

Markscheme

November 2016

Business management

Standard level

Paper 1

10 pages

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The markbands on pages 3–4 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Section B	Level descriptor
Q4 (d)	
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Section A

1. (a) With reference to *Medimatters*, describe **two** steps in setting up a new business. [4]

Possible steps include:

- identifying market opportunities: in this instance the medical industry or general public
- sourcing capital: in this instance the owners plus possible outside sources
- determining a location: may not be an issue unless they decide to make the lenses themselves
- building a customer base: a challenge in this instance

Others steps could include:

- business idea/model/plan
- ownership decisions/legal structure
- name, registration, copyrights/patents
- product range
- roles / training.

Mark as 2+2.

Accept any other relevant step.

Award [1] for each correct step identified and [1] for a description of how that step relates to Medimatters. Award a maximum of [2] per step.

- (b) Explain suitable sources of finance in order for *Medimatters* to finance the additional setup cost of \$50 000 (line 92). [6]

They require \$60 000 to start trading.

They are each able to contribute some finance, but this will be insufficient.

- Set up as a private limited company. Would they want other shareholders? Family and friends might want to invest but would anyone else? Venture capital/Angels.
- Loans are a possibility but would banks/lenders be interested? There is no collateral and no trading history so seems unlikely.
- Working capital sources not available since not trading.
- **Also debentures, mortgages not appropriate (accept as source but not contextual). Overdrafts not contextual.**
- Grants/subsidies, particularly from medical/research organizations could be helpful. For example, governments might have business start-up loans/grants.

To what extent would they want to retain control? If this is not an issue there may be possibilities from venture capitalist sources.

Accept any other relevant application.

Marks should be allocated according to the markbands on page 3.

For a theoretical answer award a maximum [3]. For only explaining one source of finance award a maximum of [3]

If it answers the question 'What source?' without explaining sources, award a

maximum of [4]

If the explanation is mainly descriptive, but in context award a maximum [5].

2. (a) With reference to *Medimatters*, describe **two** benefits of having a marketing plan. [4]

Possible benefits include:

- it provides a framework for the introduction of the new product to the market. In this instance important because it is a completely new product and *Medimatters* is a new business
- it helps to develop marketing objectives/targets, again important because of the lack of experience of the owners
- it could help with marketing budgeting, relevant because of limited finance
- helps marketing decision making
- keeps stakeholders informed
- any other relevant benefit.

Mark as 2+2.

Award [1] for each benefit identified, and [1] for the development of each of these key aspects in the context of *Medimatters*. Award up to a maximum of [2] per benefit.

- (b) Explain the factors influencing a suitable promotional strategy for the IBAT app. [6]

This question is about factors.

The factors influencing a suitable promotion/advertising strategy are likely to be:

- the newness and originality of the product requires information to be communicated
- the product consisting of an app and a lens requires explaining to potential customers
- its likely customers which will include both the medical profession and final consumers
- promotion will depend on the market chosen: the medical professionals may best be contacted via conferences, articles. The general public through paid for advertising. By *Medimatters* or retailers?
- the size of the business, it is a small business, how much do they have to spend?
- its marketing mix – it has to be consistent with it
- reference to Brazil/zika virus can be considered as context.

Accept any other relevant factors related to promotion strategy and explanation.

Marks should be allocated according to the markbands on page 3.

For a theoretical answer award a maximum of [3]

If it answers the question 'What promotional strategy' limit to [4] if it does not explain the factors

If there is no recognition that there are two possible markets award a maximum of [5].

If the explanation of factors affecting promotion is mainly descriptive, but in context award a maximum of [5].

3. (a) With reference to *Medimatters*, describe **two** features of batch production. [4]

Possible features could include:

- separate groups of products can be produced – useful because different makes of phone may need a different lens
- suitable for likely scale of production about 1000 items: unlikely to be mass produced and job production would not be appropriate
- might involve changeover costs, but lens costs will be small compared with price
- involves holding of stocks. Issue for *Medimatters*? Or manufacturers?

Accept any other relevant feature.

Mark as 2+2.

Award [1] for each feature identified, and [1] for the development of each of these features in the context of Medimatters, up to a maximum of [2].

- (b) Assuming the production of the lenses is outsourced, explain the differences in how *Medimatters* would manage operations for its products/goods (the lens) and its service (the app). [6]

If the product/good is to be outsourced as a manufacturer has been identified.

