



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2016**

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

WEDNESDAY 22 JUNE, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

- 1 (a) Explain what is meant by an authoritarian leadership style using an example from the case study to illustrate your answer.

An autocratic leadership style occurs when the leader makes all of the decisions for employees. Employees are given objectives and are expected to carry out tasks exactly as the manager has stated.

Within Veg4u, the workers were glad to see John Davidson leave as he did not consult them on matters such as break times, teams or working conditions. This would have demotivated them.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of what is meant by authoritarian leadership.	[2] Candidate makes good application of authoritarian leadership.
Level 1	[1] Candidate demonstrates some understanding of what is meant by authoritarian leadership.	[1] Candidate attempts to make some application of authoritarian leadership.
Level 0	[0] Candidate demonstrates no understanding of what is meant by authoritarian leadership.	[0] No attempt at application.

[4]

**AVAILABLE
MARKS**

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(b) Using Table 1, calculate

(i) the employee overtime expenditure variance

- £2000 favourable variance (£12 000 – £10 000)

(ii) the sales revenue variance for Veg4u during April 2016. In each case, state whether the variance was adverse or favourable.

- £15 000 adverse variance (£100 000 – £115 000)

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of variance analysis.	[2] Candidate makes good application of variance analysis.
Level 1	[1] Candidate demonstrates some understanding of variance analysis.	[1] Candidate attempts to make some application of variance analysis.
Level 0	[0] Candidate demonstrates no understanding of variance analysis.	[0] No attempt at application.

[4]

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**AVAILABLE
MARKS**

(c) Analyse ways in which the cash flow within Veg4u might be improved.

AVAILABLE
MARKS

Acceptable ways of improving cash flow within Veg4u might include;

- prepare a cash flow forecast
- leasing – sale and leaseback of equipment
- raising prices of its products in order to bring in more revenue.
- Veg4u operates in a competitive market so keeping prices down is important, to increase sales volume.
- keeping production costs down. There are many ways of doing this. Veg4u operates a labour intensive production line so employee costs need to be controlled. The increase in overtime costs is a problem.
- reducing the fixed costs of the business. Veg4u may be able to operate from smaller premises or shop around to find cheaper insurance.
- improve the efficiency of the business by credit control methods, cutting or delaying cash outflows to vegetable suppliers.
- purchase the raw materials from a cheaper supplier but not so as to reduce quality.
- sell an asset (non-current)
- arranging finance/capital/loan/overdraft

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of how to improve cash flow within Veg4u.	[2] Candidate makes good application of how to improve cash flow within Veg4u.	[4]–[3] Good analysis of how to improve cash flow within Veg4u.
Level 1	[1] Candidate demonstrates some understanding of how to improve cash flow within Veg4u.	[1] Candidate makes some application of how to improve cash flow within Veg4u.	[2]–[1] Some analysis of how to improve cash flow within Veg4u.
Level 0	[0] Candidate demonstrates no understanding of how to improve cash flow within Veg4u.	[0] Candidate makes no application of how to improve cash flow within Veg4u.	[0] No analysis of how to improve cash flow within Veg4u.

[8]

8

(d) Discuss the advantages and disadvantages of Michael's democratic leadership style to a business such as Veg4u.

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MARKS

Advantages of Michael's democratic leadership style might include;

- it suited his personality. Michael liked to be seen as more caring than the previous manager.
- employees clear about the aims and objectives of Veg4u and will be motivated to achieve them.
- participation of workers in decision-making allows input from people with relevant skills and knowledge. Michael could use experienced employees to help him.
- could lead to improved creativity, innovation, morale and better quality decisions as workers now begin to feel valued.
- decrease labour turnover.

