



National  
Qualifications  
2017

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# **2017 Business Management**

## **Advanced Higher**

### **Finalised Marking Instructions**

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## General marking principles for Advanced Higher Business Management

*This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the specific marking instructions for each question. The marking schemes are written to assist in determining the 'minimal acceptable answer' rather than listing every possible correct and incorrect answer.*

- (a) Marks for each candidate response must always be assigned in line with these general marking principles and the detailed marking instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) If a specific 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.
- (d) For each candidate response, the following provides an overview of the marking principles. Refer to the detailed marking instructions for further guidance on how these principles should be applied.

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 paper:

- 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.

## Detailed marking instructions for each question

### Section 1

Question	Expected answer(s)	Max mark	Additional guidance
1.	<p><b>Responses could include:</b></p> <ul style="list-style-type: none"> <li>• <u>Supermarket sales are reducing</u> - Sainsbury's has to find ways of attracting customers eg using reward schemes</li> <li>• <u>Customers are shopping more often and buying fewer items per trip</u> - Sainsbury's will require more staff to facilitate the increase in footfall <ul style="list-style-type: none"> <li>○ Store layouts may be changed to make it easier for customers to purchase goods quickly</li> </ul> </li> <li>• <u>Customers have increasingly busy lifestyles</u> - Sainsbury's may launch more ready meals for cash rich, time poor consumers eg young professionals <ul style="list-style-type: none"> <li>○ <u>Seeking greater choice</u> - Sainsbury's may have to stock more branded goods to compete</li> <li>○ <u>Seeking greater speed</u> - Sainsbury's has invested in self-scanning to reduce queue times</li> <li>○ <u>Seeking high levels of service</u> - Sainsbury's has invested in 7 colleges to train its staff</li> </ul> </li> <li>• <u>Supermarket sales decline as other channels are being used</u> - Sainsbury's have diversified by investing in general merchandise (Argos) to recover its supermarket sales</li> <li>• <u>Increase in online selling</u> - Sainsbury's has expanded its delivery to approximately 96% UK coverage which will require additional staff and transport costs</li> </ul>	6	<p>Candidates' responses should be based on the information from the case study.</p> <p><b>1 mark</b> for each valid point.  <b>1 mark</b> for a development point.</p> <p>No credit for repeat points.</p> <p>A maximum of <b>3 marks</b> to candidates who make general points, without relating them to the Sainsbury's case study.</p> <p>Accept any other suitable response.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> <li>• <u>Increase in convenience shopping</u> - Sainsbury's runs 773 convenience stores to cope with demand</li> <li>• <u>Introduction of the sugar tax</u> - means Sainsbury's will charge a higher selling price for some soft drinks which fall into the sugar tax band to recover the cost of the tax               <ul style="list-style-type: none"> <li>○ Sainsbury's could avoid the sugar tax on its own-brand soft drinks by removing some sugar from its soft drinks</li> <li>○ This will allow Sainsbury's to better compete with branded drinks as it can lower its selling prices</li> </ul> </li> <li>• <u>Increase in more health conscious consumers</u> - Sainsbury's has increased the number of healthier products in its Be Good to Yourself and My Goodness! ranges               <ul style="list-style-type: none"> <li>○ Sainsbury's has reduced the sugar in some own-brand goods equivalent to 321 million calories</li> <li>○ Sainsbury's has increased its healthy products sold to 41% in 2016</li> </ul> </li> <li>• <u>Decline in demand for sugary and fatty goods</u> - Sainsbury's can lose out on sales revenue generated from purchases of these goods               <ul style="list-style-type: none"> <li>○ Sainsbury's needs to increase the amount of healthy products it sells</li> </ul> </li> <li>• <u>Food price deflation</u> - this has resulted in a declining underlying profit figure as selling prices will be lower</li> <li>• <u>Emergence of online rivals</u> - reduction in the growth of Sainsbury's food sales</li> <li>• <u>Increase in discounters</u> - Sainsbury's may need to reduce prices               <ul style="list-style-type: none"> <li>○ May reduce Sainsbury's market share</li> </ul> </li> </ul>		

