

OXFORD

**INTERNATIONAL
AQA EXAMINATIONS**

INTERNATIONAL AS BUSINESS BU02

Unit 2 Managing Operations, Human Resources and Finance

Mark scheme

June 2019

Version: 1.0 Final



6 X 1 9 B U 0 2 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from oxfordaqaexams.org.uk

Section A

Total for this section: 17 marks

Question	Part	Marking guidance	Total marks
1		<p>Funding a project or venture by raising small amounts of money from a large number of people is known as:</p> <p>Answer C (Crowdfunding)</p>	<p>1</p> <p>AO1=1</p>
2		<p>Which of the following is a motivator according to Herzberg?</p> <p>Answer B (Recognition)</p>	<p>1</p> <p>AO1=1</p>
3		<p>A manufacturing business has annual fixed costs of \$63 000 and variable costs of \$42 000. It produced 21 000 units in one year. What is the unit cost?</p> <p>Answer D (\$5)</p>	<p>1</p> <p>AO2=1</p>
4		<p>Explain one way to reduce labour turnover.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Offering financial incentives (increased salary, bonus etc) • Offering non-financial incentives (eg promotion, increased decision making, training) • Improving the recruitment and selection process <p>Good Response 3 marks</p> <p>Links the explanation to how the method will reduce labour turnover. For example, the business may aim to improve the recruitment and selection process which means that they employ the right person with the right skills for the job. In turn, the member of staff is more likely to remain in the business as they are suited to the job and less likely to leave.</p> <p>Reasonable Response 2 marks</p> <p>Explains relevant points but does not fully develop explanations to say why the offered method will reduce the labour turnover. For example, they may offer that introducing a new bonus system may motivate staff but not link this to the improvement in labour turnover.</p> <p>Limited Response 1 mark</p> <p>Identifies relevant points with no explanation or development. Limited knowledge shown. Eg states what labour turnover is but not how it can be improved.</p>	<p>3</p> <p>AO1=2</p> <p>AO2=1</p>

<p>5</p>	<p>Calculate the operating profit margin for 2018.</p> <table border="1" data-bbox="638 280 1085 515"> <tr> <td></td> <td style="text-align: right;">2018 (\$)</td> </tr> <tr> <td>Sales revenue</td> <td style="text-align: right;">95 545</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">34 125</td> </tr> <tr> <td>Expenses</td> <td style="text-align: right;">52 670</td> </tr> </table> <p>Operating Profit Margin = Operating Profit /Sales Revenue x 100</p> <p>Operating Profit = Sales Revenue – Cost of Sales – Expenses</p> <p>Answer = 9.2% (accept 9.16 or 9 %)</p> <ul style="list-style-type: none"> • Calculates Operating Profit (\$) (1 mark) • Calculates Operating Profit Margin (1 mark) • Expresses the answer as a percentage (1 mark) • Give 2 marks if rounding is done incorrectly ie. 9.15 or 9.1% 		2018 (\$)	Sales revenue	95 545	Cost of sales	34 125	Expenses	52 670	<p>3</p> <p>AO1=1 AO2=2</p>
	2018 (\$)									
Sales revenue	95 545									
Cost of sales	34 125									
Expenses	52 670									
<p>6</p>	<p>The following data apply to a small business:</p> <table border="1" data-bbox="587 1025 1136 1227"> <tr> <td>Fixed costs (\$)</td> <td style="text-align: right;">45 000</td> </tr> <tr> <td>Selling price (\$)</td> <td style="text-align: right;">12</td> </tr> <tr> <td>Selling price per unit (\$)</td> <td style="text-align: right;">8</td> </tr> </table> <p>Calculate the break-even output. Show your working.</p> <p>Break even = $\frac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost per unit}}$</p> <p>$= \frac{45,000}{4}$</p> <p>Answer = 11,250 units</p> <ul style="list-style-type: none"> • 1 mark for correct formula • 1 mark for calculating the break even 	Fixed costs (\$)	45 000	Selling price (\$)	12	Selling price per unit (\$)	8	<p>2</p> <p>AO1=1 AO2=1</p>		
Fixed costs (\$)	45 000									
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Selling price per unit (\$)	8									
<p>7</p>	<p>Explain one factor affecting a restaurant’s level of inventory.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • The type of inventory ie if it is perishable/large etc • Whether the business is operating a lean production/JIT approach • Customer demand • Level of supply 	<p>3</p> <p>AO1=1 AO2=2</p>								

