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# **GCE A LEVEL MARKING SCHEME**

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**AUTUMN 2020**

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

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2020 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.

**GCE A LEVEL BUSINESS**

**COMPONENT 1: BUSINESS OPPORTUNITIES AND FUNCTIONS**

**AUTUMN 2020 MARK SCHEME**

**SECTION A**

<b>Q.</b>		<b>Total</b>
<b>1. (a)</b>	<p><b>Outline the purpose of a business plan.</b></p> <p><b>AO1: 2 marks</b></p> <p>Award <b>1</b> mark for a limited outline of the purpose of a business plan. Award <b>2</b> marks for a developed outline of the purpose of a business plan.</p> <p><b>Indicative content:</b></p> <p>A business plan makes clear the objectives of a business and how the business intends to achieve these objectives. A business plan can help a business to secure finance. The owners of a business can use a business plan to check progress against their objectives and can act as a guide to help to make decisions.</p>	<b>2</b>

<b>Q.</b>		<b>Total</b>
<b>1. (b)</b>	<p><b>Identify two sources of information or guidance an entrepreneur may use when setting up a business.</b></p> <p><b>AO1: 2 marks</b></p> <p>Award 1 mark for each valid source</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"><li>• The Prince's Trust</li><li>• Shell LiveWIRE</li><li>• Business Gateway</li><li>• Banks</li><li>• Friends and Family</li><li>• Other entrepreneurs</li><li>• Competitors</li><li>• Market research data</li><li>• Business plan</li></ul> <p>Credit any other valid source of information or guidance.</p>	<b>2</b>

Q.		Total
2. (a)	<p><b>Define the following terms:</b></p> <p><b>AO1: 3 marks</b></p> <p><b>(i) Fixed costs</b></p> <p>Fixed costs are those costs that are not directly related to the quantity of goods produced or sold [1]</p> <p>It is a cost that does not change with output [1]</p> <p><b>(ii) Contribution per unit</b></p> <p>Contribution per unit is the difference between the selling price per unit [1] and the variable cost per unit. [1]</p> <p>The amount per unit sold that goes towards paying fixed costs [1] after variable costs have been taken into account. [1]</p> <p>Award 2 marks for correct formula for contribution per unit (selling price per unit – variable costs per unit).</p>	<p><b>1</b></p> <p><b>2</b></p>

Q.		Total
2. (b)	<p><b>Calculate Tracy's average monthly profit.</b></p> <p><b>AO2: 3 marks</b></p> <p><u>Method 1:</u></p> <p><math>(£125 \times 115) - (£50 \times 115) = 8\ 625</math> [1]</p> <p><math>(£22.50 \times 280) - (£4.50 \times 280) = £5\ 040</math> [1]</p> <p><math>(£8\ 625 + £5\ 040) - £3\ 000 = £10\ 665</math> [3]</p> <p><u>Method 2:</u></p> <p><math>(£125 - £50) \times 115 = £8\ 625</math> [1]</p> <p><math>(£22.50 - £4.5) \times 280 = £5\ 040</math> [1]</p> <p><math>£13\ 665 - £3\ 000 = £10\ 665</math> [3]</p> <p>If correct answer without £ sign then award 2 marks.</p> <p>Apply OFR where relevant.</p> <p>Award 3 marks for correct answer without workings.</p>	<p><b>3</b></p>

Q.		Total
3. (a)	<p><b>Outline what is meant by the term <i>sampling</i>.</b></p> <p><b>AO1: 2 marks</b></p> <p>Award <b>1</b> mark for a limited outline of the term sampling Award <b>2</b> marks for a developed outline of the term sampling</p> <p><b>Indicative content:</b></p> <p>Sampling is used in market research as a way of choosing and finding out about a group [1] taken from a larger population. [1]</p> <p>Sampling is a method of answering questions that deal with a larger target population [1] by selecting a smaller subset of the population being examined. [1]</p> <p>Award <b>1</b> mark for examples of sampling methods e.g. random, quota, etc.</p>	<b>2</b>

