



GCE A LEVEL MARKING SCHEME

SUMMER 2022

**A LEVEL
BUSINESS - COMPONENT 1
A510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2022 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

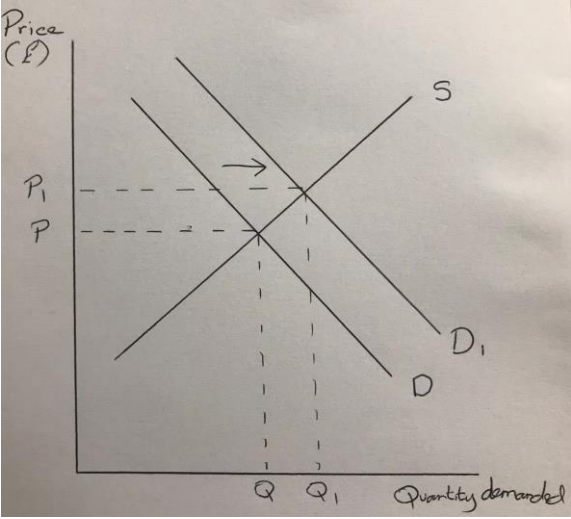
The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS GCE A LEVEL BUSINESS

COMPONENT 1: BUSINESS OPPORTUNITIES AND FUNCTIONS

SUMMER 2022 MARK SCHEME

Question		Total
1.	<p>Explain two reasons why entrepreneurs are important to the UK economy.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for each correct reason identified why entrepreneurs are important to the UK economy. (Max 2 marks)</p> <p>AO3: 2 marks</p> <p>Award 1 mark for each correct reason explained. (Max 2 marks)</p> <p>Indicative content:</p> <p>Entrepreneurs operating in the secondary sector can buy resources from the primary sector and sell finished goods to the tertiary sector.</p> <p>Entrepreneurs organise factor inputs such as labour in the running of businesses which provide jobs and income for people.</p> <p>Increased spending in local economies can improve facilities, increase employment and provide more tax revenues for government, reducing welfare payments.</p> <p>Products made in the secondary sector can be sold in the tertiary sector, therefore providing more employment, income and tax for the government, including export sales.</p> <p>Entrepreneurs can innovate new products and processes that can be made in factories and then sold to retailers or direct to customers.</p> <p>Increased innovation can lead to a competitive advantage for the UK and can support exports, therefore helping the balance of payments. Investment into the UK might increase.</p> <p>Customers have more choice of products to purchase, and the satisfaction of society as a whole might increase.</p> <p>Credit any other valid point.</p>	4

Question		Total
2. (a)	<p>Complete and fully label the demand and supply diagram below to show the effect of rising incomes on the market for branded breakfast cereals.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for correct labelling of demand curve and supply curve. Award 1 mark for correct labelling of P/P1 and Q/Q1 or change to the equilibrium point (E/E1)</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct shift of demand curve to the right.</p>  <p>NB: If supply curve is shifted to the right, then award OFR for correct labelling of the new equilibrium point or P1/Q1</p>	3

2. (b)	Evaluate the extent to which changes in income can affect the demand for inferior products.			[6]
Band	AO1	AO3	AO4	
	2 marks	2 marks	2 marks	
2	2 marks Good knowledge of inferior products	2 marks Good analysis of how changes in income can affect demand for inferior products Clearly shows the relationship between income and demand for inferior products Clear lines of reasoning are evident	2 marks Good evaluation of how changes in income can affect demand for inferior products Lines of evaluation are well-developed	
1	1 mark Limited knowledge of inferior products	1 mark Limited analysis of how changes in income can affect demand for inferior products Underdeveloped points are made	1 mark Limited evaluation of how changes in income can affect demand for inferior products Judgements are superficial and may be unsupported	
0	0 marks No valid knowledge	0 marks No valid analysis	0 marks No valid evaluation	

Indicative content:

- Inferior goods are those goods that have negative income elasticity of demand – demand rises when real incomes fall. Supermarket own-label products are a good example of inferior goods.
- An increase in income may lead to a fall in demand for inferior products as some people may switch to more expensive / branded / premium / better quality alternatives **as they become more affordable**, and people buy more of what they want. Vice-versa for a decrease in income.

