

End of chapter tests – answers

Chapter 1: What is a business?

- a** Examples might include:
- labour, such as the stylists he employs
 - capital used to run the business, plus pay for supplies, e.g. shampoo and hairspray
 - land the shop that he owns and works in
 - his own entrepreneurship.
- b** **Consumer goods** are the physical and tangible goods sold to consumers.
Consumer services are non-tangible products such as hotel accommodation, insurance services and, in the example of the case study, haircuts.
- c** Examples might include:
- Specialisation reduces errors as specialists are less likely to make mistakes and are likely to become more skilled doing the task repeatedly.
 - Specialisation saves time because completing the same task repeatedly will inevitably lead the worker to find shortcuts. Set-up times are also reduced.
 - Training staff in just one task reduces the overall costs of training.
- d** Increasing the tax base – despite Fahad's own tax contribution, his employees must also pay taxes. Local small businesses like Fahad's are also more likely to buy locally, meaning that the wealth generated remains in the community.
Local jobs – Fahad's business will also create jobs, some directly and others indirectly. Those employed are also likely to live in the local area and so contribute to the local economy.
- e** Suggested qualities:
- discipline – entrepreneurs are normally focused on making their businesses work and avoid distractions to this goal
 - confidence
 - open-mindedness
 - self-starter
 - creativity
 - determination
 - strong people skills.

End of chapter tests – answers

Chapter 2: Types of business entities

- a** Answers are:
- i Public sector:** the section of the economy owned by the public but controlled by the government.
 - ii Private limited company:** a business owned by shareholders, who are often members of the same family, and which cannot sell shares to the general public.
- b** One advantage might be limited liability and the ease of running an limited company.
A disadvantage is that the business cannot sell any of its shares on the stock market, thus reducing one obvious source of raising finance.
- c** The objectives of an organisation will be influenced by its mission statement, with the mission of the business determining its objectives. For example, a business that prioritises ethical perspectives will reflect this theme in its objectives.
- d** Responses might include:
- Public and private sector companies have different primary objectives, for instance Finding Careers and Rolland-Vaughan both operate in the same industry but with very different objectives.
 - Private sector companies are owned by shareholders and public sector businesses are owned by the public and controlled by the government.
 - Public sector businesses are financed by the public purse and private businesses are funded by raising money from shareholders.
 - The government controls the pricing of the products in public sector entities which is not the case with private companies.
 - Private companies will often provide higher salaries and better working conditions (note the difference in retention rates between the two businesses in 2021).

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate differences are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.
4–6	The response shows some understanding of the demands of the question. Some differences are identified and there is an attempt to discuss them. There is some attempt to apply relevant business theory in the response. Little attempt is made to make use of the text/data.
7–9	The response shows an understanding of the demands of the question. Appropriate differences have been identified and these are applied appropriately. There is a clear attempt to apply relevant business theory to the question. The response makes use of the text/data to support the arguments.

Marks	Descriptor
10–12	<p>The response shows a good understanding of the demands of the question.</p> <p>Appropriate differences have been identified and these are applied consistently and appropriately in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes significant use of the text/data to support the answer.</p>
13–15	<p>The response shows an excellent understanding of the demands of the question.</p> <p>Appropriate differences have been identified and they are applied consistently and skilfully in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes excellent use of the text/data to support the answer.</p>

End of chapter tests – answers

Chapter 3: Business objectives

- a** Value added is the extra feature businesses add to products and services before offering them to customers. Value added is the difference between the cost that a business pays for its supplies and the price that it sells them for.
- b** Responses might include:
- Prepare the meals faster so the restaurant can improve its churn rate – this is particularly true during peak times.
 - Focus on improved quality or perceived better-quality products so it can charge higher prices.
 - Improve customer service so it can again increase its prices.
- c** Answers may include:
- A definition of CSR that describes the concept that businesses should consider the interests of society by taking responsibility for the impact of their decisions and activities on customers, employees, communities and the environment.

Negative aspects of CSR

- A recognition that embracing CSR might include paying higher wages, improving working conditions and safety standards, cutting waste and pollution, and supporting worker security. For example, the case study notes that Vegan Sushi Bar pays ‘employees more than the industry average for the city and also contributes to a company pension scheme’. This may well mean a sacrifice of profit levels and increased costs.
- Can lead to conflict between competing stakeholders, for example there may be disagreement among the owners of Vegan Sushi Bar regarding objectives.
- Some customers simply want low prices and are not worried about ‘how’ a product is made.

Positive aspects of CSR

- More socially conscious customers may be attracted to the restaurant, raising revenues.
- It may also lead to greater employee loyalty and enhanced reputation, which then leads to higher long-term profit levels.

Candidates should be rewarded for addressing the complexity of the assertion in the question.

Marks	Descriptor
0	The response does not reach any of the descriptors below.
1–3	Some understanding of CSR but limited understanding of the question.
4–6	Limited analysis with some application of CSR and its role in business activity.
7–9	Analysis of the statement on CSR as a business objective and some attempt at discussing the relative merits of the question.
10–12	Good analysis and some evaluation of the statement on CSR as a business objective, with some reference to either agree or not agree and with some justification in order to reach a conclusion.
13–15	Effective evaluation of the statement on CSR as a business objective, with a reference made that either agrees or disagrees with the statement, including a convincing justification of views expressed.

End of chapter tests – answers

Chapter 4: Stakeholders

- a** Appropriate theories include Maslow's hierarchy of needs – security, social and physiological needs **or** the sense of belonging and purpose (Herzberg).
- b** Possible challenges include:
- Financial – the organisation requires government or public funding, which may be difficult to maintain moving forward. For instance, the text states the charity recently received a significant grant, but it may not be able to rely upon receiving it in future years.
 - Political – access to grants and favourable tax conditions is governed by political considerations, which may change at short notice.
 - Time constraints of the volunteers completing the work, which is crucial to the work that it does.
 - If economic conditions deteriorate, which is possible in the post-Covid 19 era, then donations may be more difficult to acquire.

Level	Descriptor	Marks
0	The work does not reach any of the standards described below.	0
1	The response contains one or two of the above challenges but the explanation is vague or inaccurate.	1–2
2	The response contains two or more challenges applied appropriately. The response makes use of the text material to illustrate the arguments.	3–4
3	The response contains two or more challenges skilfully applied. The response makes skilful use of the text material.	5–6

- c** Ideas for the action plan for Children Need Both Parents:
- Strategies aimed at the charity's sources of finance and human resources, including a recognition of those roles that need to be filled by paid employees and roles that can reasonably be undertaken by volunteers.
 - The use of market segmentation in order to carry out more targeted marketing.
 - A strategy to maintain the company's brand.
 - Potential reset of the charity's vision and mission as it grows.
 - How it can avoid diseconomies of scale as the organisation grows.

Responses for question c should be graded according to the following mark bands:

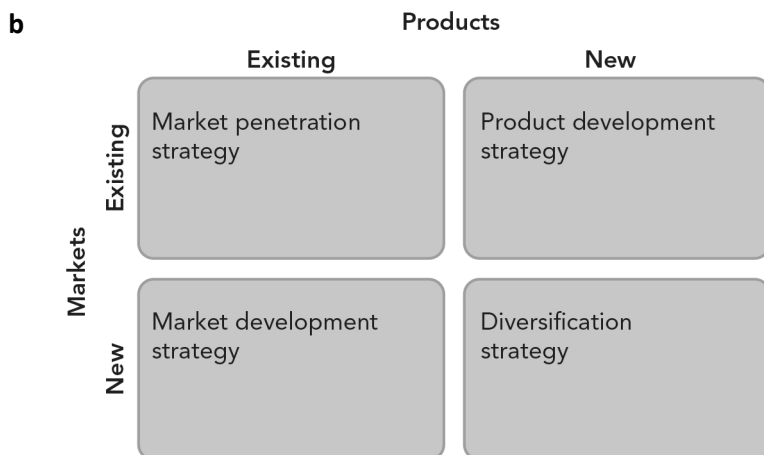
Marks	Descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate strategies are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.
4–6	The response shows some understanding of the demands of the question. Some appropriate strategies are identified and there is an attempt to apply them. There is some attempt to apply relevant business theory in the response. Little attempt is made to make use of the text/data.

Marks	Descriptor
7–10	<p>The response shows an understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and these are applied appropriately.</p> <p>There is clear attempt to apply relevant business theory to the question.</p> <p>The response makes use of the text/data to support the arguments.</p>
11–14	<p>The response shows a good understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and these are applied consistently and appropriately in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes significant use of the text/data to support the action plan.</p>
15–17	<p>The response shows an excellent understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and they are applied consistently and skilfully in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes excellent use of the text/data to support the action plan.</p>

End of chapter tests – answers

Chapter 5: Growth and evolution

- a The merger would be an example of a horizontal merger, as it represents two businesses within the same industry and at the same stage of production.
Award 1 mark for a partial answer.



‘Apply’ in this case means to use an idea, equation, principle, theory or law in relation to a given problem or issue. The Ansoff matrix is an analytical model that helps organisations to map strategic product market growth.

The merger of two businesses hoping to access new markets suggests a market development strategy. The stimulus material indicates that both businesses hoped to gain wider access and expertise in markets they had not previously had success with, i.e. Mercedes in the USA and Chrysler in Europe.

Award 1 mark for some minimal understanding of what an Ansoff matrix is, or for just drawing the matrix or inappropriate application.

Award 2 marks for some limited theoretical understanding of an Ansoff matrix (it could be drawn) and limited application.

Award 3 marks for some description and some application/categorisation of the strategy according to the Ansoff matrix, but both lack some depth/detail.

Award 4 marks for a clear and relevant explanation and application/categorisation of the strategy according to the Ansoff matrix.