Disadvantages of Michael's democratic leadership style might include;

- some staff involved in decision-making may be unskilled/incompetent
- consultation process can be time consuming.
- danger that managerial control may be lost.
- the skill level of the employees. Most of the workers in Veg4u are unskilled staff who might be expected to require closer supervision.
- the age of the employees. Most of the workers in Veg4u are young staff who might be expected to require closer supervision.
- the need to achieve results quickly and keep the business growing. This was made clear to Michael by the owners of Veg4u.
- hard to please/satisfy everyone

As part of their discussion candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of Michael's democratic leadership style.	[2] Candidate makes good application of Michael's democratic leadership style.	[3] Candidate makes excellent analysis of the advantages and disadvantages of Michael's democratic leadership style.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages of Michael's democratic leadership style.	[2] Candidate makes good application of Michael's democratic leadership style.	[2] Candidate makes good analysis of the advantages and disadvantages of Michael's democratic leadership style.	[3]–[2] Candidate gives a good evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of Michael's democratic leadership style.	[1] Candidate makes some application of Michael's democratic leadership style.	[1] Candidate makes some analysis of the advantages and disadvantages of Michael's democratic leadership style.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of Michael's democratic leadership style.	[0] Candidate makes no application of Michael's democratic leadership style.	[0] Candidate makes no analysis.	[0] Candidate gives no evaluation of the arguments presented or a final judgement. QWC is poor.

**AVAILABLE
MARKS**

[12]

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(e) Evaluate the usefulness of a cash flow forecast to a business such as Veg4u.

AVAILABLE
MARKS

Advantages of preparing a cash flow forecast in a business such as Veg4u might include;

- helps with budgeting
- can see when cash shortages are likely to occur so that finance to cover can be arranged in advance. Veg4u has a relatively high level of wages so it is imperative that cash is always available to cover these.
- can help to focus on costs so that these are kept as low as possible. The increase in overtime costs in Veg4u needs to be tackled.
- useful in the target setting process. Veg4u can set managers targets to achieve in relation to cash flow within their areas of responsibility.
- will be required when dealing with outside organisations such as banks or Invest Northern Ireland.
- allows for comparisons.

Disadvantages of preparing a cash flow forecast in a business such as Veg4u might include;

- time and effort involved in generating the data within the business and then drawing up the forecast, every month. It has not been done before in Veg4u so this might be more difficult to begin.
- Michael Roberts may lack the expertise so it would be expensive to have to employ someone from outside.
- it is based on predictions which may be subject to all sorts of external shocks. Prices of agricultural products fluctuate considerably so it is unlikely to be very accurate.
- all based on quantitative focus, rather than qualitative issues.

As part of their discussion candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of preparing a cash flow forecast.	[2] Candidate makes good application of the advantages and disadvantages of preparing a cash flow forecast.	[3] Candidate makes excellent analysis of the advantages and disadvantages of preparing a cash flow forecast.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of advantages and disadvantages of preparing a cash flow forecast.	[2] Candidate makes good application of the advantages and disadvantages of preparing a cash flow forecast.	[2] Candidate makes good analysis of the advantages and disadvantages of preparing a cash flow forecast.	[3]–[2] Candidate gives a good evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages of preparing a cash flow forecast.	[1] Candidate makes some application of the advantages and disadvantages of preparing a cash flow forecast.	[1] Candidate makes some analysis of the advantages and disadvantages of preparing a cash flow forecast.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of preparing a cash flow forecast.	[0] Candidate makes no application of the advantages and disadvantages of preparing a cash flow forecast.	[0] Candidate makes no analysis.	[0] Candidate gives no evaluation of the arguments presented or final judgement. QWC is poor.

**AVAILABLE
MARKS**

[12]

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- 2 (a) Explain what is meant by the chain of command, using an example from the case study to illustrate your answer.

The chain of command is the line of authority by which orders and decisions are passed down through the organisation.

If a management decision is made regarding, for example, a new menu or a room cleaning procedure, it has to be made known down the chain of command to the staff who have to implement it.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of what is meant by the chain of command.	[2] Candidate makes good application of the chain of command.
Level 1	[1] Candidate demonstrates some understanding of what is meant by the chain of command.	[1] Candidate attempts to make some application of the chain of command.
Level 0	[0] Candidate demonstrates no understanding of what is meant by the chain of command.	[0] No attempt at application.