Q.		Total
3. (b)	<p><b>With the use of examples, describe the difference between quantitative and qualitative data.</b></p> <p><b>AO1: 4 marks</b></p> <p>Quantitative:</p> <p>Award <b>1</b> mark for understanding Award <b>1</b> mark for valid example</p> <p>Data that can be measured numerically. [1] Questionnaires, surveys, financial/sales data. [1]</p> <p>Qualitative:</p> <p>Award <b>1</b> mark for understanding Award <b>1</b> mark for valid example</p> <p>Data referring to attitudes, opinions, intentions, motives and beliefs. [1] Focus groups, open-ended questionnaires, interviews, customer reviews. [1]</p>	<b>4</b>

<b>3. (c)</b>	<b>Advise Lauren and Tony on whether using primary or secondary market research would be more beneficial for their business. [10]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	2 marks	2 marks	3 marks	3 marks
<b>3</b>			<p><b>3 marks</b></p> <p>The learner gives an excellent analysis of whether primary or secondary market research would be more beneficial.</p> <p>The analysis is balanced and detailed.</p> <p>The positive and negative impacts of primary and secondary research are considered clearly.</p> <p>Key issues have been well developed with a clear line of argument.</p>	<p><b>3 marks</b></p> <p>The learner presents an excellent evaluation of whether primary or secondary market research would be more beneficial.</p> <p>The evaluation is well-balanced and detailed and will focus on the key issues in context of the case.</p> <p>Qualifying statements are used.</p> <p>Clear judgements are made with supporting statements to build the argument.</p> <p>A holistic evaluation may be offered with an overall conclusion.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of primary and secondary research.</p> <p>The features of both primary and secondary research are identified.</p>	<p><b>2 marks</b></p> <p>Good application to Lauren and Tony's business.</p> <p>Clear reference to the information provided.</p>	<p><b>2 marks</b></p> <p>Good analysis of whether primary or secondary market research would be more beneficial.</p> <p>The positive and negative impacts of primary or secondary research are considered but are not well-balanced.</p> <p>Logical chains of reasoning.</p>	<p><b>2 marks</b></p> <p>Good evaluation of whether primary or secondary market research would be more beneficial.</p> <p>Clear judgement is made with some attempt to make supporting statements.</p> <p>Learner is likely to offer an overall conclusion.</p> <p>Lines of evaluation are developed.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of primary and / or secondary research.</p> <p>The features of primary or secondary market are identified.</p>	<p><b>1 mark</b></p> <p>Limited application to the case is made.</p> <p>The response is mainly theoretical with only limited reference to Lauren and Tony's circumstances.</p>	<p><b>1 mark</b></p> <p>Limited analysis of whether primary or secondary market research would be more beneficial.</p> <p>Candidate is likely to focus on either primary or secondary research.</p> <p>Superficial arguments with limited development.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of whether primary or secondary market research would be more beneficial.</p> <p>Judgements are superficial and may be unsupported or only partially supported.</p> <p>Evaluation is limited and is likely to be one-sided.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of primary or secondary market research.</p>	<p><b>0 marks</b></p> <p>No reference is made to the case study or context.</p>	<p><b>0 marks</b></p> <p>No analysis of whether primary or secondary market research is more beneficial.</p>	<p><b>0 marks</b></p> <p>No evaluation is made or the evaluation is irrelevant.</p>

### **Indicative content:**

#### **Primary research:**

Gathering of first-hand data that is tailor made to a business's own products, consumers and markets by methods such as questionnaires, focus groups, interviews, observation, consumer panels and test marketing.

##### Benefits

- Will apply directly to the body piercing and tattoo market and therefore will be more relevant than secondary data, which may not be as specific.
- Lauren and Tony will own the data and have exclusive rights to it. Competitors might not have collected the same information and therefore this could lead to a competitive advantage.
- The results are likely to be highly relevant and reflect the views and preferences of the local residents and tourists. The high street is busy and the residential town is large, meaning there might be ample participants. Lauren and Tony can then provide services according to the feedback.