Note: The Ansoff matrix does not need to be drawn for full marks, but reference has to be made to the type of product and market.

- c Explain (AO2) = Give a detailed account including reasons or causes.
Workforce/employees – The main interest of workers includes a steady, reliable job and income. As a result of the merger some employees may face redundancy.
Owners – The main interests of the owners/shareholders revolve around the success and profitability of the newly formed business.
Customers are primarily motivated by high quality at a reasonable price and might hope to benefit from lower prices and new models in the future.
Competitors may be concerned about a potential fall in their market share and profits.

Mark as 2 + 2.

- For explanation of the main interests of one stakeholder group with no application, award 1 mark.
- For explanation of the main interests of one stakeholder group and application, award 2 marks. Application must refer to the specifics of Daimler-Benz stakeholders.

d Advantages of large businesses include:

- an enhanced ability to survive
- economies of scale
- higher status
- market leader status
- increased market share.

Advantages of small businesses include:

- greater focus
- greater cachet
- greater motivation
- competitive advantage
- less competition.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either an advantage of a small company or an advantage of a larger one. Little or no judgement is provided.
4–6	There is an attempt at balance, with at least one advantage of a large company and one advantage of a smaller organisation provided. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The response is balanced, providing at least two advantages of a large company and two advantages of smaller organisations. The response includes appropriate judgements. The text is used appropriately to help explain the response.
9–10	The response is balanced, providing at least two advantages of a large company and two advantages of smaller organisations. The response includes both a conclusion and skilfully applied judgement. There is skilful use of the text to help explain the response.

End of chapter tests – answers

Chapter 6: Multinational companies (MNCs)

- a** Answers might include:
- i** A business organisation that has its headquarters in one country, but with operating branches, factories and assembly plants in other countries.
 - ii** Globalisation is a term which describes the growing integration of countries through increased freedom of global movement of goods, capital and people.
 - iii** A country with an economic system which results in low to middle income per head of population.
- b** Nike pays significantly above the average wage (except in China) in all of its subsidiaries so the accusations of outright exploitation are clearly exaggerated but still much lower than would be the case if the products were made in the USA.

Marks	Descriptor
1–2	For one argument in support of the criticism received, with use of the text.
3–4	For one argument in support of the criticism and one against, with use of the text.

- c** Benefits to an LEDC of hosting a MNC:
- provides much needed sources of capital, including new technology, knowledge and skills
 - helps to upgrade communication infrastructure in the area
 - increased employment opportunities
 - tax revenue from profits generated by the MNCs, income and additional sales taxes
 - increases consumer choice for domestic residents.

Disadvantages to a developing country:

- many MNCs have been accused of exploiting workers (refer to text)
- many companies pay little tax, so the host nation may see little of the profits generated
- MNCs sometimes have particularly poor records on pollution as well the safety of their workforce (example from the text regarding the river)
- MNCs repatriate the profits made back to the host nation.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either an advantage or disadvantage to the host nation. Little or no judgement is provided.
4–6	There is some balance with at least one benefit and one cost to the host nation. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The answer is balanced, with benefits and costs to the host nation addressed. The response includes appropriate judgements. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced, with benefits and costs to the host nation addressed. The response includes appropriate judgements. There is skilful use of the text in explaining the response.

End of chapter tests – answers

Chapter 7: Introduction to human resource management

a Answers are:

- i** Stock market value is the value of all shares in the business, i.e., how much it would cost to purchase 100% of the business.
- ii** Human resource or workforce planning is the process of analysing and forecasting the number of workers and the skills of those workers that will be required by the organisation to achieve its objectives.

b Factors might include:

- demand for the product
- labour turnover (this tends to be much lower in family-run businesses)
- any changes to work practices, e.g., future investment growth or the development of new products
- changes in the law regarding working hours or employment conditions (this is less likely to impact on a family-run business where employees and employer have more informally drawn contracts).

Other factors might also be relevant and should receive full credit if justified.

Marks	Descriptor
1–2	For one correct factor identified.
3–4	For two factors correctly identified.
5–6	For three factors correctly identified, including one that may not be less relevant to a family-run business.

c Responses might include the following:

- Long-established family businesses that underwent the transition from one family member to another saw average market values decline by almost 60% during the period starting five years before the succession, and up to three years afterwards (final paragraph).
- The success of a family business is often down to the skills, charisma and connections of the founder, something that subsequent generations may find hard to replicate. This can also be difficult to pass on (final paragraph).
- Significant infighting is likely following the succession with family members divided over their new role. Some may not agree with the founding members choice of successor. (Examples from the text could be used here.)
- Family businesses generally engender significant loyalty amongst employees, resulting in lower rates of staff turnover and a willingness to work long hours.
- Family businesses in Asia ‘typically invest a significantly higher proportion of profits back into the business than DOW or FTSE 100 businesses’.
- The new company may take a little while to establish itself (hence the initial fall in stock market value) but long term it may well bring fresh ideas and perspectives to the business, which may be successful.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either arguments for or against the statement. Little or no judgement is provided.
4–6	There is some balance with at least one argument for and one against the statement. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The answer is balanced with arguments for and one against the statement. The response includes appropriate judgements. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced with arguments for and one against the statement. The response includes appropriate judgements. There is skilful use of the text in explaining the response.

End of chapter tests – answers

Chapter 8: Organisational structure

- a i **Chain of command:** this is the route through which authority is passed down an organisation – from the chief executive and the board of directors.
- ii **Level of hierarchy:** a stage of the organisational structure at which the personnel on it have equal status and authority.
- b Bob has three subordinates reporting directly to him.
- c Relevant terminology includes:
- flat/horizontal
 - hierarchical
 - by function
 - levels of hierarchy.

Marks	Descriptor
1–2	For one correct factor identified.
3–4	For two factors correctly identified.

- d The positive impact that information technologies might have on BB include:
- modern technology has facilitated greater access to information, which could provide opportunities for the workforce at BB to learn skills they might then use at work
 - information technology will make it easier for BB to purchase supplies, as well as communicate with customers
 - it might facilitate greater use of social media to promote the business.

The negative impact of information technologies include:

- technology can make communication less personal
- keeping up with the latest technology often involves training and costs.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either arguments for or against the use of IT at BBs. Little or no judgement is provided.
4–6	There is some balance, with at least one argument for and one against the use of IT at BBs. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The answer is balanced with arguments for and against the use of IT at BBs. The response includes appropriate judgements. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced with arguments for and one against use of IT at BBs. The response makes skilful use of judgements. There is skilful use of the text in explaining the response. A conclusion or final judgement is included, which supports the overall response.

End of chapter tests – answers

Chapter 9: Leadership and management

Question 1

- a Paternalistic leadership:** a type of fatherly style typically used by dominant leaders where their power is used to control and protect subordinate employees who are expected to be loyal and obedient.
- b** Differences might include:
- A leader of an organisation will probably be the overall strategic and goal setter – this appears to be the case with Ming.
 - As a leader, Ming inspires his employees.
 - The main role of a manager is achieving specific organisational goals.
 - As a manager, Ai micro-manages the staff to ensure the goals of the organisation are maintained.
 - A manager also creates predictability and order.
 - A leader normally emerges while managers are appointed. Ai as the manager has been appointed to manage while Ming has natural leadership ability.
- Award 1 mark for each relevant difference between a manager and a leader explained and 1 mark for appropriate application to the organisation to a maximum of 2 marks.
- c** Ming is paternalistic in leadership style while Ai has a more 'autocratic' and results-focused approach. Ai has not yet earned the trust of employees, while Ming is both respected and trusted. Ming uses charisma to inspire employees while Ai uses her theoretical knowledge to manage employees.
- Award 1 mark for each relevant difference between the two leaders explained and 1 mark for appropriate application to the organisation to a maximum of 2 marks.
- d** Options might include:
- The use negotiation through the process of collective bargaining. It is the least disruptive form of industrial action both to the employees and to ME.
 - Individual bargaining through a representative, which is quicker than collective bargaining, and with Ai wanting change to happen quickly this might be a good option.
 - Go slow/slowdowns, where employees work at the minimum speed allowed under their contract.
 - Work-to-rule, employees follow their contract/rules and regulations without giving any goodwill to ME.
 - Overtime bans, though clearly all action will reduce the current goodwill of employees.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response does not provide any alternative industrial action methods. Little or no judgement is provided.
4–6	There is some balance and alternative industrial action methods provided. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The response provides balance with alternative industrial action methods provided and appropriate judgements made. There is appropriate use of the text in explaining the response.
9–10	The response provides balance, with alternative industrial action methods provided and judgements skilfully applied. There is skilful use of the text in explaining the response. A conclusion or final judgement is included, which supports the overall response.

Question 2

- a** Labour turnover refers to the rate at which employees leave employment in a time period, as a percentage of the total number employed.
- b** Answers can include:
- low wage rates and other allowances
 - unhealthy or bad working conditions
 - lack of job satisfaction due to faulty placement of workers
 - heavy workload and long working hours
 - no job security.
- c** Ming exemplifies more examples of intuitive management, than Ai. His decision-making is based on hunches and his own expertise. Ai's style shows more characteristics of scientific management than Ming's. This management styles follow the principles of efficiency derived from scientific experiments to improve productivity. This is shown in her desire to restructure the way workers are used, using established (theoretical) motivational theory.
- d** Possible roles might include:
- Figurehead, leader, liaison, monitor, disseminator, spokesperson, entrepreneur, disturbance handler, resource allocator and negotiator.
 - For instance, as well as leading their team, an effective manager might find themselves resolving a conflict, negotiating new contracts, representing their department at a board meeting, or approving a request for a new computer system.
 - Furthermore, an effective manager must also be able to switch roles as tasks, situations and expectations change.