Possible themes for evaluation:

- The extent to which income affects the level of demand for inferior products depends on YED, and for price changes, PED.
- The absolute change in income (and other factors) will impact on whether demand is affected by a small or large amount.
- Some people may not experience changes in income and others may experience more significant changes.
- Although changes in income invariably affect the demand for inferior products, there are other factors that also contribute to changes in demand (e.g. a change in consumer tastes). Some of these factors could lead to an increase in demand and others, perhaps simultaneously, lead to a decrease in demand.

Credit any other valid point.

Question		Total
3. (a)	<p>Identify one example of a semi-variable cost.</p> <p>AO1: 1 mark</p> <p>Labour Maintenance</p>	1
3. (b)	<p>Calculate the net profit for 2021</p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award 1 mark for correct formula Award 1 mark for correct answer</p> <p>$72\,450 - \pounds 62\,200 = \underline{\pounds 10\,250}$ $\pounds 72\,450 - \pounds 10\,000 - \pounds 30\,200 - \pounds 2\,000 - \pounds 20\,000 = \underline{\pounds 10\,250}$</p> <p>Award 1 mark for correct answer without £ sign.</p>	2
3 (c)	<p>Calculate the net profit margin for 2021</p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award 1 mark for correct formula Award 1 mark for correct answer</p> <p>$\pounds 10\,250 / \pounds 130\,000 \times 100 = \underline{7.88\% \text{ or } 7.9\%}$</p> <p>Award 1 mark for correct answer without % sign.</p> <p>OFR applies from 3 (a) (ii)</p>	2

3. (d)	Evaluate the impact of the change in net profit and net profit margin on Water Sports. [6]		
Band	AO1	AO2	AO4
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of net profit and net profit margin</p>	<p>2 marks</p> <p>Good application of the changes in net profit and net profit margin in the context of Water Sports</p> <p>Candidate uses the information in the case materials to support the answer</p>	<p>2 marks</p> <p>Good evaluation of the impact of the changes in the calculations on Water Sports</p> <p>A clear judgement is made that is supported</p>
1	<p>1 mark</p> <p>Limited understanding of net profit and/or net profit margin</p> <p>Superficial statements are made</p>	<p>1 mark</p> <p>Limited application is made</p> <p>The response is mainly theoretical with only minor reference made to Water Sports or to the calculations</p>	<p>1 mark</p> <p>Evaluation is limited</p> <p>Judgements are underdeveloped or unsupported</p> <p>Evaluation tends to be asserted rather than explained</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

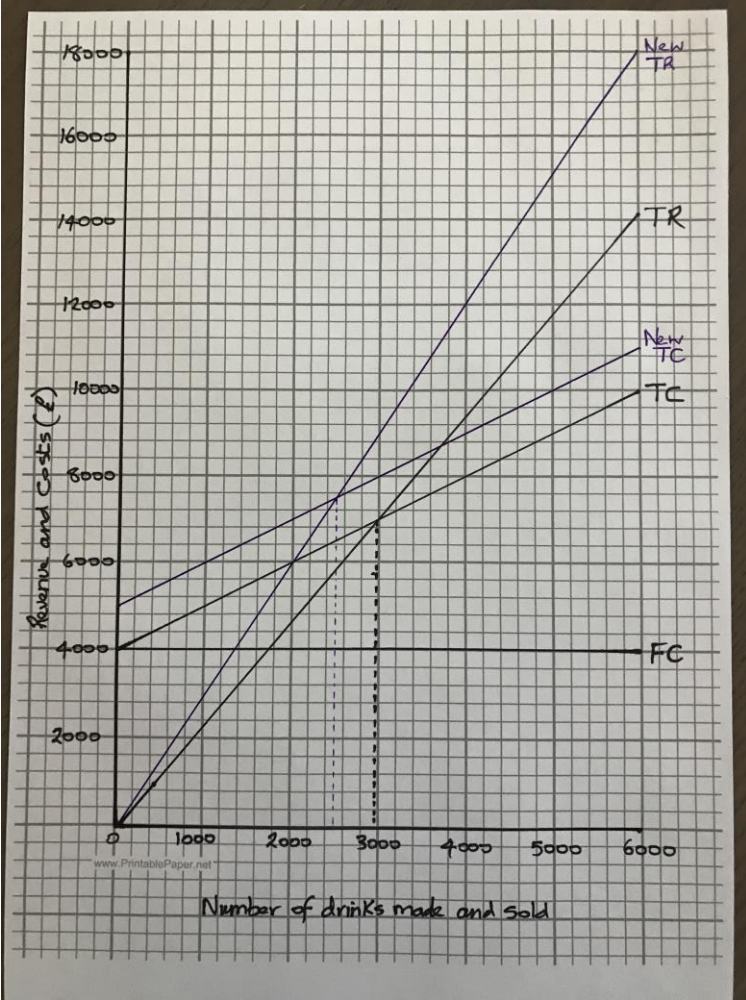
- The net profit has decreased by £24 250 (from £34 500) (a fall of 70.29%).
- The net profit margin has increased by 3.08%/3.1% (from 4.8% in 2020).
- Apply OFR for 3 (a) (ii) and (iii)

