

Example Candidate Responses

Cambridge
International
AS & A Level

Cambridge International AS and A Level Business

9609

Paper 1 – Short answer and essay

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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge International AS and A Level Business (9609), and to show how different levels of candidates' performance (high, middle and low) relate to the subject's curriculum and assessment objectives.

In this booklet candidate responses have been chosen to exemplify a range of answers. Each response is accompanied by a brief commentary explaining the strengths and weaknesses of the answers.

For each question, each response is annotated with a clear explanation of where and why marks were awarded or omitted. This, in turn, is followed by examiner comments on how the answer could have been improved. In this way it is possible for you to understand what candidates have done to gain their marks and what they will have to do to improve their answers. At the end there is a list of common mistakes candidates made in their answers for each question.

This document provides illustrative examples of candidate work. These help teachers to assess the standard required to achieve marks, beyond the guidance of the mark scheme. Some question types where the answer is clear from the mark scheme, such as short answers and multiple choice, have therefore been omitted.

The questions, mark schemes and pre-release material used here are available to download as a zip file from Teacher Support as the Example Candidate Responses Files. These files are:

Question Paper 12, June 2016	
Question paper	9609_s16_qp_12.pdf
Mark scheme	9609_s16_ms_12.pdf
Question Paper 22, June 2016	
Question paper	9609_s16_qp_22.pdf
Mark scheme	9609_s16_ms_22.pdf
Question Paper 32, June 2016	
Question paper	9609_s16_qp_32.pdf
Mark scheme	9609_s16_ms_32.pdf

Past papers, Examiner Reports and other teacher support materials are available on Teacher Support at <https://teachers.cie.org.uk>

How to use this booklet

Example candidate response – high	Examiner comments
<p>Q5) Inventory are goods, raw materials that required in the process of production. any forms of finished materials etc. ①</p> <p>Low level of inventory will many small delivery transportation cost of small deliveries prevent advantage of economies the average cost will increase so profitability of business will be reduced. Also, if there is foreseen increase in demand, less inventory for customer satisfaction lead to ③</p>	<p>① It is useful, although not always necessary, to start off with a clear definition.</p> <p>② Examiner comments are alongside the answers, linked to specific part of the answer. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams and helps your learners to refine their exam technique.</p> <p>③</p>

Answers by real candidates in exam conditions. These show you the types of answers for each level.

Discuss and analyse the answers with your learners in the classroom to improve their skills.

How the candidate could have improved their answer

The second cost of customer satisfaction is not as well benefited from acknowledging that products will be unavailable hence leading to disappointment.

In addition, three benefits have been explained. Presumably rather than foreseen but the candidate has explained some answer.

This explains how the candidate could have improved their answer and helps you to interpret the standard of Cambridge exams and helps your learners to refine exam technique.

Common mistakes candidates made in this question

(a) Not being able to move beyond Level 2 due to not understanding of these two types of expenditure and the effect of this on the two expenditures and again the effect of this on the profit.

(b) Confusion over what classes as an internal source of sales revenue or debentures.

This lists the common mistakes candidates made in answering each question. This will help your learners to avoid these mistakes at the exam and give them the best chance of achieving a high mark.

Assessment at a glance

For Cambridge International AS and A Level Business, candidates:

- take Papers 1 and 2 only (for the Cambridge International AS Level qualification)
- or**
- follow a staged assessment route by taking Papers 1 and 2 (for Cambridge International AS Level qualification) in one series, then Paper 3 (for the Cambridge International A Level qualification) in a later series
- or**
- take Papers 1, 2 and 3 in the same examination series, leading to the full Cambridge International A Level.

All components are externally assessed.

Component	Weighting	
	AS Level	A Level
<p>Paper 1 Short answer and essay 1 hour 15 minutes</p> <p>Section A: Four short answer questions (20 marks)</p> <p>Section B: One essay from a choice of three questions (20 marks)</p> <p>Based on the AS Level syllabus content</p> <p>40 marks</p>	20%	10%
<p>Paper 2 Data response 1 hour 30 minutes</p> <p>Two data response questions based on AS Level syllabus content</p> <p>60 marks</p>	60%	30%
<p>Paper 3 Case study 3 hours</p> <p>Five questions and one essay (from a choice of two) based on a case study</p> <p>Based on the additional A Level syllabus content and also assumes knowledge and understanding of the AS Level syllabus content</p> <p>100 marks</p>	–	50%

Teachers are reminded that the latest syllabus is available on our public website at www.cie.org.uk and Teacher Support at <https://teachers.cie.org.uk>

Paper 1 – Short answer and essay

Question 1

Example candidate response – high		Examiner comments
1	a	The person who combines the resources (1) (land, labour, capital) and took the risk of establishing the business (2)
1	B	There are many reasons behind the failure of new businesses. The lack of record keeping is one of them. If a company does not keep track of its transactions, cash inflows and outflows, repaying debts will be a much harder process and the business might end up bankrupt. This problem occurs mainly due to the inability of these businesses to employ a professional accountant. Another problem that might contribute (3) is a new business's failure is the lack of sufficient finance. (4) Most small businesses have a small start-up capital which might not be enough to cover all the needed facilities and equipments to ensure the flow of the business operations. Moreover, banks are often reluctant to provide loans to small businesses and that might contribute to the insufficient finance.
		<p>1 Characteristic 1</p> <p>2 Characteristic 2</p> <p>Mark for (a) = 2/2</p> <p>3 Reason 1 well explained.</p> <p>4 Reason 2 well explained.</p> <p>Mark for (b) = 3/3</p> <p>Total marks awarded = 5 out of 5</p>

How the candidate could have improved their answer

(b) The candidate identified record-keeping and lack of finance as the two reasons. Their explanation related to the difficulty of repaying debts and buying all the needed facilities. A shorter answer (missing out the third sentence for each reason) would still have earned full marks and saved time.

Example candidate response – middle		Examiner comments	
1	a	<p>Entrepreneur are the investors of a company, who is the owner and invest the start up capital in to a business & all the decisions are taken by the entrepreneur.</p>	<p>1 The entrepreneur is not necessarily the only one to invest; this answer would have been better linked to the risk of investing money in a start-up business.</p> <p>2 The entrepreneur is not the only person who takes decisions, although they take the leading role in this.</p> <p>Mark for (a) = 1/2</p>
	b	<p>New Businesses often fail in their early stages because they have very little or no market shares and they are having high production costs because they are new to it or are producing at a small scale.</p>	<p>3 Having very little or no market share will usually be a temporary situation when first starting a business; this then builds over time.</p> <p>4 High production costs are cited for 2 marks.</p> <p>Mark for (b) = 2/3</p> <p>Total marks awarded = 3 out of 5</p>

How the candidate could have improved their answer

(a) Two characteristics are given here, although these are vague and at least one of them required more precision to gain a full two marks. The entrepreneur is not necessarily the only one to invest. This answer would have been better linked to the risk of investing money in a start-up business. Similarly, the entrepreneur is not the only person who takes decisions, although they take the leading role in this.

(b) The candidate gave brief details of one reason for failure, high production costs. The other reason given, having very little or no market share, will usually be a temporary situation when first starting a business. To gain a further mark for this question, the candidate needed to add that, due to strong competition in the market, a business can fail to gain sufficient market share and revenue to continue to operate.

Example candidate response – low		Examiner comments	
#1)	a)	Entrepreneur is any person who is directly effected to by the operations of the business. In other words he/she is the owner of the company. 1	<p>1 Although stating 'owner of the company' might have been creditworthy here, the preceding sentence makes this doubtful.</p> <p>Mark for (a) = 0/2</p> <p>2 Reason 1 stated.</p> <p>3 Reason 2 stated.</p> <p>4 Reason 3 stated but not needed.</p> <p>Mark for (b) = 1/3</p> <p>Total marks awarded = 1 out of 5</p>
	b)	New business might often fail because of lack of record keeping 2 or they might fail to compete with the established business, lack 3 of ideas. 4	

How the candidate could have improved their answer

(a) The candidate did not clearly show that they understood what an entrepreneur is; their answer could describe a stakeholder. They needed to develop their answer to say, for example, that the entrepreneur paid to set up the business and therefore owns and runs it.