##### Drawbacks

- Could be more expensive than secondary data, especially if Lauren and Tony want it to be more meaningful.
- Lauren and Tony might not be able to undertake a large-scale survey because of time and budget constraints and therefore if the sample size is small, the results may not be representative.
- Poorly constructed questions or materials may produce inaccurate or unreliable data which could affect the success of their new business. This might depend on whether they do have some expertise or experience in constructing effective research instruments.

#### **Secondary research:**

Gathering of data that has already been collected for another purpose e.g. industry reports, sales figures, government publications, internet searches, etc.

##### Benefits

- Can be cheaper than primary research as the information already exists. Given that Lauren and Tony have a limited fund to commit to their market research, this might be more beneficial.
- The answers to the questions they want to ask might already be available, for example on the internet, saving time.
- Multiple sources of information exist which could provide triangulation. This is also possible if both primary and secondary data was conducted.

##### Drawbacks

- Specific relevant data may not be available, may not be easily found, or especially for niche markets, may be expensive to obtain.
- Research that is found may be outdated, making any decision based on this information riskier.
- The source may be questionable or not from a reputable place.



Possible lines of evaluation

A combination of primary and secondary market research might illuminate the benefits of each whilst reducing the disadvantages associated with each if both methods are used.

Much depends on exactly how much time and money Lauren and Tony can commit to their market research; arguably a higher budget and more time could yield better results.

The emphasis that the bank places on the market research data, and any stipulations thereof, could have a bearing on Lauren and Tony's decision.

Candidates might consider that the market research methods can be conducted sequentially – for example, secondary research could be done in the immediate term and then primary research in the short to medium term.

Credit any other valid point.

Q.		Total
4. (a)	<p><b>Calculate the added value per Nutrifruit Blend.</b></p> <p><b>AO2: 1 mark</b></p> <p><math>\pounds 2.99 - (\pounds 0.45 + \pounds 0.20 + \pounds 0.06) = \pounds 2.28</math> or 2.28</p>	1

Q.		Total
4. (b)	<p><b>Suggest two ways that a business might add value to its products.</b></p> <p><b>AO1: 2 marks</b></p> <p>Award 1 mark for each valid suggestion</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Increase the price of the product.</li> <li>• Purchase cheaper raw materials.</li> <li>• Improve the efficiency of the production process.</li> <li>• Develop brand identity.</li> <li>• Offering additional services.</li> <li>• Improve customer service.</li> <li>• Improve customer convenience.</li> <li>• Celebrity endorsement.</li> </ul> <p>Credit any other valid suggestion.</p>	2

<b>5. (a)</b>	<b>Describe the motivation theory of L. Porter and E. Lawler.</b>	<b>[4]</b>
<b>Band</b>	AO1	
	4 marks	
<b>3</b>	<p style="text-align: center;"><b>4 marks</b></p> <p>Excellent understanding of the motivation theory of L. Porter and E. Lawler. A clear understanding of the theory is shown.</p>	
<b>2</b>	<p style="text-align: center;"><b>2-3 marks</b></p> <p>Good understanding of the motivation theory of L. Porter and E. Lawler. Key characteristics are identified.</p>	
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited understanding of the motivation theory of L. Porter and E. Lawler. A key characteristic is identified.</p>	
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding of the motivation theory of L. Porter and E. Lawler.</p>	

**Indicative content:**

L. Porter and E. Lawler believed that an individual's motivation is affected by how attractive they viewed the reward they receive for completing a task. This is consistent with the *valence* component of Vroom's expectancy theory in that the reward needed to be something that had value (monetary or non-monetary) to the individual in order to motivate them.

L. Porter and E. Lawler categorised the reward that individuals could receive for their effort as intrinsic (likely to have a non-monetary value) and extrinsic (likely to have a monetary or material value).

Intrinsic rewards include feelings of pride and satisfaction from completing a task. Individuals who are intrinsically motivated might value non-financial methods of motivation such as job enlargement and empowerment.