- The net profit has decreased substantially over the two-year period, but much depends on whether the owners anticipated this given the increase in competition. The significant decline in net profit can have a devastating negative impact on Water Sports, especially if they cannot cut their costs or compete effectively. The fall in net profit follows a three-year trend and therefore, if this pattern continues, the effect on Water Sports could be disastrous. The business may struggle to meet rent payments or pay its staff, which are its biggest expenses.

- The net profit margin has improved over the two-year period, which is positive, in light of the fall in the net profit. The change in the net profit margin suggests that Water Sports has been able to control their expenditure slightly better relative to their sales revenue, compared to the previous year. The improvement in this profitability ratio may be encouraging, but it can be considered to be relatively low, and no information is provided on previous net profit margins apart from 2020, making further interpretation difficult.

- Overall, the changes in the calculations may be regarded as negative, given the risk of net profit falling further and perhaps resulting in an inability to meet operational costs, suggesting an overall negative impact on the future of Water Sports. Small comfort is provided by the improvement in the net profit margin and if the business can make further improvements to their efficiency levels by controlling expenses and increasing revenue, then more of a positive impact may result in the future performance of Water Sports.

Credit any other valid point.

Question		Total
4. (a) (i)	<p>The new total revenue line.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct drawing of new total revenue line</p>	1
(ii)	<p>The new total costs line.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct drawing of new total costs line</p>  <p>NB: ensure new TC line starts from £5 000 and not £4 000.</p>	1

Question		Total
4. (b)	<p>Explain how these changes have affected the break-even point.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for identifying that the original break-even output is 2 963 drinks and the new break-even output is 2 500 or the new break-even output has decreased 463 drinks (accept range between 400–600)</p> <p>OFR from 4a</p> <p>AO3: 1 mark</p> <p>Award 1 mark for valid explanation</p> <p>Indicative content:</p> <p>The additional revenue is £3 900 (accept range between £3 800–£4 000) and the additional fixed costs / total costs are only £1 000.</p> <p>The change in fixed costs is less than the change in revenue meaning less drinks have to be sold.</p> <p>More revenue is being generated from the price increase so less drinks have to be sold to break-even.</p>	2

