



**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2017**

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

FRIDAY 26 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

- 1 (a) Explain what is meant by internal recruitment using an example from the case study to illustrate your answer.

Internal recruitment is defined as filling a job vacancy by selecting a person who is already working within the business. For example, Radox provide opportunities for people to progress to supervisory levels as well as team leaders and managers.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates a satisfactory understanding of the term.	[2] Candidate makes satisfactory application of the term.
Level 1	[1] Candidate demonstrates limited understanding of the term.	[1] Candidate demonstrates limited application of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application.

[4]

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- (b) Explain what is meant by depreciation using an example from the case study to illustrate your answer.

Depreciation refers to a fall in the value of assets caused by wear and tear, lack of maintenance, obsolescence or passing of time. For example, with reference to Radox, this equipment becomes obsolete quickly and rapidly depreciates.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates satisfactory understanding of what is meant by the term.	[2] Candidate demonstrates satisfactory application.
Level 1	[1] Candidate demonstrates limited understanding of what is meant by the term.	[1] Candidate demonstrates limited application.
Level 0	[0] Candidate demonstrates no understanding of what is meant by the term.	[0] Candidate demonstrates no attempt at application.

[4]

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- (c) Analyse the use of the milk round process such as ‘information/interview days’ organised by individual universities, as a method of external recruitment by Randox.

External recruitment involves filling job vacancies by applicants from outside the organisation.

- Visiting Universities: “The Milk Round” – this involves companies visiting individual universities attempting to recruit graduates to their organisations.
- An inexpensive method of recruitment, especially for large organisations.
- Provides direct access to potential new talent.
- Might save time in the process – the interviewing process can be very time consuming as many candidates may need to be interviewed, for example, Randox have their own specialist careers team who participate in information/interview days organised by universities.
- Stimulate interest from all types of students/graduates in different disciplines.
- Supports local economy.
- May exclude potentially good candidates if all the top universities are not visited.
- Not time effective – a more efficient way could be to use Skype for interviews.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
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Level 1	[1] Candidate demonstrates limited understanding of the term.	[1] Candidate demonstrates limited application of the term.	[2]–[1] Candidate demonstrates limited analysis of the term.
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[8]

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- (d) Discuss the advantages and disadvantages to Radox Laboratories of having a decentralised organisation structure.

Decentralisation is a type of organisational structure in which daily operations and decision-making responsibilities are delegated by top management to middle and lower-level managers within the organisation, allowing top management to focus more on major decisions.

Advantages

Empowering Employees

Employees can be empowered by having more autonomy to make their own decisions, giving them a sense of importance and making them feel as if they have more input in the direction of the organisation. It also allows them to make better use of the knowledge and experience they have gained and implement some of their own ideas. For e.g. with talent spread out across all levels and locations – UK, Ireland, USA and India the resulting networking possibilities are extensive. People with bright minds get together with ideas, leading to innovation which is essential to keep Radox competitive.

Relieving the Burden

Decentralising takes some of the burden of daily business operations off the business owner. When the owner allows others to perform such tasks as hiring new employees or ordering supplies, this frees him up to spend more time on big-picture items, such as planning for expansion or meeting with important clients. For e.g. given the global scale of the business, it would be impossible for Peter Fitzgerald to control everything.

Preparing for Emergencies

A situation may arise where the business owner must be away from the business for an extended period of time because of illness or another type of emergency. A decentralised structure provides a better chance that the organisation will maintain self-sufficiency because managers and employees are accustomed to working autonomously. For e.g. as managing director Peter Fitzgerald is free to travel to the USA or India and spend time meeting with important clients or the management teams who work in these countries.

More Efficient Decision-Making

A manager often can make a decision without having to wait for it to go up a chain of command, allowing the organisation to react quickly to situations where fast action can mean the difference between gaining and losing a customer. This is particularly important as local conditions in countries overseas will be different.

Ease of Expansion

For a growing business, decentralisation can facilitate the process of expansion. For example, if expansion results in opening a new business unit in a different geographic area, decentralisation allows the new unit to operate as an independent entity, meaning it can react more easily to the specific needs of the area, such as deciding to sell products that appeal to the local market. For e.g. this is very clear in Radox's situation as management can be more responsive to the environment in which it operates.

