

INTERNATIONAL AS BUSINESS BU02

Unit 2: Managing Operations, Human Resources and Finance

Mark scheme

January 2026

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 12, 13 and 14 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

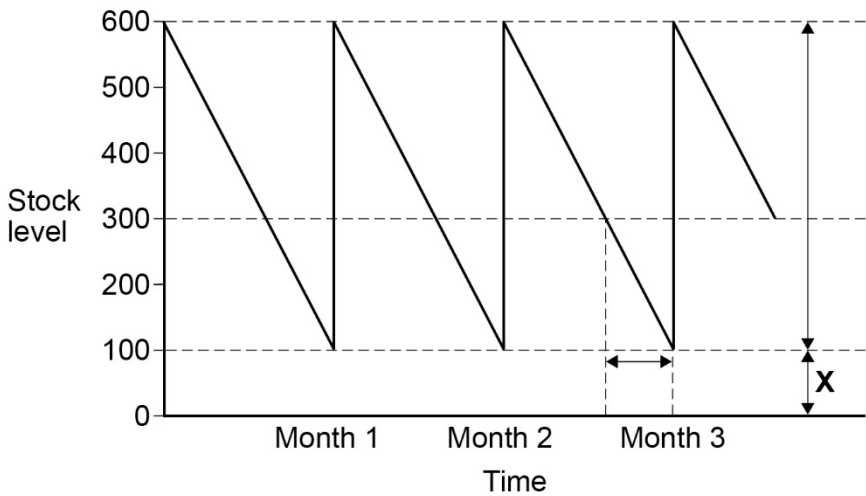
You should summarise your judgement briefly at the end of each response. This will help you decide on the overall level and is helpful for others to understand the mark given. Ensure the comments fit with the level awarded and the language of the level descriptors used in the mark scheme. Next to your comment put the level awarded, eg L4. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 17 marks

Question	Part	Marking guidance	Total marks
1		<p>A manufacturer is currently producing 220,000 units. It has the ability to produce a maximum of 275,000 units. The capacity utilisation is:</p> <p>Answer key: C – 80%</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
2		<p>A fixed annual sum of money paid to an employee on a monthly basis is known as:</p> <p>Answer key: D – Salary scheme</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
3		 <p>The letter X marked on the above inventory control chart is known as:</p> <p>Answer key: A – Buffer level of inventory</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks						
4		<p>Table 1: Cost and revenue data for a business</p> <table><tr><td>Revenue</td><td>\$10 550 000</td></tr><tr><td>Fixed costs</td><td>\$6 230 000</td></tr><tr><td>Employee costs</td><td>\$3 481 500</td></tr></table> <p>Using the data in Table 1, calculate employee costs as a percentage of turnover.</p> <p>$\\$3\,481\,500 / \\$10\,550\,000 \times 100 = 33$ or 33% (2) Employee costs/turnover x 100 (1) $\\$3\,481\,500 / \\$10\,550\,000 = 0.33$ (1)</p> <p>OFR applies</p>	Revenue	\$10 550 000	Fixed costs	\$6 230 000	Employee costs	\$3 481 500	2 AO1 = 1 AO2 = 1
Revenue	\$10 550 000								
Fixed costs	\$6 230 000								
Employee costs	\$3 481 500								

