



**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2011**

Business Studies

Assessment Unit AS 2

Managing Business Resources

[AT121]

THURSDAY 20 JANUARY, AFTERNOON

**MARK
SCHEME**

- 1 (a) Explain two reasons why effective communication is important to the Co-operative Group. [4]

Effective communication is necessary for the efficient running of any business. Communication takes place at all levels within an organisation and will only be effective if it is received and understood.

It is important because:

- it speeds up decision-making – able to react quickly
- it makes the Co-operative more efficient – feedback given
- it motivates workers
- it keeps up with the demands of consumers, 24 hours a day, using the latest technology.

| | AO1 Knowledge and Understanding [2] | AO2 Application [2] |
|----------------|---|--|
| Level 2 | [2] Candidate demonstrates good understanding of the importance of the term effective communication. | [2] Candidate makes good application of the terms to the Co-operative. |
| Level 1 | [1] Candidate demonstrates some understanding of the term effective communication. | [1] Candidate attempts to make some application of the terms to the Co-operative. |
| Level 0 | [0] Candidate demonstrates no understanding of the term effective communication. | [0] No attempt at application of the terms to the Co-operative. |

- (b) Explain what is meant by the term chain of command, using an example to illustrate your answer. [4]

Chain of command is the route by which orders and decisions are passed down through the organisation.

The Co-operative Group delegates authority down the chain of command from the Chief Executive down to the various directors within the Co-operative Group.

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

(c) Analyse the impact of using a democratic style of management within the Co-operative Group. [8]

- participation of workers in decision-making allows input from people with relevant skills and knowledge
- could lead to improved morale and better quality decisions
- the decision-making process could be slower because of the need to consult and discuss
- there might be a concern over where the power lies and whether loss of management control is in danger.

| | AO1 Knowledge and Understanding [2] | AO2 Application [2] | AO3 Analysis [4] |
|----------------|---|--|--|
| Level 2 | [2] Candidate demonstrates good understanding of the democratic style of management. | [2] Candidate makes good application of the terms democratic management to the Co-operative. | [4]–[3] Good analysis of the democratic style of management. |
| Level 1 | [1] Candidate demonstrates some understanding of the democratic style of management. | [1] Candidate attempts to make some application of the terms democratic management to the Co-operative. | [2]–[1] Limited analysis of the democratic style of management. |
| Level 0 | [0] Candidate demonstrates no understanding of the democratic style of management. | [0] No attempt at application of the terms democratic management to the Co-operative. | [0] No analysis of the democratic style of management. |

- (d) Evaluate the use of on-the-job training within the Co-operative Group. [12]

On-the-Job training

Is a method of training employees to do a job by putting them to work with an experienced employee. Apprentices learn much of their trade from on-the-job training. Trainees in professions such as accountancy or law also have a period of training with a firm after they pass their degrees before they can become fully qualified.

Advantages:

- build morale through relationships
- it is cheaper than off-the-job training
- effective if the experienced worker is efficient
- no loss of output
- training is tailored specifically to the Co-Op
- learns values while training.

Disadvantages:

- a trainer's work may not be of high standard
- the employees who are chosen to be an instructor might not be able to teach the proper skills
- the work situation might be too noisy and stressful, and not helpful for effective learning
- the experienced employee may neglect their own job whilst carrying out the training
- costly to provide training materials.

Candidates are expected to evaluate throughout.

| | AO1 Knowledge and Understanding [3] | AO2 Application [3] | AO3 Analysis [2] | AO4 Evaluation [4] |
|----------------|---|--|---|---|
| Level 3 | [3] Candidate demonstrates excellent understanding of on-the-job training to the Co-operative. | [3] Candidate makes excellent application of the terms on-the-job training. | | [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 on-the-job training to the Co-operative. | [2] Candidate makes good application of the terms on-the-job training. | [2] Good analysis of the implications for a firm such as the Co-operative of using on-the-job training methods. | [3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good. |
| Level 1 | [1] Candidate demonstrates some understanding of on-the-job training to the Co-operative. | [1] Candidate attempts to make some application of the terms on-the-job training. | [1] Limited analysis of the implications for a firm such as the Co-operative of using on-the-job training methods. | [1] Candidate attempts some evaluation of the arguments presented. QWC is limited. |
| Level 0 | [0] Candidate demonstrates no understanding of on-the-job training to the Co-operative. | [0] No attempt at application of the terms on-the-job training. | [0] No analysis of the implications for a firm such as the Co-operative of using on-the-job training methods. | [0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor. |

- (e) Discuss the impact that technology could have on communication for a business such as the Co-operative Group. [12]

Benefits of technology:

- improved efficiency and reduced wastage
- better standard of service
- advances in communication – customers can compare prices
- improved working environment
- can increase motivation
- quicker means of communication
- 24 hours a day potentially to communicate.