Question	Expected answer(s)	Max mark	Additional guidance
2.	<p>Responses could include:</p> <div style="text-align: center; margin-top: 20px;"> <div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; padding-bottom: 5px;"> <span>DRIVERS</span> <span>EQUILIBRIUM</span> <span>RESISTORS</span> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;"> <div style="width: 45%;"> <p>Become the leading non-food retailer in the UK</p> <p>→</p> <p>Falling general merchandise sales - opportunity to recover</p> <p>→</p> <p>Gain cost benefits from increased business scale</p> <p>→</p> <p>Decline in supermarket use by customers</p> <p>→</p> <p>Broaden product portfolio/customers want more choice</p> <p>→</p> <p>Strengthen its delivery operations for Click and Collect</p> <p>→</p> <p>Declining food sales due to discounters and online food rivals</p> <p>→</p> <p>Food price deflation</p> <p>→</p> </div> <div style="width: 10%; text-align: center; border-left: 1px solid black; border-right: 1px solid black; padding: 0 5px;"> <p>£1.4 billion investment</p> <p>←</p> <p>Subject to approval by competition regulators</p> <p>←</p> <p>Falling general merchandise sales - risk this continues</p> <p>←</p> <p>Uncertain economic climate</p> <p>←</p> <p><b>Job losses</b></p> <p>←</p> </div> <div style="width: 45%;"> </div> </div> <div style="border: 1px solid black; margin-top: 20px; padding: 10px; text-align: center;"> <p><b>ASSETS FOR CHANGE</b></p> <p>Experience in the UK retail sector, well-trusted brand name, committed workforce, £587 million underlying profit in 2015/16</p> </div> </div>	8	

Question	Expected answer(s)	Max mark	Additional guidance
	<p><b>DRIVERS</b></p> <ul style="list-style-type: none"> <li>• <u>Become the leading non-food retailer in the UK</u> - Sainsbury's will be in a stronger position to compete with rival discounters and other retailers such as Amazon Fresh</li> <li>• <u>Falling general merchandise sales</u> - Sainsbury's must react to counter this loss of sales revenue or else it could face problems with its financial position eg lower profits</li> <li>• <u>Gain cost benefits from increased business scale</u> - can benefit from economies of scale which means Sainsbury's can make cost reductions and increase profit margins</li> <li>• <u>Decline in supermarket use by customers</u> - Argos integrated into Sainsbury's supermarkets may increase footfall and encourage food sales/impulse purchases once customers are inside</li> <li>• <u>Broaden product portfolio</u> - diversification will provide additional income streams by targeting new segments</li> <li>• <u>Strengthen delivery operations</u> - more stores to offer Click and Collect services to customers means it is convenient for them which can improve customers' satisfaction</li> <li>• <u>Declining food sales due to discounters and online food rivals</u> - reduced risk of failure from falling food sales revenue if Sainsbury's strengthens its merchandise market</li> <li>• <u>Food price deflation</u> - food produce market value is low so higher margins are less likely to be successful so moving into general merchandise may allow for more profitable pricing</li> </ul>		<p>Candidates' responses should be based on the information from the case study.</p> <p>Up to <b>4 marks</b> for a force field diagram:</p> <ul style="list-style-type: none"> <li>• <b>1 mark</b> for 2 drivers</li> <li>• <b>1 mark</b> for 2 resistors</li> <li>• <b>1 mark</b> for an asset for change</li> <li>• <b>1 mark</b> for differing arrows and headings.</li> </ul> <p><b>1 mark</b> for each point of analysis.</p> <p>Up to a maximum of <b>5 marks</b> for analysis of any individual drivers, resistors and assets for change.</p> <p>A maximum of <b>1 mark</b> for an overall evaluation.</p> <p>A maximum of <b>6 marks</b> if there is no diagram.</p> <p>No award for general points about acquisitions not related to the case study.</p>