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Improves Morale

Employees feel valued as they are part of the decision-making process and there are more opportunities for promotion within the organisation. For e.g. potential employees have a range of pathways to enter the business such as apprenticeships, graduate placements, internships etc. Also there is a global dimension to their careers so they may have the opportunity to work overseas.

Disadvantages

Inconsistent standards

While decentralisation promotes the spread of standards and best practices, different managers perceive them differently. Therefore, implementation of uniform global consistent policies becomes problematic. For e.g. Radox have offices in 145 different locations so getting consistent best practice may be too difficult.

Loss of economies of scale

There tends to be costly duplication of work (activities, processes and outcomes) that may impact on the business. For e.g. this may be unavoidable given the wide range of business functions within the organisation such as manufacturing, marketing and sales, research & development etc.

Loss of control

Too much emphasis on local decisions may end up blurring the bigger picture so employees further down the chain of command may lose sight of Radox's vision.

Other valid alternatives accepted.

- Can slow down decision making process as more people have to be consulted.
- May cause communication problems due to the scale of the organisation.

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	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]	AVAILABLE MARKS
Level 3	[3] Candidate demonstrates a competent understanding of the term.	[2] Candidate makes a competent application of the term.	[3] Candidate demonstrates a competent analysis of the term.	[4] Candidate demonstrates a competent evaluation of the arguments presented and forms a final judgement. QWC is excellent.	
Level 2	[2] Candidate demonstrates a satisfactory understanding of the term.	[2] Candidate demonstrates a satisfactory application of the term.	[2] Candidate demonstrates a satisfactory analysis of the term.	[3]–[2] Candidate demonstrates a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.	
Level 1	[1] Candidate demonstrates a limited understanding of the term.	[1] Candidate demonstrates a limited application of the term.	[1] Candidate demonstrates a limited analysis of the term.	[1] Candidate demonstrates a limited evaluation of the arguments presented. QWC is limited.	
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] Candidate demonstrates no attempt at application.	[0] Candidate demonstrates no analysis of the term.	[0] Candidate demonstrates no evaluation of the arguments presented and forms a final judgement. QWC is poor.	

[12]

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- (e) Evaluate the usefulness of budgeting to a business such as Radox Laboratories.

A Budget is an agreed financial plan drawn up for a specific time frame setting out proposed revenue and costs.

Benefits

- Budgeting allows an organisation to control both their income and their expenditure and can highlight areas where the organisation is not performing as efficiently as it could. It is therefore a useful control mechanism for an organisation – Peter believes strongly that ‘all managers should know where the money comes from and how it is spent’.
- Budgets are a useful way of clarifying the roles and responsibilities of management within an organisation – managers are responsible for outcomes.
- Budgets help to coordinate the activities of an organisation and can improve the communication between departments.
- Budgets help to ensure that scarce resources are used as efficiently as possible – Peter wants all departments to become more ‘cost conscious’.
- Performance can be measured against set targets – managers in Radox can monitor and review budgets.
- Budgets can help to motivate employees – financial targets are set in Radox to encourage greater efficiency as a significant amount is spend on R & D.
- Budgets enable spending power to be delegated to local managers who are in a better position to know how best to use the firm’s money. This should improve and speed up decision making process – and help motivate the local budget holders – Radox is a global business so financial decisions are made in 145 offices throughout the world.
- Facilitates variance analysis – managers in Radox can use the information to spot problems early and take corrective action.
- Different types of budgets can be chosen by management to meet changing circumstances, e.g. a flexible budget for R & D.

Drawbacks

- Budgeting is dependent upon the quality of the information provided. Poor quality information results in budgets that are meaningless – the information received by Radox from various locations around the world may be distorted by time differences and channel of communication used.
- Budgeting is not an exact tool because it is based on assumptions and predictions which are subject to error – Radox operate in a range of different environments so setting appropriate budgets can be a complex task.
- Clever or powerful managers may be able to convince their bosses to provide a higher budget than is really necessary.
- Budgets can become very inflexible.
- Budgets can be demotivating if the users have not been involved in the budgeting process – this will be affected by the quality of managers appointed by human resources.
- There can be a danger of management becoming overdependent on budgets at the expense of managing.