References to the text and the differences between Ming and Ai could also be used here.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not reach any of the descriptors.
1–3	The response provides few roles consistent with effective managers. Little or no judgement is provided.
4–6	The response provides relevant roles of effective managers and there is some attempt at justifying the nature of those roles provided. Limited use of the text.
7–8	The response provides balance with alternative roles of effective managers and an appropriate justification of the roles provided. There is an appropriate use of the text in explaining the response.
9–10	The response provides balance with a range of alternative roles of effective managers and a skilful justification of the roles provided. There is a skilful use of the text in explaining the response. A conclusion or final judgement is included, which supports the overall response.

End of chapter tests – answers

Chapter 10: Motivation and demotivation

Question 1

a Answers are:

- i** Induction programme: induction training is the initial training that employees received when they start a new job.
- ii** Appraisal is a process that involves evaluating, usually against prearranged targets.

b Three non-financial rewards include:

- empowerment
- teamwork
- job enrichment
- training.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–2	The response includes 1 of the above methods of non-financial motivation. For 2 marks the response must also provide an explanation of the impact of the measure on motivation to add context.
3–4	The response includes 2 of the above methods of non-financial motivation. For 4 marks the response must also provide an explanation of the impact of the measure on motivation to add context.
5–6	The response includes 3 of the above methods of non-financial motivation. For 6 marks the response must also provide an explanation of the impact of the measure on motivation to add context.

c Answers may include:

- A definition of training at the company, including a reference to both internal and external methods.
- Recognition that some workers are trained at a local university, which is likely to be popular with workers.
- Training at the university might also bring new perspectives into WLC as workers mix with employees from outside the company and ideas are exchanged.
- The training might be better as a result of being delivered by professional lecturers/trainers, rather than conscripted line managers.
- One disadvantage would be the cost of training at college and lost productivity time.
- An advantage of inhouse training, by contrast, is that it is likely to be more practical and relevant to the work required.
- A recognition that some line managers do not feel comfortable doing this activity; which may lead to demotivation and generate conflict among managerial staff.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide an evaluation of WLCs training methods. Little or no judgement is provided and there are few references to the text.
4–6	There is some balance with at least one positive and one negative comment about WLCs training methods identified. Judgements are provided and there are some references to the text.
7–8	The answer is balanced, with both positive and negative aspects of WLCs training methods addressed. Judgements are provided and these are applied appropriately. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced, with both positive and negative aspects of WLCs training methods addressed. Judgements are provided which are skilfully applied. There is skilful use of the text included.

Question 2

a Common steps taken by a business in the process of recruitment include:

- identifying the position
- evaluating the requirements for the position
- developing a job description
- determining recruitment plan
- determining search committee (in some cases)
- advertising position
- reviewing applicants and developing a list to interview
- conducting interviews
- selecting the candidate that best fits the description
- offering the position and negotiating terms.

b The person specification allows the business to define the kind of applicant wanted. This increases the chances of suitable applicants applying, as unsuitable ones are likely to be dissuaded once they see the precise qualities required. It also provides a list of qualities by which each candidate can be assessed fairly and objectively.

The job description provides the business with an essential reference tool in issues or disputes with employees. It also provides the employer with a basis for measuring job performance and carrying out performance reviews.

c Wages earned under the time-based system would be $\$9 \times 40 \text{ hours} = \360 per week. Wages earned using new piece rate system would be $\$5 \text{ (per room)} \times 20 \text{ (new target)} \times 5 \text{ days} = \500 per week, if cleaners reach the new target. If they only managed the previous target of 13 rooms per day they would receive just $65 \times 5 = \$325$ per week.

d Answers may include:

- Cleaners are likely to neglect the quality of their work, instead prioritising the number of rooms cleaned to achieve greater earnings.
- The piece rate method is also likely to also discourage teamwork because each cleaner will simply want to complete their own work.
- The increased stress resulting from having to clean more rooms may result in even higher staff turnover.
- Staff may become demotivated because they now have to clean more rooms for less pay.
- It will discourage workers from taking days off as they will no longer be paid.
- Some workers will enjoy the new arrangement because their wages will be improved.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide an evaluation of the strengths and weaknesses of piece rate payment systems. Little or no judgement is provided and there are few references to the text.
4–6	There is some balance with at least one benefit and one cost of piece rate payment systems. Judgements are provided and there are some references to the text.
7–8	The answer is balanced, with benefits and costs of piece rate payments addressed. Judgements are provided and these are applied appropriately. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced, with clear benefits and costs of piece rate payments addressed. Judgements are provided which are skilfully applied. There is skilful use of the text included.

End of chapter tests – answers

Chapter 11: Organisational (corporate) culture

- a Appropriate theories include Maslow's hierarchy of needs – self-actualisation needs, **or** Herzberg's hygiene factors.
- b Possible challenges include:
- **Purpose** – the text states the organisation will plant a tree for every book purchased. This commitment is extremely difficult to fulfil, not to mention expensive. A social enterprise of this nature may attract significant funding from governments or NGOs given the current 'Green' agenda, but it may not be able to rely upon this without substantial resources and perhaps luck.
 - **Political** – access to grants and favourable tax conditions is governed by political considerations which may change at short notice.
 - **Time constraints** of the employees completing the planting work, which is a crucial part of what the organisation does.
 - If **economic conditions** deteriorate, which is possible in the post-Covid 19 era, then donations may be more difficult to acquire and consumers may not be as willing to pay a premium for notebooks.

Level	Descriptor	Marks
0	The work does not reach any of the standards described below.	0
1	The response contains one or two of the above challenges but the explanation is vague or inaccurate.	1–2
2	The response contains two or more challenges applied appropriately. The response makes use of the text material to illustrate the arguments.	3–4
3	The response contains two or more challenges skilfully applied. The response makes skilful use of the text material.	5–6

- c Ideas for the individual action plan for the company:
- Strategies aimed at the campaign's sources of finance and human resources, including a recognition of those roles that need to be filled by paid employees and roles that can reasonably be undertaken by volunteers.
 - The use of market segmentation in order to carry out more targeted marketing.
 - A strategy to maintain the company's brand.
 - Potential reset of the campaign's vision and mission as the company grows.
 - How it can avoid diseconomies of scale as the organisation grows.

Responses for question c should be graded according to the following mark bands:

Marks	Level descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate strategies are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.

Marks	Level descriptor
4–6	<p>The response shows some understanding of the demands of the question.</p> <p>Some appropriate strategies are identified and there is an attempt to apply them.</p> <p>There is some attempt to apply relevant business theory in the response.</p> <p>Little attempt is made to make use of the text/data.</p>
7–10	<p>The response shows an understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and these are applied appropriately.</p> <p>There is clear attempt to apply relevant business theory to the question.</p> <p>The response makes use of the text/data to support the arguments.</p>
11–14	<p>The response shows a good understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and these are applied consistently and appropriately in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes significant use of the text/data to support the action plan.</p>
15–17	<p>The response shows an excellent understanding of the demands of the question.</p> <p>Appropriate strategies have been identified and they are applied consistently and skilfully in answering the question.</p> <p>Relevant business theory is applied to the question.</p> <p>The response makes excellent use of the text/data to support the action plan.</p>

End of chapter tests – answers

Chapter 12: Communication

- a** The exchange of information between people or groups.
- b** Language and/or cultural barriers as well as technical barriers due to technology challenges.
- c** Responses might include:
 A definition of mission statement, as a short statement of an organisation's purpose.
Advantages of having a mission statement: Mission statements are a way to steer a business in the right direction and they play a part in helping a business make sound decisions. Without a mission statement, businesses may struggle when it comes to planning for the future.
Disadvantages of having a mission statement: While most mission statements are beneficial, if OWFP spends too much time worrying about what to say and how to say it this could present a problem. Another disadvantage is if you end up being unrealistic in what you promise and then do not deliver on those promises.

Response should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–2	The response is unbalanced with either advantages or disadvantages of mission statements omitted. Little or no judgement is provided.
3–4	There is some attempt at balance with at least one advantage and one disadvantage of mission statements included, with appropriate judgements. There is appropriate use of the text in explaining the response.
5–6	The answer is balanced with advantages and disadvantages of mission statements included. The response makes skilful use of judgements and the text to provide context. A conclusion or final judgement is included.

- d** The positive impact of information technologies might have on the business include:
- modern technology has facilitated greater access to information, which could provide opportunities for the workforce to learn skills they might then use at work
 - information technology will make it easier for OWFP to purchase supplies, as well as communicate with customers
 - it might facilitate greater use of social media to promote the business.

The negative impact of information technologies include:

- technology can make communication less personal
- keeping up with the latest technology often involves training and costs.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either one positive or one negative impact of IT innovations at OWFP. Little or no judgement is provided.
4–6	There is some balance with at least one positive and one negative impact of IT innovations at OWFP. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The answer is balanced, with positive and one negative impact of IT innovations at OWFP. The response includes appropriate judgements. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced with positive and one negative impact of IT innovations at OWFP. The response makes skilful use of judgements. There is skilful use of the text in explaining the response. A conclusion or final judgement is included, which supports the overall response.

