

**STANDARDS BOOKLET FOR CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS  
AT ADVANCED LEVEL, TIMETABLED QUESTION PAPERS**

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**INTRODUCTION**

The Cambridge International Diploma in Business Studies is based on the assessment objectives as described in the syllabus.

This Standards Booklet is designed to provide support to teachers of the subject in the following ways:

- Giving examples of candidates' responses at all achievement levels
- Outlining in detail the criteria used within the mark scheme
- Illustrating the most common errors made by candidates
- Explaining how the mark scheme is applied to different answers.

The examples of candidates' answers that follow are not put forward as perfect, specimen answers.

They could probably all be improved upon by outstanding students given a much longer time allocation than that afforded to examination candidates.

The answers do demonstrate a variety of strengths and weaknesses and it is hoped that teachers and their students will benefit from analysing both the responses and the examiners' comments in detail.

Candidates are strongly advised, in their search for high grades, to build up not only a really sound understanding of the syllabus content but an appreciation of what these "higher order" assessment skills are and how they can be demonstrated.

**Note:** The Cambridge International Diploma in Business aims to test the understanding and application of business knowledge. The examples given in the standards booklet are from actual candidate scripts and the level of English may vary between each of the responses given



## 5179 Business Organisation and Environment

### Task 1 (a)

Happy Reward began its life as a partnership, but has now changed into a private limited company.

Suggest why the owners took the action to change to a private limited company. [5]

### General Comment

This task requires the candidate to reason the obvious answer, namely the issue of *limited liability*. The economic situation has looked threatening enough to worry the partners that bankruptcy might be a possibility and so by becoming a private company they would have the protection of limited liability. Candidates are not expected to rehearse the comparative differences between the two business forms, but some reference to salient supportive features might be of advantage.

### Individual Candidate Response

#### Candidate A

The action to change a private limited company could have come as a result of Happy Rewards present situation. Happy Rewards was faced with an economic down turn and so in order to have less risk they changed to a partnership. Happy Reward had unincorporated status meaning that Happy legally was seen as having some identity with its partners. Therefore it had unlimited liability meaning that if it goes bankrupt the owners private property could be used to pay for losses. In addition it's owners could be sued by dissatisfied customers. However, with this change to Private Limited Company Happy reward would carry incorporated status. Therefore it has separate identity from its owners. It has limited liability and only the business could be sued. Additionally Happy Reward's decision to change could be based on raising finances. Financial institutions are less willing to borrow to partnerships whereas with limited companies shares could always be issued and also lending institutions have more trust in the success of the business.

#### Candidate B

The owners took the action to change into a private limited company because of the ongoing economic difficulties as a partnership. However, the main objective is still profit with also, the possibilities of growth and expansion. By being a private limited company, it has a separate legal entity of its own. It can buy or sell, enter into contracts, own property, do business transactions, sue or be sued in the company name.

### Examiner Comment

#### Candidate A

This is a very full answer which competently explores the reason for changing to a private company. The issue of limited liability, identity, and separation are clearly identified. This is a good demonstration of knowledge and application.

**Marks awarded = 5 out of 5**

#### Candidate B

Most of the response is not focused on the issue except the second sentence which refers to separate legal identity. This is an implied element that comes with being incorporated and enjoying limited liability. The answer is weak overall, but it earns just 1/5 reflecting a benefit of the doubt.

**Marks awarded = 1 out of 5**

### Task 1 (b)

The bank has asked Happy Reward to produce a detailed business plan.

List **five** items the business plan might contain.

**[5]**

### General Comment

The business plan is a statement outlining how a business will attempt to achieve its objectives. The candidate is expected to indicate knowledge by identifying five items or issues. The task does not demand more than a list, but the points must be appropriate.

### Individual Candidate Response

#### Candidate A

A business plan contains the type of business the company intends to go in. The projects and products the company plans to invest in. Thirdly, the forecasted spending and revenues of the business. Fourthly, its objectives, how it plans to achieve its goals. Finally, its sources of finance. How it intends to raise funds to finance its operations.

#### Candidate B

The five items that the business plan might contain are the detailed explanation on how the company wants to go to their goals, the difficulties they may face in the future, the threats they may come into, their strengths to work things out and their own weaknesses in business.

### Examiner Comment

#### Candidate A

This response meets the requirement and identifies five good points.

**Marks awarded = 5 out of 5**

#### Candidate B

Of the five items this candidate has offered only three can be accepted.

**Marks awarded = 3 out of 5**

### Task 1 (c)

Profit is clearly the main objective of every business but according to the Chief Executive Officer, Happy Reward is, for the time being, concentrating on economic survival.

Explain what the CEO means when she talks of economic survival.

**[10]**

### General Comment

This is a 10-mark task demanding some discussion. To earn good marks the candidate needs to refer to the relevant material in the text and apply some analysis. The business situation is serious and the company strategy is to remain open which means pushing sales, tightening budgets, and waiving profits. The medium term plan is to expand into mainland China to save the business. It is not a difficult task so long as the candidate recognises the issues in the text.