Extrinsic rewards include pay increased and bonuses. Extrinsic rewards can be more easily measured in terms of their value than intrinsic rewards and this can assist individuals in assessing whether their effort is proportional to the reward they will receive for completing a task.

Credit any other valid point.

<b>5. (b)</b>	<b>Explain two non-financial methods of motivation that Starbucks could use to motivate staff working in its coffee shops. [6]</b>		
<b>Band</b>	AO1	AO2	AO3
	2 marks	2 marks	2 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of non-financial methods of motivation.</p> <p>The candidate identifies two methods of non-financial methods of motivation.</p>	<p><b>2 marks</b></p> <p>Good application to Starbucks' context.</p> <p>The candidate applies two methods of non-financial motivation to employees at Starbucks.</p> <p>Application is clear and specific.</p>	<p><b>2 marks</b></p> <p>Good analysis of how non-financial methods are used to motivate staff.</p> <p>Logical chains of reasoning.</p> <p>Clear explanations provided of the impact of each method of motivating staff.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of non-financial methods of motivation.</p> <p>The candidate identifies one method of non-financial motivation.</p>	<p><b>1 mark</b></p> <p>Limited application to Starbucks' context.</p> <p>The candidate applies one method of non-financial motivation to employees at Starbucks.</p> <p>Application is superficial.</p>	<p><b>1 mark</b></p> <p>Limited analysis of how non-financial methods are used to motivate staff.</p> <p>Candidate may only analyse one method.</p> <p>Superficial points with limited development.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding shown of non-financial methods of motivation.</p>	<p><b>0 marks</b></p> <p>No reference is made to the case or to Starbucks' context.</p>	<p><b>0 marks</b></p> <p>No analysis of non-financial methods of motivation.</p>

**Indicative content:**

Job design – the employees could be involved in choosing the elements of the job that they find more interesting and more meaningful based on their interests and skills. This could be choosing to make coffee or cleaning the seating areas. Starbucks could allow staff to redesign their job often to suit an employee's preferences.

Job enlargement – staff could be provided with a further range of tasks to complete, in addition to what they already do, such as making coffee, cleaning the coffee bar, tidying the customer seating area, etc.

Job enrichment – staff could be given more responsibility for example with ordering stock, quality checks, or tasked with looking after and training new staff.

Team working – staff can work together to achieve targets or tasks that need to be done during a shift, such as serving customers within a target time, stocking counters, being responsible for a specific element of making coffee e.g. steaming the milk or adding flavours.

Flexible working arrangements might also be considered a form of non-financial motivation in terms of part time working to promote a work/life balance.

Empowerment – employees could be given the responsibility to make decisions, especially if they want to progress within Starbucks.

Training – Starbucks are committed to the development of their employees and could offer training that help employees towards promotion.

Job rotation, quality circles, praise and recognition (e.g. employees of the month) might also be considered in context.

Credit any other valid method of non-financial motivation.

Q.		Total
6. (a)	<p><b>Calculate the:</b></p> <p><b>AO2: 3 marks</b></p> <p>(i) <b>Total Sales Receipts for August.</b></p> <p>£5 750</p> <p>(ii) <b>Materials and parts for September.</b></p> <p>£1 550</p> <p>(iii) <b>Closing Balance for October</b></p> <p>(£4 190)</p>	<p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p>

6. (b)	With reference to Lee's cash flow forecast, evaluate ways in which Lee could improve his projected cash flow position. [6]		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good reference to Lee's cash flow forecast.</p> <p>Information from the data is used in context.</p>	<p><b>2 marks</b></p> <p>Good analysis of ways to improve Lee's cash flow forecast.</p> <p>The candidate clearly explains the impact of the methods suggested.</p>	<p><b>2 marks</b></p> <p>Good evaluation of ways that Lee's cash flow forecast can be improved.</p> <p>Clear judgement is made with supporting statements.</p> <p>Well-reasoned and balanced judgment.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited reference to Lee's cash flow forecast.</p> <p>The response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited analysis of ways to improve Lee's cash flow forecast.</p> <p>Underdeveloped points are made.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of ways that Lee's cash flow forecast can be improved.</p> <p>Judgements are underdeveloped and lacking depth.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No reference or application to Lee's cash flow forecast.</p>	<p><b>0 marks</b></p> <p>No analysis of ways to improve Lee's cash flow forecast.</p>	<p><b>0 marks</b></p> <p>No evaluation of ways to improve Lee's cash flow forecast.</p>