Question	Part	Marking guidance	Total marks
5		<p>Explain one benefit to a start-up business of constructing a cash flow forecast.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A start-up will need to plan and prepare for the future as it is a new business. Constructing a cash flow forecast will allow the start-up to see where and when it can expect to receive and pay out cash. • Constructing a cash flow forecast allows the start-up to plan for periods of cash shortages. This is important for a start-up as it may not have access to finance due to being a new business. • In constructing a cash flow forecast the start-up would benefit by having a plan that could be used to raise finance in the future and making the link as to why this is such a benefit to a start-up. • The cash flow forecast could be used by the start-up to help secure finance from a bank or other lender. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains a benefit of constructing a cash flow forecast to a start-up business. Uses the context of a start-up when discussing the benefits of a cash flow forecast.</p> <p>Reasonable response (2 marks) Explains a benefit of constructing a cash flow forecast but does not link explanations to the context of a start-up.</p> <p>Limited response (1 mark) Shows relevant points or limited knowledge of cash flow forecast with no explanation or development in context.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
6		<p>A business produces high quality products.</p> <p>Explain one benefit to this business of an effective recruitment process.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • An effective recruitment process is likely to mean that the business has successfully recruited employees that can carry out the work required. In this context, the employees would be able to produce high-quality goods. • An effective recruitment process is likely to mean that the business recruits employees who have the skills to produce high-quality products. This will help to ensure that the products made continue to be of high quality. • Selecting the right employees for a business producing high-quality products will mean the employees are able to make the goods to the standard of the business. This means the reputation of the business remains as producing high-quality goods. • Having an effective recruitment process for a business producing high-quality products should enable the business to reduce recruitment costs. This is because the employees selected are suitable for the role and may choose to remain with the business. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one benefit of an effective recruitment process, and uses the context of a business with high-quality products within the explanation.</p> <p>Reasonable response (2 marks) Explains one benefit of an effective recruitment process, with no link to context of producing high-quality goods.</p> <p>Limited response (1 mark) Shows relevant points or limited knowledge of the recruitment process.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
7		<p>The budgeted profit for this business was \$400 000.</p> <p>Using the data in Table 2 and the budgeted profit figure, calculate the profit variance and state whether it is adverse or favourable.</p> <p>150 000 or \$150 000 adverse/A (3) $\\$250\,000 - \\$400\,000 = -150\,000$ or $-\\$150,000$ (2) $\text{Actual profit} = \\$5\,600\,000 - \\$3\,300\,000 - \\$1\,700\,000 - \\$350\,000 = \\$250\,000$ (1) $\text{Calculating costs} = (\\$3\,300\,000 + \\$1\,700\,000 + \\$350\,000) = \\$5\,350\,000$ (1) $\text{Budget variance} = \text{actual figure} - \text{budget figure}$ (1)</p> <p>OFR applies</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
8		<p>90% of employees in a business are members of a trade union.</p> <p>Explain one way employees can benefit from this high level of trade union membership.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A benefit to the employees is that all of the employees will be well-represented within the business when there is a need to solve issues such as working conditions and pay. • The trade union members will have the support of the trade union in instances of dispute or conflict with the business and/or the managers of the business. • Employees are likely to be consulted on their views/opinions when decisions are being made in the business. These decisions are likely to impact all of the employees such as changes to pay and working conditions. This benefits the employees as they are consulted in the decision making process. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains a benefit of having a high number of employees as members and how this impacts the employees in a positive way.</p> <p>Reasonable response (2 marks) Explains a benefit of being in a trade union in general without the context of the high membership number.</p> <p>Limited response (1 mark) Shows relevant points or limited knowledge of a trade union and/or a trade union membership.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		<p>A manufacturing business operates at high capacity utilisation. The business is struggling to keep up with demand.</p> <p>Analyse one benefit and one drawback to the business of outsourcing production.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse one benefit and one drawback,
- of outsourcing,
- for a business with high capacity utilisation and struggling to keep up with demand.

Indicative content

Benefits:

- Outsourcing is when a business contracts another business to perform specific tasks or business functions.
- A benefit of the use of outsourcing for this business would mean the pressure on the current capacity would be reduced. The third party business would be producing some, or all, of the products.
- The outsourcing business may be specialised in producing the goods. This could mean they are efficient and able to meet the needs of the business with the high capacity utilisation.
- The use of outsourcing should allow the business to meet the demand that it is currently struggling to meet.

Drawbacks:

- A potential drawback of using outsourcing is that the manufacturing business will lose some control of the process and the products may not meet the requirements. For example, the products may be produced to a poor quality or not delivered on time. In this instance, this would add to the manufacturing business's problem of struggling to meet demand.
- A drawback of using outsourcing is that the manufacturing business will have to pay for the outsourcing service and this will increase the costs for the business. These costs may be passed onto the customers, however this could cause a decrease in demand for the goods.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		<p>A business wants to produce more environmentally friendly products.</p> <p>Analyse two ways environmental influences can impact the financial objectives for this business.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse two ways environmental influences,
- can impact the financial objectives,
- of a business that produces environmentally friendly products.

Indicative content

- Environmental influences could impact the financial objectives such as cost of sales. Costs of raw materials for the business may increase due to using suppliers who provide materials that are considered environmentally friendly. Suppliers who sustainably produce may be part of a fair trade scheme, or use other ethical production methods that consider the environment. These suppliers are more likely to charge higher prices for the supplies.
- The business could be financially impacted by having to change or update the marketing or promotional campaigns/material to promote the environmentally friendly quality of its products. This could impact the profit objectives as the business costs may increase.
- A positive impact on a financial objective could be the sales revenue objective. The business could experience an increase in sales from producing or selling more environmentally friendly products. There may be an increase in demand for these goods by consumers that leads to an increase in sales.
- A business that produces or sells environmentally friendly products is likely to charge a higher, or premium price for the products. This means there may be a positive impact on the profit objectives as the business may experience higher profit margins on the goods produced and sold.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		<p>A manufacturing business is experiencing high labour turnover.</p> <p>Analyse one benefit and one drawback for the business if it uses delegation as a way to reduce the labour turnover.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse one benefit and one drawback,
- of using delegation,
- for a business experiencing high labour turnover.