### Individual Candidate Response

#### Candidate A

Economic survival indicates that the CEO of Happy Reward is more concerned with the company survival and remaining open during the hard economic time that Happy Reward is currently facing. Businesses normally set different objectives based on different factors that are present both within and external to the company. It was evident to the CEO that based on the present situation revenues have dropped; there has been an economic downturn. Thus the company is in a threatening situation and its objective cannot be profit maximisation, keeping its doors open would be more important and would be its goal to survive the economic downturn. Therefore instead of profit maximisation satisfactory would be of concern. Keeping profits at satisfactory levels.

#### Candidate B

What the CEO means when she talks of economic survival is that even before wanting to make money, you have got to know how to make it during the current economic period. You have got to be able to stay afloat on the business before even making money for the company. You have got to be able to overcome the many twists and turns of the present economic period. Therefore the CEO means, one has to survive the economic period before actually making money.

### Examiner Comment

#### Candidate A

The candidate recognises the substantial issue of surviving and makes the point that keeping the business open and making attempts to weather the economic downturn is more important than profit maximisation. This is an analytical effort.

**Marks awarded = 8 out of 10**

#### Candidate B

A difficult response to assess as it lacks substance but it does, in fact, reflect the general idea of having to combat the current economic problems. As a general statement it is descriptive and basically correct.

**Marks awarded = 5 out of 10**

### Task 2 (a)

The atmosphere in the company has changed recently and staff no longer participate in the quality circles.

Describe how a quality circle could be of help to Happy Reward.

**[5]**

### General Comment

By meeting to consider actual and potential problems the staff could help to define the solutions. Clearly this would be of benefit to the business. The use of the quality circle will contribute to the motivation of staff, the encouragement of participation and team building. Happy Reward should benefit from a more positive and hard working staff.

### Individual Candidate Response

#### Candidate A

A quality circle is an informal group of people working in the same department whereby issues relating to the work environment and work place are discussed. Suggestions are solicited and acted upon by the members. Quality circles are one of the most powerful tools in improving the efficiency of the workforce.

Quality circles could help Happy Reward to –

- Employees could discuss work related problems
- Key issues could be deflated (e.g. changing fashion trends, Italian designer labels vis a vis US designer brands etc.)
- Informal training can be imparted
- Problems can be identified and acted upon
- Effective strategies for customer retention, after sales services can be decided and acted upon.

#### Candidate B

Quality circles involve all staff who join voluntarily to solve a problem together. They could sit together and brainstorm to a solution of a problem.

### Examiner Comment

#### Candidate A

A thoughtful response identifying the salient points. The strength of this answer is given by the final point which suggests that effective strategies regarding customers and sales can be decided and acted upon.

**Marks awarded = 5 out of 5**

#### Candidate B

A very limited answer which at least recognises the need to solve problems together.

**Marks awarded = 1 out of 5**

### Task 2 (b)

The managers are expected to work their staff harder using the advantage of a narrow span of control.

Describe how a narrow span enables managers to supervise their staff more easily. **[5]**

### General Comment

The main point candidates need to express is that a narrow span enables tighter control and supervision of employees. It enables a manager/supervisor to be more effective.

### Individual Candidate Response

#### Candidate A

'Span of Control' determines how many people are supervised by a manager. The ideal span of control could vary from 2 – 7 depending on the workforce and industry. For example; in the case of unskilled workers a span of control of 20 is reasonable whereas in a project organisation, the typical span of control could be 5 – 8.

- A narrow span enables managers to supervise their staff more easily.
- If the span is narrow, a manager has the scope for one way interaction with his employees.
- The managers can personally assess the strengths and weaknesses of the employees and accordingly assign responsibilities.
- More personalised attention.
- Closer supervision of workers leads to their greater efficiency.

#### Candidate B

The managers are able to supervise their staff more easily because the managers pass the instruction themselves to the staff directly. There would not be time wastage as information is passed through. By having a narrow span, information will not be distorted. The manager will know what is required as this is easier to monitor.

### Examiner Comment

#### Candidate A

This is an exemplary response. It considers the leading factors affecting quality circles and demonstrates a firm knowledge and awareness.

**Marks awarded = 5 out of 5**

#### Candidate B

Not a very strong answer earning only 2 marks, but it gives an indication of some understanding of the easing of supervision and the flow of information.

**Marks awarded = 2 out of 5**

### Task 2 (c)

Using the details of the company, create an organisational chart or diagram for the Happy Reward organisation. **[10]**