This needs to be managed by:

- explanation does setting a specification for the product
- negotiating a suitable contract that involves both price and quality
- monitoring quality and managing issues if quality is not right
- monitoring delivery and sorting out any issues.

There will be little control by *Medimatters*

The app will be in-house. Operations will include:

- designing the app, updating app
- testing the app together with the lens
- ensuring the app provides the service required, responding to feedback.

Medimatters will retain full control

Accept any other relevant analysis.

Marks should be allocated according to the markbands on page 3.

For a theoretical answer award a maximum of [3]. Award a maximum of [3] for only explaining one difference. N.B.: One major difference eg, the extent of control, can lead to a number of consequential differences. In these instances marks are not limited to [3].

If ONLY outsourcing OR the app are explained award a maximum of [3].

If explanation does not effectively bring out the differences award a maximum of [4].

If the explanation of more than one difference is mainly descriptive, but in context, award a maximum of [5]

Section B

- 4. (a) Define the term *vision statement*. [2]

The vision statement is a sentence that refers to the ultimate goal of an organisation, what it wants to achieve in the future. It is expressed as a long-term aspiration.

*Candidates are **not** expected to word their definition **exactly** as above.*

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

- (b) (i) Calculate the forecasted break-even quantity per month for the IBAT (*show all your working*). [2]

$$\begin{aligned}
 \text{Break-even quantity} &= \frac{\text{fixed costs}}{\text{contribution}} \\
 &= \frac{9000}{(80 - 50)} \\
 &= \frac{9000}{30} \\
 &= 300 \text{ IBATS}
 \end{aligned}$$

Award [1] for the correct answer and [1] for working, award a maximum of [2]. Award only [1] if wrong units stated (but allow no units). Do not award any mark for the formula alone.

- (ii) Calculate the forecasted monthly profit or loss if *Medimatters* sells 400 IBATs per month (*show all your working*). [2]

This would be 100 IBATs per month more than break even, so profit would be $100 \times \$30 = \3000

OR

$$\begin{aligned}
 \text{Profit or loss} &= \text{sales revenue} - (\text{fixed cost} - \text{variable cost}) \\
 &= 32\,000 - 9\,000 - 20\,000 \\
 &= \$3000
 \end{aligned}$$

Award [1] for the correct answer and [1] for working, award up to a maximum of [2]. Award only [1] if wrong units stated or no units.

- (c) Explain **two** relevant secondary market research methods (sources) that Emma could have used to identify potential customers.

[4]

Possible methods (sources) of secondary market research include:

- medical journals
- lists of pharmacies
- lists of medical professionals, hospitals *etc*
- government publications relating to medical/pharmaceutical issues.

Note: the word “internet” alone is not a research method.

Mark as 2+2.

Award [1] for each method (source) identified and award [1] for a relevant explanation of that advantage.

Non-contextual answers award a maximum of [2] in total.

- (d) “Ahmed considered his role as leader.” Recommend an appropriate leadership style for Ahmed.

[10]

Evidence in the additional stimulus material suggests he:

- is prepared to be autocratic where necessary
- likes to hear other peoples' views
- puts effort into keeping people informed
- consults widely
- acted decisively at times.

In addition:

- he has experience with project management
- manages a talented and committed group of people
- the group have chosen him
- people within the group seem to have clearly defined roles
- some of the group need guidance.

It would seem, therefore, that:

- autocratic management would not be appropriate except in situations where immediate decisions are required
- democratic leadership might be appropriate, both in terms of the team he manages and his own personal qualities
- *laissez faire* might mean issues do not get resolved such as disagreements, sense of direction.

The best style of leadership is likely to be to adjust to circumstances and people *ie*, situational leadership.

There are three aspects to this choice; the nature of the tasks, the nature of his colleagues, his own personal qualities.

Marks should be allocated according to the markbands on page 4.

Purely theoretical answers or with no effective use of stimulus material in range [3] to [4] with better answers award a maximum of [4].

If only one leadership style is considered award a maximum of [4].

Two or more styles considered with more than one aspect, but limited use of evidence award a maximum of [6].

Two or more styles considered, good use of evidence, particularly from Section B, but limited contrast award a maximum of [8].

For full marks two or more styles contrasted, aspects, evidence, particularly from section B, used effectively.