



National
Qualifications
2023

2023 Business Management

Advanced Higher

Finalised Marking Instructions

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General marking principles for Advanced Higher Business Management

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.

Marks will be awarded as follows for

(i) Questions that ask candidates to '**Describe...**'

Candidates must make relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- **1 mark** should be given for each relevant factual point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(ii) Questions that ask candidates to '**Explain...**'

Candidates must make accurate relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.

Candidates may provide a number of straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- **1 mark** should be given for each relevant point of explanation
- **1 mark** should be given for a further development of a relevant point, including exemplification when appropriate.

(iii) Questions that ask candidates to '**Compare...**'

Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of comparison.

(iv) Questions that ask candidates to '**Discuss...**'

Candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question

1 mark should be given for each accurate point of knowledge that is clearly relevant

- **1 mark** should be given for any further development of a relevant point, including exemplification or a conclusion when appropriate.

(v) Questions that ask candidates to ‘Analyse...’

Candidates must demonstrate the ability to identify/describe/explain relevant parts, and the relationship between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of analysis
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vi) Questions that ask candidates to ‘Evaluate...’

Candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point of evaluation
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vii) Questions that ask candidates to ‘Explore...’

Candidates must demonstrate the ability to carry out a detailed examination or enquiry, or follow a process in order to find out something.

Up to the total mark allocation for this question

- **1 mark** should be given for each accurate point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