(b) The candidate stated three valid reasons new businesses fail but did not add any explanation. As a result, this response gained the mark for 'a list of two reasons'. Some development of the two points was needed for the other marks.

Common mistakes candidates made in this question

(a)

- Stating that the entrepreneur is the owner of the business or the person running the business, without any explanation.
- Vague comments such as 'gains benefit from the business'.
- Naming an entrepreneur without any reference to what makes them one.

(b)

- Making two points which were in fact the same point expressed in two different ways.

Question 2

Example candidate response – high		Examiner comments
2	<p>A Random sampling is a method of collecting samples for market research based on interviewing or asking random people from the population targeted population. All members of this population have an equal chance of being chose. 1</p> <p>Quota sampling is another method of collecting samples for market research and it is based on asking a specific amount of people (quota). Interviews and questionnaires are carried out in the targeted population till the the desired quota is achieved. 2</p>	<p>1 Correct definition.</p> <p>2 Correct, though could have been clearer.</p> <p>Mark for (a) = 2/2</p>
2	<p>b Sampling May be time-consuming especially if the representatives chosen don't visit a place regularly (couldn't be found easily). Also if the sample chosen is too small the results could be bias and inaccurate. 3</p>	<p>3 A succinct answer which briefly explains time and bias. The first sentence is the weaker of the two explanations.</p> <p>Mark for (b) = 3/3</p> <p>Total marks awarded = 5 out of 5</p>

How the candidate could have improved their answer

(a) Both definitions were correct, although the sentence about 'quota sampling' could have been made clearer by giving a specific example, rather than adding the final sentence which did not clarify the answer.

(b) A succinct answer which briefly explained time and bias. The first sentence was the weaker of the two explanations. It would have been clearer to add to the first sentence that sampling can mean that the staff conducting the market research waste time waiting for representatives / people to question.

Example candidate response – middle			Examiner comments
2	a	In random sampling people are selected randomly and the information / research is based on carried on them. ① In quota sampling people from different age groups are selected and research is carried on them. ②	<p>① The candidate does not demonstrate understanding of random sampling here; saying 'selected randomly' is just repeating material from the question.</p> <p>② The quota sampling definition is not particularly precise, but understanding is shown in the description of different age groups being selected.</p> <p>Mark for (a) = 1/2</p>
	b	As some spe people who are selected from sampling are only questioned it is possible that no their view is / requirement is not everyone requirement / need and secondly in sampling when some people are selected who are relatives of each other (to make it easy) it is highly possible that there are high chances that their view is not the view of majority of consumers. ③	<p>③ The candidate only explains one limitation, i.e. not being representative of the entire population, but they do this in two different ways making this a sound explanation.</p> <p>Mark for (b) = 2/3</p> <p>Total marks awarded = 3 out of 5</p>

How the candidate could have improved their answer

(a) The candidate did not demonstrate understanding of random sampling here; 'selected randomly' is just reusing the word 'random' from the question. They needed to show that they knew what the term 'random' means, i.e. that everyone has an equal chance of being asked. Although the quota sampling definition was not particularly precise, the candidate showed understanding about different age groups being selected.

(b) The candidate only explained one limitation, that of not being representative of the entire population, although they did this in two different ways, thus explaining it soundly. A clearly different second limitation was also needed, such as the cost or its time-consuming nature, along with a brief explanation.

Example candidate response – low

2	(a)	<p>Random Sampling is when a survey is done on a selected group of people - in which the group is chosen without exact specifications and members may have various qualities. 1</p> <p>Quota sampling is more specific to the needs of the survey and which kind of applicant candidate is questioned. This could be a method of rese researching specific data, e.g. a company's customers. 2</p>
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2	b	<p>Market research it is a systematic way of gathering the information analysing it for the betterment of the customers. Limitations of Market research samplings are it is not not accurate information and primary research is quite expensive 5 which increases the firm's overall cost as secondary research is not the first hand information it cannot be trusted. 6</p> <p>Market Research sampling is also a risk which is taken by firm but not a big risk as they evaluate the market. 7</p>
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Examiner comments

- 1** A vague definition. The term is not accurately defined.
- 2** A vague definition. The term is not accurately defined.

Mark for (a) = 0/2

- 3** This sentence is not needed.
- 4** Limitation 1 is not explained, e.g. 'because the questions asked are ambiguous or because the sample size is too small'.
- 5** Limitation 2 is not explained, e.g. 'because staff must be paid to prepare questions and documents and then either distribute questionnaires or interview people'.
- 6** The comment regarding trust is too vague to class as a limitation. There is no explanation of why market research might not be trusted. Again, it may not be accurate due to small sample size or ambiguous questions.
- 7** The final sentence is not relevant to the answer.

Mark for (b) = 1/3

Total marks awarded = 1 out of 5

How the candidate could have improved their answer

(a) The candidate did not answer the question and appeared to be confused about product sampling. Definitions need to be accurate to gain marks and this answer did not show that the candidate understood the methods of sampling used in market research.

(b) Two limitations were identified: inaccurate information and high cost, but these were not explained, which meant that the answer was classed as a list. The candidate did not really focus on the question even though they demonstrated understanding of market research. Following 'not accurate information', the candidate might have added a reason, for example, the questions asked may be ambiguous or the sample size may be too small. They could also have pointed out that sampling is expensive because staff must be paid to prepare questions and documents and then either distribute questionnaires or interview people. The comment regarding trust was too vague to class as a limitation, and no explanation was given as to why sampling might not be trusted. The final sentence was not relevant.

Common mistakes candidates made in this question

(a)

- Repeating the terms from the question without explaining them, for example 'in a random sample people are selected randomly' and 'in quota sampling the sample is made up of a quota of people'.
- Confusing quota sampling with systematic sampling.

(b)

- Appearing to list two limitations which were actually the same limitation expressed in two different ways.
- Stating limitations that related to general market research rather than specifically to sampling. This was accepted for full marks if explained correctly.
- Discussing primary and secondary market research.
- Discussing market orientation and product orientation.

Question 3

Example candidate response – high	Examiner comments
<p>Q3) Inventory are goods, raw materials that required in the process of production. It may be in many forms eg finished work in progress, raw materials, etc. 1</p> <p>Cost of holding low level of inventory is that there will many small deliveries that increase transportation cost of business. Also, small deliveries prevent business taking advantage of economies of scale. Thus the average cost will increase so profitability of business will be reduced. Also, if there is unforeseen increase in demand, less inventory for customer satisfaction lead to disappointment hence reducing brand loyalty. 3</p> <p>Benefit of holding low level of inventory is that it helps to reduce opportunity cost tied up in inventories. The cash can be used in more profitable ways eg buying assets. 4 Secondly, reduce storage cost freed space can be used in more productive use. And less wastage and obsolescence as less stock level so lesser chance of being depreciated, damaged.</p>	<p>1 It is useful, although not always necessary, to start off with a clear definition like this.</p> <p>2 The effect of small deliveries is well developed.</p> <p>3 The second cost (customer satisfaction) is not as well explained, but is still clear. It may have benefited from acknowledging that products will be unavailable for customers to buy if demand increases, leading to possible disappointment.</p> <p>4 Three benefits are explained: opportunity cost, storage cost, less wastage/obsolescence.</p> <p>Total marks awarded = 5 out of 5</p>

How the candidate could have improved their answer

The second cost of customer satisfaction was not as well explained but was still clear. The answer might have benefited from acknowledging that products will be unavailable for customers to buy if demand increases, leading to possible disappointment. Three benefits were also explained. Presumably, the increase in demand would be unforeseen rather than foreseen, but the candidate explained this sufficiently well so this omission did not affect the overall mark.