Indicative content

Benefits:

- High labour turnover means the business is losing employees at a rate that is considered too high for the business.
- Delegation is the process of a manager assigning authority and responsibility for a specific task to a subordinate employee in the hierarchy.
- A benefit of using delegation would be that employees may feel more motivated and choose to stay at the business. This is because delegation would give the employees more work and responsibility/authority/autonomy in their role.
- If the employees are more motivated by the delegation they are more likely to work more efficiently/effectively and may be more productive.
- Using delegation could increase the skill level of the employees, for example, delegation may give employees new or different tasks to their regular job roles. This could increase the skills used and therefore increase the motivation and job satisfaction of these employees. This may then reduce labour turnover.

Drawbacks:

- A drawback for the business could be the issue of causing further or even higher labour turnover. This is because the use of delegation may be viewed by the employees as more work for the same amount of pay. The employees may choose to leave the business despite the delegation.
- If the delegation is viewed as a negative by the employees this may cause higher labour turnover for the business and does not solve the issue of the high labour turnover.
- A further drawback for the business could be the risk of delegating to employees who are not able to effectively carry out the task/s. This may solve the issue of high labour turnover but could give the business further issues such as defective products being produced, or poor quality goods produced.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A public limited company (plc) is operating in a fast growing market. The directors want to expand operations.</p> <p>The finance director believes the plc should take out a loan rather than issue new shares to raise finance.</p> <p>Assess the arguments for and against using a loan to pay for the expansion and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>

3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the arguments for and against,
- taking out a loan rather than issuing new shares,
- for a plc in a fast growing market,
- and make a judgement.

Indicative content

Arguments for

- A loan is an agreed amount of money, taken out over a set period of time and paid back with a fixed rate of interest. This allows the business to effectively plan its finances, giving it some control over its financial position in the fast growing market.
- Taking out a loan will mean the plc obtains the finance needed in order to expand operations in a timely manner and can use the finance to respond to the fast growing market.
- Taking out a loan does not reduce the control of current shareholders within the plc, this would not be the case if the plc makes the decision to do a new share issue. In this case, shareholders are likely to have more control in the business.
- A new share issue will not guarantee to raise the finance needed in time. This may mean the business is not able to expand quickly enough in this market.
- The share issue will likely increase the pressure to pay dividends to shareholders which the plc may not be able to afford in a fast growing market. This is because the business is likely to want to continue to invest profits back into the business.
- A new share issue means finance is likely to be raised but there is no guarantee of the amount of finance raised. This is because the share price and/or the number of shares actually being sold is not guaranteed. By taking out a loan, the plc would have the required finance amount without any uncertainty.
- Obtaining a loan is likely to be a quicker process than raising finance from a new share issue. This is important when looking at the context of the market; speed of raising the finance is vital in this situation.

Arguments against

- Taking out a loan requires paying interest as well as the monthly repayments. If interest rates are increasing this could be a costly decision for the plc that wants to expand.
- A loan has to be paid back to the bank within a certain time period. There is no guarantee that the plc will be able to pay the loan and interest payments.
- In a fast growing market, it can be assumed that there is likely to be high levels of competition. Therefore the plc is not guaranteed to make enough in sales and profit to be able to make the future loan repayments.
- As an alternative to taking out a loan, a new share issue may raise the required finance and this would be without the need to pay interest or loan repayments.
- A new share issue is likely to bring in more shareholders (assuming some new shareholders buy the shares) who may have expertise that can be used to the advantage of the plc when it comes to decision making.

Potential judgement

- The business needs to make the right decision that brings the most finance to the plc in order to expand in the fast changing market.
- A consideration of the potential impact/s that the decision has on the plc in the short term and the long term. For example, in the short term, a loan is likely to be the best decision for the plc as it is a

guaranteed sum of money that the plc can invest and it can be received from the bank quickly. In the long term, the new share issue may be the best decision as it could result in the share price rising and the market capitalisation of the plc increasing. This would allow the plc to continue to expand in the fast growing market.

- The fact that there is no guarantee of finance being raised in a share issue. Whereas, the loan will give the amount of finance needed for the expansion with a clear and timely repayment schedule.
- It could be argued that the time it takes to raise the finance is the most important factor to be considered in this context. The fast growing market means the plc is likely to need to react quickly in order to be competitive. A loan is more likely to raise the finance in a prompt way.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
13		<p>A manufacturing business has issues of low customer satisfaction, caused by poor quality products.</p> <p>The operations director believes that the business should introduce Total Quality Management (TQM).</p> <p>Assess the arguments for and against introducing TQM and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>

3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the arguments for and against,
- introducing TQM to improve customer satisfaction,
- for a business manufacturing poor quality products,
- and make a judgement.