Section 1

Question			Expected response(s)	Max mark	Additional guidance
1.			<ul style="list-style-type: none"> • organisations may have to pay more in taxes if they use robots <ul style="list-style-type: none"> ◦ organisations may have less funds to invest in research and development/marketing etc • unemployment may be reduced as organisations retain labour <ul style="list-style-type: none"> ◦ organisations may be less productive than a rival without robotics • less robots used may lead to fewer robotic-related jobs available • provides another income stream for governments <ul style="list-style-type: none"> ◦ can be used to alleviate the strain of funding JSA benefits • Bosch's sales revenue may fall if organisations stop buying robot technology • may reduce FDI into the EU as to avoid countries which impose a robot tax • EU organisations may relocate their factory outside of the EU <ul style="list-style-type: none"> ◦ demand for cheap labour eg in China/India/ASEAN etc increases • EU organisations may outsource robotic manufacturing outside of the EU 	4	<p>Candidates' responses should be based on the information from the case study.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Automation points must link to the robot tax.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
2.			<ul style="list-style-type: none"> • <u>aims to keep staff/rule out redundancies</u> may reduce stress - associated with the fear of job loss • <u>continually reviewed</u> can prevent employees' routines being established - which can overwhelm them/reduce their confidence at work • <u>voluntary agreements</u> mean staff may be pressured - by management to agree to terms that do not benefit them • <u>employee representatives</u> may be able to influence the change management strategy - empowering the employee • <u>trade unions</u> reduce the likelihood that employees are exploited - if a union is representing them collectively • <u>works councils</u> may improve working relationships/atmosphere for managers and employees - as communication improves via the council <ul style="list-style-type: none"> ○ improved communication can make employees better informed <ul style="list-style-type: none"> ▪ less anxious about future organisational changes • <u>referral platforms</u> can increase the employee's chances of securing a new post - if a positive referral is given <ul style="list-style-type: none"> ○ may lead to a greater salary for the employee • <u>early retirement packages</u> allow the employee to spend more time with family - by being able to afford to retire in advance • <u>voluntary redundancy packages</u> may offer employees a cash sum - which reduces the financial strain <ul style="list-style-type: none"> ○ funds the gap between leaving a job and finding a new one • <u>reducing working hours</u> may result in a reduced/pro-rata salary for the employee - which reduces their disposable/discretionary income <ul style="list-style-type: none"> ○ may be less stressful for the employee leading to better mental health • <u>retraining staff</u> leads to staff gaining new skills - which may motivate them <ul style="list-style-type: none"> ○ improved CV means the employee could apply for a promotion • <u>transfer opportunities</u> may reduce the financial strain of relocating to a new country - as often transfer packages are available • <u>temporary contracts</u> do not provide job security - so may demotivate the employee 	8	<p>Candidates' responses should be based on the information from the case study.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Points must be for employees.</p> <p>Watch for repetition.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
3.			<ul style="list-style-type: none"> • <u>€4 billion in sales revenue</u> - could lead to an increase in gross profit • <u>120,000 machines and 250,000 devices</u> - increases the non-current assets <ul style="list-style-type: none"> ◦ increases the depreciation expense • <u>25% increase in productivity</u> - more produced may require more supplies which can increase the cost of sales • <u>20% reduced maintenance costs</u> - could lead to greater profit for the year • <u>energy management AI</u> - reduces the energy used which can reduce the greenhouse gas emissions <ul style="list-style-type: none"> ◦ reduces the carbon offsets required to compensate • <u>AI reduces inventory held by 30%</u> - fewer materials stored which reduces the current assets <ul style="list-style-type: none"> ◦ <u>50% space saved</u> - may be able to use smaller factories/warehouses which may reduce (manufacturing) expenses and improve the profit for the year <ul style="list-style-type: none"> ▪ may lead to an increase in dividend appropriated ▪ increased profit for the year may increase equity • <u>driverless vehicles</u> - drivers not required so may reduce the workforce <ul style="list-style-type: none"> ◦ fewer training days required as there could be fewer workers • <u>AI quality assurance</u> - identifies faults early so reduces the waste to landfill <ul style="list-style-type: none"> ◦ <u>in 50 plants currently</u> - to equip all plants with this technology will increase capital expenditure • <u>robotics</u> - may reduce the accident at work rate by doing dangerous jobs 	6	<p>Candidates' responses should be based on the information from the case study.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Performance data must be labelled.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
4.			<p>Bosch Hydrogen Powertrain Systems</p> <ul style="list-style-type: none"> • <u>60:40 equity share ratio</u> - Bosch will share any losses with the JV partner which may allow it to take more risky growth strategies <ul style="list-style-type: none"> ○ profit sharing may limit the amount retained in the JV for future growth • <u>new company</u> - JV is a separate legal entity from Bosch which could be divested providing a source of finance for another venture • <u>Bosch's expertise and QM's market experience</u> - combined knowledge reduces the risk of the JV failing • <u>China's less favourable FDI conditions than EU</u> - Bosch cannot make acquisitions in China like in the EU due to Chinese regulation • <u>1 million electric trucks in China by 2030</u> - JV allows Bosch to access the potential demand in China <ul style="list-style-type: none"> ○ can lead to profit increases • <u>China-Australia Free Trade Agreement</u> - allows Bosch to use China as a platform for exporting to Australia <ul style="list-style-type: none"> ○ can increase its sales revenue ○ exporting from China to Australia may be cheaper in transport costs due to its geographical proximity ○ Bosch can benefit from the trade deals China negotiates with Australia through its JV 	6	<p>Candidates' responses should be based on the information from the case study.</p> <p>Award 1 mark for each valid evaluation.</p> <p>Award 1 mark for each valid development.</p> <p>A maximum of 3 marks to candidates who make general points on joint ventures without relating them to the case study.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
			<p>Guangdong Vanbo Electric</p> <ul style="list-style-type: none"> • <u>both are suppliers of water heating system solutions</u> - removes a rival from the market <ul style="list-style-type: none"> ○ allowing it to become more competitive in China ○ increasing Bosch's market share in China • <u>access to patents</u> - allows Bosch to utilise this technology to increase its product portfolio in China • <u>3 years of negotiation</u> - possible conflicts/disagreements can slow the speed at which Bosch can access markets using JVs/loss of 3 years' worth of sales potential • <u>Bosch technology pushed to GVE's customers</u> - customers being exposed to the Bosch brand name and purchasing other products from it <p>Weichai and Ceres partnership</p> <ul style="list-style-type: none"> • <u>Weichai is the majority shareholder</u> - limits Bosch's control over decisions which could disadvantage Bosch's position in the Chinese hydrogen market • <u>Licencing IP</u> - will return a royalty fee which provides Bosch with an additional income stream to fund other growth strategies 		