Example candidate response – middle	Examiner comments
<p>Q3</p> <p>There can be many advantages to a business of holding low inventory level, as it may saves the storage cost of the business, no rent to be paid for the warehouse, as inventory would be ordered when needed. Secondly the inventory kept with the business, if low would't be outdated, if stored, as if the customer taste or trends changed so it would a great advantage to business of holding less inventory level, it would capital would't be tied up, the cash could be used in ^{some} where else in the business then to ^{purchase} a high unit of stocks, so it would cost a business lower ^{it would lower down the} business cost, as the cash instead of holding could be used, to ^{to pay} to employees and overheads. Transportation cost would be saved, and the holding high inventory cost would be lowered down. So keeping a low level of inventory can contribute in the lowering of business costs.</p>	<p>1 Benefit 1 explained.</p> <p>2 Benefit 2 explained.</p> <p>3 Benefit 3 explained.</p> <p>Total marks awarded = 3 out of 5</p>

How the candidate could have improved their answer

This answer explained a number of relevant benefits gained from holding low levels of inventory. However, it did not cover the costs and, as a one-sided answer, it could only be awarded a maximum of three marks. The candidate could have improved their mark if they had explained just two of the benefits and then covered at least one cost.

Example candidate response – low	Examiner comments
<p>3) If a business is holding a low level of inventory it can reduce the fixed cost to the business as the inventory level is low. ¹ Less number of labour is required when the inventory level would be low. The business would not be able to take large and sudden orders due to low level of inventory. ² Large scale competitors as would have the power to overthrow as they would have high scale production ³ sold more in the market. ⁴</p>	<p>1 A benefit is given here (reduced fixed cost), but not developed into an explanation. The candidate needed to state that reduced fixed costs are due to lower rent as a result of not needing large storage facilities.</p> <p>2 The benefit of a lower salary bill (as a result of needing fewer staff to manage the inventory) is not developed here.</p> <p>3 The candidate identifies a cost (no sudden large orders), but this needed more development to show that there would be no spare inventory to increase production in the short term, therefore sudden large orders could not be taken.</p> <p>4 The final point (the lack of economies of scale making prices uncompetitive if there are strong rivals in the market) is not clear enough. Use of the term 'the power to overthrow' is not appropriate here.</p> <p>Total marks awarded = 2 out of 5</p>

How the candidate could have improved their answer

The candidate needed to develop their explanation of the points they included. They identified a benefit (reduced fixed cost) and a cost (no sudden large orders) but did not develop these with explanations. They needed to comment on reduced fixed costs being due to lower rent as a result of not needing large storage facilities, or a lower salary bill being due to needing fewer staff to manage inventory.

The cost also needed more developed explanation to show that there would be no spare inventory to increase production in the short term, meaning unexpected large orders could not be met.

The final point lacked clarity about the lack of economies of scale making prices uncompetitive if there are strong rivals in the market. Use of the term 'the power to overthrow' was not appropriate here.

Common mistakes candidates made in this question

Considering only costs **or** benefits and therefore being limited to three marks maximum.

Question 4

Example candidate response – high		Examiner comments
u)	<p>a) Job description enlists describes the job that must be undertaken and enlists the different tasks that must be performed. 1</p> <p>Person specification lists out the qualifications that a person must possess in order to qualify for the job that must be undertaken. 1</p>	<p>1 Although the candidate clearly shows that they can distinguish a job description from a person specification, this answer is quite brief. However, there is a good enough distinction for the two marks available.</p> <p>Mark for (a) = 2/2</p>
	<p>(b) One way to employees can participate is through quality circles. These are groups of employees who sit together to discuss about the business decisions. 2</p>	<p>2 First way explained.</p>
	<p>Moreover, workers usually nominate an informal leader through which the workers can pass their ideas to the man top management regarding business decisions. 3</p>	<p>3 Second way explained.</p>
	<p>Employees can also participate actively in business meetings to communicate about business decisions, and become a part of decision making process. 4</p>	<p>4 Third way explained.</p> <p>Mark for (b) = 3/3</p> <p>Total marks awarded = 5 out of 5</p>

How the candidate could have improved their answer

(a) Although the candidate clearly showed that they could distinguish a job description from a person specification, this answer was quite brief. The job description definition could have been improved by referring to hours, holidays and pay, while the person specification definition could have referred to skills and personality traits rather than just qualifications. However, there was a good enough distinction for the two marks available.

(b) This candidate explained three ways: quality circles, informal leaders and business meetings, although two of these methods were enough to earn the marks

Example candidate response – middle	Examiner comments
<p>Ans 4 a) Job description is a document which contains all of the information which a job requires. It mostly is designed when a worker has to be found for a job. It contains what will be the working hours of the job, job conditions, what the worker will have to do. However, Person specification is a document only design for one worker and his job, job condition, job hours and salary is written. 1</p>	<p>1 The candidate clearly understands what a job description is and has given a very good definition. However, they do not know what a person specification is and appear to have made an educated guess (a job description for a particular person).</p> <p>Mark for (a) = 1/2</p>
<p>b) An employee can participate in the business decision making by being more active in the job, by showing the owner his ability and his skills so the owner feels important to keep the employee at decision making in order to achieve better business performance. 2</p> <p>In Democrat An employee can participate in decision making if the leadership style is democratic as employees help in the decision making it is a de-centralized approach, there is two way communication. 3</p>	<p>2 The first point is too vague. This could have been improved by commenting that a hardworking and trusted employee, who has proved his worth to the owner, may be invited to contribute to decision-making due to their experience.</p> <p>3 The candidate earns two marks for the second point about leadership style, by explaining that, with two-way communication, employees can participate in decision-making.</p> <p>Mark for (b) = 2/3</p> <p>Total marks awarded = 3 out of 5</p>

How the candidate could have improved their answer

(a) The candidate clearly understood what a job description is and gave a very good definition, but an accurate definition of person specification was also needed. They appeared to make an educated guess that it is a job description for a particular person. The candidate therefore failed to distinguish between the two documents.

(b) This candidate earned two marks for their second point about a leadership style where two-way communication can allow an employee to participate in decision-making. Their first point, however, needed to be clearer. It could have been improved by adding that a hardworking and trusted employee may be invited to contribute to decision-making in recognition of their experience.

Example candidate response – low

Q4	(a)	Job description is describing / specifying what qualification is required for the job or what eligibility the job stands for.	1
		Person specification is the designation assigned to the employee for his job.	2
			3

Ans 4	(b)	The employees would participate in business decision making by two ways. One way is that, the specific person should be on the high level / position in the business so he could also take part in some decision making. The second way is by having good ideas, which other managers or Asst authorities would approve and then they would mostly depend on you.	4
			5

Examiner comments

- 1 It is not a good idea to put 'describing/specifying' as this immediately fails to separate the two documents.
- 2 The candidate does not distinguish between the two documents here. Qualifications have been cited for the job description, not the person specification.
- 3 If the designation referred to in the person specification means the job title, then that should go in the job description.

Mark for (a) = 0/2

- 4 The first way given here is too vague. It implies that the person is already in management and therefore part of the decision-making team. This is not really what the question is asking.
- 5 The candidate gains one mark for the second way given here, but this lacks an explanation of how those ideas would be communicated to managers, e.g. through a suggestion scheme or raising them at meetings with managers.

Mark for (b) = 1/3

Total marks awarded = 1 out of 5

How the candidate could have improved their answer

(a) The candidate failed to show understanding of this topic and simply attempted to use appropriate words in the hope that they were correct. Sometimes this approach can pay off, but often, as in this case, only thorough knowledge of the specification will gain marks.