[4]

AVAILABLE
MARKS

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- (b) Explain what is meant by a barrier to effective communication, using an example from the case study to illustrate your answer.

A barrier to effective communication is anything which prevents or distorts the correct message being communicated between the sender and the recipient. Such barriers might include too much technical language, computer system failure, language differences, different time zones etc.

Whitbread plc employs over 43 000 people and serves 22 million customers every month in numerous outlets worldwide. This sometimes makes communication difficult due to the number of people involved, the use of technology, the different languages, time zones etc.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of what is meant by a barrier to effective communication.	[2] Candidate makes good application of a barrier to effective communication.
Level 1	[1] Candidate demonstrates some understanding of what is meant by a barrier to effective communication.	[1] Candidate attempts to make some application of a barrier to effective communication.
Level 0	[0] Candidate demonstrates no understanding of what is meant by a barrier to effective communication.	[0] No attempt at application.

[4]

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AVAILABLE
MARKS

(c) Analyse the benefits of having a short chain of command to a business such as Whitbread plc.

AVAILABLE
MARKS

The benefits of having a short chain of command might include;

- Decisions can be implemented much faster. For example, a new menu can be brought in to meet market demand.
- Less chance of mistakes being made. As less people are involved there is a lower possibility of poor communication.
- Feedback on decision can be faster. For example, if a member of housekeeping staff spots a problem with a new policy it can quickly be reversed.
- Increased responsibility motivates staff involved. Employees are motivated to see that their ideas are reaching high levels of management quickly.
- Easier to make decisions.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of the benefits of having a short chain of command within Whitbread plc.	[2] Candidate makes good application of the benefits of having a short chain of command within Whitbread plc.	[4]–[3] Good analysis of the benefits of having a short chain of command within Whitbread plc.
Level 1	[1] Candidate demonstrates some understanding of the benefits of having a short chain of command within Whitbread plc.	[1] Candidate makes some application of the benefits of having a short chain of command within Whitbread plc.	[2]–[1] Some analysis of the benefits of having a short chain of command within Whitbread plc.
Level 0	[0] Candidate demonstrates no understanding of the benefits of having a short chain of command within Whitbread plc.	[0] Candidate makes no application of the benefits of having a short chain of command within Whitbread plc.	[0] No analysis of the benefits of having a short chain of command within Whitbread plc.

[8]

8

- (d) Discuss the advantages and disadvantages of three monetary methods of motivation used within Whitbread plc.

There are three monetary methods of motivation mentioned in the case study. Candidates may focus on these and discuss the advantages and disadvantages of each. (Other valid monetary methods are acceptable).

Advantages of competitive salaries

- ensures that the best workers want to come to work for Whitbread plc.
- encourages workers to remain with Whitbread plc which reduces recruitment costs.
- motivates workers by helping to meet Maslow's basic needs.

Disadvantages of competitive salaries

- can be expensive as salaries are determined in the marketplace.
- not all workers are motivated by money.

Advantages of Whitbread Privilege Card

- encourages workers to buy products from the business which increases sales.
- cheaper than raising wages as goods are provided at cost price.
- can be used as a method of promotion at the same time.

Disadvantages of Whitbread Privilege Card

- can be expensive to provide the scheme to so many employees.
- scheme may be open to abuse if card loaned to family or friends.
- company brands/products will appeal to some workers more than others.

Advantages of Sharesave Scheme

- encourages workers to be more concerned about how the company is run/managed and to make suggestions for improvement.
- makes workers more concerned about the long term success of the company and encourages them to weigh this up against short term gains such as wage increases.
- gives workers a sense of pride at being owners of Whitbread plc and encourages them to work harder on a day to day basis.