Question			Expected response(s)	Max mark	Additional guidance
5.			<ul style="list-style-type: none"> • <u>10,000 employees</u> - creates jobs in ASEAN/reduces unemployment <ul style="list-style-type: none"> ◦ ASEAN governments will receive more income tax for funding and improving national services • <u>1,300 in R&D</u> - creates innovation which can lead to improved and a greater choice of technology solutions available for ASEAN citizens • <u>€800 million in sales revenue</u> - increased VAT payments (except Brunei) <ul style="list-style-type: none"> ◦ income from Bosch's corporation tax payments on profits • <u>EV charging stations</u> - improves the infrastructure in Indonesia <ul style="list-style-type: none"> ◦ <u>Bosch is helping enable 20% EV sales by 2025</u> - reduces pollution from car emissions/improves air quality in Indonesia • <u>supporting the aquaculture</u> - Bosch is increasing the food supply <ul style="list-style-type: none"> ◦ <u>significantly raising farmers' yields</u> - can lead to better profits for farmers which can be spent in the economy/multiplier effect • <u>Digital Transformation Acceleration Programme</u> - Malaysia benefits from technology transfer from Bosch making its economy more competitive • <u>manufacturing plants in Malaysia</u> - increases Malaysia's GDP <ul style="list-style-type: none"> ◦ <u>exporting battery packs</u> - increases Malaysia's balance of payments • <u>Bosch's Innovation Hub</u> - reduces the demand on Singapore's government to issue grants/start-up funding for new businesses <ul style="list-style-type: none"> ◦ more businesses in Singapore leads to greater economic growth ◦ indirect jobs are created due to Bosch supporting start-up firms that employ Singaporean citizens • <u>expanding its plant in Thailand</u> - satisfy local demand/reduces the risk of component shortages in ASEAN as they are made locally by Bosch • <u>extensive curriculum</u> - improves learners' skills leading to a more qualified/flexible workforce for Vietnam 	8	<p>Candidates' responses should be based on the information from the case study.</p> <p>Award 1 mark for each valid explored point.</p> <p>Award 1 mark for each valid development.</p> <p>A maximum of 4 marks to candidates who make general points on the importance of multinationals to the ASEAN member countries without relating them to the case study.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance														
6.			<table><thead><tr><th>Drivers</th><th>Resistors</th></tr></thead><tbody><tr><td>Bosch components allegedly found in Russian military vehicles</td><td>risking existing supply contracts</td></tr><tr><td>Germany's Economy Ministry launched an investigation</td><td>2021 sales revenue of €1.6 billion</td></tr><tr><td>possibly violated an EU export ban</td><td>refusing new orders</td></tr><tr><td>moral reasons</td><td>3,500 Russian employees</td></tr><tr><td>competitors have withdrawn</td><td>3 large-scale manufacturing locations</td></tr><tr><td colspan="2">Assets for Change<ul style="list-style-type: none">profit for the year in 2021 of €2.5 billionincome from other countries/operates in over 60 countries'Bosch' is a well-established global brand nameEurope's largest vehicle components supplier</td></tr></tbody></table> <p>DRIVERS</p> <ul style="list-style-type: none"><u>Bosch components allegedly found in Russian military vehicles</u> - Bosch could be enabling vehicles which are threatening human life<u>Germany's Economy Ministry's investigation</u> - continuing to supply Russia could damage Bosch's relationship with its home country government<u>possibly violated an EU export ban</u> - if this is proven to be the case then Bosch could face legal consequences/pay a fine<u>moral reasons</u> - Bosch should put people before profits and therefore it would be unethical to remain in Russia<u>competitors have withdrawn</u> - if Bosch does not follow then it could attract negative press in the Western world which could lose it customers/suppliers	Drivers	Resistors	Bosch components allegedly found in Russian military vehicles	risking existing supply contracts	Germany's Economy Ministry launched an investigation	2021 sales revenue of €1.6 billion	possibly violated an EU export ban	refusing new orders	moral reasons	3,500 Russian employees	competitors have withdrawn	3 large-scale manufacturing locations	Assets for Change <ul style="list-style-type: none">profit for the year in 2021 of €2.5 billionincome from other countries/operates in over 60 countries'Bosch' is a well-established global brand nameEurope's largest vehicle components supplier		8	<p>Candidates' responses should be based on the information from the case study.</p> <p>Up to 4 marks for a force field diagram:</p> <ul style="list-style-type: none">1 mark for 2 drivers1 mark for 2 resistors1 mark for an asset for change1 mark for differing arrows and headings <p>Award 1 mark for each valid analysis.</p> <p>Up to a maximum of 4 marks for analysis of any individual drivers and/or resistors.</p> <p>A maximum of 1 mark for an overall evaluation.</p> <p>A maximum of 4 marks if there is no diagram.</p>
Drivers	Resistors																		
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Question			Expected response(s)	Max mark	Additional guidance
			<p>RESISTORS</p> <ul style="list-style-type: none"> • <u>risking existing supply contracts</u> - Bosch may risk damaging its relationship with its Russian business customers and they might refuse to purchase from Bosch again in the future • <u>2021 sales revenue of €1.6 billion</u> - Bosch is cutting off its existing income stream from the country • <u>refusing new orders</u> - loss of future profit-making potential • <u>3,500 Russian employees</u> - possible loss of income for the Russian workers could result in them facing financial hardship/poverty <ul style="list-style-type: none"> ○ Bosch must consider its duty of care for its workforce in Russia • <u>3 large-scale manufacturing locations</u> - Bosch's facilities will continue incurring expenses/running costs despite its plants sitting idle <p>OVERALL EVALUATION</p> <ul style="list-style-type: none"> • Bosch is right to suspend its operations in Russia as this is ethical decision, whilst using its €2.5 billion PFTY to compensate its losses from refusing orders/reduced revenue • Bosch should withdraw... • Bosch should remain... 		