Question	Expected answer(s)	Max mark	Additional guidance
	<p><b>RESISTORS</b></p> <ul style="list-style-type: none"> <li>• <u>£1.4 billion investment</u> - with a declining underlying profit Sainsbury's might risk debt problems if the acquisition is unsuccessful</li> <li>• <u>Subject to approval by competition regulators</u> - the acquisition may be denied wasting time and finance</li> <li>• <u>Falling general merchandise sales</u> - if sales in this area continue to slow then the acquisition may fail</li> <li>• <u>Uncertain economic conditions</u> - the UK could enter a recession/currency devaluation due to the EU exit which means customers will have less money to spend</li> <li>• <u>Job losses</u> - this could lead to low staff morale and make implementing change difficult</li> </ul> <p><b>ASSETS FOR CHANGE</b></p> <ul style="list-style-type: none"> <li>• <u>Expertise in the UK retail sector</u> - Sainsbury's will be able to transfer management techniques and processes to strengthen its acquisition with Home Retail Group plc</li> <li>• <u>Well-known and reputable brand name</u> - customers are more likely to purchase from Sainsbury's/benefits from loyalty</li> <li>• <u>Committed workforce</u> - high skill, motivation and dedication from Sainsbury's staff means the acquisition has an increased chance of success</li> <li>• <u>£587 million underlying profit</u> - there are funds available to finance the acquisition</li> </ul> <p><b>OVERALL EVALUATION</b></p> <ul style="list-style-type: none"> <li>• The main resistors, economic uncertainty and approval from the competition regulators, is out of Sainsbury's control therefore it should pursue the opportunity to grow and increase its profits</li> </ul>		



Question			Expected answer(s)	Max mark	Additional guidance
3.			<p><b>Responses could include:</b></p> <ul style="list-style-type: none"> <li>• <u>Sainsbury's online delivers to 190,000 customers every week</u> - repeated weekly sales keeps Sainsbury's liquid</li> <li>• <u>96% of postcodes covered by Sainsbury's online</u> - more customers can be reached than if Sainsbury's used only supermarkets and convenience stores which means greater sales from a wider geographical area</li> <li>• <u>Click and Collect service</u> - saves delivery time and costs which reduces Sainsbury's operating expenses</li> <li>• <u>Self-service reduces queue times</u> - less checkout staff required saving on wage expenses</li> <li>• <u>Scan and go smartphone app</u> - saves Sainsbury's having to invest in expensive self-scan hardware <ul style="list-style-type: none"> <li>○ <u>Saved digital shopping list</u> - encourages customers to return improving Sainsbury's cash flow</li> </ul> </li> <li>• <u>Nectar cards</u> - encourage customers to purchase more from Sainsbury's to accrue more points <ul style="list-style-type: none"> <li>○ <u>Monitor purchasing trends</u> - allows Sainsbury's to purchase relevant inventory which is selling best to maximise its sales revenue</li> </ul> </li> <li>• <u>Coupon-at-till print technology</u> - Sainsbury's can tailor vouchers to customer's shopping habits which can encourage repeat sales <ul style="list-style-type: none"> <li>○ <u>Supported by suppliers</u> - Sainsbury's can negotiate deals of inventory if it is part of a promotion and therefore can reduce its costs of sales</li> </ul> </li> </ul>	6	<p>Candidates' responses should be based on the information from the case study.</p> <p><b>1 mark</b> for each valid point.  <b>1 mark</b> for a development point.</p> <p>A maximum of <b>3 marks</b> to candidates who make general points, without relating them to the Sainsbury's case study.</p> <p>Points must relate to <b>improving</b> financial position eg increasing sales or reducing costs.</p> <p>Accept any other suitable response.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> <li>• <u>Electronic point of sale (EPOS)</u> - allows Sainsbury's to see the goods that are not selling well and set appropriate inventory levels to minimise the cost of waste from perishable/redundant inventory</li> <li>• <u>Online recruitment only</u> - reduces advertising expenses if vacancies are promoted on the Sainsbury's website <ul style="list-style-type: none"> <li>○ <u>Online test then e-mail or text message</u> - cuts down HR staff time as the letting process is automated which may save on the number of staff required</li> </ul> </li> <li>• <u>Social media</u> - reduces the budget required for marketing as social media is cheap/free</li> </ul>		