(b) This candidate was awarded one mark for the second way suggested here, but this lacked an explanation of how ideas would be communicated to managers, for example, through a suggestion scheme or by raising them at meetings with managers. The first way given was too vague as it implied that the person was already in management and therefore part of the decision-making team. This was not really what the question was asking, although further explanation might have improved the answer. For example, the candidate could have said that employees could be invited to attend board meetings or participate in focus groups to represent their area of the business. It is important to develop an explanation, as some points may seem incorrect without it.

Common mistakes candidates made in this question

(a)

- Repeating the terms in the question with no explanation, for example: the job description is 'a description of the job' and a person specification is 'the specifications of the person'.
- Calling a person specification a job specification, although this was given benefit of the doubt if it was explained correctly.
- Confusing a person specification with a curriculum vitae.

(b)

- Identifying but not explaining the ways employees can participate.

Question 5

Example candidate response – high

Q5)	a)	capital expenditure is one-time expenditure that gives the business 1 advantage for a number of years. Revenue expenditure is expenditure relating to the day-to-day activities of the business. The purchase of new machinery is a capital expense, whereas, repairs to the machinery is a revenue expenditure. It is important for a business to differentiate between revenue expenditure and capital expenditure because revenue expenditures are accounted for in the income statement under the profit and loss account. If capital expenditure is included in the profit and loss account, the profit for the financial year of the business will be misleading. The profit figure will be too low or may even show a loss for the year. Hence, to give 2 an appropriate, unbiased profit figure for the year, a business needs to distinguish between revenue expenditure and capital expenditure. capital expenditure occurs in one single financial year but the business can benefit for a number of years. For example the purchase of machinery. This machinery will stay with the business until it is totally depreciated, becomes obsolete or technological change in the production
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		process takes place. The cost of the machinery is usually split between the number of years of expected use. This helps the business show a realistic profit figure of the business. 3 Distinguishing between capital and revenue expenditure helps not understating or overstating the amount of expenses and hence not having an adverse effect or showing a false profit figure for the financial year.
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Examiner comments

1 Clear distinction between the two types.

2 This paragraph is clear and logical and includes the features that the examiner is expecting to see. It is awarded Level 4 because it is a good analysis, showing clear chains of reasoning.

3 There is less development of the reasoning in this paragraph and it does not reach Level 4 standard; therefore the score is 7 rather than 8.

Mark for (a) = 7/8

Example candidate response – high, continued

Examiner comments

(b) Businesses do not always have the required amount of finance with them in order to perform any activity. Even the very successful businesses need to raise finance from different sources in order to continue with the smooth running of the business. Businesses can raise finance internally and externally. Raising

finance for a business activity internally is considered to be an easier option at times. ~~est~~

There are a number of different sources a business can use to internally raise finance.

These include sale of assets of a business such as equipment, stock to raise finance. Moreover for incorporated businesses, finance ~~can~~ to fund expansion can be raised through issuance of ~~shares~~ new shares or making right issues. **4**

Furthermore hire purchase and leasing can be used to pay for ~~est~~ using equipment in ~~per~~ periodic installments. Businesses can also raise finance by asking the debtors to pay in ~~est~~ the cash and do not allow for long ~~cash period~~ credit periods. **5**

The possible benefits for financing a business for expansion is that internal sources of finance are a cheap method to finance a business since there are no money cost **6** like by selling an asset no interest rates have to be paid out.

Furthermore internal sources of finance is considered to be a 'permanent' method since the finance raised will not have to be paid back.

4 Initially, some incorrect sources of finance are identified, such as the issue of shares, hire purchase and leasing.

5 Shortening the debtor repayment period is an internal source but is used more for working capital and is unlikely to be used to fund expansion.

6 The sale of assets is the only relevant internal source identified.

Example candidate response – high, continued

Examiner comments

Moreover unincorporated businesses like ~~private~~ ^{public} limited companies can raise finance internally through making new or right issues & i.e. raising finance through issuance of shares. Through this method enough amount can be raised to fund activities like expansion since substantial amounts can be gathered.

7

7 Ignored.

Not only this but ~~when~~ by ~~but~~ using the method of financing an activity like expansion internally, the potential of a business to make investments can be clearly seen.

Lastly these internal sources of finance improve the position of balance sheet or income statement, since no liabilities are being observed.

8

8 The analysis and evaluation of the benefits and drawbacks of internal sources of finance to fund expansion are strong. The candidate produces some good context and good analysis with some effective evaluation. As a result, there is sufficient relevant material to award Level 4.

However the method of using ~~internal~~ internal finance might not be an option for all businesses. A sole trader operating a bakery, if wishes to expand and open another branch/shop in the town, might not be able to do so solely with internal financing. And even if he/she is able to do so then, it might be likely to face ~~or~~ cashflow problems, and problems with working capital in future.

Not only this but for small businesses it is near to impossible

Example candidate response – high, continued	Examiner comments
<p>to raise such substantial amount for activities like expansion, using internal finance.</p> <p>Moreover, as argued, business sell assets to raise finance internally, this might not be as a reliable option if businesses wish to use the asset e.g. an equipment in future. In such cases hire purchase or leasing can be an expensive option compared to owning the asset.</p> <p>Not only this but when selling these assets to raise finance, businesses might deprive themselves of these the option of keeping them as collateral for any other activity.</p> <p>Furthermore raising capital through issuing shares means that dividends eventually have to be paid out to shareholders and it becomes a permanent expense. There is also a chance of loss of ownership in such cases.</p> <p>Lastly activities like expansion cannot be funded solely with use of internal sources of finance, since they are very limited.</p> <p>The pre activity of expansion also includes use of for additional finance re future thus, internal sources not enough.</p>	<p>Mark for (b) = 10/12</p> <p>Total marks awarded = 17 out of 20</p>

How the candidate could have improved their answer

(a) This response was clear and logical and included all the features that the examiner was expecting to see. It was given Level 4 because of good analysis showing clear chains of reasoning in the second paragraph. There was less development of this reasoning in the third paragraph, which was not Level 4 standard; therefore 7 marks were awarded rather than 8. To improve the answer, the candidate could have explained, for example, why the purchase cost and the depreciation of machinery are shown on two different financial accounts, unlike revenue expenditure.

(b) There was some irrelevant material in this response and this was ignored. Initially, some incorrect sources of finance were identified, such as the issue of shares, hire purchase and leasing. Shortening the debtor repayment period is an internal source but is used more for working capital and is unlikely to be used to fund expansion. The sale of assets was the only relevant internal source identified. However, the analysis and evaluation of the benefits and drawbacks of internal sources of finance to fund expansion were strong. The candidate produced some good context and good analysis with some effective evaluation, sufficient to award Level 4.

The candidate could have improved their answer by making it clear that their examples of external sources of finance have drawbacks which internal sources do not have. They might also have discussed retained profit in addition to sale of assets. By contrasting the benefits and drawbacks of internal and external sources, they would have improved their evaluative comments relating to when internal sources may be more or less useful.

Example candidate response – middle

Examiner comments

5 a Revenue expenditure is spending amounts to pay for business daily expenses while capital expenditure is spending money on the purchase of non-current assets or adding to their value. ex. ¹ purchasing a motor vehicle. Ex on revenue expenditure: repairs to motor vehicle. The business must distinguish between revenue and capital expenditure to avoid errors in figures when making income statement and balance sheet so that profit for the year is not overstated/understated to avoid legal problems with the government as taxes are calculated as percentage of profits. Also if profits prove to be overstated share holders might think of it as window dressing to attract investments which will affect the company's image. ² Also failing to distinguish between them will make the non-current assets overstated/understated and again the company will be caused of window dressing. Also the owner will overvalue the business. Also any errors in the balance sheet will lead to errors when

~~to do~~ Internal sources of finance are those ~~obtained~~ from business activity rather than borrowed from banks calculating liquidity ratios such as and profit ability ratios such as rate of return on capital employed

because the capital employed will be ³ overstated/understated leading to difficulties in evaluating the performance.