Section 2

Question	Expected response(s)	Max mark	Additional guidance
7.	<p>CLASSICAL MANAGEMENT</p> <ul style="list-style-type: none"> • (Taylor's) scientific management was based on the principles of standardisation, efficiency and discipline • viewed the organisation as a machine and tried to make it efficient • suggested workers were motivated only by money <ul style="list-style-type: none"> ◦ "A fair day's pay for a fair day's work" (Taylor) • suggested there was one best way to perform tasks to maximise workers' efficiency • that managers should plan and workers should carry out the work <ul style="list-style-type: none"> ◦ (Ford) banned the involvement of trade unions • aimed to achieve standardisation by dividing jobs into small tasks • still used in manufacturing industries which standardise processes to remove inefficiencies/limit waste and reduce costs <ul style="list-style-type: none"> ◦ standardisation is used today by many large multinational organisations to ensure customers receive a consistent experience from any outlet eg McDonald's franchise • division of labour can maximise output by using resources efficiently and is used by many labour-intensive production facilities • (Gilbreth's) motion study ideas are still used today in industries such as engineering to measure the time taken to do tasks so that unnecessary steps are removed <ul style="list-style-type: none"> ◦ from this work planning and productivity budgets can be set effectively ◦ appropriate for low skilled jobs which are highly measurable eg scanning items through an electronic till in a supermarket <ul style="list-style-type: none"> ▪ therefore not used for professions, such as teaching and nursing • piece rate payment is still used in industries which require a quick rate of output <ul style="list-style-type: none"> ◦ financial incentives are still used as a primary motivator, in many industries, such as bonuses, piecemeal incentive and commission ◦ however most employees today are not only motivated by money, as they were mostly in Taylor's day, when financial times were harder • a classical hierarchy (Weber) is still seen in traditional/large organisations today as it provides accountability in the workplace 	10	<p>Candidates must explore at least one theory from the classical school of management and at least one theory from the human relations school of management to gain full marks.</p> <p>Award 1 mark for each valid exploration point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept Maslow's Hierarchy of Needs and Herzberg's Two-Factor theory.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> ○ in a classical hierarchy, upward communication was discouraged and this is no longer the case today due to the increasing emphasis on positive employee relations ○ limited empowerment and involvement prevent employees contributing good ideas • classical approaches were based around factory work so are not appropriate in some industries such as the creative sectors • scientific selection uses job descriptions and person specifications to make sure the correct people are recruited • Fayol's 14 principles... • Fayol's role of a manager... <p>HUMAN RELATIONS</p> <ul style="list-style-type: none"> • Mayo focused on importance of social factors and human behaviour and stressed the importance of considering workers' needs to improve productivity • when staff were given attention from managers their productivity/motivation improved • explored the relationship between physical conditions and productivity • workers enjoy social aspects of working in groups • workers may be influenced more by informal groups than official leaders • relationships which evolve at work are more motivating to employees than money • McGregor's Theory X and Theory Y... 		