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Other valid alternatives

As part of their discussion, candidates should consider both the benefits and drawbacks and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]
Level 3	[3] Candidate demonstrates a competent knowledge of the term.	[2] Candidate demonstrates a competent application of the term.	[3] Candidate demonstrates a competent analysis of the term.	[4] Candidate demonstrates a competent evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[2] Candidate demonstrates a satisfactory understanding of the term.	[2] Candidate demonstrates a satisfactory application of the term.	[2] Candidate demonstrates a satisfactory analysis of the term.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates a limited understanding of the term.	[1] Candidate demonstrates a limited application of the term.	[1] Candidate demonstrates a limited analysis of the term.	[1] Candidate demonstrates a limited evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] Candidate demonstrates no attempt at application of the term.	[0] Candidate demonstrates no analysis of the term.	[0] Candidate demonstrates no evaluation of the arguments presented and forms a final judgement. QWC is poor.

[12]

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- 2 (a) Explain what is meant by the term non-current assets using an example from the case study to illustrate your answer.

Non-current assets are things of value that the business expects to retain ownership of, for a period of at least one year, e.g. plant and machinery. These assets are held to help with the day to day running of the organisation. They are not usually acquired for profitable resale purposes. In the case of Bonny's Design Blinds, these would include the delivery van that was purchased.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
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Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application.

[4]

AVAILABLE
MARKS

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- (b) Explain what is meant by the term trade payables using an example from the case study to illustrate your answer.

Trade Payables refer to money that is owed from the business to a supplier who provided goods/services on credit. In 2016 Bonny's purchases on credit increased so her trade payables increased by £900 from £2000 to £2900 over the financial year, therefore she has a greater amount of debt to pay off.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
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(c) Analyse the impact of Bonny’s democratic leadership style on employee motivation.

- Greater participation of workers in decision making – there is two-way communication, e.g. ‘Bonny values the opinion of her employees’.
- The quality of the decisions may be better as it allows input from people with relevant skills and knowledge – e.g. Bonny’s cousin, Angela, ‘previously worked in a similar firm in London’ so she would be up-to-date with the latest trends.
- Can lead to improved morale – e.g. Bonny ‘respects her employees’ therefore they will feel valued and become loyal to the business leading to a lower labour turnover rate.
- Creates more opportunities for teamwork which may motivate employees – e.g. ‘the employees perform very effectively as a team’ leading to higher quality and productivity.
- Stimulates the employees in the workplace, e.g. ‘the workplace is always busy yet cheerful’.
- Can demotivate employees if they do not have the expertise to engage in decision-making.
- Can demotivate employees if they are given too much responsibility.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates satisfactory understanding of the term.	[2] Candidate demonstrates satisfactory application of the term.	[4]–[3] Candidate demonstrates satisfactory analysis of the term.
Level 1	[1] Candidate demonstrates limited understanding of the term.	[1] Candidate demonstrates limited application of the term.	[2]–[1] Candidate demonstrates limited analysis of the term.
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[8]

AVAILABLE
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8

- (d) Discuss the advantages and disadvantages of using variance analysis to a business such as Bonny's Design Blinds.

Variance Analysis is the process used by managers to examine variances and identify reasons why they occurred with a view to improving performance.

Advantages

- Variance analysis will help Bonny to identify areas of the business where greater control needs to take place – e.g. Bonny has identified there is a problem with materials.
- Variance analysis will allow Bonny to calculate the amount of variance between budgeted figures and actual figures – e.g. Bonny sets targets so it is easy to measure performance.
- Using variance analysis should make the business more cost-efficient – Bonny wanted to reduce costs because she had to buy a new van
- It helps Angela with the management process of setting realistic budgets based on quantitative data – 'Bonny agrees budgets with her employees'.
- It provides useful information for Angela so it can be used as a benchmark for future decisions – Bonny is hoping to sell the business so this information is essential.
- Can be used as a motivational tool, e.g. workers might strive to achieve a favourable variance if they previously had an adverse one.