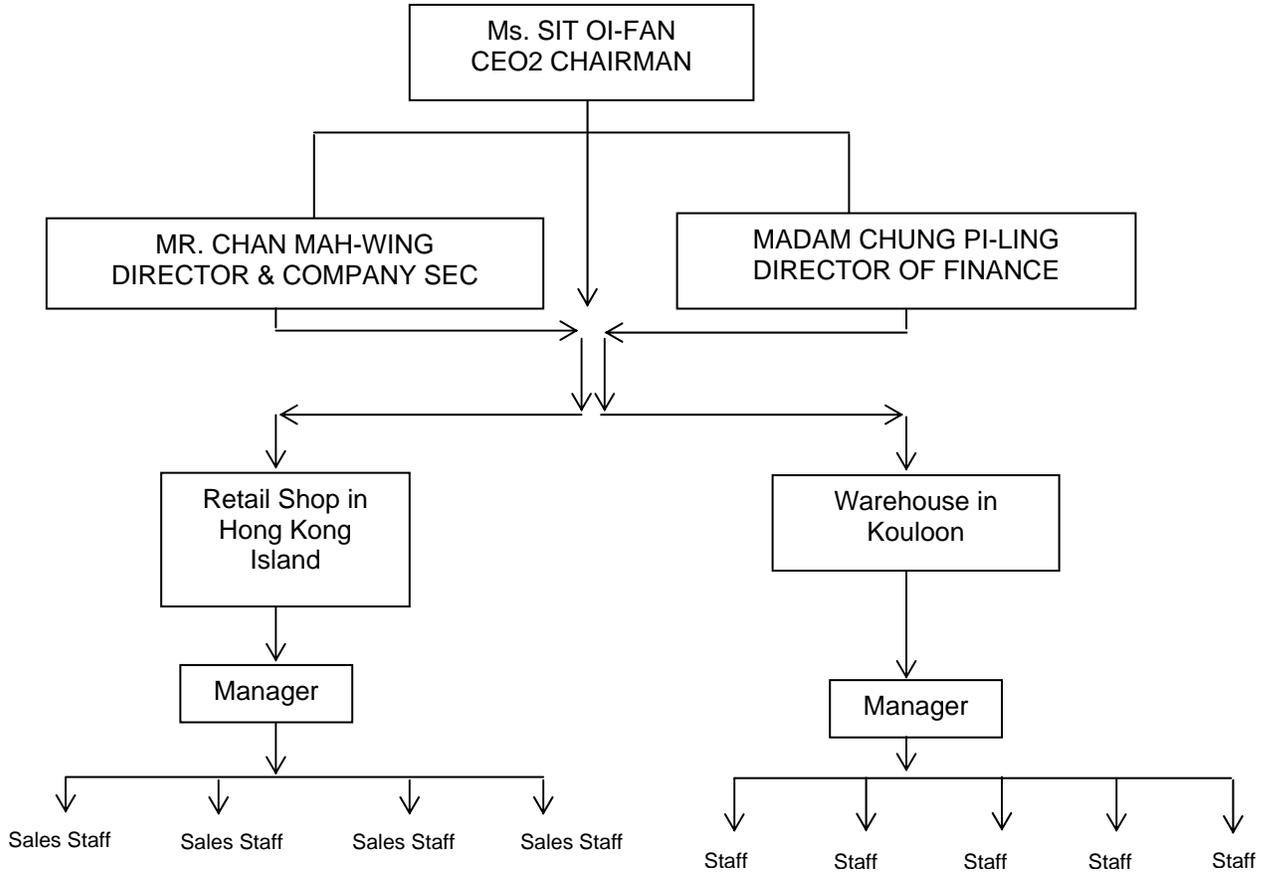
### General Comment

The candidates are asked to create an organisational plan, but no specific guidelines have been offered. All the information required is contained within the text and candidates are required to draw up a feasible scheme so some latitude will be exercised in the assessment (although, clearly, there will be few deviations from the marking scheme model). Candidates are likely to lose marks because they overlook, for example, certain positions.

**Individual Candidate Response**

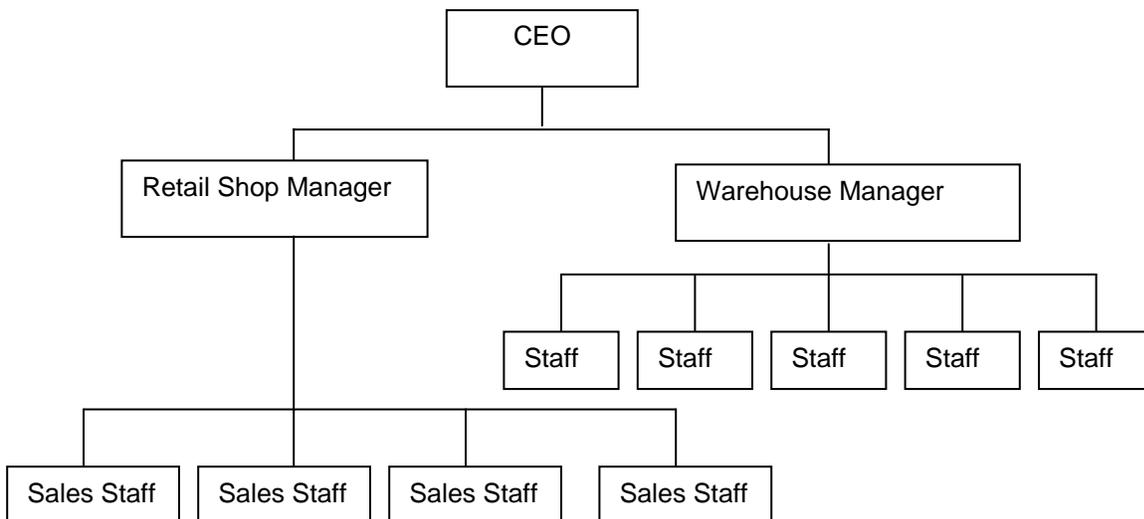
**Candidate A**

Organisational Chart for Happy Reward Trading Company Ltd



**Candidate B**

Organisational Chart



### Examiner Comment

#### Candidate A

As stated above, no specific chart is required and marks are allocated according to the application of details in the text and feasibility. This candidate virtually offers the structure set out in the marking scheme and earns full marks. The chart reflects the candidate's sound appreciation of business organisation.