### Indicative content:

- Lee could try to increase his total sales receipts by increasing his prices, working longer hours and / or promoting his services more and take on more jobs. This will increase his cash inflows and, depending on any additional costs involved (for example in promoting his services), could improve his net cash flow. If Lee implements ways to increase his total sales receipts earlier on, for example in July, then cumulative difference could result in positive cash flow, but this depends on the added benefit of his attempts to increase his total sale receipts.
- Lee could spend more than £500 on advertising and / or spend it earlier, in July rather than September. This could mean that more people are aware of Lee's services and might demand Lee within the six-month period, leading to more cash inflows. However, this depends on the success of the advertising in terms of leading to additional revenue and the ability for Lee to afford to spend any more money. Perhaps the advertising could be delayed, but this could affect the level of awareness and competitiveness of Lee's business and therefore could lead to a worsening of his cash flow position.
- Lee could buy cheaper materials and parts or use a different supplier to cut down on his costs. This would improve net cash flow. However, this could affect the quality of the work he carries out if he uses parts that are not as reliable or long-lasting. Since he is an electrician, the parts may be specific to his customers' requirements and if Lee compromises here then customers could become dissatisfied and not use Lee again.
- Lee could delay the purchase of his van or buy a cheaper van. This is the cause of Lee forecasting a negative cash flow in October. This is a significant expense for Lee. If Lee does not *need* to buy a van in October then he could consider waiting until he has more money. Lee could also consider leasing a van instead of buying one, which would avoid the need for the £8 000 to be spent in October.

Other suggestions that could be explored include:

- Lee could arrange a loan to cover the negative balance, but this will have to be paid back with interest.
- Lee could reduce the wage bill that he has of £3 000 a month. It is not clear whether he employs staff, which could have an impact on their commitment and motivation, but if Lee is reliant on this money himself then this may affect his ability to pay his personal bills.
- Fuel and insurance could be cut slightly, but these are unlikely to make substantial differences in the short term.

Possible theme for evaluation:

- The biggest impact on Lee's cash flow forecast is the purchase of the van as this is an expensive purchase. Lee should consider the importance of buying the van on his business and explore the options that he has in this regard, for example leasing, taking out a loan specifically to buy the van, buying a cheaper van or delaying the purchase.

Credit any other valid point.

Q.		Total
7. (a)	<p data-bbox="279 253 901 286"><b>Outline what is meant by the term <i>appraisal</i>.</b></p> <p data-bbox="279 320 475 353"><b>AO1: 2 marks</b></p> <p data-bbox="279 387 997 421">Award <b>1</b> mark for a limited outline of the term appraisal</p> <p data-bbox="279 421 1061 454">Award <b>2</b> marks for a developed outline of the term appraisal</p> <p data-bbox="279 488 542 521"><b>Indicative content:</b></p> <p data-bbox="279 555 1316 622">The process whereby the performance of an employee is evaluated [1] against targets set [1].</p> <p data-bbox="279 656 1316 723">Feedback is provided usually by their manager [1] and new targets for the next cycle are set [1].</p> <p data-bbox="279 757 1316 824">Award a maximum of <b>1</b> mark for examples of appraisal methods e.g. self, peer, subordinate, superior, 360-degree appraisal.</p>	<b>2</b>