Question			Expected response(s)	Max mark	Additional guidance
8.	(a)		<ul style="list-style-type: none"> • figurehead represents the organisation as the highest figure of authority <ul style="list-style-type: none"> ◦ instils confidence in shareholders at AGMs • leader inspires/motivates employees <ul style="list-style-type: none"> ◦ may reduce staff turnover as employees will be loyal to them • liaison builds and maintains working relationships with internal and external stakeholders <ul style="list-style-type: none"> ◦ power of persuasion can lead to lucrative business deals • monitor checks progress to ensure plans are on target <ul style="list-style-type: none"> ◦ takes corrective action if targets are not being met • disseminator distributes information within the organisation <ul style="list-style-type: none"> ◦ improves communication channels ◦ may reduce resistance to change • spokesperson delivers speeches/publicly represents the organisation at press conferences/media events <ul style="list-style-type: none"> ◦ diffuse negative media coverage/improves PR ◦ may improve the organisation's image leading to investment • entrepreneur sets the vision for the organisation <ul style="list-style-type: none"> ◦ generates ideas to improve competitiveness • disturbance handler responds to disputes/complications <ul style="list-style-type: none"> ◦ prevents/reduces the impact of issues which may result in loss of earnings/image ◦ issues dealt with effectively minimise delays/save time • resource allocator decides how finances/staffing/technology are used inside the organisation <ul style="list-style-type: none"> ◦ ensuring resources are in the right place at the right time • negotiator interfaces between parties to reach agreements <ul style="list-style-type: none"> ◦ can secure good deals with suppliers/contractors ◦ negotiates with a trade union to reduce strike action 	4	<p>Candidates must describe at least 2 roles to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Candidates must use Mintzberg's labels.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(b)		<ul style="list-style-type: none"> • charities will receive more donations - allowing them to help more people <ul style="list-style-type: none"> ○ improving citizens' lives/reduction in homelessness etc ○ reduction in retained profits - lower dividends for shareholders • positive publicity from the initiatives may increase sales revenue - allowing managers to achieve set targets <ul style="list-style-type: none"> ○ shareholders may see greater dividends due to an increase in profits from the increase in sales revenue ○ greater job security for employees/management ○ managers may receive a share of profits or a bonus as a reward • employees may need to undergo more training - to effectively contribute to initiatives in the local community • employees may have greater job satisfaction - since they are able to do good work in their community/enjoy working for a company with socially responsible values <ul style="list-style-type: none"> ○ reduction in staff turnover - means managers do not need to carry out recruitment and selection processes as much • employees can have an increased levels of stress - through juggling regular and community work <ul style="list-style-type: none"> ○ failure to manage this can lead to poor customer service 	6	<p>Candidates must explain the impact on at least 2 stakeholders to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Stakeholders must be labelled.</p> <p>Watch for duplication/repeat of impact on each stakeholder.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> • renewable energy - can reduce the amount purchased from the National Grid • reduction in fumes/pollution - can benefit local communities • cycle to work schemes - can reduce the cost of buying a bike for employees by subsidising the purchase • reducing the amount of packaging - can help to reduce the unit cost of production which can be passed onto customers in the form of lower prices • reducing plastic in packing may lower plastic suppliers' income <ul style="list-style-type: none"> ○ Costa and Starbucks encourage the use of reusable mugs and offer a reduction in price to customers if the mug is used • electric cars - can reduced CO2 emission helps governments reach environmental targets <ul style="list-style-type: none"> ○ increase lending/profits for banks to finance the initiative ○ customers may be charged higher prices to generate increased revenue to recover the costs of the investment • using local suppliers to reduce transportation - will create more trade/cash income for the suppliers <ul style="list-style-type: none"> ○ increasing the suppliers' chances of survival ○ create more jobs for the local community residents 		

