>Candidates are required to give at least 2 justifications to gain full marks. Candidates must justify both sources of finance identified in 6(b)(i).</p> <p>Award 1 mark for each justification. Up to 2 marks may be awarded for the justification of one source of finance.</p> <p>Do not accept repetition of justification.</p> <p>Accept any other suitable response.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<p>Responses could include:</p> <ul style="list-style-type: none"> • To make comparisons between actual and projected figures • Take corrective action • To allow the organisation to make better decisions • Identify surplus of cash/identify a deficit • To set targets • Budgets can be used to plan for the future 	2	<p>Candidates are required to outline 2 benefits of budgeting to gain full marks.</p> <p>Award 1 mark for each outlined benefit.</p> <p>Accept any other suitable response.</p>

[END OF MARKING INSTRUCTIONS]