1 The candidate understands the difference between revenue and capital expenditure, as shown by the definition and examples here.

2 The importance of the difference is related to profit and non-current asset over- or understatement and the possibility of the business then not using accurate figures to calculate financial ratios, meaning evaluation of performance is flawed. The answer is given Level 3 because most of the analysis is partial, i.e. one step reasoning.

3 Slightly better developed reasoning is shown in the final sentence (note the use of 'because' and 'leading to'.)

Mark for (a) = 5/8

Example candidate response – middle, continued

Examiner comments

5 b Internal sources of finance are those obtained from business activity rather than borrowing from outsiders. They include retained profits, additional capital added by the owner introducing new partner or the business type is partnership or selling shares of plc. The benefits of using these sources is that they reduce risk as there is no chance of being liquidated in case of taking a loan and being unable to pay which is a great benefit especially for sole traders and partnerships because they have limited liabilities. No interest rates will have to be paid which would have had a negative effect on cashflow and profits and in some cases interest rates might be high leading to suffering for the business but on the other hand there is no chance of benefiting from government grants as they are considered external source. The drawbacks might include inability to raise the amount of finance required if the retained profits are insufficient or the business might reduce dividends to shareholders but this would make them unsatisfied.

4 The candidate correctly identifies retained profits as an internal source of finance; introducing a new partner and selling shares are external sources.

5 There is strong analysis shown in discussion of the benefit of reduced risk.

Example candidate response – middle, continued	Examiner comments
<p>Also using a huge portion of retained profits will lead to difficulties in operating the next year and may affect liquidity because the main source of operating is retained profits and the business might be forced to take an overdraft. Introducing a new partner could increase the amount available for expansion but what about disagreements between partners later? If the business is plc then it could sell more shares in the stock market but this might lead to loss of control over the business as it becomes too large and there is a chance of being taken over by a competitor if too much shares are sold. The business has to experience an opportunity cost if it chooses only internal sources as the amount necessary for expansion could be difficult to generate internally and control over the business could be lost.</p>	<p>6 There is less strong analysis when discussing the use of retained profits.</p> <p>7 The reasoning relating to introducing a new partner and selling shares has been ignored due to these not being internal sources.</p> <p>8 Up to this point, the candidate has achieved 6 marks (Level 2). The final sentence relating to the opportunity cost of choosing only internal sources then moves the answer into Level 3, as this is an evaluative comment.</p> <p>Mark for (b) = 7/12</p> <p>Total marks awarded = 12 out of 20</p>

How the candidate could have improved their answer

(a) The candidate understood the difference between revenue and capital expenditure, as shown by their definition and examples. The importance of this distinction is related to profit and non-current asset over- or understatement and the possibility of the business then not using accurate figures to calculate financial ratios, meaning evaluation of performance is flawed. This answer was given Level 3 because most of the analysis was partial, one-step reasoning. Slightly better developed reasoning was shown in the final sentence (with the use of ‘because’ and ‘leading to’).

For the essay-style questions, more developed reasoning with fewer points was needed and the candidate could have improved their answer by making more use of words and phrases such as *because, therefore, leads to, meaning that, as a result, due to this, the effect on the business is that . . .*, etc.

(b) The candidate correctly identified retained profits as an internal source of finance; introducing a new partner and selling shares, however, are external sources. There was strong analysis of the benefit of reduced risk but less strong analysis when discussing the use of retained profits. The reasoning relating to introducing a new partner and selling shares was ignored, as these are not internal sources. The candidate initially achieved 6 marks (Level 2), but the final sentence moved the response into Level 3 as it was an evaluative comment.

To improve, the candidate could have included more developed reasoning relating to the inability to raise the amount of finance required or the effect on shareholders of using retained profit. This would have strengthened the evaluation by recognising that this measure would depend on the attitude of the shareholders or the extent of the expansion.

Example candidate response – low

Examiner comments

Q5 (a) Distinguishing between revenue and capital expenditure ^{introduces business life.} have great importance. Revenue expenditure are the one to run the daily expenses, day to day expenses and capital expenditure ^{is the} cost of the business which lasts for more than one year.

Distinguishing between this is important, as business come to know about its revenue expenditures, this is the expenditure to run the daily expenses, if business would not distinguish, then it might create problems for the business such as cash flow problem. Revenue expenditure are used to cover the daily cost of the business such as paying their pending bills, payment to the supplier, and the wages to the workforce, if all the ~~revenue~~ revenue is invested on capital expenditure, such as machinery, ~~and~~ land and ~~raw~~ ^{other} assets then it would create difficulty for the business to survive. Revenue expenditure tells the business ^{the} costs of daily expenses. 1

Capital expenditure are the expenditures ^{that} are the assets that last for more than one year, which can be land and machinery, however ~~spending~~ ^{a business} keep a balance ~~in~~ spending on both of the ~~best~~ expenditures, as if business spend more on capital expenditure, buying more land and machinery ~~it~~ would create the cash flow problem, as ~~wages~~ ²

working is expand, greater no. of workforce would be needed so the overheads would be increased of business and it would become difficult for the business to spend on its revenue expenditure, as it would make shortage of capital in business.

However distinguishing between the capital and revenue expenditure is very significant, as it ^{revenue} ~~is~~ ^{assures} ~~the~~ expenditure assures business daily cost to be met and capital expenditure are the one ^{to} which business pay for ~~them~~ ^{assets that} ~~and~~ ^{can be} ~~it~~ ^{spending} large amount on ~~that~~ ^{those} assets. 3

- 1 The candidate shows clear understanding of the difference between revenue expenditure and capital expenditure with some relevant examples applied to a business context, placing this answer in Level 2.
 - 2 The attempt to analyse the importance of this difference is vague, e.g. 'would create cash flow problem'. How and why problems would occur is not discussed therefore 4 marks only can be awarded.
 - 3 In the second half of the answer, the candidate is largely repeating points already made.
- Mark for (a) = 4/8

Example candidate response – low, continued	Examiner comments
<p>Q5 (b) Internal source of finance is the money raised from within the business, which may include retained profits and selling of assets, and for mean of expansion of business internal source of finance can have many benefits and draw back:</p> <p>At first a business could use retained profits this the finance that is being made from profits and is saved with owner, once the retained profit is being in the business for expansion, it would not be then available to the owner ^{immediately} again as then sales would grow and then business would make profits and then retained profits are being made. Secondly if the business have asset that is not in the use of the business, so the owner could sell the asset and the finance get from the sold of the business can be used in the expansion, but it have a disadvantage to the business ^{owner}, the asset is no more of the owner, the ownership is transferred to the buyer, and then it would take a long period of time for business to make the adequate profit and to ^{again} invest in the business to buy that asset again, it ^{asset} can be the machinery or</p>	<p>4 The use of retained profit and sale of assets are identified as valid internal sources of finance, together with some analysis. For example, retained profit, once used, is no longer available until it is replaced by future profit; sold assets are also no longer available to the business.</p> <p>Mark for (b) = 5/12</p> <p>Total marks awarded = 9 out of 20</p>

How the candidate could have improved their answer

(a) The candidate showed clear understanding of the difference between revenue expenditure and capital expenditure, with some relevant examples clearly applied to a business context, placing this answer in Level 2. However, their attempt to analyse the importance was too vague to be rewarded, for example ‘would create cash flow problems’. How and why problems would occur was not discussed, therefore four marks only were awarded. In the second half of the answer the candidate largely repeated points already made.

To improve, the candidate needed to develop their reasoning more. For example, where they wrote ‘this would create cash flow problems because . . . , These cash flow problems would lead to . . . and therefore the businesses would . . . ’ the candidate might have referred to the importance of recording the two expenditures differently in the financial accounts and the subsequent effect on assets and profits.