Disadvantages

- Variance analysis is a quantitative tool so Bonny may ignore important qualitative data.
- Conducting the analysis of the figures takes time and a level of expertise, if Bonny doesn't have this she will have to employ someone to do it.
- Variance analysis is no substitute for good management.
- The process can be quite rigid, meaning no flexibility for employees to deviate from the set budget if required. For e.g. due to unforeseen circumstances the business may be faced with a downturn in sales.

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Level 2	[2] Candidate demonstrates a satisfactory understanding of the term.	[2] Candidate demonstrates a satisfactory application of the term.	[2] Candidate demonstrates a satisfactory analysis of the term.	[3]–[2] Candidate demonstrates a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate demonstrates a limited understanding of the term.	[1] Candidate demonstrates a limited application of the term.	[1] Candidate demonstrates a limited analysis of the term.	[1] Candidate demonstrates a limited evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] Candidate demonstrates no attempt at application.	[0] Candidate demonstrates no analysis of the term.	[0] Candidate demonstrates no evaluation of the arguments presented and forms a final judgement. QWC is poor.

[12]

12

- (e) Evaluate the usefulness of financial information to Angela when deciding whether or not to buy Bonny's Design Blinds.

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Advantages

- Angela can make an assessment of the financial performance of Bonny's Design Blinds over the period 2015–2016.
- Angela can use the financial information to carry out ratio analysis.
- Angela can assess the profitability of the business, e.g. net profit fell from £3500 in 2014 to £1000 in 2016, suggesting poor cost control.
- Angela can assess the liquidity of the business, e.g. the firm's cash has fallen from £400 to £0 and there is an overdraft of £3000 outstanding.
- Angela can identify areas of strength and areas of weaknesses within the business, e.g. the non-current assets have increased from £10 000 in 2015 to £15 000 in 2016, due to purchase of a new delivery van. However, both inventory and trade receivables have increased so this suggests possible cash flow problems.
- Angela can see trends from year to year.
- The information provides a summary and valuation of all business assets, capital and liabilities and provide Angela with a guide to the value of the firm's worth.

Drawbacks

- Financial information is based on past performance which means that they may not represent what will actually happen in the future, e.g. the information is only accurate for the dates shown i.e. 31st December 2015 and 2016.
- Angela may not have the expertise to understand the financial information so she may have to employ a financial consultant to advise her.
- Angela may need the accounts for more than a two year period to make an informed decision.
- Financial information may ignore other objectives of the organisation such as customer satisfaction/service quality and employee satisfaction.
- The accounts may be "window dressed" – they may minimise the profit stated for tax purposes. Or businesses can manipulate data to present a healthier picture than what is reality.
- Contains quantitative data only, e.g. there could be a fall in profit due to wastage or de-motivation among staff.

As part of their discussion, candidates should consider both the benefits and drawbacks and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]	AO4 Evaluation [4]	AVAILABLE MARKS
Level 3	[3] Candidate demonstrates a competent knowledge of the term.	[2] Candidate demonstrates a competent application of the term.	[3] Candidate demonstrates a competent analysis of the term.	[4] Candidate demonstrates a competent evaluation of the arguments presented and forms a final judgement. QWC is excellent.	
Level 2	[2] Candidate demonstrates a satisfactory understanding of the term.	[2] Candidate demonstrates a satisfactory application of the term.	[2] Candidate demonstrates a satisfactory analysis of the term.	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.	
Level 1	[1] Candidate demonstrates a limited understanding of the term.	[1] Candidate demonstrates a limited application of the term.	[1] Candidate demonstrates a limited analysis of the term.	[1] Candidate demonstrates a limited evaluation of the arguments presented. QWC is limited.	
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] Candidate demonstrates no attempt at application of the term.	[0] Candidate demonstrates no analysis of the term.	[0] Candidate demonstrates no evaluation of the arguments presented and forms a final judgement. QWC is poor.	
				[12]	12
				Total	80