

Markscheme

May 2018

Business management

Higher level

Paper 1

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The following are the annotations available to use when marking responses.

Annotation	Explanation	Associated shortcut
	AE - Attempts Evaluation	
	BOD - Benefit of the doubt	
	CKS - Clear Knowledge Shown	
	Cross - Incorrect point	
	DES - Descriptive	
	EE - Effective evaluation	
	GA - Good Analysis	
	GD - Good Definition	
	GEXA - Good Example	
	GEXP - Good Explanation	
GP	GP - Good Point	
	H Line - Underline tool	
	Highlight - Highlight tool	
	IR - Irrelevant	
	IU - Inappropriate Use	
	LD - Lacks Depth	
	LLS - Lacks Logical Structure	

	NAQ - Not Answered Question	
	NBOD - No benefit of the doubt	
	NE - Not enough	
	On Page Comment - On page comment tool	
	P - Paragraphing	
	PE - Poorly expressed	
	QuestionMark - Unclear	
	SEEN_Small - Seen	
	Tick Colourable	
	TV - Too vague	
	UR - Unbalanced Response	

You **must** make sure you have looked at all pages. Please put the **SEEN** annotation on any blank page, to indicate that you have seen it.

The markbands and assessment criteria on pages 5–8 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Section B Q4 (d)	Level descriptor
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theory are explained or applied and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Section C, question 5

Criterion A: Knowledge and understanding of tools, techniques and theories

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of relevant business management tools, techniques and theories, as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques and theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or breadth.
4	Good knowledge and understanding of relevant tools, techniques and theories is demonstrated.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not developed.
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting evidence for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

Criterion D: Structure

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individual and societies

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

Section A

1. (a) With reference to **Table 2**, describe **two** advantages for Su of using a cash-flow forecast. [4]

Possible advantages include:

- it shows when there is expected to be cash shortfall (especially late 2018, early 2019)
- it is suitable for “what if”. For example, if a bigger loan was sought there might not be a cash shortfall.

Any other relevant advantage.

Mark as 2 + 2.

Award [1] for each advantage identified, and [1] for the development of each of this advantage in the context of AS. Award up to a maximum of [2] per advantage.

- (b) With reference to Su and her managers at *HH* and *AS*, explain the differences between leadership and management. [6]

Su shows distinct leadership qualities. She:

- inspires
- sets missions
- takes responsibility for strategic decisions
- takes on the role of spokesperson
- delegates, advises, guides
- shows features of McGregor Theory Y.

Her managerial roles are somewhat limited but include organizing at a corporate level. Most of the management functions are delegated.

Managers fulfil management functions including:

- making day-to-day decisions
- making tactical decisions
- organizing resources, directing, coordinating staff.

Accept any other relevant difference.

Marks should be allocated according to the markbands on page 5.

Award a maximum of [3] for a theoretical answer

Award a maximum of [5] if the explanation of advantages is mainly descriptive, but in context.

2. (a) With reference to *AK Bank*, describe **two** features of for-profit microfinance providers.

[4]

Features include:

- they provide small amounts of capital
- they provide finance to people who might otherwise not get finance (eg, poorer people, specific groups such as women)
- they often help business start-ups
- they lend to people without collateral
- they often operate in developing economies.

Do not reward answers that say “it’s not for profit” and/or “it provides finance” unless these are developed.

Mark as 2 + 2.

Accept any other relevant feature.

*Award **[1]** for each correct feature identified and **[1]** for a description of how that feature relates to AK. Award a maximum of **[2]** per feature.*

- (b) Su is considering two possible locations for the production facility (lines 51–52). Explain the factors (reasons) that Su may consider when deciding between the two locations.

[6]

This is not an AO3 question so there does not have to be a recommendation.

Factors/reasons include:

For country B:

- This is a social enterprise, so a developing economy may be important.
- Distribution could be a problem, so simple transport links are favourable.

But:

- One party state may be high risk and seen as unethical.
- Quality is an issue, so skills are important.

For Country A:

- Free market economy, high skills.
- Trading easier.
- Stable currency, stable government.

But:

- Does it need the work?
- Costs likely to be higher.
- Finance not so important so how relevant are grants, low rents?