(b) Retained profit and sale of assets were identified as valid internal sources of finance, together with some analysis, i.e. retained profit, once used, is no longer available until it is replaced by future profit. Sold assets are also no longer available to the business. Leasing is relevant and the idea is to lease out an asset belonging to the business ‘which may provide a fixed amount of finance to business’. The reference to shares and hire purchase was not rewarded as this was inaccurate. The end of this answer was a summary and not an evaluation. The answer was in Level 2 but did not show strong analysis or provide evaluation, therefore five marks were awarded.

To improve, the candidate might have included some evaluation by recognising that a small or new business would perhaps not have made enough retained profit for expansion and therefore might need to use external finance, while a larger or longer established business might be able to rely more on retained profit. When evaluating, candidates must recognise that not all businesses have the same circumstances and requirements and it is this which will decide whether internal finance alone can fund their expansion.

Common mistakes candidates made in this question

(a) Not being able to move beyond Level 2 due to not understanding the difference in funding and recording of these two types of expenditure and the effect of this on the business, or not understanding the long-versus short-term nature of the two expenditures and again the effect of this on the business.

(b) Confusion over what classes as an internal source of finance. Many referred to selling shares, some to sales revenue or debentures.

Citing selling inventory as a suitable source of finance to fund expansion.

Question 6

Example candidate response – high	Examiner comments
<p>6</p> <p>Having a good marketing strategy and with the right marketing mix is important for all businesses. There are two main ways of models used to create a marketing mix and they are the 4 P's marketing model and the 4 C's marketing model. The more well-known and used model is that of the 4 P's. The 4 P's model are Product, Price, Promotion and Place. The business decides what product to make^{sell}, use their R&D and market research; consider the cost of the raw materials and production, the labour costs etc. and decides the price of the product; and then decides how best to promote the product and get maximum sales. The last P is about where to sell, considering where they^{which place} as more customers will go and^{and} maybe even consider online e-market. The 4 P's basically focus on the maximum sales and returns for the business and each P of the marketing mix is determined with that^{to see} to achieve those goals. It is a proper profit-making business attitude.</p> <p>The 4 C's model, on the other hand, 1 is more customer-oriented and tries to make a marketing mix most suitable for target group customers. The 4 C's are:</p> <ol style="list-style-type: none"> 1) Customer needs 2) Cost to Customer 3) Communication and 4) Convenience to customer. <p>Here the product will be created or^{and for} sold</p>	<p>1 This candidate has constructed a very mature answer which effectively demonstrates how to gain Level 5 on this question. Their explanation of the difference between the two models is succinct, which is good practice because that is a lower level skill.</p>

Example candidate response – high, continued

Examiner comments

to meet the customer's needs and wants, and the price is decided according to the affordability or incomes of the customer. The ~~the~~ place/platform is decided more according to the convenience of the customer, and the promotion is ~~done~~ and considered as a way of communication to the customer about the business' product/service and is done in the simplest and most understandable way.

To a certain extent, I do agree that the LC's model is more useful for a retail ² business than ~~the~~ LEP ~~business~~ model. Retail stores are those businesses that come in the end of each product ~~business~~ ~~segment~~, ~~and~~ from where the ~~first~~ consumers finally buy/get the product. Unlike manufacturing or primary sector businesses, retail businesses involve a lot of customer interaction. In fact, it is one of the key factors in the success of the business. Especially for small retailers, having a good relationship with their customers help sales greatly. They have more ~~one-to-one~~ communication with customers and this is how brand loyalty is created, ~~the~~ and word of mouth promotion is received. The retailers ~~has~~ can talk and find out the needs of the customer of ~~the~~ the business' area and sell those goods that cater to their needs. This is not only ethically right, it also obviously increases sales and footfalls as customers are getting exactly what they want from the shop. Being a retailer it is also possible to understand the ~~cost~~ ~~level~~ budget

2 The candidate is now in a position to demonstrate good analysis and evaluation (beginning 'To a certain extent . . .'), using the context of a retail business. This development of the explanation moves the answer to Level 4.

Example candidate response – high, continued	Examiner comments
<p>and cost-restricting the retail retail shop's customers have and accordingly sell them. By using of such prices. For example, if the people spend only a maximum of 10 units of money for a product, the retailer should ensure, those products sold are not more higher priced and are affordable to the customers.</p> <p>This is not to say that the 4P's are not important to retail business. The 3 most apt marketing model would be to use both the 4P's and 4C's in a complementary manner. to create a mix. The retailer shouldn't just sell products that cater to customer needs. He/she has to try bring in new products with new uses and create a need in the market. And while looking at the cost to customer is important and ethical, socially responsible, being a business, profit is equally important. So it is best to sell products that are affordable to customers but at the same time gives the business a good margin.</p> <p>In conclusion, being a retail business, the customer's satisfaction with the products 4 available and the price etc. is very important to the success of the business. And for this reason, using the 4C model is appropriate. It can help make the business more socially responsible and increase brand loyalty among customers but equally important is looking at the marketing mix from a business point of view. Profit is still important. and The best marketing model they. Thus, I feel that both the best marketing models are important and have to be used</p>	<p>3 Another clear evaluative signal starts this paragraph ('This is not to say that the 4Ps are not important . . .').</p> <p>4 The candidate concludes by showing that there can be use of both of the models at the same time, going a stage beyond choosing one or the other model as the best.</p>
<p>together to get create a successful marketing mix.</p>	<p>Total marks awarded = 19 out of 20</p>

How the candidate could have improved their answer

There was little to fault in this answer, but to secure full marks the final comment could perhaps have recognised that there are different types of retail businesses and that the customer expects to be more involved in some than in others, For example, this may move the bias towards the 4Cs for a wedding garment retailer, and more towards the 4Ps for a food retailer.

Example candidate response – middle

Examiner comments

6

Marketing model refers to when business before launching it's product answers the question of 4P's or 4C's.

4P's are linked with the product, as a retail business has to analyse what product they should produce which the consumer are demanding and retail business could easily produce, secondly price of the product which consumer are willing to pay and business is willing to

sell.

Thirdly retail business has to analyse which promotion way they should adopt to attract more customer's and make their product known in the market, for example by tv, news paper etc.

Fourthly they have to consider which place they have to sell the product, which market is best for their product. for example if a retail business is selling consumer good so it will sell it's good to consumer market and if retailer is selling any capital good or the good which cannot be consumed in it's real form then they will place it in industrial market.

On the other hand 4C's answer's the question's according consumer's. First C of 4C's is Consumer Consumer good, what type it allow's business to know which consumer's demand to be fullfilled. So when they had selected the consumer they start producing good according these demand.

Secondly they will set consumer price that consumer is willing to pay, where as in 4P's price's

1 The candidate explains both the 4Cs and the 4Ps and distinguishes between them, using the context of retail businesses.

Example candidate response – middle, continued

Examiner comments

are determined which will benefit the business.

Thirdly Communication to consumer. In this retail business has to determine the best way of communication with consumer so they could be able to know about the product, for example if retail business has set elder people as their consumer so they will message them on phone as ~~most~~ ^{most} of the elder's have phone's.

Fourthly retail business has to make product convenience to the consumer. They have to ~~at~~ select a way to make it easy to customer's to purchase their product for example home delivery's etc.

"The 4c's marketing model is more useful for a retail business than the 4Ps ~~and~~ marketing model", ~~It could~~ I believe it depends ² on the retail business whether it is market oriented or product oriented business. If it is market oriented business so the better model for marketing mix would be the 4c's as market oriented ³ business are those business which study the market and produce the

- 2** The candidate begins their analysis of the statement by quoting it here, continuing their analysis to the end of the essay.
- 3** Limited evaluation is achieved by considering that the best model depends on whether the business is market- or product-orientated. This is just enough to move it into Level 4.