Question			Expected answer(s)	Max mark	Additional guidance
4.			<p><b>Responses could include:</b></p> <ul style="list-style-type: none"> <li>• <u>Variety of jobs</u> will mean staff are stimulated/less repetitive and therefore motivated at work. <ul style="list-style-type: none"> <li>○ Increase in flexibility and development of skills in different jobs will increase an employee's confidence at work</li> </ul> </li> <li>• <u>Flexible work arrangements</u> mean staff can stay with Sainsbury's despite other commitments eg new mothers or carers</li> <li>• <u>Great Place to Work</u> forum means staff are involved in changes and less likely to resist them and leave <ul style="list-style-type: none"> <li>○ Staff can feel valued by their participation which can motivate them</li> </ul> </li> <li>• <u>4% pay increase</u> can retain staff who feel they are being paid fairly (credit Taylor)</li> <li>• <u>Living wage under 25</u> means staff are less likely to leave for another retailer who does not offer this</li> <li>• <u>Bonus share of £100 million</u> means staff are rewarded for their hard work so will be loyal to Sainsbury's</li> <li>• <u>10% discount</u> means staff can make savings on their shopping if they continue to work at Sainsbury's</li> <li>• <u>7 food colleges/staff training</u> will make staff feel valued as Sainsbury's is investing in their development</li> <li>• <u>Craft apprenticeships</u> mean staff will stay with Sainsbury's if they can qualify in a craft that will lead to employment in a Sainsbury's store eg fishmonger or baker</li> </ul>	8	<p>Candidates' responses should be based on the information from the case study.</p> <p><b>1 mark</b> for each valid point.  <b>1 mark</b> for a development point.</p> <p>A maximum of <b>3 marks</b> to candidates who make general points, without relating them to the Sainsbury's case study.</p> <p>Points must relate to motivation and/or commitment.</p> <p>Accept any other suitable response.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> <li>• <u>Mentor scheme</u> will assist staff with internal promotion - keeping them committed to Sainsbury's</li> <li>• <u>Awards for long service</u> will encourage staff to stay with the organisation to be rewarded/recognised</li> <li>• <u>Competitive pension</u> means staff will stay at Sainsbury's as they may not get a better pension deal elsewhere <ul style="list-style-type: none"> <li>○ The longer staff are at Sainsbury's the more lucrative the pension may be from long-term contributions</li> </ul> </li> </ul>		

Question		Expected answer(s)	Max mark	Additional guidance
5.		<p>Responses could include:</p> <ul style="list-style-type: none"> <li>• <b>Cost savings</b> increased from £120 million in 2013/14 to £225 million in 2015/16</li> <li>• <b>Dividend per share</b> has decreased from 17.3 pence to 12.1 pence in 3 years meaning shareholders gain less</li> <li>• <b>Retail operating margin</b> has decreased by 0.91% which means Sainsbury's is lowering its prices to compete</li> <li>• <b>Underlying profit before tax</b> has steadily decreased despite significant decreases in costs</li> <li>• <b>Sales growth by area</b> is decreasing in each area showing slow growth</li> <li>• <b>Sales growth by channel of distribution</b> - supermarkets and convenience are decreasing while online is increasing <ul style="list-style-type: none"> <li>○ <u>Delivers to over 190,000 customers every week online</u> which suggests online is a more popular retail method in the UK</li> </ul> </li> <li>• <b>Awards</b>, such as the Grocer Gold and Grocer 33, are recognition of Sainsbury's customer service success</li> <li>• <b>Second largest supermarket in the UK</b> is a measure of Sainsbury's market share success compared to rivals</li> <li>• <b>Largest retailer of Fairtrade products</b> shows it is more supportive of ethical sourcing than its competitions</li> <li>• <b>Over 1 million 'likes' on its Facebook page</b> indicate that Sainsbury's has a strong presence on this platform</li> </ul>	4	<p>Candidates' responses should be based on the information from the case study.</p> <p><b>1 mark</b> for each valid point.  <b>1 mark</b> for a development point.</p> <p>A maximum of <b>3 marks</b> to candidates who make general points, without relating them to the Sainsbury's case study.</p> <p>Accept any other suitable response.</p>