	<p>Good Response 3 marks</p> <p>Links the influence to the level of inventory in the context of a restaurant. For example, a restaurant is likely to need to stock perishable goods which will go out of date, this will mean that their stock turnover is high and levels of stock will likely be low with daily ordering of stock to ensure freshness.</p> <p>Reasonable Response 2 marks</p> <p>Identifies relevant points which are in context but with incomplete explanations which do not fully develop to say how the influence impacts on the inventory level. For example, they may say that customer demand influences stock in a restaurant, for example peak times such as weekends but does not say how the stock levels may be affected ie increase or decrease.</p> <p>Limited Response 1 mark</p> <p>Identifies relevant points with no explanation or development. Eg states what inventory is and/or offers an influence but no explanation.</p>	
<p>8</p>	<p>An airline is operating significantly under capacity. Explain one action that it might take to improve its capacity utilisation.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Increase sales by changing fare structure • Rationalisation – selling off aircraft/reducing routes • Share capacity with another airline <p>Good Response 3 marks</p> <p>Links the action to the increase of capacity utilisation. For example, explains how sharing capacity with another airline will decrease total capacity and therefore increase capacity utilisation.</p> <p>Reasonable Response 2 marks</p> <p>Identifies relevant points but with incomplete explanations which do not fully develop to say how the action impacts on increasing the capacity utilisation. For example, they may say that the airline should attempt to increase sales which allows them to produce more but do not explain how this will help to significantly increase the capacity utilisation.</p> <p>Limited Response 1 mark</p> <p>Identifies relevant points with no explanation or development. Eg states what capacity is and/or offers an action but no explanation.</p>	<p>3</p> <p>AO1=1 AO2=2</p>

Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		A business is expanding internationally, which means that the sales manager has an increase in workload. Analyse the benefits to the business of delegation.	9 AO1=3 AO2=3 AO3=3

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 - 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well structured.
2	4 - 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 - 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
0	0	Nothing written worthy of credit.

Indicative content

The focus of this question is the benefit to the business of the manager delegating to his staff following expansion.

Indicative content includes:

- The business would benefit from a decrease in his own workload which would allow him to make quicker decisions.
- The business would be able to focus on the expansion and managing this change.

- The workforce will feel empowered as they are being given more responsibility which may increase productivity and efficiency for the organisation allowing them to meet new orders.

Credit valid alternative content.

A good response will explain how delegation benefits the business eg management and work force, and links this to a period of expansion. For example, delegation will allow the manager to offload the responsibility of tasks to his/her sub-ordinates which will leave him to focus on key tasks to ensure the expansion goes as planned.

A reasonable response may explain some of the benefits of delegation in general but not link it to the expansion of the business. For example, they may explain that delegation can empower employees and motivate them but not explain how this will benefit the manager during a period of expansion.

A limited response may show understanding of delegation and the benefits it might bring.

Question	Part	Marking guidance	Total marks												
10		<p>An online fashion retailer has seen a decrease in sales and is reviewing its expenditure budget for 2018.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Budget \$</th> <th>Actual \$</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td>62 500</td> <td>65 500</td> </tr> <tr> <td>Inventory</td> <td>96 500</td> <td>84 245</td> </tr> <tr> <td>Distribution</td> <td>43 700</td> <td>46 000</td> </tr> </tbody> </table> <p>Analyse how the business could improve its variances.</p>		Budget \$	Actual \$	Salaries	62 500	65 500	Inventory	96 500	84 245	Distribution	43 700	46 000	<p>9</p> <p>AO1=3 AO2=3 AO3=3</p>
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Level	Marks	Descriptor
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2	4 - 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.

1	1 - 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
0	0	Nothing written worthy of credit.