Problems of introducing new technology:

- cost of keeping up-to-date with the latest technology
- knowing what new technology to buy and when to buy it
- industrial relations between employers and employees
- personnel issues – a technological change occurs, new skills are required and this has implications for recruitment, retention and training, and their associated costs
- security – increased costs of ensuring all information is kept secure
- breakdowns – the technology can break down
- information overload
- barriers – jargon.

Candidates are expected to evaluate throughout.

| | AO1 Knowledge and Understanding [3] | AO2 Application [2] | AO3 Analysis [3] | AO4 Evaluation [4] |
|----------------|---|--|--|---|
| Level 3 | [3] Candidate demonstrates excellent understanding of the impact technology has on communication in a firm such as the Co-operative. | | [3] Excellent analysis of the impact technology has on a firm such as the Co-operative. | [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 impact technology has on communication in a firm such as the Co-operative. | [2] Candidate makes good application of the terms impact of technology to a business such as the Co-operative. | [2] Good analysis of the impact technology has on a firm such as the Co-operative. | [3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good. |
| Level 1 | [1] Candidate demonstrates some understanding of the impact technology has on communication in a firm such as the Co-operative. | [1] Candidate attempts to make some application of the terms impact of technology to a business such as the Co-operative. | [1] Limited analysis of the impact technology has on a firm such as the Co-operative. | [1] Candidate attempts some evaluation of the arguments presented. QWC is limited. |
| Level 0 | [0] Candidate demonstrates no understanding of the impact technology has on communication in a firm such as the Co-operative. | [0] No attempt at application of the terms impact of technology to a business such as the Co-operative. | [0] No analysis of the impact technology has on a firm such as the Co-operative. | [0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor. |

- 2 (a) Explain the difference between cash and profit, using an example to illustrate your answer. [4]

Cash and profit are not the same. The income statement focuses on the profit and or gain after all expenses have been paid. The cash budget focuses on managing the cash flow in a business. Cash transaction are recorded when they occur, however, profit is calculated for a given time period and only financial information relevant to that time period has any effect on the calculation of profit.

For example, a business might sell goods on credit late in the financial year. The sale would increase profit for that year, but the effect on cash is likely to occur later when the debtors pay.

Some transactions have an effect on cash but no effect on profit. So the purchase of a non-current asset would decrease cash, but have no effect on the calculation of profit.

Depreciation affects profit but has no effect on cash.

Transaction occurs and sales are recorded immediately (affecting income statement).

Cash not recorded until received.

| | AO1 Knowledge and Understanding [2] | AO2 Application [2] |
|----------------|---|--|
| Level 2 | [2] Candidate demonstrates good understanding of the difference between cash and profit. | [2] Candidate makes good application of the terms to Felix Connelly. |
| Level 1 | [1] Candidate demonstrates some understanding of the difference between cash and profit. | [1] Candidate attempts to make some application of the terms to Felix Connelly. |
| Level 0 | [0] Candidate demonstrates no understanding of the difference between cash and profit. | [0] No attempt at application. |

(b) Calculate the break-even point for a pack of cheese. [4]

$$(b) BE = \frac{FC}{C}$$

$$\frac{3000}{2.00 - 0.80} = 2500 \text{ packs to break-even}$$

| | AO1 Knowledge and Understanding [2] | AO2 Application [2] |
|----------------|--|--|
| Level 2 | [2] Candidate demonstrates good understanding of what is meant by break-even. | [2] Candidate makes good application of the terms to Felix Connelly. |
| Level 1 | [1] Candidate demonstrates some understanding of what is meant by break-even. | [1] Candidate attempts to make some application of the terms to Felix Connelly. |
| Level 0 | [0] Candidate demonstrates no understanding of what is meant by break-even. | [0] No attempt at application. |

- (c) (i) Calculate the output required to obtain a target level of profit of £3,000. [4]

Formula: $\frac{\text{total fixed costs} + \text{target profit}}{\text{contribution per unit}}$

$$\frac{3000+3000}{1.20} = \frac{6000}{1.20} = 5000 \text{ packs of cheese}$$

- (c) (ii) Analyse the importance of contribution to a business such as Felix Connelly. [4]

Contribution is the difference between sales revenue and variable cost. It is the difference between the income generated from sales and variable costs of producing the goods to generate those sales. Contribution is used to pay the company's fixed overheads. Once these have been covered, additional contribution generates profit.