Question	Expected answer(s)	Max mark	Additional guidance
6.	<p><b>LIVING HEALTHIER LIVES</b></p> <ul style="list-style-type: none"> <li>• <u>45% of products sold are healthy</u> means customer's diets may improve               <ul style="list-style-type: none"> <li>○ This could lower illness/obesity and relieve pressure from the NHS's budget</li> </ul> </li> <li>• <u>Invests £200 million into active kids scheme</u> will mean a better sport and health education for young people               <ul style="list-style-type: none"> <li>○ The equipment in schools and youth clubs will improve meaning they can deliver a better service</li> </ul> </li> </ul> <p><b>SOURCING WITH INTEGRITY</b></p> <ul style="list-style-type: none"> <li>• <u>Over £400 million in Fairtrade products</u> will mean third-world farmers receive fair payment to improve their living standards               <ul style="list-style-type: none"> <li>○ Suppliers will benefit from an increase in purchases as Sainsbury's promote Fairtrade goods</li> </ul> </li> </ul> <p><b>RESPECT FOR OUR ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>• <u>50% reduction in own-brand packaging</u> may mean cost savings which can improve profits for shareholders who may receive a better return/dividend</li> <li>• <u>£10 million investment in 'waste less, save more'</u> means customers are reducing their household costs by wasting less food/spending less by purchasing food quantities more economically due to the scheme</li> <li>• <u>30% reduction in carbon emissions</u> helps the government meet its nation-wide green agenda/goals</li> <li>• <u>All stores donating to food charities</u> means homeless/poor/deprived families are better fed</li> </ul>	8	<p>Candidates' responses should be based on the information from the case study.</p> <p><b>1 mark</b> for each valid point.  <b>1 mark</b> for a development point.</p> <p>A maximum of <b>3 marks</b> to candidates who make general points, without relating them to the Sainsbury's case study.</p> <p><b>Do not accept</b> the benefits to Sainsbury's - only its stakeholders.</p> <p>Accept any other suitable response.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<p><b>MAKING A POSITIVE DIFFERENCE TO OUR COMMUNITY</b></p> <ul style="list-style-type: none"> <li>• <u>All stores supporting a local charity</u> will mean better development for the local community tackling social problems by relieving the pressure of volunteers/charity budgets</li> <li>• <u>£7 million in 2016</u> was donated by 1240 stores therefore if all stores are supporting charities much more can be raised</li> </ul> <p><b>A GREAT PLACE TO WORK</b></p> <ul style="list-style-type: none"> <li>• <u>30,000 employed through the 'you can' scheme</u> will mean less unemployment and less pressure on government's budget to supply benefits</li> <li>• <u>Employee salary at £9 per hour</u> will increase the disposable income of the employee improving their wealth</li> </ul>		