Indicative content

Arguments for

- TQM is a whole-business approach that involves all employees in ensuring quality is achieved in every process within the business.
- Introducing TQM to this business may reduce the poor quality of the products being made. If TQM is introduced effectively it will mean that all employees will be trained to implement the principles of TQM and this should lead to less defective products and better quality products being produced.
- The successful implementation of TQM should result in customer satisfaction improving due to the improvements in product quality.
- TQM is a whole business approach which means that all processes will be positively impacted within the business, therefore improving quality of the products made.

Arguments against

- Introducing TQM will take time. The training and implementation of the TQM processes takes time and this means the products may continue to be produced to a low quality for some time, further increasing the low customer satisfaction.
- Introducing TQM will come at a financial cost to the business. This is because the implementation of TQM involves training employees and re-training employees in the future.
- There is no guarantee that implementing TQM will solve the problem of low customer satisfaction. This is because the poor quality products could be due to poor quality raw materials being used. TQM is not guaranteed to solve this issue for the business.
- In order for TQM to be successful, all employees have to embrace the process. There is no guarantee that the employees will be on board with the introduction of TQM.

Potential judgement

- The business needs to make the right decision that results in an improvement in the quality of the goods and therefore an improvement in customer satisfaction.
- The impact that the decision to implement TQM has on the business in the short term and the long term. Will the results from implementing TQM take too long to solve the poor quality issue for example.
- The fact that there is no guarantee that implementing TQM will solve the poor quality issues. If the cause of the poor quality products is down to the employee input, rather than another factor such as low quality raw materials, then TQM could be the right decision in this instance.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
14		<p>A business is experiencing a decline in sales.</p> <p>Employees in the sales force have low engagement and motivation. One director has suggested introducing financial methods of motivation to improve sales.</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>

3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the arguments for and against introducing financial methods of motivation,
- for a business with declining sales and employees with low engagement and motivation,
- and make a judgement.

Indicative content

Arguments for

- Financial methods of motivation are strategies used by a business to motivate employees by providing them with monetary incentives. This could be commission payments, performance-related pay, piece-rate pay or an increase in employee wages or salaries.
- This could improve the motivation of the sales force if the employees within that team are financially motivated. It is likely to be viewed as a reward for performance by these types of employees and may improve engagement and motivation.
- If the introduction of financial methods has a positive effect on the employees then the sales force should be more motivated and engaged. This will then incentivise the employees to make more sales for the business.
- If the cause of the poor motivation and engagement is due to the pay they currently receive, then it is likely that better financial methods of motivation will improve the motivation and engagement of the sales force.

Arguments against

- Introducing financial methods of motivation will increase employee costs for the business. If the business has a decline in sales then it may not be able to meet the financial demands that introducing financial methods of motivation may bring.
- If commission payments are used as part of the financial methods of motivation, this could cause a financial burden for the business. Commission payments are based on a percentage of the value of the sales made by the sales force. If the sales force make high-value sales, this is going to result in high costs for the business. This may not be a sustainable financial position for the business.
- The managers should identify the cause of the decline in sales and poor motivation and engagement before making the decision. There could be other reasons causing these issues that are not related to the current pay of the employees.
- Not all employees are motivated by financial incentives. It could be that the sales force are motivated by non-financial incentives such as recognition and feedback on their work. If this is the case then financial methods of motivation may not improve the engagement or motivation of the employees.

Potential judgement

- The business needs to make the right decision that improves the motivation and engagement of its employees as well as seeing the sales increase.
- The financial impact that the decision to implement financial methods of motivation has on the business could be too high and may cause further issues for the business in the future.
- There is no guarantee that financial methods of motivation for the sales team will improve their motivation and engagement. The business should identify the cause of the decline in sales and make sure it is related to the sales forces' performance
- The business needs to ensure that its employees will engage with the financial motivation methods introduced. Many employees require more than a financial incentive to be motivated. It is likely that non-financial methods of motivation are needed in this context as well as financial methods.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				1
2	1				1
3	1				1
4	1	1			2
5	1	2			3
6	1	2			3
7	1	2			3
8	1	2			3
Section B					
9	3	3	3		9
10	3	3	3		9
11	3	3	3		9
Section C					
12	2	2	3	5	12
13	2	2	3	5	12
14	2	2	3	5	12
Unit Total	23	24	18	15	80