Indicative content

The focus of this question is to analyse the variances and how the business might improve them. The candidate might calculate the variances to analyse them but they do not have to complete the calculation to gain L3, it is enough to recognise if they are favourable or adverse. If a candidate points out that there could also be some negatives from some suggested improvements within their analysis this should be credited as a good response.

Indicative content includes:

- Salaries and distribution are adverse variances. The business could improve these by negotiating costs of distribution and reviewing staff usage.
- The forecast budget may not be accurate and the business may need to review how they are setting budgets to make them more realistic by using historical budgeting for example.

Credit valid alternative content.

A good response will explain the actions the business could take and explain how this will enable the business to improve the adverse variances. For example, negotiating the costs of distribution with their suppliers (by 5%) will reduce their transport costs and reduce the variance.

A reasonable response may explain some of the actions a business may take but not explain how this will improve the variance. For example, they may explain that the business may use lean production to reduce wastage but not link this to explain how this will improve the stock variance.

A limited response may show understanding of variances and/or budgets.

Question	Part	Marking guidance	Total marks
11		A construction business is trying to reduce costs by reducing the number of employees. Analyse the possible impact of this decision on productivity.	9 AO1=3 AO2=3 AO3=3

Examiners are reminded that AO1, AO2 and AO3 are regarded as independent. When deciding on a mark, all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 - 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well structured.
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0	0	Nothing written worthy of credit.

Indicative content

The focus of this question is to analyse the impact of making employees redundant on the productivity of the business. The candidate may explain how this might increase or decrease productivity.

Indicative content includes:

- Employees may fear (job security) their own jobs and motivation may decrease as a result impacting on productivity negatively.
- Workload may increase which could mean that employees need to be multiskilled and trained to do certain tasks. This could decrease productivity in the short term as employees get used to their increased responsibilities.
- Multiskilled employees could improve productivity in the long term.

Credit valid alternative content.

A good response will explain the effects on of reducing number of employees and link this to how it can impact on productivity. This could include positive and negative effects on productivity.

A reasonable response may explain some of effects on a business, but not explain how this will impact on productivity. For example, they may explain that reducing number of employees may lower job security for the remaining employees which could reduce their motivation but not link this to productivity.

A limited response may show an understanding of redundancies and/or productivity.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A private limited company needs to raise finance so that it can invest in new technology.</p> <p>It has decided to apply for a bank loan rather than issue new shares.</p> <p>Assess the arguments for and against the decision and make a judgement.</p>	<p>12</p> <p>AO1=2 AO2=2 AO3=3 AO4=5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives of the question.

Level	Marks	Descriptor
4	10 - 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • showing sound knowledge and understanding of business terminology and with few, if any, error • is well structured and well-focused <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 - 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

2	4 - 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology, concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 - 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
0	0	Nothing written worthy of credit.

The demands of the question are to decide whether the bank loan was the correct decision for a private limited company to invest in new technology.

Indicative Content

Loan

Possible Arguments for:

- Loans can be obtained quickly which means that the investment can take place quickly allowing them to take advantage of the benefits sooner.
- The business will retain control.

Possible Arguments Against:

- Loans need to be paid back monthly with interest, this can have a negative effect on the cash flow of the business.
- Interest rates can change depending on the economic environment so a loan can be a high risk source of finance for the business.
- A loan may not be agreed by the bank, it would depend on the financial position of the business.

Issuing new shares

Possible Arguments for:

- Share capital does not have to be paid back and would therefore help the cash flow position of the business as interest won't be added to the amount raised.

- Issuing share capital may attract new investors to the organisation who could support the business with their expansion and new technology.

Possible Arguments against:

- Existing shareholders must agree to allow a new investor to buy shares, this could be a lengthy process and could cause conflict amongst existing shareholders which would delay the investment in the new technology.
- Existing shareholders may not want to lose more control of the business, therefore this may not be a viable option.

Overall, it depends on the financial position of the business, if the business is in a strong financial position they will attract new investors and will likely get a loan. Issuing shares would be more viable if the investor could offer some advice or support with the new technology and existing shareholders agree to this option.

It also depends on the amount they need to raise, a combination of the two may be appropriate if one source of finance is not sufficient for the investment.