End of chapter tests – answers

Chapter 13: Industrial/employee relations

- a
- i **Collective bargaining:** Negotiations between employees' representatives (trade unions) and employers (Orhan) on issues of common interest such as pay and conditions of work.
 - ii **No-strike agreement:** When unions sign an agreement with employers not to strike in exchange for greater involvement in decisions that affect the workforce.
- b Orhan – paternal; Mehmet – autocratic.
- c Arbitration/conciliation can be described as the use of a third party in industrial disputes to encourage both employer and union to reach an acceptable compromise solution.
The obvious third party in this example would be Orhan. Given that he still has a significant stake in the business, he would probably be willing to act as the arbitrator in this scenario.
Mark as 2 + 2.
- d Answers might include:
Human resource management is all about increasing employee performance to their highest level.
Customer service is an important element of any service business, making sure that employees continue to maintain their commitment towards the organisation.
However, managers of service businesses also have other important responsibilities, e.g.:
- recruitment
 - orientation/training
 - maintaining good working conditions
 - promoting a positive image of the business to stakeholders.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–3	The response is unbalanced and does not provide either arguments for or against the statement. Little or no judgement is provided.
4–6	There is some balance with at least one argument for and one against the statement. There is some attempt at justifying the reasons provided. Limited use of the text.
7–8	The answer is balanced with arguments for and against the statement. The response includes appropriate judgements. There is appropriate use of the text in explaining the response.
9–10	The answer is balanced with arguments for and one against the statement. The response makes skilful use of judgements. There is skilful use of the text in explaining the response. A conclusion or final judgement is included, which supports the overall response.

End of chapter tests – answers

Chapter 14: Introduction to finance/Sources of finance

a Answers are:

- i Niche markets:** the subset of the market on which a specific product is focused.
- ii Public limited company:** a business that is owned by shareholders, who purchase shares via the stock market where its shares are listed. The chief executive officer (CEO) and board of directors are appointed to manage and oversee the business's activities

Award 1 mark for a basic explanation that conveys partial knowledge and understanding.

Award 2 marks for a full, clear explanation that is similar to the model answer above.

An application is not required.

b The response might include the following:

- a definition of branding
- branding provides a way of differentiating itself from its competition
- it helps to create a legal identity as a form of intellectual property
- establishing itself as a brand of high quality may allow it to charge high prices
- it can establish consumer or brand loyalty and thus high referral and return rates.

Marks	Descriptor
0	The response does not match any of the descriptors below.
1–2	Limited knowledge is evident. A list may be provided but there is no reference to the stimulus material. The explanation is generic, lacking depth or overly descriptive.
3–4	The explanation is clear and relevant, with a clear understanding of branding and applied to RR. There is use of the stimulus material and the explanation addresses how branding may distinguish RR from its rivals.

c Any two from:

- Share capital, though going down this route would dilute ownership and control of the business.
- Bank or other types of loan, e.g., venture capitalists, though this method of finance means RR would have to make monthly interest payments.
- Retained profit – though the business may not have the available funds.
- Selling assets, if the business has assets to sell.

d Benefits of issuing share capital:

- RR will not have to pay interest on the original loan.
- The loan will only be repaid if and when the business makes money from its investment and dividends are paid.
- It would have not have a negative impact on the gearing (debt to equity) ratio, which is not the case should RR decide to go with Kerim's idea of a mortgage.

e Benefits of obtaining a mortgage:

- RR may be able to borrow the whole sum with a comprehensive business plan, using the new premises as collateral.
- Regular payments can help cash flow management.
- The business does not give up ownership and control as it would do for share capital.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	Little understanding of the demands of the question. Limited use of business management terminology is either explained or applied. Little reference to the stimulus material.
3–4	Some understanding of the demands of the question. Some relevant use of business management terminology is used 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 organisation.
5–6	Understanding of most of the demands of the question. Relevant business management terminologies 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 organisation. Some evidence of a balanced response. Some judgements are relevant but not substantiated.
7–8	Good understanding of the demands of the question. Relevant business management terminology (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 judgements are relevant but not always well substantiated.
9–10	Good understanding of the demands of the question, including implications, where relevant. Relevant business management terminology (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 judgements are relevant and well substantiated.

End of chapter tests – answers

Chapter 15: Costs and revenues

- a** **Revenue stream:** a source of income received over time from the sale of product; in Meriem's case this means the rent of her studio plus her own dance sessions.
- b** Fixed costs refer to those costs which do not change directly as output changes, while variable costs are those that do. In the example from the passage the variable costs include the sessional equipment and sessional staff.
- c** Answers are:
- i Total revenue: $(600 + 480 + 1440 + 720) \times 45 \text{ weeks} = \$145\,800$
 - ii Total fixed costs: \$103 200
 - iii Total variable costs: $(432 \text{ sessions} \times \$70) = \$30\,240$
- Mark as 3×2 (award 1 mark for correct working if the final figure is not presented).
- d** Responses might include:
- a definition of work–life balance
 - a focus on work–life balance could reduce the danger of Meriem over-working the employees which would affect the quality of service, reputation and profits
 - cost implications of over-worked staff – absenteeism, reduced commitment and performance
 - providing flexi working can strengthen employee loyalty and make it easier to recruit staff in an industry that is typically poorly paid and sometimes difficult to recruit and retain staff
 - on the other hand, this may affect the bottom line if the hours/shifts that employees want to work do not fit in with Meriem's work schedule, e.g., she might find it difficult to staff the peak weekend shifts when some staff may choose to be at home.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	Limited evaluation of the importance of work–life balance in context.
4–6	Analysis and some application of work–life balance in context.
7–8	Appropriate evaluation of the importance of work–life balance in context.
9–10	Highly effective evaluation of the importance of work–life balance in context.

End of chapter tests – answers

Chapter 16: Final accounts

- a Brand loyalty might be important to Max given that MF operates in a city with a number of competitors and that the prices it charges are higher – reflecting a premium service.

b

	\$
Sales revenue	22 050
Resources	960
Gross profit	21 090
Licensing fee	500
Rent of classroom	3 000
Marketing	1 250
Net profit	16 340

Responses for question b should be graded according to the following mark bands:

Marks	Descriptor
0	The response is blank or does not reach any of the descriptors below.
1–2	Either gross or net profit are calculated correctly with working.
3–4	Gross and net profit are calculated correctly with working.

c

	\$
Sales revenue	23 400
Resources	1 040
Gross profit	22 360
Licensing fee	500
Rent of classroom	3 000
Marketing	1 750
Net profit before tax	17 110
Tax	1 711
Net profit after tax	15 399

Responses for question c should be graded according to the following mark bands:

Marks	Descriptor
0	The response is blank or does not reach any of the descriptors below.
1–2	Either gross or net profit are calculated correctly with working.
3–4	Gross and net profit are calculated correctly with working and there is a short comment noting that net profit was slightly higher than Max predicted at the beginning of the year.

d Responses might include:

- Explore possible partnerships with other tutoring businesses to trade services or share a classroom/resources.
- More targeted marketing, perhaps through partnerships with schools in the area.
- Pricing strategies, e.g., differentiated pricing depending on the time of year.
- Offer discounts for bulk purchasing of sessions (this may be counterproductive).
- Explore areas where costs might be reduced, e.g., classroom rental.
- Explore the prospect of opening for more weeks of the year.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two ideas are suggested and there is some discussion of possible ideas for growth in context.
4–6	At least two ideas are identified and the response contains some analysis and application of possible ideas for growth in context.
7–8	More than two ideas are identified and the response contains appropriate evaluation of possible ideas for growth in context.
9–10	More than two ideas are identified and there is a highly effective evaluation of some possible ideas for growth in context.

End of chapter tests – answers

Chapter 17: Profitability and liquidity ratio analysis

a Answers are:

- i **Profitability:** equal to sales revenue minus costs of production (gross profit) and sales revenue minus all costs (net profit).
- ii **Liquidity:** the ability of an organisation to pay its short-term liabilities/commitments, and is equal to current assets minus current liabilities.

b

	2020	2021
Gross profit margin	95.56%	95.78%
Net profit margin	73.12%	74.52%
Current ratio	1.79	2.02
Acid test ratio	1.56	1.77

c Liquidity seems healthy, with positive current ratios and acid test ratios for both years. Both also rose in 2021 from a year earlier. The only area for concern for Maximilian is the falling cash reserves which appear to be the result of higher debtors, meaning that more of Max's clients are either paying on credit or taking longer to settle their bills in full.

d Responses might include:

- Offering discounts to clients who either pay in cash or settle their bills within a shorter period.
- Charging interest on clients' accounts when they are settled after an agreed time frame.
- Pay more of their own expenses on credit terms or delay payments to some of their own creditors to reduce the money flowing out of the business.
- Max could reduce his own withdrawals of cash from the business to allow the business's cash reserves to grow.
- Delay paying his tax bill until the deadline set by the Inland Revenue Service.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two ideas are suggested and there is some discussion of possible ideas for improving liquidity in context.
4–6	At least two ideas are identified and the response contains some analysis and application of possible ideas for improving liquidity in context.
7–8	More than two ideas are identified and the response contains appropriate evaluation of possible ideas for improving liquidity in context.
9–10	More than two ideas are identified and there is a highly effective evaluation of some possible ideas for improving liquidity in context.

End of chapter tests – answers

Chapter 18: Debt/equity ratio analysis

a Answers are:

- i **Shareholder:** An individual or group of individuals that own a share (a part) of the business and receive dividends as a reward for their initial investment.
- ii **Capital employed:** Equal to the total amount of capital available to a business. Capital employed can also refer to the value of all the assets used by a company to generate earnings.

b

	2020	2021
Stock turnover	23.2 times	10.65 times
Gearing ratio	74.29%	77.78%
Debtor days	46 days	82 days
Creditor days	13 days	12.97 days

c Insolvency is a state of financial distress in which a person or business is unable to pay their debts, which can lead to bankruptcy.