Example candidate response – middle, continued	Examiner comments
<p>product according to the demand of market. If the retail business is product orientated then the perfect model for it of marketing mix would be the 4P's as product orientated businesses are those businesses which work on their product as they are able to produce only that product and target such market where that product is needed to sell them.</p> <p>Yes Retail business should adopt 4Ps marketing model as it would be easy for them to analyse their customer or consumer and they could produce goods according to their demand on the affordable price by the consumer and they would know how to communicate with their customer with the best method of communication and the retail business would know where they can find their consumer and will make convenient for their consumer to buy the product. Retailers mostly buy product from industries so they will with the help of LIC's buy product which is demanded in the market by the consumer's.</p>	<p>Total marks awarded = 13 out of 20</p>

How the candidate could have improved their answer

The candidate explained both the 4Cs and the 4Ps and distinguished between them using the context of retail businesses. The start of the analysis of the statement was indicated by quoting it. Limited evaluation was achieved by considering that the best model depends on whether the business is market- or product-orientated. This was just enough to move the answer into Level 4.

It would have improved the answer if the candidate had given specific business examples to illustrate their valid point about product- vs. market-orientation. They did not indicate whether they agreed or disagreed with the statement, meaning that the mark remained at the lower end of Level 4. A comment such as 'I agree with the statement because . . . ' would have moved the response to the top end of the level.

Example candidate response – low	Examiner comments
<p>6</p> <p>The 4Cs marketing model is more useful for a retail business than the 4Ps marketing model. As because Marketing is managerial task that link business with customer needs by preparing and providing right product at right time at correct place to consumer. Product is basically consumer need to fullfill its need according to its demand and desir.</p> <p>The 4Ps marketing model means Product, Price, Place, Promotion where 4Cs include Customer choice, Cost to customer, Convenience to customer and Comfort to Customer etc. 4Ps based only on Product which only can innvate product orientation which is a inward looking approach and only focus on Product with no focus on consumer need or having no market research. As 4Cs have; 4Cs more prefer best- as Market research which is outward looking approach having special focus on consumer demand their choice etc. The Main objective of Business is to design a product that is according to what others prefer to have. due to which they should have to design that way which would attract them and they buy it. This will also results in an increase in number of sales and profit which will cause its demand to raise and a good name will appear of a Company. The raising demand can also cause it providing a brand name.</p>	<p>1 There is evidence here that the candidate understands both the 4Cs and the 4Ps, but no context is given for a retail business, so only Level 2 can be achieved.</p> <p>Total marks awarded = 8 out of 20</p>

How the candidate could have improved their answer

There was enough evidence in this answer that the candidate understands both the 4Cs and the 4Ps, but they provided no context for a retail business so only Level 2 could be achieved.

To improve, the candidate could have used an example of a retail business and explained how the 4Cs and the 4Ps would apply to it. This context would have moved the answer into Level 3. The candidate did not really address the question or suggest when the 4Ps model might be better than the 4Cs or vice versa. This would have led to some analysis and improved the mark to 12.

Common mistakes candidates made in this question

Some candidates did not understand that one of the 4Ps is Profit. Some did not understand the 4Cs, limiting their answers to Level 2.

Question 7

Example candidate response – high

Examiner comments

7 (a) Corporate objectives are goals set by management ~~and~~ that help the business achieve their aims. These objectives must be SMART: specific, measurable, achievable, relevant and time-specific.

It is important for a large business to set corporate objectives for three reasons. First, these objectives unite the workforce towards one ~~common~~ direction in achieving the same goals. This gives the workforce a sense of purpose and direction. Big businesses require unity so that employees do not feel

1

1 Point 1.

disgruntled and loose direction. Having a united workforce is important for a large business so that it can maximise on the productivity of its workforce in order to meet its objectives and provide services to its customers. However, it is not just corporate objectives that may cause unity. Employees must be listened to and have their grievances addressed in order to achieve unity within an organisation.

Corporate objectives may give workers ^{and provide} unity, ~~but~~ ^{but} management must do more for employees to keep them united.

2

2 Point 2.

Secondly, corporate objectives provide motivation for staff. This is because they know what they are doing and why they are doing it. Motivational theorists have found that there are people who are achievement motivated and by giving them goals to accomplish, this motivates them further (McClelland). However, objectives are not the only cause for motivation, both intrinsic and extrinsic factors can motivate or demotivate and in a big business, management must use other financial or non-financial methods to motivate their work force.

3

3 Point 3.

Thirdly, corporate objectives allow for performance to be monitored and progress to be assessed. By setting targets to achieve the objectives, it is easy for management to assess progress within departments. This is why it is important for the objectives to be specific, measurable, achievable, relevant and time-specific. This contributes positively to the success of a large business.

4

4 The candidate provides a clear answer, with three well developed points raised. They apply their answer to a large business, which was the context needed to achieve Level 3. The analysis is good enough for Level 4 because the reasoning is developed, with both positive and negative aspects to each point. For example, the unity aspect is countered by the workers also needing to be listened to in order to maximise productivity.

Despite corporate objectives being important to a large business they must be communicated effectively to employees in order for them to be

Example candidate response – high, continued

Examiner comments

relevant to the day-to-day operations of the business. Secondly, they should be reviewed often to reflect the changing business environment within which the business operates. This reviewing can include employees in order to make them feel part of the business thus achieving unity which boosts productivity even more.

Mark for (a) = 7/8

b) Effective communication of corporate objectives is where by the goals to be achieved by the business is known and understood by the whole business including workers and managers. For a large food retailer, with many shops the following methods could be used to communicate the objectives **5** to the workforce.

To start with, internal business advertisement to each shop can be undertaken such as posters to the notice board so that every worker passing through the notice board could see. However, the limitation is that, some workers don't pay attention to the notice board and no actual explanation is available **6** to make workforce understand the corporate objective.

5 This candidate clearly and logically shows how corporate objectives can be communicated to all workers in all the shops of a large food retailer.

6 They explain the positives and negatives of each of the six methods that they have chosen, and there is developed reasoning and analysis which fulfil the requirements for Level 3.

Example candidate response – high, continued

Examiner comments

Also, a overall meeting involving all workers in the company could be organised at the main branch or a selected location so that the general manager can explain the workers the corporate objective. However, the limitation is that it is expensive to collect all workforce dispersed at different shops and shops may stop selling since no one is to serve therefore reduction in profit.

Furthermore, organising induction training for every new recruit so that the corporate objectives are well explained to each workforce. This helps the workers to understand well and training increases skills of the workforce. However, limitation is that it is expensive and only new recruits can be explained the objectives the workers already employed are not made available.

Moreover, a management meeting with all the managers of different shops and the general manager could be organised. So that the corporate objective is explained to them and the managers will communicate with the subordinate workers of their respective shop. This is more beneficial since the objectives are well explained and low cost. However, if managers mis-understood the objective it could further mislead the workforce.

Not only that, corporate objective could be showed and explained in the company's website if available through internet. Therefore, every worker is made available and explaining videos could be recorded to make it more lively. However, not all retailers have website for their business hence only limited companies can use this way.

7 Effective evaluation (at Level 4) is shown in the reference to a management meeting being more beneficial (as well as considered to be the best way in the conclusion).

Example candidate response – high, continued	Examiner comments
<p>Lastly, having private communication with each workers through letter, telephone or email so that corporate objective is well understood by every worker. However, the limitation is that it is very expensive, and the workers may be so many that individual explanation is impossible.</p> <p>Conclusively, a large food retailer with many shops have many ways to communicate corporate objectives to the workforce and each have some benefits and limitations. However, the best way could be meeting with managers who then communicates with the subordinates since it is relatively cheaper and every workforce could be well explained of the objective.</p>	<p>8 The conclusion clearly makes a supported judgement as to which method is the most effective.</p> <p>Mark for (b) = 9/12</p> <p>Total marks awarded = 16 out of 20</p>

How the candidate could have improved their answer

(a) The candidate produced a clear answer, with three well developed points raised. They applied their answer to a large business, which was the context needed to achieve Level 3. The analysis was good enough for Level 4, because the reasoning was developed, with both positive and negative aspects to each point. For example, the unity aspect was countered by the workers also needing to be listened to in order to maximise productivity.