4. (c)	Evaluate the usefulness of break-even to the stakeholders of a business. [10]		
Band	AO1	AO3	AO4
	2 marks	4 marks	4 marks
3		<p>4 marks</p> <p>Excellent analysis of the usefulness of break-even to the stakeholders of a business</p> <p>Key issues have been well developed with a clear line of argument</p> <p>Analysis includes positive and negative impacts on stakeholders</p>	<p>4 marks</p> <p>Excellent evaluation of the usefulness of break-even to the stakeholders of a business</p> <p>The evaluation is well-balanced and detailed</p> <p>Clear judgement made supporting statements</p> <p>Qualifying statements may be used</p>
2	<p>2 marks</p> <p>Good understanding of the usefulness of breakeven to stakeholders</p>	<p>2-3 marks</p> <p>Good analysis of the usefulness of break-even to the stakeholders of a business</p> <p>Clear lines of reasoning</p> <p>Analysis may be one-sided</p>	<p>2-3 marks</p> <p>Good evaluation of the usefulness of break-even to the stakeholders of a business</p> <p>Well-reasoned judgement with supporting statements</p> <p>Evaluation is reasonably well-developed</p>
1	<p>1 mark</p> <p>Limited understanding of the usefulness of break-even to stakeholders</p>	<p>1 mark</p> <p>Limited analysis of the usefulness of break-even to the stakeholders of a business</p> <p>Underdeveloped points are made</p> <p>Analysis may focus on one side of the argument</p>	<p>1 mark</p> <p>Limited evaluation of the usefulness of break-even to the stakeholders of a business</p> <p>Judgements are superficial and may be unsupported</p> <p>Evaluation is likely to be underdeveloped</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

- Owners of a business could find break-even to be a simple and easily understood way of illustrating costs, revenue and profit, which can aid in decision making. Risk of making the wrong decision and therefore wasting time and money are reduced.
- Owners can use break-even as part of a business to help them secure borrowing or investment.
- Managers might find break-even useful for target setting for production and sales levels. Managers could also use 'what if' analysis to model the effects of changes in costs and revenue on the break-even point and made decisions accordingly. However, managers might find this to be of limited usefulness as break-even assumes only one product is produced and sold and is therefore a simplified analysis of information. Not all managers of a business will find break-even to be useful or relevant for their role.
- Employees may not have any direct use of break-even or may not have access to the information, depending on their role/interest. However, employees may be able to use break-even output to gauge whether the business is performing well and is secure by comparing break-even output over time. In practice, employees may not be interested in break-even per se as a determinant of job security.
- Customers may not have any direct use of break-even and as an internal tool for a business would not usually have access to such information.
- Banks / lenders might find break-even output to be particularly useful in assessing business plans and to support application for finance. However, break-even is likely to be only one piece of information that contributes to this decision and banks / lenders may not place much weight on break-even as evidence of potential / actual success depending on how credible the information is.
- Suppliers may not have direct use of break-even as it is an internal document for a business, but suppliers may be interested in knowing what quantity businesses need to produce and sell in order to cover costs. Suppliers could then use information to assess how viable a business is based on how much a business is ordering from them. A supplier may wish to know some information relating to break-even in order to develop relationships and make deals.
- Competitors will probably find break-even to be useful to know in order to assess how well they fair to another business. This would depend on accessing internal information and being able to rely on the credibility of the information. Competitors may not be interested in break-even information as it is doubtful that this information provides information crucial to business success.
- Government will probably not find break-even information to be directly useful. This information doubtfully is used to calculate tax and is not part of published accounts.

Possible themes for evaluation:

- Break-even is more useful for internal stakeholders of a business, in particular owners and relevant functional managers.
- External stakeholders on the whole, apart from the notable exception of banks / lenders, are likely to find break-even to be less useful. Most external stakeholders are most likely to be uninterested in the information or will not be able to access it.
- Break-even is a rather simplistic tool to represent revenue, costs and profit based on relatively little information. Owners, managers and banks will most likely find break-even to be of some use but will need to use other information and data to assess performance and to make decisions.

Credit any other valid point.

5.	Evaluate the impact on Armani of using various distribution channels. [10]		
Band	AO1	AO2	AO4
	3 marks	3 marks	4 marks
3	<p>3 marks</p> <p>Excellent understanding of distribution channels</p> <p>Clear knowledge of different distribution channels</p>	<p>3 marks</p> <p>Excellent application of distribution channels to Armani</p> <p>Information from the data is consistently used</p> <p>Clear and accurate examples are used for different distribution channels</p>	<p>4 marks</p> <p>Excellent evaluation of the impact on Armani of using various distribution channels</p> <p>Clear reference to the data and context to support argument</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>Evaluation is well-balanced and well-reasoned</p>
2	<p>2 marks</p> <p>Good understanding of distribution channels</p> <p>Characteristics / features of different distribution channels are identified</p>	<p>2 marks</p> <p>Good application of distribution channels to Armani</p> <p>Good use of the case and response is in context of Armani</p>	<p>2-3 marks</p> <p>Good evaluation of the impact on Armani of using various distribution channels</p> <p>Evaluation is reasonably well-balanced</p> <p>A clear judgement is made that is supported</p>
1	<p>1 mark</p> <p>Limited understanding of distribution channels</p> <p>Superficial statements are made</p>	<p>1 mark</p> <p>Limited application of distribution channels to Armani</p> <p>The response is mainly theoretical with the limited use of examples from the case</p>	<p>1 mark</p> <p>Limited evaluation of the impact on Armani of using various distribution channels</p> <p>Evaluation is limited and is likely to be one-sided</p> <p>Judgements are underdeveloped or unsupported</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