<b>7. (b)</b>	<b>To what extent do you agree that appraisals are beneficial to both Marie's business and her employees?</b> <span style="float: right;"><b>[8]</b></span>		
<b>Band</b>	AO2	AO3	AO4
	2 marks	3 marks	3 marks
<b>3</b>		<p><b>3 marks</b></p> <p>The learner gives an excellent analysis of the benefits and drawbacks of appraisal to both Marie's business and the employees.</p> <p>The analysis is balanced and detailed.</p> <p>There is a clear line of argument.</p>	<p><b>3 marks</b></p> <p>The learner gives an excellent evaluation of the benefits of conducting appraisals to Marie's business and the employees.</p> <p>The evaluation is well-balanced and detailed.</p> <p>Qualifying statements are used.</p> <p>Clear judgements are made with supporting statements to build the argument.</p>
	<p><b>2 marks</b></p> <p>Good application to the case study is made.</p> <p>Candidate makes references to how appraisals impact Marie's business and the employees.</p>	<p><b>2 marks</b></p> <p>Good analysis of the benefits and / or drawbacks of appraisal to Marie's business and the employees.</p> <p>At least one valid line of analysis for both Marie's business and the employees.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the benefits of conducting appraisals to Marie's business and the employees.</p> <p>Clear judgement is made with some attempt to make supporting statements.</p> <p>Lines of evaluation are developed.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited application to the case study is made.</p> <p>Candidate makes reference to how appraisals impact either Marie's business or the employees.</p> <p>The response is mainly theoretical.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the benefits or drawbacks of appraisal to Marie's business or the employees.</p> <p>Candidate is likely to focus on only Marie's business or the employees.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the benefits of conducting appraisals on Marie's business or the employees.</p> <p>Judgements are superficial and may be unsupported or only partially supported.</p> <p>Evaluation is limited and is likely to be one-sided.</p>
	<p><b>0 marks</b></p> <p>No reference is made to the case study or context.</p>	<p><b>0 marks</b></p> <p>No analysis of appraisals on Marie's business or the employees.</p>	<p><b>0 marks</b></p> <p>No evaluation is made or the evaluation is irrelevant.</p>

## **Indicative content:**

### Marie's business

Appraisals provide an opportunity to review performance against set targets. More challenging targets can be set, which might involve increasing the number of houses sold or leases arranged, thus making her business more competitive.

Issues with performance can be identified and interventions put in to place to deal with them. Over time this might improve efficiency of the employees, leading to high productivity or motivation, and thus reducing costs and increasing profits.

The meeting might involve discussion of training requirements and preferences. The employees might request courses they wish to attend, which could develop their skills and therefore make them more of an asset to Marie's business.

However, time is taken up with preparing for and conducting the appraisals, for both Marie and the employees, which could be better used elsewhere. One hour per appraisal might be time well spent, but this is just the meeting time. More sales or more property viewings could be completed in this time.

Feedback in the appraisal might not be all positive or the appraisal might not be completed effectively. If lower levels of motivation results from a poorly conducted appraisal, this could affect productivity, positivity and the atmosphere in the three offices.

### Employees

Appraisals provide an opportunity for staff to receive feedback on their performance. Staff might feel positive and motivated to want to continue to do a good job and feel that they enjoy work.

The employees' pay and benefits could be linked to their appraisal targets, in which case there might be a financial incentive for working harder to achieve this.

The employees can provide feedback in their appraisal, meaning that they might formally request training or discuss their career opportunities. Issues in the business can also be raised and might be dealt with so that the working environment improves.

However, the employees could be put under pressure to achieve challenging targets that are related to their pay and progression. This could create tension in the workplace as the employees compete with each other rather than collaborate. Demotivation may result.

### Possible lines of evaluation

Appraisals have the potential to provide benefits for both Marie's business and the employees, but they need to be conducted appropriately. Feedback needs to be constructive and targets should be attainable. Targets ought to be set, agreed and understood. Issues and problems should be dealt with as they arise, not just at formal appraisal meetings. Regular review meetings might make highlighting issues and celebration of successes timelier. Appraisal is a two-way process and each party needs to take the process seriously in order that the benefits are yielded.

Credit any other valid point.

