



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012**

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

THURSDAY 21 JUNE, MORNING

**MARK
SCHEME**

- 1 (a) Explain two reasons why British Gas should carry out interviews as part of its recruitment and selection process.

The process of interviewing allows the human resource department to not only meet the candidate face to face but it also allows interviewees to expand on points that they have made on their application form.

- assess communication skills.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of why British Gas should carry out interviews as part of its recruitment and selection process.	[2] Candidate makes good application of the terms.
Level 1	[1] Candidate demonstrates some understanding of why British Gas should carry out interviews as part of its recruitment and selection process.	[1] Candidate attempts to make some application of the terms.
Level 0	[0] Candidate demonstrates no understanding of why British Gas should carry out interviews as part of its recruitment and selection process.	[0] No attempt at application.

[4]

- (b) Explain two reasons why effective communication is important to British Gas.

Good 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 sent, received and understood.

- motivate staff
- provides feedback
- customers/employees feel valued
- helps decision-making
- improves customer service.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of why effective communication is important to British Gas.	[2] Candidate makes good application of the terms.
Level 1	[1] Candidate demonstrates some understanding of why effective communication is important to British Gas.	[1] Candidate attempts to make some application of the terms.
Level 0	[0] Candidate demonstrates no understanding of why effective communication is important to British Gas.	[0] No attempt at application.

[4]

(c) Analyse monetary methods of motivation the British Gas might use.

Time Rates

This system of pay rewards employees for the amount of time that they spend on work. It is calculated by multiplying the number of hours that an employee works by the hourly rate of pay.

Piece Rates

This system rewards an employee according to the quantity of items that an individual (or group of workers) produces. This system ensures that employees are rewarded for what they actually do. Piece rate is sometimes referred to as payments by results as employees have the opportunity to increase their pay if they produce more.

Commission

Commission is like piece rates in that it rewards employees for the quantity or value of work that they sell. This method rewards employees by giving them a percentage of the value of the work that is sold.

Fees

Fees are one-off payments made to employees for one-off tasks. The amount paid will depend on a number of factors such as the time taken to do the task, the complexity of the task, and the skills required to do the task.

Fringe Benefits

These are benefits that may be given to employees such as a company pension scheme, a company car, or free private medical insurance. Some of these benefits may be welcome to employees from a taxation point of view, although in recent years the benefits are not as great as they once were.

Profit Sharing

This involves employees receiving a share of the company's profits at the end of the financial year.

Performance Related Pay

These schemes link an employee's annual salary to their performance. They have grown in popularity in recent years as organisations try to increase flexibility in the workplace. Performance can be measured in a number of ways such as comparing an individual's actual performance with their agreed targets.

Bonus

Employees can receive a bonus on their pay. This addition to their pay is typically distributed pre-Christmas.

Share ownership

Employees of British Gas are issued shares from the company.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of monetary methods of motivation the British Gas might use.	[2] Candidate makes good application of the terms.	[4]–[3] Good analysis of possible methods that British Gas could use.
Level 1	[1] Candidate demonstrates some understanding of monetary methods of motivation the British Gas might use.	[1] Candidate attempts to make some application of the terms.	[2]–[1] Limited analysis of possible methods that British Gas could use.
Level 0	[0] Candidate demonstrates no understanding of monetary methods of motivation the British Gas might use.	[0] No attempt at application.	[0] No analysis.

[8]

- (d) Discuss the advantages and disadvantages of external recruitment to a business such as British Gas.

External Recruitment

External recruitment involves filling job vacancies by applicants from outside the organisation. In a similar fashion to internal recruitment, there are both advantages and disadvantages to an organisation of doing this.

Advantages

- external recruitment greatly increases the number of potential applicants that an organisation may get for a job. This means that a higher calibre of applicant may be recruited
- a new employee may be more willing to try to change the way of working within an organisation as they have no previous links or allegiances to the existing staff
- external employees should have wider experience if they have come from other organisations. This will allow them to introduce new methods of working and new ideas to the organisation.

Disadvantages

- the recruitment of external candidates can be costly and time consuming. There is a considerable time lag between when the human resources department carries out a job analysis and actually recruits an external candidate
- some people are very good at selling themselves at the interview stage of the recruitment process yet in practice they may not be very good at carrying out the actual job. There may therefore be a situation where the most suitable candidate is not recruited
- it may take an external candidate time to settle into a new organisation and become accustomed to how the organisation operates. This is time that the organisation may not be able to afford to take
- if current employees do not see promotional prospects, they may become discontented and look for jobs outside the organisation. This will increase labour turnover within the organisation.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of external recruitment to a business such as British Gas.		[3] Excellent analysis of the advantages and disadvantages of external recruitment to a business such as British Gas.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages of external recruitment to a business such as British Gas.	[2] Candidate makes good application of the terms.	[2] Good analysis of the advantages and disadvantages of external recruitment to a business such as British Gas.	[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 advantages and disadvantages of external recruitment to a business such as British Gas.	[1] Candidate attempts to make some application of the terms.	[1] Limited analysis of the advantages and disadvantages of external recruitment to a business such as British Gas.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.

Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of external recruitment to a business such as British Gas.	[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.
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[12]

(e) Evaluate British Gas' decision to carry out people investment planning.

Advantages

- staff with the correct skills should be available
- money will be saved on recruitment if staff remain with British Gas
- future demand will be met
- plans for the future
- identifies skills shortages
- identifies training needs
- customer care should be maximised.

Drawbacks

- human resource planning does not take into consideration the behaviour of employees
- changes in the external environment can make it difficult to accurately predict future human resource requirements
- the human resource department needs to be very careful that future plans do not demotivate staff or cause industrial relations difficulties.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of British Gas' decision to carry out people investment planning.		[3] Excellent analysis of British Gas' decision to carry out people investment planning.	[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 British Gas' decision to carry out people investment planning.	[2] Candidate makes good application of the terms.	[2] Good analysis of British Gas' decision to carry out people investment planning.	[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 British Gas' decision to carry out people investment planning.	[1] Candidate attempts to make some application of the terms.	[1] Limited analysis of British Gas' decision to carry out people investment planning.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of British Gas' decision to carry out people investment planning.	[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.

[12]

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- 2 (a) (i) Explain what is meant by the term contribution.

Contribution is the difference between selling price per unit and variable cost per unit. It is the contribution towards a firm's fixed costs.

- (ii) Calculate Penelope's forecasted contribution per unit (dress).

$$\begin{aligned} \text{Contribution} &= \text{Selling price per unit} - \text{Variable cost per unit} \\ &= £150 - £50 = £100 \end{aligned}$$

Every dress is contributing £100 towards the organisation's fixed costs.

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

[4]

- (b) Identify the level of output that Penelope would require to obtain a profit of £25,000.

$$\frac{\text{Fixed Cost} + \text{Target Profit}}{\text{Contribution Per Unit}}$$

$$\frac{(20\,000 + 25\,000)}{100} = 450 \text{ dresses}$$

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the level of output that Penelope would require to obtain a profit of £25,000.	[2] Candidate makes good application of the terms.
Level 1	[1] Candidate demonstrates some understanding of the level of output that Penelope would require to obtain a profit of £25,000.	[1] Candidate attempts to make some application of the terms.
Level 0	[0] Candidate demonstrates no understanding of the level of output that Penelope would require to obtain a profit of £25,000.	[0] No attempt at application.

[4]

(c) Analyse methods that Penelope could use to improve her cash flow.

- leasing instead of buying equipment
- delaying the purchase of equipment
- shortening the average debtor collection period
- reducing Stock Levels
- asking suppliers to extend credit periods
- better cash management
- overdraft/bank loan
- cheaper suppliers.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of methods that Penelope could use to improve her cash flow.	[2] Candidate makes good application of the terms.	[4]–[3] Good analysis of methods that Penelope could use to improve her cash flow.
Level 1	[1] Candidate demonstrates some understanding of methods that Penelope could use to improve her cash flow.	[1] Candidate attempts to make some application of the terms.	[2]–[1] Limited analysis of methods that Penelope could use to improve her cash flow.
Level 0	[0] Candidate demonstrates no understanding of methods that Penelope could use to improve her cash flow.	[0] No attempt at application.	[0] No analysis.

[8]

(d) Evaluate whether Penelope should construct a cash flow forecast.

Advantages

- influences a business decision about the future
- helps the business to plan ahead
- identifies periods when bank overdrafts may be required.

Disadvantages

- research is required
- it is only a forecast
- external factors may have an impact.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.		[3] Excellent analysis of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[2] Candidate makes good application of the terms.	[2] Good analysis of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[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 advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[1] Candidate attempts to make some application of the terms.	[1] Limited analysis of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of whether Penelope should construct a cash flow forecast.	[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.

[12]

- (e) Evaluate break-even analysis as a decision making tool for Penelope's business.

The break-even point is the point at which a firm neither makes a profit nor a loss. This analysis is important as it will indicate how many units of a product or service are needed for the firm to break even.

Advantages

- break-even can be calculated quickly and easily
- break-even is easy for non accountants to understand
- the impacts of changes in variables can be quickly estimated
- graphical representations can be shown
- decisions about future investments can be made before capital is spent
- finds margin of safety.

Disadvantages

- decisions are based on break-even point, not on potential profit levels
- the time aspect of money is not considered
- economies of scale are not considered
- the graphs show a linear relationship with output levels
- the information may be unreliable
- the SP may differ throughout the year
- FC do not remain the same.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates excellent understanding of break-even analysis as a decision making tool.		[3] Excellent analysis of break-even analysis as a decision making tool.	[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 break-even analysis as a decision making tool.	[2] Candidate makes good application of the terms.	[2] Good analysis of break-even analysis as a decision making tool.	[2]–[3] 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 break-even analysis as a decision making tool.	[1] Candidate attempts to make some application of the terms.	[1] Limited analysis of break-even analysis as a decision making tool.	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of break-even analysis as a decision making tool.	[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.

[12]

Total

40

80