- A distribution channel is the method used to get goods to the final customer. Traditional distribution channels use intermediaries and a traditional route to the final customer is 'manufacturer – wholesaler – retailer – customer'. Direct distribution is understood to be 'manufacturer – customer'.
- Businesses can distribute their goods/services through physical retail shops and websites, or through magazines/catalogues and direct mail or email.
- Armani operates a multi-channel distribution model by using a combination of distribution channels such as selling through retailers, its own stores/website and other online platforms. This allows greater selling opportunities, greater awareness of the Armani brand and easier accessibility and availability for its customers.
- Distribution via retailers – as a popular brand, the Armani label is likely to be in demand from retailers who seek to stock Armani's products. Larger retailers in particular, such as department stores and specialist clothing retailers, are likely to place relatively large orders. This means that Armani's distribution costs are lower and are likely to be able to offer retailers incentives and discounts on their larger orders to encourage them to stock more products. By Armani having presence in physical retail shops, it is likely to be able to compete more easily with other fashion brands also on display. However, retailers may have some influence over Armani in terms of choosing what they stock and how much of it they dedicate to their retail space, meaning Armani may not have full control over its product range, prices and display of its merchandise in retailers. Much of this will depend on the contracts it agrees with retailers.
- Direct distribution via its own retail stores – Armani can control its own prices and product ranges in its own stores but will have to finance the operational and long-term costs of having its own retail outlets. Armani can sell its exclusive products in its stores without the direct competition of rival businesses and might attract customers who want to experience a wide range of Armani products in the same place.
- Direct distribution via its own website – Armani can fulfil direct orders from customers who buy from its own website from central fulfilment centres around the world. This can reduce the costs of having as many retail stores but increase central storage and staffing costs to meet these orders. Some retailers or partners may have issues with Armani fulfilling their own orders, especially if it offers lower prices than retailers or if there are price controls on the products that they sell. Armani can also collect information about customers that buy directly from them in order to offer incentives and discounts through email marketing campaigns.

Possible themes for evaluation:

- Armani's multi-channel distribution model seems to be working well for them in terms of facilitating a dominant presence around the world. Without such wide distribution and availability of its products, it might not have as great a brand name and awareness as it has achieved.
- Armani's distribution channels allow customers to buy in a place and method that is likely to suit their preferences. This undoubtedly has been an expensive undertaking over many years in order to achieve and is likely still to incur high costs in order to stay visible and relevant in a highly competitive industry.
- Relying on just one distribution channel would have perhaps meant that Armani would not have achieved its current status and awareness, especially in retail stores or online platforms that it does not own as other fashion brands and products would be in direct competition for shelf and screen space.
- The impact of using various distribution channels on Armani is likely to be substantially positive, as without its current model, it most probably would not be as competitive as a business.
- Despite their relative success to date, Armani must ensure that it uses distribution channels that remain current and responsive with customer demand, especially as it operates in a highly competitive industry.
- Armani seem to be maximising the advantages from each of the distribution channels it uses to sell its products, but at the same time, this adds complexity to its business model and operations, which inevitably adds costs.

Credit any other valid point.