Bankruptcy is a legal proceeding carried out to allow individuals or businesses freedom from paying their debts, while simultaneously providing creditors an opportunity for repayment.

d Responses might include:

- Offering discounts to clients who either pay in cash or settle their bill in a shorter period to reduce the number of debtor days. The number of days that it takes for some of his customers to settle their bills has doubled and this is worrying, he may be in danger of running out of cash.
- Charging interest on clients' accounts when they are settled after an agreed time frame.
- Pay more of their own expenses on either credit terms or delay payments to some of their own creditors.
- Paul and his partner could reduce their own withdrawals of cash from the business or even inject fresh capital into the business to repay some of their long-term debts. The business is heavily geared and the debt-to-equity ratio grew even further in 2021.
- A conclusion that notes that while Paul should be happy with the level of sales revenue and net profit growth in the business, he may need to keep a watchful eye on some of his ratios to ensure that they do not cause him difficulties in future.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two ideas are suggested and there is some discussion of possible ideas for improving the efficiency of the business in context.
4–6	At least two ideas are identified, the response contains some analysis and application of possible ideas for improving the efficiency of the business in context.
7–8	More than two ideas are identified, the response contains appropriate evaluation of possible ideas for improving efficiency of the business in context.
9–10	More than two ideas are identified and there is a highly effective evaluation of some possible ideas for improving efficiency of the business in context.

End of chapter tests – answers

Chapter 19: Cash flow

- a** **Net profit after tax:** represents the monies earned by the business in a single year after the deduction of all costs (net of taxes paid to the government).

b

	2021 (\$)
Revenue	625 000
Cost of goods sold	272 000
Gross profit	353 000
Overhead expenses	290 000
Operating profit (net profit)	63 000
Tax (20%)	12 600
Net operating profit after tax	50 400

Mark as 4×1 for each correct figure given (award carry through marks as appropriate).

- c** Answers are:

2021 sales revenue: $(5000 \times 77) + (2500 \times 115.5) = 673\,750$

2021 cost of sales: $(2000 \times 77) + (1200 \times 115.5) = \$292\,600$

2021 gross profit: \$381 150

2021 indirect costs unchanged at \$290 000

Net operating profit: \$91 150

- d** The first could be to increase profit margins by raising the price of the product, depending on the level of competition in the market.
Secondly, it could try to reduce the variable costs, e.g., by looking for cheaper suppliers or reducing labour costs.

Mark as $1 + 1$.

- e** Answers are:

i Both gross profit and net cash flow increase by \$10 000.

ii Gross profit will rise by \$14 800, as this is credited as soon as the transaction is done, but the net cash flow will fall by \$11 300 (net cash flow will not be recorded until the account is paid).

iii Gross profit will rise by \$10 000, with net cash flow rising by \$12 500; payment for the stock purchased will not leave the business until Sirbet pays the account while it will receive 25% of the sales revenue immediately.

- f** In this example, the business has made \$4800 profit in three months. However, its net cash position is precarious as many of the customers will not pay for three months, leaving the business open to bankruptcy (despite being profitable).

This is because profit, cost of sales and revenue are recorded when the deal is done. However, cash in and cash out are recorded when the actual payment is made, which could be some months afterwards.

Mark as 2 for explanation and 2 for context with Sirbet.

End of chapter tests – answers

Chapter 20: Investment appraisal

a Answers are:

Payback period

Capital outlay (cost)/Net return (profit) per annum

$$= \$400\,000/\$85\,000$$

$$= 4.7059 \text{ years}$$

Average rate of return

Net return (profit) per annum/Capital outlay (cost) $\times 100$

$$= \$85\,000/\$400\,000$$

$$= 0.2125 \text{ or } 0.2125 \times 100 = 21.25\%$$

Net present value

$$Y1: \$85\,000 \times 0.9091 = \$77\,273.50$$

$$Y2: \$85\,000 \times 0.8264 = \$70\,244$$

$$Y3: \$85\,000 \times 0.7513 = \$63\,860.50$$

$$Y4: \$85\,000 \times 0.6830 = \$58\,055$$

$$Y5: \$85\,000 \times 0.6209 = \$52\,776.50$$

$$Y6: \$85\,000 \times 0.5645 = \$49\,825.00$$

$$\text{Net present value} = \text{total present value} - \text{initial cost} = \$370\,192 - \$400\,000 = (\$29\,808)$$

Award **1 mark** for each correct answer and **1 mark** for each correct working for a maximum of **6 marks**.
If correct calculations for **all three methods** are not shown, award a maximum of **3 marks**.

b Answers are:

Payback period

Capital outlay (cost)/Net return (profit) per annum

$$= \$500\,000/\$80\,000$$

$$= 6.25 \text{ years}$$

$$0.25 \times 12 \text{ months} = 3 \text{ months} \approx 3 \text{ months}$$

Payback period is 6 years and 3 months.

Average rate of return

Net return (profit) per annum/Capital outlay (cost) $\times 100$

$$= \$80\,000/\$500\,000 = 0.16$$

$$\text{Average rate of return} = 16\%$$

Net present value

$$Y1: \$85\,000 \times 0.9091 = \$77\,273.50$$

$$Y2: \$85\,000 \times 0.8264 = \$70\,244$$

$$Y3: \$85\,000 \times 0.7513 = \$63\,860.50$$

$$Y4: \$85\,000 \times 0.6830 = \$58\,055$$

$$Y5: \$85\,000 \times 0.6209 = \$52\,776.50$$

$$Y6: \$85\,000 \times 0.5645 = \$7982.50$$

$$\text{Net present value} = \text{total present value} - \text{initial cost} = \$370\,192 - \$500\,000 = (\$129\,808)$$

Award **1 mark** for each correct answer and **1 mark** for each correct workings for a maximum of **6 marks**. If correct calculations for all three methods are not shown, award a maximum of **3 marks**.

c Responses might include:

- Kieran's decision depends on the extent of his commitment to CSR and the validity of his forecasts.
- From the CSR viewpoint he should go with option 1 – the hybrid delivery vans, and to make this option pay he will need the hybrid vans to increase sales in order to justify the additional costs of purchasing the vehicles.
- On the other hand, \$100 000 is a considerable amount of money, especially for a sole trader.
- One alternative might be to purchase a combination of petrol and hybrid cars so that he can achieve a middle ground between reducing the purchase costs and demonstrating his green credentials.

If the response is a one-sided relevant approach with no discussion, award a maximum of **4 marks**.

Responses for question c should be graded according to the following mark bands:

Marks	Descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	Little understanding of the demands of the question. Little use of business management tools, techniques or theories and business management terminology is lacking. Little reference to the stimulus material.
3–4	Some understanding of the demands of the question. Some relevant business management tools, techniques and theories explained with some appropriate terminology used. Some reference to the stimulus material included.
5–6	Good understanding of the question. Relevant business management tools, techniques and theories explained, with appropriate terminology used. Reference to the stimulus material. Evidence of balance in the response. Relevant judgements included.
7–8	Good understanding of the demands of the question. Relevant business management tools, techniques and theories clearly explained and skilfully applied. Appropriate terminology used throughout the response. Effective use of the stimulus material. Evidence of consistent balance included. Judgements are relevant and well substantiated.

End of chapter tests – answers

Chapter 21: Budgets

a Answers are:

- i **Partnership:** a business formed by two or more people to carry on a business together, with shared capital investment and, usually, shared responsibilities.
- ii **Budget:** a detailed financial plan for the future, in this case the first four months of the business.

b

	January	February	March	April
Opening cash balance	10 000	3 800	4 300	4 625
Cash inflows	5 000	5 500	6 050	6 655
Cash outflows				
Rent	500	500	500	500
Premises	6 000	2 750	3 025	3 327
Cost of sales	2 500	200	200	200
Electricity	200	1 600	1 600	1 600
Monthly salary	1 600	400	400	400
Marketing	400			
Net monthly cash balance	(6 200)	500	325	628
Closing cash balance	3 800	4 300	4 625	5 253

c

	Predicted	Actual	Variance
Sales revenue	23 205	30 000	6 795 Favourable
Costs	28 402	34 800	6 398 Adverse
Profit	(5 197)	(4 800)	397 Favourable

d Answers can include:

- legal, e.g., changes in legislation or tax policy
- environmental factors such as extreme weather increasing production costs or reducing consumer spending
- technical issues, especially when dealing with untried technology
- changes in fashion/tastes of clothing
- actions of rival businesses.

Mark as 2 + 2 with 1 mark awarded for identifying the external factor and 1 mark for placing it in the context of FS.

End of chapter tests – answers

Chapter 22: Introduction to marketing

- a Appropriate theories include Maslow's hierarchy of needs – security, social and physiological needs; or the sense of belonging and purpose (Herzberg).
- b Possible challenges include:
- **Financial** – the plan requires public funding, which may be difficult to maintain in the future. For instance, this is a crowded marketplace, with many competing social enterprises all trying to get donations. The economic impact of Covid-19 in a country that was one of the worst impacted in Europe may reduce individuals' ability to continue donating in the way they did before.
 - **Political** – access to grants and favourable tax conditions is governed by political considerations which may change at short notice. For instance, with Spain experiencing a significant decline in economic activity as a result of Covid-19, local and national governments may be less able to offer grants to the organisation.
 - **Time** constraints of the volunteers completing the work, which is crucial to the work that it does. Ideally, the Foundation would perhaps be better served by employing full-time workers on a salary, but this may not be possible.