**Marks awarded = 10 out of 10**

#### Candidate B

This is a clean organisational chart and looks acceptable, but it omits reference to the Finance Director and Company Secretary. As these are important positions the candidate is penalised and so only earns 6 of the available marks.

**Marks awarded = 6 out of 10**

### Task 3 (a)

It appears that staff have been on various forms of employment contracts, but are now on the one-year rolling contract.

Explain the meaning of a one-year rolling contract.

**[5]**

### General Comment

The candidate should acknowledge that this is an employment contract for a year, which may be extended at any time, but for not more than 12 months. For example: an employee may be given an extension of 12 months after 3 months service for example, and then given another 12 month extension 6 months later. It is possible, therefore, for an employee to be with a company for several years as a result of a series of one year extensions.

### Individual Candidate Response

#### Candidate A

A one year rolling contract is a form of employment contract where the employee is given a contract of employment for one year and at the end of that year period the contract is renewed for another year. The process may be done for a number of years, but the contract is always for a one year period.

#### Candidate B

A one year rolling contract refers to maintaining an employee for a minimum of one year, after which an extension in contract may be offered to that employee so that he or she will have the option of either working for another year or leaving the company. Such an employment arrangement will also allow Happy Reward to decide if they want to keep a particular employee or ask them to leave if their services are no longer needed.

### Examiner Comment

#### Candidate A

The answers to this task were mostly a disappointment with many candidates, even those awarded distinctions, earning 0/5. This candidate has 2/5 largely because the essence of the contract has been overlooked. The last sentence earns the marks, but the point is that the renewal or extension can occur at any time. It is not necessary to wait a year.

**Marks awarded = 2 out of 5**

#### Candidate B

The candidate is suggesting that an employer can use the rolling contract as an instrument of determining whether or not to keep an employee. Such a decision can be made once the current 12 months period has expired. However, the candidate expresses an underlying use of the contract for which 1/5 is awarded.

**Marks awarded = 1 out of 5**

### Task 3 (b)

The company remains keen on training as it aids business success. Happy Reward deals with high-class clothing at prices that reflect the quality.

List **three** areas or activities in which you think the staff should be trained. **[5]**

### General Comment

The candidate is required to identify only three relevant activities which can be retail, wholesale, or both.

### Individual Candidate Response

#### Candidate A

Three areas where staff could be trained are Customer Care service, that is dealing with customers orders promptly and dealing with customers on a one-to-one basis; Training in computer usage; how to use the computer more so the Internet efficiently when handling customers mail orders. Finally employees could be trained in stock handling and inventory taking that could be for the warehouse staff.

#### Candidate B

Happy Reward staff should be trained in the following areas:

- 1 Customer Service: Since the clientele of Happy Reward are high-end businessmen and politicians, extra care should be given when handling such customers, proper speech, speedy service and good manners are imperative to their sales staff.
- 2 Product Knowledge: The sales staff of Happy Reward must have good knowledge of the goods they sell. For instance, one must be familiar with fabric types, cutting styles and measurements to ensure that they recommend the right clothes for the right people.
- 3 -

### Examiner Comment

#### Candidate A

This offers three sound retail oriented activities in which staff require training. The response identifies computer usage which has become so much part of service industry employment.

**Marks awarded = 5 out of 5**

#### Candidate B

The candidate only offers two of the three activities called for. Each of the two points are well expressed and constructed, but since the total response is incomplete, no more than 3 marks can be awarded.

**Marks awarded = 3 out of 5**

### Task 3 (c)

The employees of Happy Reward not only work hard but are also closely supervised.

Identify and describe **three** expectations the employers can reasonably have of their employees.

**[10]**

### General Comment

Candidates need to make a choice of three suitable expectations and support them with explanations or descriptions. The issue is specifically covered by the syllabus and candidates need to rehearse the salient points. For 10 marks there must be some substance to the answers.

### Individual Candidate Response

#### Candidate A

Three expectations are employers can expect their employees to coordinate and organise themselves and be efficient. Thus Happy Reward expects that its employees will be efficient workers, and that customers' orders will be dealt with speedily so that customers can be satisfied.

Employers expect employees to respect the company's codes of conduct. These are the ways that the employees are expected to conduct themselves once they are in the company. Every company has stated, either documented or not, that they expect their employees to respect and follow and Happy Rewards in no exception. Even with its progressively authoritarian management style. It expects employees to behave themselves in certain manners.

Finally, employers expect employees to work towards achieving the companies set goals or objectives. Thus Happy Reward would expect that its employees work towards achieving economic survival as this is its present objective. Happy Reward would expect that its employees try to ensure that it survives the economic downturn by ensuring that its doors remain open through and after the economic downturn.