Question		Total
6. (a) (i)	<p>Calculate:</p> <p>Net cash flow for December</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer (<u>1 350</u>)</p>	1
(ii)	<p>Calculate:</p> <p>Closing balance for April</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer (<u>1 575</u>)</p>	1

6. (b)	Explain the potential limitations to a business of cash flow forecasting.		[6]
Band	AO1	AO3	
	3 marks	3 marks	
3	<p>3 marks</p> <p>Excellent understanding of cash flow forecasting</p> <p>Identification of a range of potential limitations to businesses of cash flow forecasting</p>	<p>3 marks</p> <p>Excellent analysis of the potential limitations to businesses of cash flow forecasts</p> <p>Logical chains of reasoning</p> <p>Analysis is developed and detailed</p>	
2	<p>2 marks</p> <p>Good understanding of cash flow forecasting</p> <p>Identification of potential limitations to businesses of cash flow forecasting</p>	<p>2 marks</p> <p>Good analysis of the potential limitations to businesses of cash flow forecasts</p> <p>Clear lines of reasoning</p> <p>Some developed analysis</p>	
1	<p>1 mark</p> <p>Limited understanding of cash flow forecasting</p> <p>Identification of a potential limitation to a business of cash flow forecasting</p>	<p>1 mark</p> <p>Limited analysis of the potential limitations to businesses of cash flow forecasts</p> <p>Limited development of points</p> <p>Superficial analysis</p>	
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid analysis</p>	

Indicative content:

Limitations to businesses of using cash flow forecasts:

- The information in the cash flow forecast (e.g., predictions about future costs and sales) may not be accurate and this could lead to wrong decisions being made and the worsening of business performance. This could be especially true if the business has little or no trading history or operates in a market that experiences rapid changes.
- Cash flow forecasts take time to prepare which could be used more productively within the business by completing other, perhaps more useful, tasks.
- Decision making can become restrictive if too much weight is placed on the forecasts which could lead to not investing enough money or delaying expenditure on projects meaning that a competitive opportunity could be missed.
- Cash flow forecasts that are prepared for the longer term may be less accurate and therefore less useful to businesses in planning ahead.
- External factors, such as competitors' actions, economic conditions, or changes in consumer tastes, could make the forecast inaccurate.

Credit any other valid point.

Question		Total
7. (a) (i)	<p>Calculate the capacity utilisation for 2020.</p> <p>AO1: 1 mark</p> <p>Award 1 mark for correct formula</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer</p> <p>$32\,400 \times 12 = 388\,800$</p> <p>$(388\,800 / 450\,000) \times 100 = \underline{86.4\%}$</p>	2
(ii)	<p>Explain the impact of this change in capacity utilisation to Tread Carefully.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for the correct use of the data</p> <p>The capacity utilisation has increased (1) from 84% to 86.4%, a difference of 2.4% (1).</p> <p>AO3: 1 mark</p> <p>Award 1 mark for an explanation of the impact of the change</p> <p>Indicative content:</p> <p>This shows that the business has become more efficient (1) or using its resources more productively (1).</p> <p>OFR applies to 7(a)(i). Credit any other valid explanation and implication.</p>	2

7. (b)	Describe McGregor's theory X and theory Y.	[4]
Band	AO1	
	4 marks	
3	<p>4 marks</p> <p>Excellent understanding of McGregor's theory X and theory Y</p> <p>A clear and full understanding of the theory</p>	
2	<p>2-3 marks</p> <p>Good understanding of McGregor's theory X and/or theory Y</p> <p>A clear understanding of the theory</p>	
1	<p>1 mark</p> <p>Limited understanding of McGregor's theory X and/or theory Y</p> <p>Superficial or brief understanding of the theory</p>	
0	<p>0 marks</p> <p>No valid understanding</p>	

Indicative content:

- McGregor theorised that there were two broad categories of **managers** – theory X and theory Y.
- Theory X and theory Y type of managers made certain assumptions about their employees. These assumptions could affect how managers treated their employees.
- Theory X managers tend to make negative assumptions about their employees whereas theory Y managers tend to make positive assumptions about their employees.
- Theory X managers make the following assumptions about their employees: workers must be supervised to maintain output and productivity; workers prefer to be told what to do; money is the only motivator; workers prefer not to be involved in the decision-making process; workers are lazy and lack ambition.
- By implication, theory X managers are likely to impose some or all of the following: formal methods of communication; simple tasks designed so they are broken down into their simplest units and clear and unambiguous lines of responsibility and accountability.
- Theory Y managers make the following assumptions about their employees: workers are not motivated by money alone – they seek more than financial satisfaction from their jobs; workers are ambitious, welcome training opportunities and wish to progress and advance in their role and the business; workers seek independence and responsibility and will be more efficient if left to work alone; workers want to contribute to the success of the organisation and welcome the opportunity to be involved in decision making; workers want to be praised, rewarded and noticed for their efforts.
- By implication, theory Y managers are likely to impose some or all of the following: creation of an open structure, with both formal and informal paths of communication and delegated powers; workers given responsibilities and a wider range of tasks; a democratic way of making decisions, opportunities for training and promotion; fostering an independent approach to working.

Credit any other valid point.

7. (c)	Explain the advantages and disadvantages to Tread Carefully of using management by objectives (MBO).			[6]
Band	AO1	AO2	AO3	
	2 marks	2 marks	2 marks	
2	2 marks Good understanding of MBO	2 marks Good application of MBO to Tread Carefully	2 marks Good analysis of MBO Clear lines of reasoning	
1	1 mark Limited understanding of MBO	1 mark Limited application of MBO to Tread Carefully	1 mark Limited analysis of MBO Analysis may focus on one side of the argument Superficial analysis	
0	0 marks No valid understanding	0 marks No valid application	0 marks No valid analysis	

Indicative content:

Advantages of MBO

- Objectives are defined so that the management and workers agree to the objectives and understand what they need to do in order to achieve them. This aids communication between managers and workers and there is more chance of objectives being achieved if they are agreed and explained how they are going to be achieved.
- It involves the breaking down and subdivision of the aims and goals of an organisation into targets and objectives for divisions, for departments, for managers and finally for workers. This ensures that everyone is involved in working towards achieving the aims and objectives of the organisation, which could promote team working and cooperation.
- By including employees with the goal setting and the course of action to reach those objectives, they are more likely to be motivated and carry out their responsibilities to the best of their abilities.
- Improved management control of the organisation meaning managers know who is doing what and what they are supposed to be achieving. This can improve efficiency and communication.
- Management by objectives allows managers and employees to be aware of their responsibilities. Managers and employees are aware of what they should be achieving and how their role fits in with organisational objectives.
- It can motivate the workforce. When managers at all levels are involved in setting and agreeing objectives, they will have a commitment to ensuring that objectives and goals are achieved. Involving all employees in the whole process of goal setting will give employee empowerment. This increases employee job satisfaction and commitment.

Disadvantages of MBO

- Management time is spent on the process of setting objectives rather than managing the organisation. MBO can therefore be time consuming for managers and employees, which could reduce productivity as the time could be spent elsewhere.
- The ever-changing business environment or context in which the goals are set may change over time making the objectives unrealistic. If objectives are not reviewed or updated in a timely manner, then they may not remain relevant.
- Demotivation and breakdown of working relationships. If all levels of hierarchy are not involved in setting objectives, then they may not be committed to them. Employees and managers need to genuinely be involved in agreeing the objectives and know exactly what is required of them. If not, this can lead to confusion, resentment and demotivation.
- Objectives can be seen as a form of management control whereby employees are restricted to working towards only certain objectives that may be prescribed to them. Managers may monitor and review progress towards objectives in a controlling, rather than supportive, way.
- Managers may be too concerned with working towards and achieving the objectives set and this restricts their vision and ability to fully appreciate the bigger picture. Managers may focus on achieving short term objectives at the expense of considering longer-term goals.

Possible points for application:

- Workers and managers can agree targets to achieve higher levels of capacity utilisation.
- Growth in the workforce means that communication and motivation levels might have diminished. MBO might be able to improve these.
- Workers are dissatisfied, their views are not considered, and their responsibilities are unclear. MBO might be able to reduce these problems.

Credit any other valid point.