Level	Descriptor	Marks
0	The work does not reach any of the standards described below.	0
1	The response contains one or two of the above challenges but the explanation is vague or inaccurate.	1–2
2	The response contains two or more challenges applied appropriately. The response makes use of the text material to illustrate the arguments.	3–4
3	The response contains two or more challenges skilfully applied. The response makes skilful use of the text material.	5–6

- c Ideas for the individual action plan for Helpfreely:
- Strategies aimed at the campaign's sources of finance and human resources, including a recognition of those roles that need to be filled by paid employees and roles that can reasonably be undertaken by volunteers.
 - The use of political lobbyists to access government or even EU grants/support.
 - The use of market segmentation in order to carry out more targeted marketing.
 - A strategy to maintain the company's brand.
 - Potential reset of the campaign's vision and mission as the company grows.
 - How it can avoid diseconomies of scale as the organisation grows.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate strategies are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.
4–6	The response shows some understanding of the demands of the question. Some appropriate strategies are identified and there is an attempt to apply them. There is some attempt to apply relevant business theory in the response. Little attempt is made to make use of the text/data.
7–10	The response shows an understanding of the demands of the question. Appropriate strategies have been identified and these are applied appropriately. There is clear attempt to apply relevant business theory to the question. The response makes use of the text/data to support the arguments.
11–14	The response shows a good understanding of the demands of the question. Appropriate strategies have been identified and these are applied consistently and appropriately in answering the question. Relevant business theory is applied to the question. The response makes significant use of the text/data to support the action plan.
15–17	The response shows an excellent understanding of the demands of the question. Appropriate strategies have been identified and they are applied consistently and skilfully in answering the question. Relevant business theory is applied to the question. The response makes excellent use of the text/data to support the action plan.

End of chapter tests – answers

Chapter 23: Marketing planning

a Answers are:

- i **Target audience:** the segment of the market that a particular product is aimed at, in this case young fashion-conscious consumers.
- ii **Promoting:** the publicising of a product, organisation or venture so as to increase sales or public awareness.

b Below-the-line advertising because in contrast to ATL, below-the-line advertising is directed at a small, targeted audience. Other examples of BTL marketing activities include brochures, direct mail, flyers, sponsorships and email campaigns.

c Benefits:

- BTL marketing is more targeted, as the example from the text illustrates.
- Returns on spending are greater and specific areas are easier to track.
- BTL methods are cheaper than ATL.

Costs:

- It has a much smaller reach, e.g., Revolve's campaign of social influencers is only likely to appeal to the younger demographic.
- It is easier to build brand value by reaching out to the masses and raising awareness of the product.

d Responses might include:

- A clear understanding/application of below-the-line methods rather than just promotion generally
- Below-the-line methods can be considerably cheaper than above the line methods of promotion
- An understanding of the effectiveness of social media influencers in reaching out to Revolve's target audience.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not reach any of the descriptors below.
1–2	Some understanding of the BCG matrix but limited understanding of the question.
3–4	Limited analysis with some application of BCG and the tactics used by Revolve.
5–6	Analysis of the statement on tactics used by Revolve and some attempt at discussing the relative merits their approach.
7–8	Good analysis and evaluation of the BCG matrix to evaluate the tactics used by Revolve, with direct reference to the passage and some justification to reach a conclusion.
9–10	Effective evaluation of the BCG matrix to evaluate the tactics used by Revolve, with direct reference to the passage and a clear justification to support the conclusion arrived at.

End of chapter tests – answers

Chapter 24: Sales forecasting

- a Responses might include that niche markets:
- are smaller than most markets or a fraction of a market
 - more specific in terms of features or quality of the product or service
 - may fetch higher final prices from consumers.
- b **Secondary research:** refers to the collection of second-hand data by a business from third-party sources. It has not been collected by the business itself.
- c Advantages of secondary market research include:
- Efficient in terms of time – the data on ice cream consumption, for example, has already been collected by someone else so why reinvent the wheel?
 - It is cheaper than gathering primary research.
 - It allows the business to benefit from the insights of third-party experts who collected the original data.
- Disadvantages of secondary research include:
- Less specific than primary data, e.g., Imran can easily find data on ice cream sales, but may not be able to do so specifically for the Venice Beach area or for niche ice creams like his.
 - Secondary research is often out of date.
- Mark as 2 + 2 (1 for the advantage/disadvantage and 1 for context).
- d The advantage of using sales forecasting is that it will allow II to look at future sales forecasts to guide decisions such as the level of needed and future cash flow requirements.
- Disadvantages for II are linked to the inevitable fact that sales forecasts are merely that – future predictions are based on past data, which cannot be fully accurate. This is particularly true of an ice cream business which is weather dependent.

e

Quarter	Expected sales (\$ per day)	4-point moving average
Q3 2019	230	
Q4 2019	125	
Q1 2020	90	161.25
Q2 2020	200	165
Q3 2020	245	167.5
Q4 2020	135	171.25
Q1 2021	98	176.25
Q2 2021	215	180.75
Q3 2021	265	182.75
Q4 2021	148	185
Q1 2022	103	188.75
Q2 2022	225	193
Q3 2022	280	
Q4 2022	165	

Responses should be awarded up to **4 marks** for a correct identification of the four-point moving average and up to **4 marks** for the identification of two sales trends, e.g.:

- Imran can expect to see steady, consistent growth in sales as his business becomes established
The market for ice cream is very seasonal, with the highest sales in quarters 2 and 3, as a result of those quarters containing the highest temperatures when ice cream sales are highest.

End of chapter tests – answers

Chapter 25: Market research

a Answers are:

- i **Market research:** the process of collecting, recording and analysing data about customers, competitors and the market.
- ii **Target customers:** the specific group of customers that a business plans to reach with its marketing efforts. McDonald's may be able to identify specific groups of individuals for a business, brand, product, location, sales or marketing strategy.

b Quantitative research describes research that leads to numerical results that can be presented and analysed. By contrast, qualitative research includes research into the in-depth motivations behind consumer buying behaviour or opinions, in this example through focus panels.

c **Advantages of focus groups include:** focus groups are cheaper than individual interviews, while also allowing the business to clarify any issues or problems, such as the four questions included in the text.

Disadvantages of focus groups include: McDonald's may find them difficult to control and manage, particularly for a large company completing lots of them at the same time. Members are sometimes influenced by the majority view of the group. There is also the problem of ensuring that the focus group is representative of the whole target market.

Mark according to the following:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–2	The response contains either one advantage or disadvantage or includes both but there is no use of context.
3–4	The response contains one advantage and one disadvantage used in context.

d Responses might include:

- For a large business operating in a crowded marketplace, marketing research is needed on a continual basis if McDonald's want to keep up with the latest market trends and gain a competitive edge in the business market.
- It helps reach out to McDonald's target audience, understanding the needs of existing customers and why they chose its product over competitors'.
- It helps identify new business opportunities and changing market trends, recognising new areas for expansion and new customers.
- It helps in designing marketing campaigns that will directly target the interests of potential consumers.
- Market research can be expensive; focus groups are particularly expensive and like all research they are not always entirely reliable.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two ideas are included and there is some discussion of the strengths and weaknesses of market research, but without context.
4–6	At least two ideas are included and there is some discussion of the strengths and weaknesses of market research. The response is likely to be unbalanced.
7–8	More than two ideas are included and there is clear discussion of the strengths and weaknesses of market research, with context identified and some attempt at balance.
9–10	More than two ideas are included and there is a highly effective evaluation of the strengths and weaknesses of market research, with context identified. The response is balanced.

End of chapter tests – answers

Chapter 26: The seven Ps of the marketing mix

a Answers include:

- introduction
- growth
- maturity (or saturation)
- decline
- withdrawal.

b

Marks	Descriptor
1	The response provides a basic answer that shows some understanding of the Boston Consulting Group matrix.
2	The response provides a good understanding of the Boston Consulting Group matrix. This may be descriptive or in the form of a drawn diagram.
3	The response provides a good understanding of the Boston Consulting Group matrix and places each of TI's products in their correct segments in a BCG matrix or explains their positions – equipment rental (decline), cow cheese (maturity), goat cheese (growth) and cheese making classes (introduction).
4	The response provides a good understanding of the Boston Consulting Group matrix and places each of The Idea's products in their correct segments in a BCG matrix or explains their positions – equipment rental (decline), cow cheese (maturity), goat cheese (growth) and cheese-making classes (introduction) and explains clearly why they are in these segments.

c Award **1 mark** for the overall layout of the map with both axes correctly labelled (price: high or low; quality: high or low) and up to **3 marks** for the correct placement of each product.

Note: It does not matter which one is horizontal/vertical.

High	High
Cow cheese	
Classes	
Goat cheese	
Quality	Equipment
Low	Low

d Advantages of adding new products:

- Spreading the risk – a decline in one product may be offset by sales of other products.
- Selling a single product may not generate enough returns for the business, e.g., individually each product may be too small to earn a living.
- A range can be sold to different segments of the market, e.g., cheeses and classes might appeal to different audiences.

Disadvantages of adding new products:

- A greater range of products can mean that the marketing resources (e.g., personnel and cash) are spread more thinly.
- Owning a product portfolio can pose a problem for the owners as they must decide how to allocate investment across the portfolio.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two ideas are included and there is some discussion of the strengths and weaknesses of a balanced portfolio, but without context.
4–6	At least two ideas are included and there is some discussion of the strengths and weaknesses of a balanced portfolio. The response is likely to be unbalanced.
7–8	More than two ideas are included and there is clear discussion of the strengths and weaknesses of a balanced portfolio, with context identified and some attempt at balance.
9–10	More than two ideas are included and there is a highly effective evaluation of the strengths and weaknesses of a balanced portfolio, with context identified – the response is balanced.

End of chapter tests – answers

Chapter 27: International marketing

- a Appropriate theories include Maslow's hierarchy of needs – security, social and physiological needs; or the sense of belonging and purpose (Herzberg).
- b Possible challenges include:
- Financial – the plan relies almost exclusively on public donations, as well as sales of camping products which is a competitive market. Prices are high for their products with consumers paying a premium for the perceived quality and the charitable work that the organisation completes. The enterprise receives no local or Federal funding and so must be self-sufficient.
 - Political – the organisation currently receives no grants (or funding) but does at least enjoy favourable tax conditions, which are governed by political priorities. Future governments may be more responsive to requests for direct grant funding if the political climate changes.
 - The charity relies on paid workers to complete the job but could potentially attract committed volunteers to complete some of the tasks and reduce costs.
 - Leisure activities, like camping, appear to have become more popular in recent times, potentially opening up new possibilities for increased sales of its products – allowing it greater funds to complete its charity work.
 - If economic conditions deteriorate, which is possible in the post-Covid 19 era then donations may be more difficult to acquire.