## Section 2

Question	Expected answer(s)	Max mark	Additional guidance
7.	<p><b>Responses could include:</b></p> <ul style="list-style-type: none"> <li>• <b>Figurehead</b> - the CEO is the role model of the company and represents the firm out with the company <ul style="list-style-type: none"> <li>○ A strong figurehead can lead to beneficial PR and media attention</li> </ul> </li> <li>• <b>Leader</b> - to inspire and motivate employees <ul style="list-style-type: none"> <li>○ A strong leader can instil loyalty from the workforce/may reduce staff turnover</li> </ul> </li> <li>• <b>Liaison</b> - builds and maintains relationships and communication channels <ul style="list-style-type: none"> <li>○ Power of persuasion can lead to lucrative business deals and opportunities</li> </ul> </li> <li>• <b>Monitor</b> - supervisory role, checking progress to ensure plans are on target <ul style="list-style-type: none"> <li>○ The workforce will be more productive if the manager is checking if work is being done</li> <li>○ The manager can take corrective action if targets are not being achieved</li> </ul> </li> <li>• <b>Disseminator</b> - distribute and convey information to relevant bodies in the organisation <ul style="list-style-type: none"> <li>○ Reduces confusion and stress from staff if communication is clear and often</li> </ul> </li> <li>• <b>Spokesperson</b> - delivers speeches and publically represent the firm's interests at press conferences and media events to the wider community <ul style="list-style-type: none"> <li>○ Can lead to investment from potential shareholders</li> </ul> </li> </ul>	10	<p>1 mark for each valid point. 1 mark for a development point.</p> <p>If no ID a description must be implicit to gain the mark. No marks for a role with an incorrect ID.</p> <p><b>Up to a maximum of 5 marks</b> may be awarded for descriptions of the roles.</p> <p>Accept any other suitable response.</p>



Question			Expected answer(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> <li>• <b>Entrepreneur</b> - sets the vision for the company/team and make decisions as to its direction <ul style="list-style-type: none"> <li>○ Innovative idea generation can give a firm an edge over rivals</li> </ul> </li> <li>• <b>Disturbance handler</b> - handles issues, problems and complications <ul style="list-style-type: none"> <li>○ Minimises delays and disputes which saves time</li> </ul> </li> <li>• <b>Resource allocator</b> - makes decision as to how finances, staffing and technology are used within the firm <ul style="list-style-type: none"> <li>○ Poor decision making can be costly to an organisation</li> </ul> </li> <li>• <b>Negotiator</b> - act as the interface between parties to reach an agreement <ul style="list-style-type: none"> <li>○ Can secure good deals with suppliers/contractors which lowers costs</li> </ul> </li> </ul>		

Question		Expected answer(s)	Max mark	Additional guidance
8.	(a)	<p><b>Responses could include:</b></p> <p>Transfer pricing is a technique multinationals use when declaring profit in order to reduce their tax liability.</p> <p>A multinational will declare low profits in a country with high tax rates.</p> <p><b>OR</b></p> <p>A multinational will declare high profits in a country with low tax rates</p> <p><b>Multinational</b></p> <p>Positive</p> <ul style="list-style-type: none"> <li>• The ability to reduce the amount of tax paid <ul style="list-style-type: none"> <li>◦ Such reductions in outgoings/costs will boost profits</li> </ul> </li> <li>• The multinational may often have a legal agreement with the host country to pay less tax as a condition of setting up in the host country which reduces the possibility of having to pay a large tax bill</li> </ul> <p>Negative</p> <ul style="list-style-type: none"> <li>• The multinational's reputation may be negatively affected if home/host consumers protest against it <ul style="list-style-type: none"> <li>◦ Boycotting the company will reduce sales</li> <li>◦ Multinationals can be taken to court by a host country if it is felt that they have used transfer pricing</li> </ul> </li> </ul>	4	<p>1 mark per effect. 1 mark per development.</p> <p>A maximum of <b>2 marks</b> for description of transfer pricing.</p> <p><b>No marks</b> awarded for direct flips.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<p><b>Host</b></p> <p>Positive</p> <ul style="list-style-type: none"> <li>• A country that has low tax rates will encourage multinationals to operate in that country to use transfer pricing to pay lower tax <ul style="list-style-type: none"> <li>○ This will create employment and improve wealth of the country</li> </ul> </li> </ul> <p>Negative</p> <ul style="list-style-type: none"> <li>• Not raising much tax revenue</li> </ul> <p>Give credit for examples - Starbucks, Google, Amazon etc.</p>		