Credit valid alternative content

Question	Part	Marking guidance	Total marks
13		<p>An electronics manufacturer wants to improve its customer satisfaction rates.</p> <p>It has decided to choose quality control rather than Total Quality Management (TQM).</p> <p>Assess the arguments for and against the decision and make a judgement.</p>	<p>12</p> <p>AO1=2 AO2=2 AO3=3 AO4=5</p>

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0	0	<p>Nothing written worthy of credit.</p>

The demands of the question decide whether quality control was the correct decision for an electronics manufacturer to achieve customer satisfaction.

Indicative Content

Quality Control

Possible Arguments for:

- Quality control is cheaper than TQM and can be implemented more quickly, hopefully seeing an increase in customer satisfaction sooner than TQM.

- Quality control involves a smaller number of people sampling products to see if they are of the desired quality standard. This involves a smaller number of people and less training for employees reducing costs when compared to TQM.

Possible Arguments Against:

- Quality control is checking a sample of products before they are sent to the customer, as a result some products may not be checked and could still be sent to a customer if they are inadequate. This can result in a decrease in customer satisfaction and damaged reputation.
- The inspection process can de-motivate staff as they do not feel empowered to make their own quality decisions which can result in poor quality and decreased customer satisfaction rates.

TQM

Possible Arguments for:

- TQM aims to develop a quality culture in all involved in the process to ensure quality standards are reached. This would mean that suppliers of components would be using the same approach which should improve quality and customer satisfaction rates.
- TQM encourages an approach of “right first time” and zero defects which should make the business more efficient with less wastage and returns from customers allowing them to increase customer satisfaction.

Possible Arguments against:

- A culture of TQM needs staff to be “bought in” to the process, not all businesses will be able to achieve this.
- TQM can take a long time to embed into the business and therefore seeing improvements in customer satisfaction rates may be slow.

Overall, TQM is the best option as it empowers employees to get things right first time, leading to increased morale, better quality products and an increase in customer satisfaction rates. However, building a culture of TQM can take time and relies on a workforce who are motivated and dedicated to the business, therefore, results may not be seen instantly. Implementing quality control can be quicker but may not see long lasting results due to all products not being checked. Ultimately, developing an effective TQM culture is the best approach to improve customer satisfaction.

Credit valid alternative content

Question	Part	Marking guidance	Total marks
14		<p>A mobile phone retailer is reviewing its financial methods of motivation.</p> <p>It has decided to pay its sales staff on a commission only basis.</p> <p>Assess the arguments for and against the decision and make a judgement.</p>	<p>12</p> <p>AO1=2 AO2=2 AO3=3 AO4=5</p>

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0	0	Nothing written worthy of credit.

The demands of the question decide whether paying its sales staff on a commission only basis is the correct decision for a mobile phone retailer to motivate its sales staff.

Indicative Content

Commission

Possible Arguments for:

- Commission means that the employee would be paid a % of the sales revenue they bring into the company through selling mobile phone/contracts/accessories etc it. This would mean that the employee would need to make more sales to be paid more. This should motivate them to give better customer service to make more sales allowing the business to increase sales turnover.
- If the employee is not effective in their job and does not make sales they won't be paid as much, saving the business money.

Possible Arguments against:

- Employees may not be attracted to a commission system as there is no guarantee of payment if they do not make sales or sales are low. This will deter people from applying for jobs and they may only attract low skilled workers which could impact on their reputation.
- Commission could encourage employee rivalry with employees contending to win sales. This could cause bad feeling and low morale amongst workers.

Salary

Possible Arguments for:

- Salaries are a guaranteed source of income and may attract workers with better skills than piece rate would which should lead to lower staff turnover and a more skilled workforce.
- Salaries would offer more job security which would attract staff and decrease labour turnover leading to a decrease in recruitment costs for the organisation.

Possible Arguments Against:

- Salaries are paid if an employee does not make any sales and can increase expenses for a business if an employee is ineffective.

Overall, salaries will attract workers who are more skilled but do not offer an incentive to the worker to be more productive. A combination of a salary and commission might prove to be the best option to attract and motivate employees to be more productive and make more sales.

Credit valid alternative content