Level	Descriptor	Marks
0	The work does not reach any of the standards described below.	0
1	The response contains one or two of the above challenges but the explanation is vague or inaccurate.	1–2
2	The response contains two or more challenges applied appropriately The response makes use of the text material to illustrate the arguments.	3–4
3	The response contains two or more challenges skilfully applied. The response makes skilful use of the text material.	5–6

- c Ideas for the individual action plan for BBPT:
- Strategies aimed the campaign's sources of finance and human resources, including a recognition of those roles that need to be filled by paid employees and roles that can reasonably be undertaken by volunteers.
 - The use of market segmentation in order to carry out more targeted marketing.
 - A strategy to maintain the company's brand.
 - Potential reset of the campaign's vision and mission as the company grows.
 - How it can avoid diseconomies of scale as the organisation grows.

Responses for question c should be graded according to the following mark bands:

Marks	Descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate strategies are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.
4–6	The response shows some understanding of the demands of the question. Some appropriate strategies are identified and there is an attempt to apply them. There is some attempt to apply relevant business theory in the response. Little attempt is made to make use of the text/data.
7–10	The response shows an understanding of the demands of the question. Appropriate strategies have been identified and these are applied appropriately. There is clear attempt to apply relevant business theory to the question. The response makes use of the text/data to support the arguments.
11–14	The response shows a good understanding of the demands of the question. Appropriate strategies have been identified and these are applied consistently and appropriately in answering the question. Relevant business theory is applied to the question. The response makes significant use of the text/data to support the action plan.
15–17	The response shows an excellent understanding of the demands of the question. Appropriate strategies have been identified and they are applied consistently and skilfully in answering the question. Relevant business theory is applied to the question. The response makes excellent use of the text/data to support the action plan.

End of chapter tests – answers

Chapter 28: Introduction to operations management

- a** Appropriate theories include Maslow's hierarchy of needs – security, social and physiological needs (for the recipients of their scheme) and self-actualisation for the partners in the business. The sense of belonging and purpose (Herzberg) for employees.
- b** Possible challenges include:
- Financial – the plan requires government or public funding, which may be difficult to maintain in the future. For instance, the text states the charity has a number of sponsors (see Source 2) ensuring that they stay on-board with the project is essential.
 - Political – access to grants and favourable tax conditions is governed by political considerations which may change at short notice.
 - Time constraints of the 14 employees completing the work, which is a small number compared to the work that the business does.
 - If economic conditions deteriorate, which is possible in the post-Covid 19 era, then donations/sponsorship may be more difficult to acquire.

Marks	Descriptor
0	The work does not reach any of the standards described below.
1–2	The response contains one or two of the above challenges but the explanation is vague or inaccurate.
3–4	The response contains two or more challenges applied appropriately. The response makes use of the text material to illustrate the arguments.
5–6	The response contains two or more challenges skilfully applied. The response makes skilful use of the text material.

- c** Ideas for the individual action plan for BBPT:
- Strategies aimed the campaign's sources of finance and human resources, in terms of how the 14 employees can best optimise their time, plus whether the organisation may be able to recruit some volunteers to complete some of the work.
 - The use of market segmentation in order to carry out more targeted marketing, plus more targeted marketing of priority groups to receive the bags.
 - A strategy to maintain the company's brand.
 - Potential reset of the campaign's vision and mission as the company grows.
 - How the company can avoid diseconomies of scale as the organisation grows.

Responses for question c should be graded according to the following mark bands:

Marks	Descriptor
0	The response is below the standards described below.
1–3	The response indicates little understanding of the demands of the question. Appropriate strategies are not addressed or are addressed inappropriately. No relevant or appropriate business theory is used in the response. Little attempt is made to make use of the text/data.
4–6	The response shows some understanding of the demands of the question. Some appropriate strategies are identified and there is an attempt to apply them. There is some attempt to apply relevant business theory in the response. Little attempt is made to make use of the text/data.
7–10	The response shows an understanding of the demands of the question. Appropriate strategies have been identified and these are applied appropriately. There is clear attempt to apply relevant business theory to the question. The response makes use of the text/data to support the arguments.
11–14	The response shows a good understanding of the demands of the question. Appropriate strategies have been identified and these are applied consistently and appropriately in answering the question. Relevant business theory is applied to the question. The response makes significant use of the text/data to support the action plan.
15–17	The response shows an excellent understanding of the demands of the question. Appropriate strategies have been identified and they are applied consistently and skilfully in answering the question. Relevant business theory is applied to the question. The response makes excellent use of the text/data to support the action plan.

End of chapter tests – answers

Chapter 29: Operations methods

a Answers are:

- i Batch production:** producing a limited number of identical products – each item in the batch passes through one stage of production before passing on to the next stage.
- ii Flow production:** producing items in a continually moving production line – also known as line production. This can be a continuous 24-hours-a-day method.

b Factors include:

- loss of teamwork as the work is no longer completed in batches
- the variety of tasks and skills required will decrease, making the job more laborious and increasing the chances of being made redundant
- the switch means that each employee will need to be retrained.

Mark as 2 + 2 (with 1 mark for identifying a factor and 1 mark for providing context).

c Production techniques include:

- cell production
- mass customisation
- job production
- process production.

d Responses might include:

- Cost factors (while the process is expected to lead to lower costs, initially the move will require additional training and there will be organisational costs).
- Long term the move is likely to reduce production costs and hence allow it to reduce prices.
- Concerns over de-skilling and loss of team working on employee motivation.
- Eventual higher output will require higher sales which may not be guaranteed if the product becomes more homogeneous – ‘another IKEA without the brand value’.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two factors are included and there is some discussion of the factors for BF to consider, but not in context.
4–6	At least two ideas are included and some discussion is included, in context.
7–8	More than two ideas are included and there is clear discussion of the factors for BF to consider, with context identified and some attempt at balance.
9–10	More than two ideas are included and there is a highly effective evaluation of factors for BF to consider, with context identified – the response is balanced.

End of chapter tests – answers

Chapter 30: Lean production and quality management

a Answers are:

- i **Total quality management (TQM):** an approach to quality that aims to involve all employees in the quality-improvement process.
- ii **Zero defects:** the aim of achieving perfect products every time.

b Examples include:

- Since the launch of the Creative Idea Suggestion System in 1951, the number of suggestions made has steadily increased. With employees (working on the production lines) making suggestions for improvement, quality is likely to improve – compared to relying on one designated quality control team.
- TQM improves employee motivation and hence productivity and staff retention by giving them ownership in the production process; and it satisfies one of Maslow's hierarchy of needs (sense of belonging and self-worth).

Mark as 2 + 2 with a maximum of 2 marks for examples not in context.

c Achieving zero defects in production (or as close as possible to zero) reduces waste with less resources used in production. This reduces both costs and the carbon footprint of the business.

Mark as 1 + 1.

d Responses might include:

- Equality is defined as breaking down barriers, eliminating discrimination, ensuring equal opportunity and access for all groups in the business.
- The aim is to outlaw discrimination on grounds of gender, marital status, sexual orientation, race, colour, nationality, religion, age, disability, political beliefs.
- Diversity is defined as celebrating differences and valuing everyone. Each person with visible or invisible differences is valued and respected.
- There are increasing legal requirements relating to equality and diversity (they will vary between countries and regions).
- Policies are developed to reflect the distinctive values of a business and embedded in day-to-day working practices.
- Such policies are regarded as essential for workforce efficiency and effectiveness.
- The aim is to produce an inclusive organisation, a distinctive organisation culture that enhances the work experience.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	Understanding of diversity and/or equality.
4–6	Some explanation/application of policies on diversity/equality for a business.
7–8	Some analysis of the importance of diversity/equality policies.
9–10	Good analysis of the importance of diversity and equality policies.

End of chapter tests – answers

Chapter 31: Location

a Answers are:

- i Multinational:** a business with operations or production bases in more than one country.
- ii Optimal location:** a business location that gives the best combination of quantitative and qualitative factors.

b Answers include:

- income levels
- price of substitute products, e.g., petrol cars
- government support, e.g., subsidies
- access to hydrogen gas station infrastructure.

Mark as 2 + 2 with 1 mark for identifying each factor (up to a maximum of 2) and 1 additional mark for providing context.

c The text refers to mass production of the hydrogen cell, which suggests that the most appropriate method of production would be flow/mass production methods.

d Responses might include:

- access to hydrogen gas station infrastructure
- level of government support available, e.g., subsidies and legislation
- price and availability of suitably skilled labour in the area
- political and social factors, e.g., the popularity of 'green technology' and cars using renewable fuel.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two factors are included and there is some discussion of the factors to consider, but not in context.
4–6	At least two ideas are included and some discussion is included, in context.
7–8	More than two ideas are included and there is clear discussion of the location factors to consider, with context identified and some attempt at balance.
9–10	More than two ideas are included and there is a highly effective evaluation of factors for Hyundai to consider, with context identified – the response is balanced.

