

Markscheme

May 2018

Business management

Standard 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  annotation on any blank page, to indicate that you have seen it.

The markbands on pages 5–6 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
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	Level descriptor
Q4 (c)	
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 theories 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 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.
- for use as a planning tool
- to inform stakeholders (e.g. banks when finance is needed)

Do not reward ideas such as:

- *predicting future costs*
- *calculating/assessing profits*

*NB Cash flow, profit, liquidity, working capital are all different concepts so **do not** reward profit or liquidity or working capital unless the candidate demonstrates that cash flows indicate areas for improvement and that improving management of cash flow could lead to improved profits or improved liquidity.*

Context will usually be achieved by using information from the table.

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, for example David and Salima, 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 [4] if no reference to David/Salima (managers)

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

To achieve 5 or 6 marks there has to be a comparison.

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.

Candidates may interpret AK Bank as being a social enterprise and this is a reasonable assumption. Although it is unusual to assume it is not a social enterprise this will also be allowed.

Comments such as ‘low’ or ‘high’ interest rates are too vague unless developed. Context will come from the information given about AK Bank. Two different contexts are needed. Context includes the activities in Bangladesh, the fact that it will work with a social enterprise such as AS, support for other social causes.

Do not reward answers that say “it’s 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?

NB A decision is not required. However, an answer that works towards a decision may discuss factors and can be rewarded.

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 factors/reasons or only considers one country

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

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

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.
- Complexity of assembling solar panels which may require teams.

Context includes: AS is based on teamwork (volunteers), good way to empower employees which is what Su wants to do, quality is important to AS.

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.

Context includes:

- *Protects Su's other assets.*
- *Afghanistan is high risk, incorporation reduces the risks to Su.*
- *AK Bank may not want to work with an unincorporated business.*
- *May be easier to arrange finance as shown in cash flow.*

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 [4] if only one advantage, in context, is considered.

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

Section B

4. (a) Define **two** characteristics of a charity. [2]

- A charity usually performs useful social/environmental functions.
- Charities usually have a tax advantage.
- Charities usually do not seek to make a profit.

Candidates are **not** expected to word their answer **exactly** as above.

Award **[1]** for each characteristic identified.

(b) (i) Using the information in **Table 3**, calculate the break-even output for portable biomass sources of electricity (PBS) (*show all your working*). [2]

$$\begin{aligned} \text{B/E} &= \frac{\text{FC}}{\text{price} - \text{unit variable cost}} = \frac{\$200\,000}{\$90 - \$70} = \frac{\$200\,000}{\$20} \\ &= 10\,000 \text{ PBS} \end{aligned}$$

Award **[2]** for 10 000 units per year.

Award **[1]** if either no units or no working.

(ii) Comment on the usefulness to AS of break-even analysis [6]

- It gives a minimum target for sales. Is 10 000 PBS per year (OFR) achievable?
- It is useful for “what if”.
- It could help in setting prices.
- It could help in production planning.
- However, is the data realistic?
- Will all units be sold?

Award a maximum of **[4]** for a theoretical answer.

- (c) Recommend whether AS should enter into a joint venture with DF. **[10]**

Factors in favour:

- Fits in with Su's need to make the world a better place – it offers a real opportunity to save lives.
- A nice fit with DF's project.
- Increased world profile for AS.
- Opportunities for changes in jobs for employees/managers.
- Opportunity to expand and restructure.
- A form of diversification.
- Further benefits to more communities in Afghanistan.

However:

- Managers would not like the changes – smaller span of control, less empowerment.
- Possible production problems – diseconomies of scale?
- Dangers of growing too quickly.
- Afghan project comes second?
- AS would have to change the way it operates.

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

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

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

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