Disadvantages of Sharesave Scheme

- the value of shares can go down due to factors outside the control of Whitbread plc but this may demotivate workers.
- can be costly to explain to workers and to set up and run the scheme.
- not all workers may be able to afford to take up their share options which might cause them to resent those that can.

As part of their discussion candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[2] Candidate makes good application of monetary methods of motivation within Whitbread plc.	[3] Candidate makes excellent analysis of the advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[2] Candidate makes good application of monetary methods of motivation within Whitbread plc.	[2] Candidate makes good analysis of the advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[3]–[2] Candidate gives a good evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[1] Candidate makes some application of monetary methods of motivation within Whitbread plc.	[1] Candidate makes some analysis of the advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of monetary methods of motivation within Whitbread plc.	[0] Candidate makes no application of monetary methods of motivation within Whitbread plc.	[0] Candidate makes no analysis.	[0] Candidate gives no evaluation of the arguments presented or final judgement. QWC is poor.

**AVAILABLE
MARKS**

[12]

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- (e) Evaluate the use of three different electronic methods of communication to a business such as Whitbread plc.

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There are three technological methods of communication mentioned in the case study. Candidates may focus on these or other new technologies and discuss the advantages and disadvantages of each. (Other valid methods are acceptable).

Advantages of using email to communicate with shareholders

- much cheaper than printing and then posting out Whitbread plc shareholder information.
- can reach a large number of shareholders quickly so important investor information can be passed on by Whitbread plc.
- a secure method of communication which will reach the intended recipients.

Disadvantages of using email to communicate with shareholders

- may not be received as it may go into the junk folders of shareholders.
- Whitbread plc shareholders may prefer hard copies of financial information.
- not everyone has access to emails.

Advantages of using the open intranet to communicate with employees

- a cheap method which can save on printing and postage costs.
- can be used to reach all 43 000 employees at the same time.
- encourages employees to engage with the business and provide feedback on important issues.
- an effective way of reaching Whitbread plc's younger employees in particular.

Disadvantages of using the open intranet to communicate with employees

- can be expensive for Whitbread plc to maintain and secure against hackers.
- not all Whitbread plc employees may have access to the internet.
- may be breaks in connection due to technological failure outside the control of Whitbread plc.
- not everyone has access to an Intranet.

Advantages of using texting to communicate with customers.

- a cheap and easy method for Whitbread plc to use.
- can be used 24/7.
- an inexpensive method of reaching customers.
- customers can be reminded at short notice.

Disadvantages of using texting to communicate with customers.

- customers may not always check texts.
- customers may have changed telephone numbers.
- costs of texting internationally may be expensive

Alternatively, some candidates may choose to answer this question by considering the advantages and disadvantages of using technology to improve communication in a general way.

Advantages might include;

- a cost effective way of communicating with a large number of people both inside and outside Whitbread plc.
- speeds up communication for Whitbread plc stakeholders.
- Whitbread plc can easily control who has access to what information.

Disadvantages might include;

- can be very expensive to Whitbread plc to buy all the new hardware.
- liable to technological breakdowns which could be very costly for Whitbread plc.
- cost of training employees in the new technology and associated problems such as unwillingness of some staff to adapt.

Credit should also be given to this approach.

As part of their discussion candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[2] Candidate makes good application of the impact of technology on communication within Whitbread plc.	[3] Candidate makes excellent analysis of the advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[2] Candidate makes good application of the impact of technology on communication within Whitbread plc.	[2] Candidate makes good analysis of the advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[3]–[2] Candidate gives a good evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates some understanding of advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[1] Candidate makes some application of the impact of technology on communication within Whitbread plc.	[1] Candidate makes some analysis of the advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of the impact of technology on communication within Whitbread plc.	[0] Candidate makes no application of the impact of technology on communication within Whitbread plc.	[0] Candidate makes no analysis.	[0] Candidate gives no evaluation of the arguments presented or final judgement. QWC is poor.

[12]

Total**AVAILABLE
MARKS**

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80