Question		Expected answer(s)	Max mark	Additional guidance
	(b)	<p><b>Responses could include:</b></p> <p>A multinational company has operations in more than one country and a definite home base.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Multinational may have the resources available to take advantage of previously un-tapped resources which can be shared with the host country</li> <li>• Local businesses will learn management techniques from the multinational</li> <li>• Infrastructure improvements will benefit the local area <ul style="list-style-type: none"> <li>○ Shell built roads in Chad</li> </ul> </li> <li>• Balance of Payments will improve as their exports are increased</li> <li>• Creates a large amount of employment <ul style="list-style-type: none"> <li>○ Boost to local economy as employees will spend wages locally</li> </ul> </li> <li>• Corporation tax paid to the government can be used improving services in the country</li> <li>• Multinational could use local services which creates more jobs, eg catering or cleaning</li> <li>• Competition can force local businesses to become more efficient <ul style="list-style-type: none"> <li>○ Offering cheaper prices to the consumer, better quality products</li> </ul> </li> </ul>	<b>6</b>	<p><b>1 mark</b> for definition of multinational.</p> <p><b>1 mark</b> per impact on host country.  <b>1 mark</b> per development.</p> <p>A maximum of <b>5 marks</b> for answers which do not mention both costs and benefits.</p>

Question			Expected answer(s)	Max mark	Additional guidance
			<p><b>Costs</b></p> <ul style="list-style-type: none"> <li>• Exploitation of workers and resources (eg clothing manufacturers in Bangladesh - child labour, working conditions)</li> <li>• Subsidies, grants and tax-breaks as enticements may cost more than is received in taxation/jobs</li> <li>• Multinational may monopolise local raw materials <ul style="list-style-type: none"> <li>○ eg Coca Cola water requirements in India caused shortages in local area</li> </ul> </li> <li>• Host country businesses may suffer from new competition <ul style="list-style-type: none"> <li>○ Force them to close down as they cannot compete</li> </ul> </li> <li>• Control/influence of local councils/governments due to threatening to leave</li> <li>• May pull out and creating mass unemployment</li> <li>• May only provide low paid jobs</li> <li>• Higher-paid managerial jobs taken up by home country staff</li> </ul>		

Question		Expected answer(s)	Max mark	Additional guidance
9.	(a)	<p><b>Responses could include:</b></p> <p>CSR is the responsibility the company has to all its stakeholders internal and external.</p> <ul style="list-style-type: none"> <li>Increased competition - CSR allows them to gain a better public image and increases media coverage <ul style="list-style-type: none"> <li>Brings benefits in terms of risk management, cost savings, access to capital and innovation capacity which allows them be competitive</li> </ul> </li> <li>Rise in public awareness for CSR and changing consumer demands <ul style="list-style-type: none"> <li>The public are more aware of CSR and expect businesses to include it into the policies in order to give back to the society and look after the environment</li> </ul> </li> <li>Motivates employees - Employees like working for a company that has a good public image <ul style="list-style-type: none"> <li>Happy employees almost always equal better output</li> </ul> </li> <li>Attract and keep investors - Investors are more likely to be attracted to and continue to support companies that demonstrate a commitment not only to employees and customers, but also to causes and organisations that impact the lives of others</li> <li>Corruption and fraud - as soon as a few organisations were caught behaving corruptly, governments, customers and other stakeholders started paying attention and watching the behaviours of others therefore businesses had to be socially responsible to avoid bad publicity and losing employees</li> </ul>	4	<p>1 mark per analysis.</p> <p>1 mark per development.</p> <p>1 mark for a definition of CSR.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(b)	<p><b>Responses could include:</b></p> <ul style="list-style-type: none"> <li>• Using less energy lowers pollution levels therefore meets government aims, as the government is committed to slowing down climate change</li> <li>• Using less water reduces water pollution which is vital as water shortages threaten farmers <ul style="list-style-type: none"> <li>○ The Living Planet assessment suggests wildlife populations have fallen by 58% since 1970, it disrupts the biosphere which has a negative impact on crops impacting local farmers</li> </ul> </li> <li>• Implementing a recycling policy reduces waste which will reduce costs for owners as it will reduce the amount they need to pay in landfill tax <ul style="list-style-type: none"> <li>○ If costs are reduced profits are increased</li> <li>○ Leading increased dividends for shareholders</li> </ul> </li> <li>• Reducing their packaging can reduce amount of packaging thrown away which will meet the need of customers as their awareness and desire for less packaging has risen dramatically over the last few years <ul style="list-style-type: none"> <li>○ Reduces the cost of supplies which will reduce expenses increasing manager's budgets</li> <li>○ Higher profits may lead to organisation awarding pay rises</li> </ul> </li> <li>• Reduction in noise pollution from changing to quieter machinery will reduce noise and disturbances for the local community</li> <li>• Reduction of transport will help to reduce their carbon dioxide emissions in order to improve air quality <ul style="list-style-type: none"> <li>○ Organisations using local suppliers is one way of doing this, this not only helps the local economy by helping businesses thrive but also allows consumers to feel like they are supporting their area</li> </ul> </li> </ul>	6	<p>1 mark per exploration.</p> <p>1 mark per development.</p> <p>A maximum of <b>3 marks</b> for general point which names the initiative and its impact but has no link to stakeholder.</p> <p>Watch for duplication of effects on stakeholders.</p>