Accept any other relevant analysis.

Marks should be allocated according to the markbands on page 5.

Award a maximum of [3] for a theoretical answer.

Award a maximum of [4] if explanation does not effectively bring out the reasons

Award a maximum of [5] if the explanation of more than one reasons is mainly descriptive, but in context.

For full marks, the explanation needs to be developed and in context.

3. (a) Describe **two** advantages for AS of using cellular production in the production of its solar power systems. **[4]**

- Cellular production relies on team work, which helps motivation. Tasks are completed by the team.
- This could help AS achieve its desired high quality, efficient use of resources, reduction of waste.

Accept any other relevant advantage

Mark as 2 + 2.

Award [1] for each advantage identified, and [1] for the development of each of these advantages in the context of AS, up to a maximum of [2].

- (b) Explain the advantages for Su of forming AS as a private limited company. **[6]**

Advantages:

- Limited liability – the business is fairly high risk so Su may need protection of her personal finances.
- Limited number of shareholders – may be important to retain the high ethical values.
- Difficult to takeover – Su will want to keep this project hers.
- Separate legal entity.
- Able to raise additional finance without losing control.
- Continuity assured.

Accept any other relevant advantage.

Marks should be allocated according to the markbands on page 5.

Award a maximum [3] for a theoretical answer.

Award a maximum [5] if the explanation is mainly descriptive, but in context.

Section B

4. (a) Define the term *four-part moving average*. [2]

A four-part moving average is the average of four adjacent terms in a time series. The starting point progresses gradually through the time series.

*Candidates are **not** expected to word their definition **exactly** as above. All three are not needed. Although it is “define”, an example can help.*

Award [2] for a full definition. Award [1] for some understanding of the term.

- (b) With reference to AS, explain the difference between commercial marketing and social marketing of the solar power systems (line 53). [4]

- Commercial marketing focuses on the potential buyers of a product/service.
- Social marketing considers the effects of the product/service on the whole of society.

For the solar panels, commercial marketing would focus on the customers, persuading them to buy the panels in order for AS to make a profit. It would attract customers through the benefits and through available finance. Social marketing will focus on the benefits the systems have on the Afghan communities, in particular poor and remote communities. Social marketing may focus on long-term benefits and more general issues such as bringing stability to Afghanistan.

Award a maximum of [2] for a theoretical answer or for an answer that explains without drawing out differences.

Award [4] for an answer that explains one or more difference in context

- (c) Explain how total quality management (TQM) could help AS improve the quality of its products. [4]

Total quality management seeks to ensure the highest quality standards throughout a business. AS is having quality issues, in particular with some cells performing less well than others. There are problems with the supply chain and there are problems with some suppliers. By employing TQM, the whole process from supplier to delivery will be reassessed with the aim of zero defects throughout.

Mark as 2 + 2.

Award a maximum of [4] for an explanation in context.

For non-contextual answers award a maximum of [2].

- (d) Using information from the case study, additional information from pages 4 and 5 and appropriate business tools, discuss the value to Su of the force field analysis in deciding whether to grow through change.

[10]

Positive benefits:

- AS needs to make some long-term decisions. FFA will help in the process of deciding whether to change or whether to remain the same.
- The basic question is: should AS remain the same or grow? The subsidiary question is how best to grow.
- Driving forces will support the arguments for growth, whereas restraining forces will support staying the same.
- The driving forces in the table are a useful starting point. How can you distinguish between the value of Su's beliefs and needs with the needs of the people in other parts of Asia? How can you compare the team's needs with Su's?
- At best scores in the table will be subjective.
- The FFA helps to clarify thinking, identify the factors involved in the decision and point to the issues that need to be balanced. It cannot make the decision but can help clarify the issues.

Marks should be allocated according to the markbands on page 6.

*Purely theoretical answer or with no effective use of stimulus material in range **[3]** to **[4]** with better answers award a maximum of **[4]**.*

*If discussion is one-sided award a maximum of **[5]**.*

*Both sides considered, good use of evidence, particularly from section B, but no effective conclusion award a maximum of **[8]**.*

For full marks a fully supported conclusion with good use of evidence, particularly from section B.