<b>8.</b>	<b>The use of budgets will always guarantee the success of a business. To what extent do you agree with this statement? [10]</b>		
<b>Band</b>	AO1	AO3	AO4
	2 marks	4 marks	4 marks
<b>2</b>		<p><b>4 marks</b></p> <p>Excellent analysis of the impact of budgets on business success.</p> <p>Logical chains of reasoning.</p> <p>Analysis includes both positive and negative impacts.</p>	<p><b>4 marks</b></p> <p>Excellent evaluation of the role of budgets in guaranteeing business success.</p> <p>The evaluation is well-balanced and detailed.</p> <p>Qualifying statements are used.</p> <p>Other factors in success may be considered.</p>
<b>1</b>	<p><b>2 marks</b></p> <p>Good understanding of budgets.</p> <p>The key features of budgets are identified.</p>	<p><b>2-3 marks</b></p> <p>Good analysis of the impact of budgets on business success.</p> <p>Clear lines of reasoning.</p> <p>Analysis may be one-sided.</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the role of budgets in guaranteeing business success.</p> <p>Well-reasoned judgement with supporting statements.</p>
<b>0</b>	<p><b>1 mark</b></p> <p>Limited understanding of budgets shown.</p> <p>Candidate will identify some relevant issues.</p> <p>Some features of budgets stated.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the impact of budgets on business success.</p> <p>Underdeveloped points are made.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the role of budgets in guaranteeing business success.</p> <p>Judgements are superficial and may be unsupported.</p> <p>Evaluation is likely to be one-sided.</p>
	<p><b>0 marks</b></p> <p>No understanding of budgets shown.</p>	<p><b>0 marks</b></p> <p>No analysis of budgets in guaranteeing business success.</p>	<p><b>0 marks</b></p> <p>No evaluation is made or the evaluation is irrelevant.</p>

**Indicative content:**

- Budgets can help businesses to monitor their performance. Ongoing monitoring can highlight issues in areas or departments, for example with overspending, so corrective action can be taken. An increase in efficiency can result from this monitoring.
- Variance analysis might uncover the causes of issues, which can then be addressed. Dealing with issues as they arise can increase the chances of success as a business remains responsive to their internal and external environment.
- Budgets increase accountability of functional managers, making it more likely that managers will be more aware, conscious and responsible for their actions and activities.
- Better planning is facilitated by budgeting by anticipating future events, meaning businesses might be better prepared to respond to events.
- Communication across the organisation is improved as budgets help the coordination of activities.
  
- However, if the budgets are unrealistic then this could lead to poor financial and operational decisions being made, which could increase chances of failure.
- Effective budgeting is dependent upon the skills and experiences of managers. If managers manipulate budgets for their own / department's gain, then the budgeting process will not yield successes and may lead to underachievement.
- Budgeting can make a business rigid and reluctant to change or respond to their internal and external environments. This is especially true in dynamic markets where flexibility and innovation may be a significant factor in success.
- Budgets may be a factor in business success but cannot always guarantee success. Clearly other factors such as customers demanding the product/service will also be key in business success.
- Those excluded from the budgeting process may not be committed to the budget and may feel demotivated.

Credit any other valid point.