### **Candidate B**

Expectation can arise from both the employers and the employees. This would take place when it is mutually beneficial. One of the employer's expectations is:

Loyalty:-

- Very important as it reflects on how employees are treated
- Will ensure low turnover when it comes to employment
- Since both parties have a contract it is reasonable for an employee to work diligently, honestly and sincerely

### **Examiner Comment**

### **Candidate A**

The candidate has acknowledged the need to discuss the issues in some depth which is encouraging. Three suitable expectations have not only been identified, but they are considered in context. This is a very sound response earning.

**Marks awarded = 9 out of 10**

### **Candidate B**

This is a disappointing response. Only one expectation, i.e. loyalty, is identified and discussed. Two other expectations, even if badly explained, ought to have been offered by this candidate.

**Marks awarded = 3 out of 10**

### **Task 4 (a)**

The Chinese Government appears to be encouraging the business culture and moving away from the planned economy.

Give a definition of:

- (i) a planned economy **[5]**
- (ii) business culture **[5]**

### **General Comment**

- (i) The candidate needs to show understanding of a planned economy by making references such as, the government is totally responsible for the allocation of resources, that there is a lack of any effective competition, that investment is centrally planned, and so on.
- (ii) Business culture, aka enterprise culture, is that economic and political climate that encourages business and risk taking. Features of the culture include deregulation, enlargement of the private sector and tax incentives.

## Individual Candidate Response

### Candidate A

- (i) A planned economy is one where the allocation of resources as well as buy decisions are taken by the state (or government). A planned economy is advantageous in that it leads to equitable distribution of resources.
- (ii) Business culture is the manifestation of various factors like government legislation and control, state of the economy, efficiency and skill level of the workforce, presence of trade unions etc, which are conducive for the growth and sustenance of business in a particular area.

Business culture of an area/region is an important factor in determining the quantum of economic activity in that area. West Bengal (a state in India) has remained industrially backward mainly due to a lack of business culture.

### Candidate B

- (i) A planned economy refers to the expectations and predictions of the future of Hong Kong's economic conditions.

Happy Reward may have assumed that the country's economy will always remain stable, not giving much thought about external conditions that may bring the economy down and affect their business. They should look two ways and be prepared for potential downfalls if the economy takes a turn for the worse. Their business plans must be viable for both good times and bad.

- (ii) The business culture refers to the way a business operates under the constant changing environment which influences changes in all types of business.

In the case of Happy Reward, it is mentioned that the government supports the business culture, this would probably mean that the government sees the business in a more flexible and spontaneous way instead of expecting a business to survive by a fixed plan.

## Examiner Comment

### Candidate A

- (i) The definition is well written and succinct. It makes a point about the equitable distribution of resources which is certainly the intention, although the actual delivery may well be different. The fact that there is a conjectural element does not detract for the quality of the answer.

**Marks awarded = 5 out of 5**

- (ii) Like (i) above, this response is crisp and offers a clear explanation. It is related to the candidate's own nation, but that serves to reinforce the point made.

**Marks awarded = 5 out of 5**

### **Candidate B**

- (i) This answer doesn't define the term. The focus here is more on the Hong Kong economy which is neither relevant (to the task) nor asked for.

**Marks awarded = 0 out of 5**

- (ii) Weaker candidates did not do well with this task, but this response reflects the essence of business culture. The issue is about the economic and political climate in which business operates and, hopefully, flourishes. The candidate's response is quite sound albeit limited. It requires some reference to the means of actually encouraging business.

**Marks awarded = 3 out of 5**

#### **Task 4 (b)**

Happy Reward's recent experience indicates that it is aware of the various factors influencing business organisations.

Thinking about the company's position, future plans and its research into population issues, indicate how Happy Reward might be affected by both consumer demand and economic growth.

**[10]**

#### **General Comment**

This is a 10 mark task which demands an acknowledgement of Happy Reward's situation. Essentially the candidate needs to pursue the point that consumers will need to have the money to buy goods; that consumer demand and economic growth are interrelated; that economic growth will create employment, earnings, and choices. China could encourage these two elements which would benefit Happy Reward.

#### **Individual Candidate Response**

### **Candidate A**

As the Chinese government moves away from the planned economy and with the entry of Western outfits and brands into the country, Happy Trading Company's demand for garments would rise.

The growth in the economy would also lead to a boom in Happy Trading's business because the general growth characteristics of the economy would induce customers to spend more on luxuries and non essential goods like garments.

### **Candidate B**

As Happy Reward moves into new locations such as China, a lot of changes are expected.

- With such a huge population, consumer demand will grow.
- More branches could be opened in major cities in order to cater for the local market.
- Cheaper labour and material cost can be expected.
- Since China is very stable in terms of politics, long-term prospects can be worked out by the Happy Reward management.
- China's economy is in sound health as it's a new member of WHO. Therefore more middle class families will surge as a major buying power.
- The clothes produced and marketed are contemporary and it will suit very well in the Chinese society.
- As profit and demand grows, new technology could be introduced.