Section C

5. Using the case study, additional information on pages 6 and 7 and appropriate planning tools, recommend whether Su should choose Option 1, Option 2 or neither. You will find it useful to calculate the ARR for Option 1.

PLEASE ANNOTATE SCRIPTS WHEN CRITERION A IS HIGHLIGHTED IN THE MARK BOX.

Marks should be allocated according to the assessment criteria on pages 7–8.

Note – a recommendation that a decision cannot be made due to lack of information (eg, market research) can be regarded as a decision provided the arguments are supported.

Doing nothing:

- No additional investment.
- Successful – no need for change.
- Resistance to change.
- Su can still manage effectively.
- Low risk, but will market become saturated?

But:

- Missed opportunities.
- Will Su be satisfied?
- Businesses will naturally want to grow.
- Loss of motivational opportunity.

Joint venture with DF:

- Big opportunity to have an impact on a wider/larger scale.
- Positive NPV, good ARR, relatively short payback.
- Suits Su's objectives.
- Risk smaller because of joint venture.

But:

- Could be overwhelmed.
- Restructuring needs.
- Large investment.
- Managers lose influence.
- Demotivating.
- Possible job losses.
- Are investment appraisal results realistic eg, 6% discount rate?

Biomass:

- Smaller investment.
- Retains autonomy.
- Provides a valuable service to wider community.

But:

- Fairly large investment. Source of finance?
- High risk.
- Smaller NPV, ARR, larger payback.

ARR for Option 1:

The calculation is annual net cash flow/investment x 100.

The investment is \$1m.

The cash inflow is \$0.4m.

The project takes 5 years. The ARR is $((5 \times 0.4) - 1) / 5 \times 100 = 20\%$

Do not penalize candidates who do not consider the 'do nothing' option

Criterion A: possible theories, planning tools and techniques include: Investment appraisal, Management issues such as management of change,, HRM issues such as motivation,, risk (including Ansoff), joint ventures, production problems, force field analysis, the importance of assumptions. Planning tools include those in Section 1.7 of the syllabus plus Ansoff and investment appraisal.

No understanding of investment appraisal max **[3]**

For **[4]**: Correct investment appraisal calculation **plus** at least one other tool, technique or theory understood and developed well with some relevance to the additional stimulus material.

For **[2]**: some understanding of at least two tools, techniques or theories, but not developed.

Criterion B: the tools, techniques, theories and stimulus applied to the decision. Application will be judged by the use of the stimulus material in particular the extra material especially Table 4.

For **[4]**: relevant tools, techniques and theories are applied well to the case study (including OFR) context and additional stimulus material, the application is convincing and relevant.

If only one option considered max **[3]**.

Limited use of Table 4 max **[3]**.

For **[2]**: some limited context/application but not developed. Use of tools limits candidate's ability to make reasoned arguments.

If a candidate calculates ARR but then does not use it reward can only be made in Criterion A.

Criterion C: Options discussed in a balanced way, conclusions drawn as to whether they work. Remember, 'do nothing' can be a recommendation.

For **[4]**: There needs to be a comparison between the two options using Section C and other material and a recommendation (Option 1, Option 2 or do nothing) made and supported.

For **[2]**: Only one option considered or some limited arguments but not justified. No comparison limited analysis but candidate arrives/draws a reasoned conclusion.

Criterion D: Structure. This criterion assesses the extent to which the student organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- logical structure
- a conclusion
- fit-for-purpose paragraphs. This means: not too long, focused on distinct issues, sequenced well, guides the reader.
- **BEWARE OF UNDER_REWARDING WEAK SCRIPTS WHICH, NONETHELESS, HAVE SOME OR ALL OF THE ELEMENTS.** The candidate will lose marks in the other criteria so they should not be double-penalized.

For **[4]**: all four elements present, clearly organized and there is clarity in the student's answer.

For **[2]**: No logical structure but other elements present or logical structure with other elements missing.

Criterion E: Stakeholders:

- *individuals: Su, individual households*
- *groups: Managers, employees, customers, communities, governments, NGOs, stakeholders at DF.*

For **[4]**: two or more individuals **and** groups are considered in a balanced way.

For **[2]**: one group or individual considered appropriately, or several individuals **or** groups considered superficially.