9.	Evaluate the importance of quality to McDonald's and its stakeholders. [12]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	4 marks	4 marks
3			<p><b>4 marks</b></p> <p>Excellent analysis of the importance of quality to McDonald's and their stakeholders.</p> <p>Both sides of the argument are evident.</p> <p>The learner develops the explanation with supporting analysis from the data.</p>	<p><b>4 marks</b></p> <p>Excellent evaluation of the importance of quality to McDonald's and their stakeholders.</p> <p>The evaluation is well-balanced and detailed.</p> <p>Qualifying statements may be used.</p>
2	<p><b>2 marks</b></p> <p>Good understanding of the importance of quality to McDonald's and their stakeholders.</p> <p>The key features of quality are identified.</p>	<p><b>2 marks</b></p> <p>Good application of the importance of quality to McDonald's and their stakeholders.</p>	<p><b>2-3 marks</b></p> <p>Good analysis of the importance of quality to McDonald's and their stakeholders.</p> <p>Clear lines of reasoning.</p> <p>Analysis may be one-sided.</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the importance of quality to McDonald's and their stakeholders.</p> <p>Well-reasoned judgement with supporting statements.</p>
1	<p><b>1 mark</b></p> <p>Limited understanding of the importance of quality to McDonald's or their stakeholders.</p> <p>Candidate will identify some relevant issues.</p>	<p><b>1 mark</b></p> <p>Limited application of the importance of quality to McDonald's or their stakeholders.</p> <p>Limited use of case.</p> <p>Response is mainly theoretical.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the importance of quality to McDonald's or their stakeholders.</p> <p>Undeveloped points are made with little or no reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the importance of quality to McDonald's or their stakeholders.</p> <p>Judgements are superficial and may be unsupported.</p> <p>Evaluation is likely to be one-sided.</p>
0	<p><b>0 marks</b></p> <p>No understanding of the importance of quality shown.</p>	<p><b>0 marks</b></p> <p>No application to the importance of quality to McDonald's or their stakeholders.</p>	<p><b>0 marks</b></p> <p>No analysis of the importance of quality to McDonald's or their stakeholders.</p>	<p><b>0 marks</b></p> <p>No evaluation of the importance of quality to McDonald's or their stakeholders.</p>

## **Indicative content:**

Quality can be subjectively measured through the extent to which a good or service is fit for purpose and how much it satisfies a customer's expectations.

### Importance of quality to McDonald's

- If consumers perceive that food is good quality, this can lead to increased customer satisfaction and increased sales.
- A competitive advantage might result from sourcing ingredients from local suppliers, only using 100% chicken and beef and conforming to safety standards. This could strengthen the brand image of McDonald's.
- Processes might be improved in food preparation and logistics, leading to reduced wastage, lower costs and therefore increased efficiency.
- McDonald's reputation may be safeguarded through prevention of error / poor quality food going to customers. This can prevent complaints, scandals, negative media attention and viral messages on social media.
- Quality can add value to the food that McDonald's sells therefore increasing price and, accordingly, profit margins.
- Employees might be motivated to work for a business that concentrate on quality, increasing their productivity and helping to keep costs low.
- Customers that are looking for affordable and convenient fast food may not prioritise quality in their purchasing decision, therefore making quality less important.
- Quality can increase costs to McDonald's in terms of quality assurance and quality control.
- Training staff on quality processes and maintaining standards can cost time and money.
- The importance of quality to McDonalds may depend on how much customers value quality in their purchasing decision. It certainly seems that McDonald's puts a significant emphasis on quality.

### Importance of quality to McDonald's stakeholders

- Employees may feel more motivated working for a business that places emphasis on quality. It may make them feel loyal and proud working for McDonald's. However, additional stress can be placed on employees to ensure that quality is maintained to high standards at all times.
- Shareholders may benefit financially through increased profits leading to higher dividends. The share price might increase as more shareholders demand shares. However, sustained commitment to quality can be costly and consideration should be given to whether this investment is paying off.
- Customers will benefit from higher quality food and feel more comfortable and secure with consuming food that has passed standards. However, they may be charged more for the products. There is a lot of choice in the fast-food industry so customers could buy elsewhere.
- Competitors may have to respond by improving the quality of their products. However, it might be the case that they can under-cut prices with products of a slightly lower level of quality. Competitors may feel threatened by McDonald's emphasis on quality and will find it important for themselves to compete effectively.
- Local communities may not find quality directly important compared to other stakeholders, but changes such as increasing employment resulting from increased success of McDonald's might benefit local communities. If McDonald's makes changes to where they source their supplies, this could affect local communities in some way.
- Suppliers may be able to charge higher prices for higher quality for supplies or ingredients such as chicken, beef or milk. However, there may be great pressure to meet standards which require capital expenditure and new systems or ways of working.

Pressure might be put on suppliers to provide low, competitive prices in order to retain contracts.

Quality is important to McDonald's stakeholders to a large extent, but it does come at a cost either in terms of money, time or effort. Quality has a positive impact on most stakeholders. Candidates may further evaluate in terms of the greatest point of importance of quality for McDonald's and which stakeholder places the most importance on quality.