### **Examiner Comment**

#### **Candidate A**

This is not an extensive argument, but its strength lies in its evaluative approach to the situation. The response locks onto the issues in the case study and reflects an underlying sound appreciation of Happy Reward's situation. The candidate has a firm grasp of the case study.

**Marks awarded = 9 out of 10**

#### **Candidate B**

Potentially this is a firm answer, but it does not exploit the opportunity to develop the issues. It identifies issues like the buying power of the new middle classes, but the population factor needs more specific treatment. There is no sense that the two terms are well understood.

**Marks awarded = 4 out of 10**

### **Task 5 (a)**

If Happy Reward is to move ahead with its future plans, then it must redefine its marketing policy and planning.

Advise Happy Reward of the benefits of marketing planning.

**[10]**

### **General Comment**

The candidate needs to suggest that market planning gives the company a chance to reflect on its marketing policies. It enables the business to evaluate ideas and long term plans, consider its use of human and financial resources, consider the application of the marketing mix, and set targets.

## Individual Candidate Response

### Candidate A

Benefits of Marketing Planning:

- By carrying out proper market research and analysis, Happy Reward would be able to design an effective marketing plan. This would help the company to plan its output (target) and accordingly devise a proper pricing strategy.
- The marketing plan would also help Happy Reward Company to decide on its manpower requirements. For example, the warehouse which supplies the mail order business has 5 staff. Depending on the expected sales Happy Reward can increase or decrease the strength of its staff (as the staff are on a rolling contract).
- Currently the company uses the cost plus strategy where a mark up is fixed to the total cost of production to arrive at the selling price. The mark up percent is not based on a national formula. The marketing plan would help Happy Reward Trading Company to find out the estimated demand for its products. Market research could help the company to know the perceived value of its clothes in the market. The company should fix a mark up based on such perceived value.
- Based on the marketing plan and forecasted demand, the company would be able to decide on the stock of clothes it would keep an inventory and not necessarily block valuable working capital.

### Candidate B

Benefits of marketing planning enables the organisation to look into satisfying the consumer needs and wants. The company will find the needs of its consumer before making a product. They are more customer orientated. Able to meet the needs of its customer. Able to find out how to further improve its product. All these activities will be to the advantage of the consumers but these will also enable the company's sales to boost as the consumer feels more secure that what they need is being taken care of.

## Examiner Comment

### Candidate A

The task doesn't ask for a specific number of benefits so the candidate is expected to offer a well-constructed statement which identifies and discusses elements of marketing planning and how they benefit Happy Reward. This response contains some excellent comment and indicates a firm knowledge and understanding.

**Marks awarded = 8 out of 10**

### Candidate B

This candidate offers a limited and descriptive answer that only outlines the benefits. It is a correct response so far as it goes but it needs reinforcing with reference to, for example, the marketing mix, marketing policies, budgeting.

**Marks awarded = 4 out of 10**

### Task 5 b

The company has employed a realistic pricing strategy which has helped the company to remain in business and now it needs to pay attention to its customer service policy.

- (i) Describe Happy Reward's pricing strategy. [5]
- (ii) Explain why Happy Reward needs a customer service policy. [5]

### General Comment

- (i) The answer can be found in the text. Happy Reward, in an attempt to survive the economic downturn, changed its profit expectations. Mark-up has fallen by 50% over a 7 year period in order to increase sales and keep the business running. It also offers discriminatory prices (using discounts) to certain favoured customers. The policy may not create much profit but it helps to maintain cash flow.
- (ii) The candidate needs to recognise that all businesses need some kind of customer policy. Happy Reward sells expensive clothing and the customers are likely to be more demanding when it comes to service, quality, and remedying problems. Sales methods must take into consideration the type of customer. A point which needs emphasis is that the customer is the main company resource and repeat business is the aim.

### Individual Candidate Response

#### Candidate A

- (i) Happy Reward Company Ltd has used a profit orientated pricing policy. They added a 100% mark-up on their goods. These Italian fashions are expensive and only those consumers with high levels of income such as businessmen and politicians could afford their products. Happy Rewards did not set their prices in relation to what consumers could afford. However with the drop in turnover over the past seven years and the downturn in the economy they had to change their pricing policy. They decided to use a customer orientated policy. Happy Rewards reduced its mark-up to 50%. They realised that with the downturn in the economy, consumers willingness and ability to purchase their products with a marked up price of 100% was low. This lead to a decrease in sales. So they reduced their mark-up and price to a level which suited the consumers. This policy is referred to as customer orientated pricing.
- (ii) A customer service policy is important for all trading companies. This policy dictates the way or manner in which customers are treated throughout the business. It is said that it is more important for a company to retain a customer than to make a new one. An existing customer is more valuable to the business than a potential one. So if there is a good customer service dictated by a good customer service policy, there would be satisfied customers who would be loyal to the business and will repeat purchases, which would in turn increase turnover and so doing increase profits. The reputation of the business will also be high due to the fact that the customers would feel well taken care of and will be satisfied with the service they receive. Customers may recommend the business to their friends and colleagues.