End of chapter tests – answers

Chapter 32: Break-even analysis

a Answers are:

- i** **Fixed costs** are costs that do not change as output changes, e.g., the original loan for the stadium which must be repaid whether the ground is used or not.
- ii** **Variable cost** represents costs that change directly as output changes, e.g., ticketing, stewards, other staff, catering, etc.

b Answers are:

- i** Contribution per match played = $(70\,000 \times \$35) = 2\,450\,000$ – additional costs per match (\$1m) = 1 450 000. 2 marks]
Fixed costs = \$20.3 million/\$1 450 000 = 14 matches per year 2 marks]
18 – breakeven point = 4 matches carry through marks apply]
- ii** % change in quantity demanded = 7.14%/ % change in selling price = 28.57%
- iii** PED = 0.25

c Answers are:

- i** 80% of tickets are sold for an average price of \$30
Revenue per match is $(76\,761 \times 80\%) = 61\,409 \times \$30 = 1\,842\,270$ (minus \$1m)
 $842\,270 \times 18 = 15\,160\,860$ – fixed costs
\$5 139 140 loss
- ii** 80% of tickets are sold for an average price of \$40
Revenue per match is $(76\,761 \times 80\%) = 61\,409 \times \$40 = 2\,456\,360$ (minus \$1m)
 $1\,456\,360 \times 18 = 26\,214\,480$ – fixed costs
\$5 914 480 profit

d Answers are:

- These are all based on predictions which may or may not happen.
- Predictions/models are based on the foreseen circumstances, which can change, e.g., the popularity of the Turkish national team, economic conditions, etc.
- It presumes that all units will be sold at the same price, when in reality the company may have to discount tickets for some matches, e.g., friendly fixtures.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	None of the descriptors have been reached.
1–2	One relevant limitation is identified in context.
3–4	Two limitations are identified in context.

End of chapter tests – answers

Chapter 33: Production planning

a Answers are:

- i **JIT (just-in-time):** an inventory management method that aims to avoid holding stocks by requiring supplies to arrive just as they are needed in production, and completed products are produced to order.
- ii **Buffer stocks:** the minimum stocks that should be held to ensure that production could still take place should a delay in delivery occur or production rates increase.

b Stages of the working capital cycle include:

- stock reaches the minimum buffer level
- new stock is ordered
- purchase of materials from suppliers
- production of goods
- goods sold, typically on credit (unless a retail store)
- payment received by debtors.

c JIT inventory systems require Toyota to hold significantly lower stock levels, and with little or no slack in the system the reliability of supplies is essential. It cannot afford any delay to supplies.

d Arguments in support of JIT:

- It reduces inventory costs of the business.
- It removes the slack from the supply chain and exposes any weaknesses, allowing Toyota to resolve the issue rather than let it go undiscovered.
- Lower waste levels as obsolete stock levels are reduced.

Arguments against JIT:

- There is no buffer against anticipated high demand.
- It increases the risk of running out of stock.
- It increases the risk of future supply difficulties.
- It reduces the opportunity of taking advantage of bulk supply price discounts.
- It reduces the opportunity of purchasing products ahead of anticipated future price rises in supplier materials, achieving a capital gain.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two factors are included and there is some discussion of arguments for and against JIT, but not in context.
4–6	At least two ideas are included and there is discussion of arguments for and against JIT, in context.
7–8	More than two ideas both for and against JIT are included, with context identified and some attempt at balance.
9–10	A range of ideas are included and there is a highly effective evaluation of arguments for and against JIT, with context identified – the response is balanced.

End of chapter tests – answers

Chapter 34: Crisis management and contingency planning

➤ a Answers are:

- i **Crisis management:** steps taken by an organisation to limit the damage from a significant, damaging event by handling, containing and resolving it.
- ii **Contingency planning:** preparing the immediate steps to be taken by an organisation in the event of a crisis or emergency.

b Responses might include:

Transparency:

- A crucial part of effective crisis management means avoiding denial of events.
- Fight misinformation with facts.
- Although it may be painful, it is imperative to conduct a post-crisis review of the response.

Communication:

- The window of opportunity to manage the narrative of your crisis is short-lived. If you do not communicate now, someone else will, and it will not be the story you want told.

Speed:

- Do not wait until you have all the facts to communicate to stakeholders. Share what you can confirm as soon as possible. Delay runs the risk of losing control of the narrative and the trust of your stakeholders.

Control:

- Every organisation needs a 'crisis culture', one of non-stop readiness for the unexpected and where everyone knows their role in a crisis.
- Commit to regular media training and to cultivating the ability to speak with compassion, confidence and competence.
- Understand what worked well and keep doing it. Examine what did not work as intended and fix it.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–2	One or two roles are included and there is some discussion of the arguments, but not in context.
3–4	At least three of the roles are included and there is an appropriate discussion of arguments, in context.
5–6	All four roles are included and there is a skilful and balanced discussion of arguments, in context.

c Responses might include:

- The external environment will have a significant effect on the decision-making of the Cleveland Clinic Abu Dhabi.

Political:

- As an organisation with foreign staff and clients it is subject to political rules on permits and recognition of certification.

Economic:

- Exchange rate volatility could also impact the business, and it might be advised to maintain significant reserves in the case of a sharp depreciation in the Emirati Dirim.
- As an organisation with foreign staff and clients it is subject to economic and market volatility.

Technological:

- The clinic needs to be mindful of changes to technology to compete with other leading international medical centres and may need to invest in a newer machinery and appropriate technology.

Social:

- Changes in social habits might also impact on the clinic, e.g., changes in tastes, fashion (e.g., cosmetic work).

A final recommendation is required. Accept any substantial recommendation.

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two external factors are included and there is some discussion of the plan, but not in context.
4–6	At least two external factors are included and there is a discussion of the plan in context.
7–8	More than two external factors are included and there is an appropriate discussion of the plan, with context identified and some attempt at balance.
9–10	A range of external factors are included and there is a highly effective discussion of the plan, with context identified – the response is balanced.

End of chapter tests – answers

Chapter 35: Research and development

- a Answers are:
- i **Innovation:** the practical application of new inventions into marketable products.
 - ii **Inventions:** the formulation or discovery of new ideas for products or processes.
- b This means that each department or team is managed by the most technically able individual, not the most senior manager, so that innovation becomes the primary function of the team.
- c Suggestions include:
- As a market leader Apple must constantly innovate to maintain its position, and in the technology field this means significant investment over a long period before a product makes a return.
 - Apple's position requires outstanding innovative technicians who are expensive to recruit and retain.
 - If individual project team leaders received commission on the basis of regular targets then the team would be under pressure to prioritise frequent incremental improvements rather than significant new innovations.
- Mark as 2 + 2 with 1 mark for each suggestion plus an additional 1 for context.
- d Responses might include:
- Product:**
- Apple is product orientated, focusing on continual innovation and incremental improvement to remain a market leader in terms of product.
 - Making technicians the drivers of research teams and not managers.
 - Establishing unique selling propositions and brand identity.
- Price:**
- It uses a premium pricing strategy to fit the image that the company wants to promote and sustains an intended brand image.
- Place:**
- Apple employs an expansive global market presence.
 - Apple sells its products through its own stores and premises licensed to sell its products; efforts are made to ensure that distribution centres reflect the image of the company.
- Promotion:**
- It maintains relationships with media organisations and online influencers including tech bloggers and enthusiasts.
 - The company also hosts press events or tradeshow for critical product launch and announcements/previews.

Responses should be graded according to the following mark bands:

Marks	Descriptor
0	The work does not meet any of the descriptors.
1–3	Limited evaluation of 1 or 2 elements of the marketing mix identified, with minimal application and limited references to the text identified.
4–6	Some evaluation of four Ps of the marketing mix identified, with some application and limited references to the text identified. Responses that only include 3 or fewer elements of the mix should score in this mark band
7–8	Appropriate evaluation of four Ps of the marketing mix identified, with appropriate application and references to the text identified
9–10	Effective evaluation of four Ps of the marketing mix identified with skilful application and references to the text identified

End of chapter tests – answers

Chapter 36: Management information systems

➤ a Answers are:

- i **Data mining:** the process of analysing a large batch of information to establish trends and patterns which could be useful for business decision-making.
- ii **Database:** a store of information that is organised for easy access, management and updating.

b Responses might include:

- Allows marketing departments to send highly customised messages to individual consumers based on their voting or consumption habits.
- Analytics also allows marketing companies to access not only individual's data but the voting and sending habits of a person's entire friends network.
- The use of artificial intelligence can drastically reduce the need for employees to examine and then correlate large volumes of data as analytics allows this to be completed by sophisticated computer software.
- Analytics allows AI machines to track individual spending habits and then provide individual consumers with comparable goods and services to purchase, based on historical spending data, e.g., individuals purchasing a tennis racket might then be offered other complementary products to buy.

Mark as 2 + 2 with 1 mark for each method and 1 for context (link to the passage).

c Customer loyalty programmes reward loyal customers who frequently buy the brand's products. Data on which customer buys which product and when is stored and processed using a management information system.

d Responses might include:

- A definition of MIS as the e-procedures that organisations use to collect data on their organisations, departments, teams, specific projects or even individual employees.

Advantages of MIS:

- By using a management information system, managers can have an overall brief look at the company.
- It can use these statistics to compete in the market.
- Company owners can make decisions more quickly. Also, they can communicate better within the company.
- The quality of products also improves because all of the past experiences and customer responses are noted. The company's decisions are made in a timely manner.

Disadvantages of MIS:

- Management information systems are expensive to set up and maintain.
- Managers and company owners have to learn skills to use an MIS, which involves significant costs and additional staff.
- Being online means the data may be vulnerable to cyber attacks or theft.
- MIS largely works on quantitative data and not qualitative data.

Responses for question d should be graded according to the following mark bands:

Marks	Descriptor
0	The response does not meet any of the descriptors.
1–3	One or two factors are included and there is some discussion of the advantages and disadvantages of MIS, but not in context.
4–6	At least two ideas are included and there is some discussion of the advantages and disadvantages of MIS, in context.
7–8	More than two advantages and disadvantages of MIS are included, with context identified and some attempt at balance.
9–10	A range of advantages and disadvantages of MIS are included and there is a highly effective evaluation, with context identified – the response is balanced.