Question			Expected answer(s)	Max mark	Additional guidance
10.			<p><b>Responses could include:</b></p> <p><b>Top-down Approach</b></p> <p><b>Definition:</b> Managers impose change without consultation. Communication is one way - top down.</p> <p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• Managers have an overview of the organisation - so can make the change in line with the company's mission <ul style="list-style-type: none"> <li>◦ Maintaining integrity of corporate culture</li> </ul> </li> <li>• An appropriate approach in a major crisis - solutions can be achieved even when time for decision-making is short</li> <li>• An appropriate approach when a specific change is essential - and there is no room for alteration/discussion</li> <li>• This approach results in coherent tactical change - in line with overall strategy</li> <li>• This approach results in swift action and little delay <ul style="list-style-type: none"> <li>◦ Allowing opportunities to be taken advantage of, or market changes to be followed</li> </ul> </li> <li>• This approach is appropriate to use in organisations with no culture of change - as there is no requirement for mutual trust</li> <li>• This approach can be useful if unskilled/inexperienced staff - guidance from management may be required to ensure completion of tasks</li> </ul>	10	<p>Award a maximum of <b>4</b> definition marks.</p> <p>Award a maximum of <b>6 marks</b> for either approach.</p> <p>Award marks for direct comparisons.</p> <p><b>No marks</b> awarded for direct flips.</p>



Question	Expected answer(s)	Max mark	Additional guidance
	<p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• People lower down the organisation may not feel they “own” the change               <ul style="list-style-type: none"> <li>○ This may cause resistance and slow acceptance of the need for change</li> <li>○ This may lead to demotivated staff</li> <li>○ Experienced staff may feel particularly demotivated by this approach</li> </ul> </li> </ul> <p><b>Participative Approach</b></p> <p><b>Definition:</b> Change is the result of discussion and consensus among all those involved. Employees at all levels are consulted.</p> <p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• This approach encourages trust between management and workforce - makes change smoother               <ul style="list-style-type: none"> <li>○ Allows for better teamwork</li> </ul> </li> <li>• This approach encourages contributions from subordinates which may increase the range of possible outcomes - enhancing the options/ideas available to an organisation</li> <li>• This approach has better success prospects in terms of implementing change as everyone has had an input into it and so “owns” it</li> <li>• A participative approach requires consultation with staff and this will improve communication within the organisation</li> <li>• Staff regularly have their ‘voice’ heard, which encourages real commitment from staff</li> </ul>		

Question			Expected answer(s)	Max mark	Additional guidance
			<b>Disadvantages:</b> <ul style="list-style-type: none"> <li>• This approach will only work well when respect has built up between managers and staff</li> <li>• Trust can be easily damaged if management has to take back the right to push a change through eg in a crisis situation</li> <li>• This approach can be time consuming because it requires considerable co-operation and communication</li> <li>• Involvement of staff in different areas may result in conflicting activities in different areas of the organisation</li> <li>• The length of time taken to consult in a participative approach causes delays to activity</li> </ul>		

[END OF MARKING INSTRUCTIONS]