### **Candidate B**

- (i) Now, Happy Reward's pricing strategy does not only look at the well-to-do, but they also have a product which caters to medium income households. Before, only good income consumers are able to purchase their product but now the products price is more affordable to all.
- (ii) Happy Reward needs a customer service policy as it is very important since they are trying to penetrate new markets. Some of the services they can provide to customers are:
- PPMI (Personally Pleasing Memorable Interactions).
  - Guarantee of their product in a certain period of time.
  - Post sales survey to check on customer view on how he was treated in the retail outlet etc.
  - Sales agreement where free tailoring or replacement can be given if there are defects or worn out within the said period of time on its clothing materials.

### **Examiner Comment**

#### **Candidate A**

- (i) The situation is analysed well and sums up the situation. The pricing policy reflects the survival issue in task 1(c). The candidate could have refined the response with reference to discounts to certain customers.

**Marks awarded = 5 out of 5**

- (ii) A clear statement appreciating the need for customer service and identifying salient points.

**Marks awarded = 5 out of 5**

#### **Candidate B**

- (i) This response earns a benefit of the doubt mark of 1/5 and that is because of the implication contained in 'but now the product price is more affordable for all'. It does not acknowledge the situation and the need to keep the business open.

**Marks awarded = 1 out of 5**

- (ii) The candidate attempts to explain the need for a customer service policy but identifies several elements albeit in a disjointed way. The answer needs more fluency of expression and explanation. It should also emphasise the need for repeat business.

**Marks awarded = 3 out of 5**

### **Core Module 5179 – Overall Comments on Candidate Performance**

Had the responses used within these examples been produced by two real candidates (rather than being a composite of responses from a sample of 9 candidates), Candidate A would have earned 91/100, which would have represented a solid Distinction level performance. Candidate B would have earned 40/100, which would have been just a Pass.

These examples have been used to demonstrate the range of ability encountered across individual tasks and the assessment that such responses attracted. It is hoped that these will provide typical illustrations of good practice and help prepare candidates better for future examinations in the Core Module.



## 5172 Effective Business Communication

### Task 1 (a)

Issi Chang, the Marketing Manager, feels that one reason why Mai Lin has not integrated with the other staff is the result of poor communication.

Using examples from the case study explain **three** possible causes of poor internal communication which may be present within the Museum. **[6]**

### General Comment

This part of Task 1 gives candidates the opportunity to demonstrate their ability to apply their understanding of internal communication to issues in the Case Study.

### Individual Candidate Response

#### Candidate A

Three possible causes of poor internal communication which may be present within the museum are –

- (i) No clear aims or purpose of communication established. If the sender does not identify the purpose of sending the message to the receiver then the receiver may not know why he/she is receiving this message in the first place and will not respond.
- (ii) Use of inappropriate language. Showy or ambiguous words can make the receiver of the message confused. Due to inappropriate language the receiver cannot understand the message being sent and results in poor internal communication.
- (iii) Use of inappropriate medium. Nowadays, technology is very advanced but some people may not like using computers and related technology. If the sender used internal email to send the message to someone who doesn't like to use computers then there will be a problem receiving the message resulting in poor communication.

#### Candidate B

Possible causes of poor communication –

- no clear aim or purpose
- inappropriate medium used for communication
- inappropriate language used for communication
- recipients do not understand due to the inappropriate language used

It is stated in the case study that Mai Lin is in charge of the Museums website and public relations, there are no other indications. All of the above cases are possible.

## Examiner Response

### Candidate A

This is an excellent answer. The candidate not only identifies three appropriate causes of poor communication, but clearly explains each one.

**Marks awarded = 6 out of 6**

### Candidate B

This candidate identifies three possible causes of poor internal communication, but fails to expand these.

**Marks awarded = 3 out of 6**

### **Task 1 (b)**

Identify and explain **four** types of two-way internal communication which could be used within the Museum. **[8]**

### **General Comment**

Here candidates are given the opportunity to explain four suitable means of two-way internal communication that could be used by the Museum. These could include team meetings, joint consultations, Quality Circles, Seminars, Briefings or the telephone. The important factor is that whichever means are selected must allow two-way communication.

### **Individual Candidate Response**

#### **Candidate A**

Four types of two-way internal communication which could be used within the museum are -

- 1) Face-to-face discussion. Having a face to face discussion can help clarify matters and make issues clearer to understand the message intended.
- 2) Briefing. The senior management can give a formal briefing to the staff of any activities being organised in the museum to make sure that staff know what is going on apart from their own work areas. Staff can also raise questions to the management on issues or doubts they have.
- 3) Team meetings. There are seven different departments in the museum where only senior managers are supervised in each level. Each department could have small team meetings and raise certain issues and analyse the situation.
- 4) Interviews. Performance appraisal interviews can be conducted to let the staff know their shortcomings or in which areas they need to improve to increase productivity. This will also help to strengthen ties between employer and employee.

#### **Candidate B**

Four types of two-way internal communication are -

- a) Email. The fastest way of disseminating information from one source to many receivers in the shortest time and feedback can be instant.
- b) Meeting. A meeting would be conducted within small groups using face-to-face communication and obtaining instant feedback.
- c) Survey. A survey could be conducted when feedback from staff is required.
- d) Interviews. Interviews are conducted to obtain feedback from staff or to promote and appraise the staff.