Question			Expected response(s)	Max mark	Additional guidance
9.			<ul style="list-style-type: none"> • use of a panel interview to limit bias <ul style="list-style-type: none"> ◦ use an external interviewer limits unfair judgements • may use the ‘two-ticks’ symbol on applications to encourage disabled candidates <ul style="list-style-type: none"> ◦ must interview disabled applicants who meet the minimum criteria for a job vacancy • omit questions on an application form regarding general health and related issues prior to a job offer being made • do not advertise in places that may discriminate eg female only magazines • offer training on diversity/equality • offer training to females who are on maternity cover • regular audits/reviews/assessments to ensure equality needs at work are considered • improve work access by changing the premises eg installing ramps/lifts • install adjustable and specialist equipment and fittings for disabled workers • provide leave for medical appointments/rehabilitation/gender reassignment/pregnancy-related absences • offer flexible hours to allow disabled workers the opportunity to leave early/start late • support and set up the use of homeworking facilities for disabled workers • provide work-related documents in different formats eg audio/electronic/braille etc • provide a reader/scribe/interpreter if necessary • re-deploy to a different type of work if required <ul style="list-style-type: none"> ◦ this could mean that an existing disabled employee must be given a job even if there are other better-qualified candidates for the post • use of a fair and well-publicised discipline policy for all to tackle discrimination • fair and equal payment for jobs of equal value • publicise a fair payment spine 	10	<p>Candidates must describe at least 2 measures to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
10.	(a)		<p>Transfer pricing is a technique MNCs use to declare profits in lower taxed countries (maximum 1 definition mark)</p> <ul style="list-style-type: none"> • can reduce the amount of taxation paid by the organisation/increased profit (after tax) <ul style="list-style-type: none"> ○ meaning there is more profit available for retaining ○ leading to higher dividends for shareholders • declaring profits in a country leads to taxation revenue <ul style="list-style-type: none"> ○ this can be used to improve state services ○ may improve the organisation's relationship with the government • the transfer price should be determined using an 'arm-length' principle to reduces the risk of tax offices investigating <ul style="list-style-type: none"> ○ organisations should carry out internal audits to review their transfer price practices • could attract negative media attention resulting in loss of sales • may be used to reduce exposure to exchange rate changes • may be used to avoid import duties to reduce the cost of trading • may be subject to fines/sanctions if found to be tax evading • masks actual regional performance <ul style="list-style-type: none"> ○ internal conflicts may occur between regional managers • in 2022 Coca-Cola was found guilty of tax evasion using transfer pricing and was ordered to pay an additional tax payment of \$3.3 billion 	6	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Award 1 mark for a definition of transfer pricing.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
	(b)		<ul style="list-style-type: none"> • using cheap labour by paying workers very low wages compared to workers in developed countries <ul style="list-style-type: none"> ○ making people work unhealthily long hours • using child labour • failing to devise or implement health and safety policies in some countries as the law does not require it • pressuring governments by threatening job losses <ul style="list-style-type: none"> ○ bribing politicians or other influential businesses • monopolising a market by eliminating competition <ul style="list-style-type: none"> ○ using destroyer pricing in countries where it is not illegal ○ establishing cartels and fixing prices • extracting foreign resources in great quantities/depleting natural resources <ul style="list-style-type: none"> ○ purchasing resources at very low cost for well below their value ○ deforestation for palm oil without replanting trees • dumping waste/chemicals in ways that are toxic or create pollution due to a lack of regulation • selling e-waste to poorer economies where land is cheap 	4	<p>Candidates must describe at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each development.</p> <p>Accept any other suitable response.</p>

[END OF MARKING INSTRUCTIONS]