In order to improve, the candidate could have given examples of the corporate objectives which would enable a large business to achieve the three points of unity, motivation and monitoring of progress.

(b) This candidate showed clearly and logically how corporate objectives can be communicated to all workers in all the shops of a large food retailer. They explained the positives and negatives of each of the six methods they chose and included developed reasoning in their analysis, therefore fulfilling the requirements for Level 3. Effective evaluation to achieve Level 4 was demonstrated in the reference to a management meeting being more beneficial.

To improve, the candidate could have looked at the other five methods given in comparison, and maybe suggested circumstances in which they might be better than a management meeting. This would have involved recognising that there are different corporate objectives and that verbal communication may not always be the best way of communicating these. For example, if the corporate objective refers to increasing sales and market share, it may be that graphical representation of the current and desired position could be effectively displayed on the website or staff noticeboard, with frequent updates to highlight success in achieving the objective.

Example candidate response – middle

Examiner comments

7	A	<p>Corporate objectives are a ^{group} set of aims and objectives set for the business to be achieved whether on the short-run or the long-run. These objectives should be SMART, specific, measurable, achievable, realistic, relevant and time specific. It differs from company to business.</p> <p>All businesses must make their objectives clear to every all stake holders, especially the workforce. Letting the workforce know the company's target will help the to find the most efficient way to achieve it and work on reaching that aim.</p> <p>Furthermore, I these objectives give an overall sense of purpose. This can motivate the workers by giving them a sense of security that they are not working for nothing but trying to achieve a specific target that would affect positively on them as well.</p> <p>Moreover, the corporate objectives provide a vision for the future. Since these aims are supposed to be achievable, Not to mention, it can act as a guiding and control tool since the actual performance of the business will be compared with the actual targets of the the corporate.</p>
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- 1** Understanding shown.
- 2** The candidate gains Level 3 in the third paragraph as a result of showing developed reasoning. However, there is not enough to raise the answer higher in the level as the context is weak.

Mark for (a) = 5/8

Example candidate response – middle, continued		Examiner comments
7	<p>B Communicating the corporate objectives to the workforce is a procedure with equal importance as deciding on the objective itself, since the workforce is are the ones that will pull the business towards its goals. 3</p> <p>A large food retailer with many of shops can effectively communicate its objectives through many way. Stating the objectives with thorough explanation of the retailer's retailer's aims in a newsletter to the workers is considered an effective way but it does not ensure that the worker would read it or understand it since feedback might not be received from the worker. 4</p> <p>Arranging a conference for the workers or a meeting can be another method. This will ensure everyone got the message and immediate feedback will be present. Unfortunately, this method can be quite time consuming.</p> <p>The managers of each branch can also be informed of the objectives and then they would communicate it to their subordinates and so on till it reaches the last last level of the chain. It will ensure that the message reached all workers but there will still be uncertainty if the message was transported right or was tampered with, either intentionally or unintentionally. 5</p> <p>The corporate objectives can also be communicated to the entire workforce using SMS or email. This can be considered the cheapest method yet it does not contain immediate feedback. 6</p>	<p>3 The candidate discusses four different methods and states both positives and negatives for each.</p> <p>4 Slight analysis.</p> <p>5 Slight analysis.</p> <p>6 Slight evaluative comment.</p> <p>Mark for b = 7/12</p> <p>Total marks awarded = 12 out of 20</p>

How the candidate could have improved their answer

(a) This candidate gained Level 3 in the third paragraph, having shown some developed reasoning. However, there was not enough to raise the answer higher in the level.

To improve, the candidate could have given an example of a corporate objective that would be suitable for a large business and developed the answer specifically around that. For example, they could have used increasing the market share, to which they could have applied SMART, then gone on to analyse how and why this would motivate the workforce and be used to assess performance. This would have clearly established context and allowed development of reasoning.

(b) The candidate discussed four different methods and for each stated both positives and negatives. There was analysis in the second and fourth paragraphs, so Level 3 could be awarded here.

To improve, the candidate needed to show more analysis of the conference and SMS, developing both the positive and negative points with the use of analytical words such as *because*, *therefore*, etc. This would have gained the second mark in Level 3. To achieve Level 4, some reference to the best method in particular circumstances, or other evaluative comments from the mark scheme were required.

Example candidate response – low

Examiner comments

17 a ~~Business~~ Corporate objective is goal or target the ~~the~~ business wants to achieve. This can motivate business to improve ~~its~~ itself and become more efficient. The reason why large business need to set up corporate objective is because the whole business includes other smaller retailers can be motivate and know where to work ~~to~~ towards or what is the target sales. When the groups knows the target, it is also easier for business to organize the set steps to achieve final goal. Small retailers ~~with~~ didn't ~~reach~~ achieve corporate objective will be ~~and~~ consider inefficient. Business can ~~find~~ find out the ~~in~~ inefficient part of the corporation ~~and~~ using corporate objective and try to improve or to increase sales.

- 1 Corporate objectives are understood and there is some explanation and application through the mention of retail shops ('smaller retailers') and comments about efficiency and motivation in business, therefore Level 2 can be awarded.
- 2 The reference to a large business is too vague to move this answer into Level 3; the candidate then bases their explanation on small retailers.

Mark for (a) = 4/8

b Communication in large food retailer with many shops is difficult. ~~the~~ Corporate objective needs to be ~~clearly~~ delivered to each retail store. To effectively communicate, large food retailer can use technology to communicate. ~~Video~~ Video meetings through internet, emails and get feed back from local store managers. ~~They~~ ~~the~~ higher managers ~~who~~ with organize different area. When the manager get the objective or any information from the head retailer, local retail stores in the area will have meeting with the manager to have better detail about the objective.

- 3 The candidate shows understanding of internal business communication here. Although this is a short answer, it does identify communication methods in the context of retail shops (local store managers) and explores the notion of cascading of information. This approach demonstrates limited analysis with some application. Within Level 2 of the mark scheme, up to 4 marks can be awarded for application without analysis or for analysis without application. This answer has clear application, with some analysis in the final two sentences, therefore 5 marks are awarded.

Mark for (b) = 5/12

Total marks awarded = 9 out of 20

How the candidate could have improved their answer

(a) This candidate clearly understood corporate objectives, and offered some explanation and application in discussing retail shops and including comments about efficiency and motivation in business. This was therefore a Level 2. The reference to a large business was too vague to move the answer into Level 3, and the candidate then based their explanation on small retailers.

To improve, the candidate needed to focus more clearly on large retailers having many shops in different locations all under the same name. Here, the corporate objectives would apply to the entire group and its position in the market. This could then have been developed into discussing how each retail outlet would have objectives which helped to achieve the corporate objectives: making sure, for example, that every outlet was working effectively towards improving its own sales in order to achieve the corporate objective of increasing market share.

(b) The candidate showed understanding of internal business communication. Although this was a short answer, it did identify communication methods in the context of retail shops (local store managers) and explored the notion of cascading of information. This approach demonstrated limited analysis with some application. Within Level 2 of the mark scheme, up to 4 marks can be awarded for application without analysis or for analysis without application. This answer had clear application with some analysis in the final two sentences, therefore 5 marks were awarded.

To improve their analysis, the candidate needed to develop each point made, for example by explaining why communication is difficult. Analysis of the use of technology might have involved explaining its positives, e.g. speed, use of videos, and targeting individuals via email. To show evaluation, some of the negative aspects of technology use could have been explored, for example, its reliance on every worker having access to and reading emails.

Common mistakes candidates made in this question

(a) Developing an explanation of why objectives should be SMART, rather than focusing on the question asked.

(b) Failing to put the answer in the context of a large food retailer with many shops limited some answers to Level 2.

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