The contribution for Felix Connelly is $2.00 - 0.80 = 1.20$

| | AO1 Knowledge and Understanding [2] | AO2 Application [2] | AO3 Analysis [4] |
|----------------|--|--|---|
| Level 2 | [2] Candidate demonstrates good understanding of contribution and target level of profit. | [2] Candidate makes good application of the terms to Felix Connelly. | [4]–[3] Good analysis of the implications for Felix Connelly. |
| Level 1 | [1] Candidate demonstrates some understanding of contribution and target level of profit. | [1] Candidate attempts to make some application of the terms to Felix Connelly. | [2]–[1] Limited analysis of the implications for Felix Connelly. |
| Level 0 | [0] Candidate demonstrates no understanding of contribution and target level of profit. | [0] No attempt at application. | [0] No analysis. |

- (d) Evaluate the usefulness to Felix Connelly of carrying out variance analysis. [12]

Advantages:

- variance analysis allows Felix to analyse areas where greater control needs to take place
- variance analysis identifies areas where actual and budgeted figures differ
- variance analysis helps make Felix's organisation more efficient
- variance analysis helps with the management process
- variance analysis provides quantitative data on which decisions may be based
- variance analysis can provide information that can be used as a benchmark for future years.

Disadvantages:

- variance analysis is no substitute for good management
- the process can be quite rigid, meaning no flexibility for managers to deviate from the set budget if required. For example, due to unforeseen circumstances, an organisation may be faced with a downturn in sales
- Felix may feel that additional advertising is needed, but this may not have been identified in the budget.

Candidates are expected to evaluate throughout.

| | AO1 Knowledge and Understanding [3] | AO2 Application [2] | AO3 Analysis [3] | AO4 Evaluation [4] |
|----------------|---|--|---|---|
| Level 3 | [3] Candidate demonstrates excellent understanding of the usefulness of variance analysis. | [2] Candidate makes excellent application of the terms to Felix Connelly. | | [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 usefulness of variance analysis. | [2] Candidate makes good application of the terms to Felix Connelly. | [2] Good analysis of variance analysis. | [3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good. |
| Level 1 | [1] Candidate demonstrates some understanding of the usefulness of variance analysis. | [1] Candidate attempts to make some application of the terms to Felix Connelly. | [1] Limited analysis of variance analysis. | [1] Candidate attempts some evaluation of the arguments presented. QWC is limited. |
| Level 0 | [0] Candidate demonstrates no understanding of variance analysis. | [0] No attempt at application. | [0] No analysis of variance analysis. | [0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor. |

(e) Evaluate the methods Felix could use to improve his cash flow. [12]

- factoring
- lower administration costs
- reduce the risk of bad debt
- sale and leaseback of assets
- agree an overdraft with the bank
- set aside a contingency fund
- sell a fixed asset
- diversify the product portfolio to create a range of products that sell well all year
- stock management – use a system of JIT to keep stock levels low
- offer discounts for early payment
- extend their credit period with suppliers
- improved credit control
- better methods of collecting payment.

Candidates are expected to evaluate throughout.

| | | | | | AVAILABLE MARKS |
|----------------|--|--|--|---|-----------------|
| | AO1 Knowledge and Understanding [3] | AO2 Application [3] | AO3 Analysis [2] | AO4 Evaluation [4] | |
| Level 3 | [3] Candidate demonstrates excellent understanding of ways to improve cash flow for Felix Connelly. | [3] Candidate makes excellent application of the terms to Felix Connelly. | | [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 ways to improve cash flow for Felix Connelly. | [2] Candidate makes good application of the terms to Felix Connelly. | [2] Good analysis of the implications for a firm such as Felix Connelly. | [3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good. | |
| Level 1 | [1] Candidate demonstrates some understanding of ways to improve cash flow for Felix Connelly. | [1] Candidate attempts to make some application of the terms to Felix Connelly. | [1] Limited analysis of the implications for a firm such as Felix Connelly. | [1] Candidate attempts some evaluation of the arguments presented. QWC is limited. | |
| Level 0 | [0] Candidate demonstrates no understanding of ways to improve cash flow for Felix Connelly. | [0] No attempt at application. | [0] No analysis. | [0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor. | 40 |
| Total | | | | | 80 |
| | | | | | |