8.	Evaluate the importance and impact of using technology in the operations of a business. [10]		
Band	AO1	AO3	AO4
	3 marks	3 marks	4 marks
3	<p>3 marks</p> <p>Excellent understanding of technology in the operations of a business</p> <p>Candidate shows knowledge of range of key technology used in business operations</p>	<p>3 marks</p> <p>Excellent analysis of the importance and impact of using technology in the operations of a business</p> <p>Key issues have been well developed with a clear line of argument</p> <p>Analysis includes both benefits and limitations of using technology in operations</p>	<p>4 marks</p> <p>Excellent evaluation of the importance and impact of using technology in the operations of a business</p> <p>The evaluation is well-balanced and detailed</p> <p>Clear judgement made</p> <p>Qualifying statements may be used</p>
	2	<p>2 marks</p> <p>Good understanding of technology in the operations of a business</p> <p>Candidate shows knowledge of some technology used in business operations</p>	<p>2 marks</p> <p>Good analysis of the importance and/or impact of using technology in the operations of a business</p> <p>Lines of reasoning</p> <p>Analysis may be one-sided</p>
1	<p>1 mark</p> <p>Limited understanding of technology in the operations of a business</p> <p>Superficial or brief knowledge of technology used in business operations</p>	<p>1 mark</p> <p>Limited analysis of the importance or impact of using technology in the operations of a business</p> <p>Underdeveloped points are made.</p> <p>Analysis is one-sided</p>	<p>1 mark</p> <p>Limited evaluation of the importance or impact of using technology in the operations of a business</p> <p>Judgements are superficial and may be unsupported</p> <p>Evaluation is likely to be one-sided</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

- Technology in operations includes the use of robotics, computer aided design (CAD), computer aided manufacturing (CAM) and information and communication technology (ICT).
- The use of robotics can have a positive impact on a business as repetitive tasks can be carried out with greater accuracy as human error is removed. This is particularly important in products that need to be consistent in terms of quality. Productivity can be increased as products may be able to be made more quickly in the same amount of time compared to labour. Robotics may result in less labour being needed which therefore can save a business money and also time, in dealing with human resource management issues. However, robotics may not be important for businesses that do not require their use, especially in tertiary businesses, compared to perhaps a more important use in primary and secondary sector businesses. Robotics can be expensive, especially with the initial capital investment needed, but also in terms of longer-term costs such as maintenance. Robotics can help a business to become more competitive in terms of the advantages gained from using them.
- CAD – sophisticated computer programs are being used more frequently in the design process. Technical drawings can be designed without the need to create an expensive prototype which is important for businesses that aim to reduce their costs, which can have a positive impact on profit and can save time, especially when clients require various revisions to their request. Businesses can test designs before manufacturing.
- CAM – information from the design stage feeds through into the manufacturing stage. Therefore, it is important that the manufacturing and design processes work in harmony and are integrated well in order to maximise efficiency in terms of quality, speed and cost-savings.
- ICT – recording and distribution of information by communications technology can facilitate quicker and more efficient communication processes in business operations. Improvements can be made in the collection and interpretation of data. In service businesses, ICT can be used to communicate information to customers via their website, sell online and send emails to keep customers up to date. However, ICT may need to be kept up to date, which is expensive, and there may be information overload that could lead to diseconomies of scale.
- Businesses can develop technical economies of scale, thereby reducing unit costs.
- Businesses that do not use technology such as those that produce hand-made products may not find technology important to have in their operations.

Possible themes for evaluation:

- The importance and impact of using technology in operations can depend upon the nature of the technology invested and the type of business that undertakes the investment.
- If the technology is used properly then businesses can benefit greatly in terms of producing products more cheaply and responding to the requirements of customers. But technology can be expensive to implement, especially in larger organisations.
- The positive impacts of technology may not be experienced immediately. Businesses may need to dedicate some time to gain the full benefits of the different technology they have invested in using.
- Much of the negative impacts with technology in operations tend to focus on the initial and ongoing expense. Businesses need to be in a position to be able to afford the technology they want to implement.
- Investment in technology does not guarantee success. There are many other factors that contribute to success that businesses may not be able to control, such as competitors' use of technology may be much better or because of changing economic conditions.
- Employees need to be properly trained to use technology if they are going to be able to use it properly and have a positive attitude towards its use.

Credit any other valid point.