## Examiner Response

### Candidate A

This is an excellent answer. The candidate identifies four suitable methods of communication, and strengthens each of these with appropriate links to the Case Study.

**Marks awarded = 8 out of 8**

### Candidate B

This candidate identifies four means of communication, but only meetings and interviews allow two-way communication, thus limiting available marks to four.

**Marks awarded = 4 out of 8**

## Task 1 (c)

It appears that Mai Lin has a problem with the following types of communication. Explain each of the following and give one example for each.

- (i) Paralanguage.
- (ii) Metacommunications.
- (iii) Non-verbal communications.

**[6]**

## Individual Candidate Response

### Candidate A

- (i) P  
    aralanguage:  
    A communication impression, inflection of tone or voice.  
    It is not what she says, but how she says it.
- (ii) M  
    etacommunication:  
    'Meta' is a Greek word, it means 'in addition' to communication. E.g. she said she is fine but we can sense that she is unhappy.
- (iii) N  
    on-verbal communication:  
    Kinetics – a study of body movement, conveying information in the absence of, or in addition to, speech.  
    Facial expressions, sitting positions, etc.

### Candidate B

Paralanguage - The things that you want to say but the other party does not get it.

Metacommunication - You have feelings for what you have to say. What you say and the feelings that you have differ.

Non-verbal communications - Using sign language to express your thoughts and feelings.

## Examiner Response

### Candidate A

This is an excellent answer that explains each term and gives examples to illustrate the answer.

**Marks awarded = 6 out of 6**

### Candidate B

This candidate has only a limited knowledge of what the three terms mean, and incorrectly defines metacommunication.

**Marks awarded = 2 out of 6**

## Task 2 (a)

Issi Chang is considering the use of email to contact visitors to promote the museum. She has been able to buy a database of email addresses of people located in China, Hong Kong and Kowloon.

Explain **three** advantages and **three** disadvantages of using email to promote the Museum. **[12]**

## General Comment

This task asks candidates to use their knowledge of advantages and disadvantages of using e-mail and apply this to the context of the Case Study. There are many advantages and disadvantages that could be used, and candidates are asked for just three of each.

## Individual Candidate Response

### Candidate A

Using email to promote the museum –

Advantages –

Speedier communication as it can reach recipients within seconds.

Written record can be used for future reference or saved into a system for future use.

Cost effective as one email can be sent to thousands of recipients in seconds.

Disadvantages –

There is no legal or ethic restriction for the transferring of information.

No immediate response or feedback.

Recipients may not have compatible medium or authority to access information.

### Candidate B

Three advantages of email are –

- 1) mail is a facility where messages can be sent or used for a faster response. The museum can use email to notify all customers easily without having to send brochures or any letters. Can save on paper. E
- 2) customers can also acknowledge receipt of the activities received through the email. The intended job is done by informing visitors about the new activities of the museum. C
- 3) This is not time consuming and has a higher accountability. Email is also not very costly. Since it is a two-way communication visitors can also feedback on our services and activities provided. Management can use the feedback to make improvements. T

Three disadvantages of email are –

- 1) Although email is an easy way to send a message not everyone has a computer to read emails. In this way communication can break down because of the inappropriateness of the medium used.
- 2) Even if the visitors have an email facility, the receiver might not open up the email and read the message which defeats the object.
- 3) If the computer breaks down the intended message will not be received at all.

### Examiner Response

#### Candidate A

This candidate identifies three appropriate advantages and disadvantages, but makes only a limited attempt to apply these to the promotion of the Museum.

**Marks awarded = 6 out of 12**

#### Candidate B

This candidate also identifies three appropriate advantages and disadvantages. In this case, the advantages are explained in more depth, but the disadvantages were simply stated, limiting the marks awarded.

**Marks awarded = 9 out of 12**

### Task 2 (b)

Using information from the case study explain how Issi could use the following to help target potential visitors –

- (i) Database of previous visitors' addresses
- (ii) Desk top publishing software
- (iii) Website

**[8]**

### General Comment

This task gives candidates the opportunity to demonstrate their understanding of Information Technology, and its use in communicating in a business situation. It is important to note that the task requires candidates to suggest how these items might be used by the Museum, and not just to describe them.

### Individual Candidate Response

#### Candidate A

- (i) Having a database of previous visitors' addresses, Issi could send any new activity brochures or newsletters to the visitor to let them know of the activities being organised for the future. The visitor will also feel honoured to receive such information from the museum which will promote interest, encourage them to revisit and spread the word around.
- (ii) Using desktop publishing software Issi could save money on printing expensive brochures through a printing company. This software enables the user to create posters, brochures, newsletters, greeting cards and more. Issi can make use of her staff and this software to print out posters and brochures promoting the museum. U
- (iii) Creating an individual website for the museum will promote the museum whenever any internet browsers log in to the museum's website. Since the museum's website will have all the information that any visitor may want it can make it easier to promote the museum. Any new activities can be launched through the website for viewers to see and then come to the museum. C

#### Candidate B

- (i) Database of previous visitors' addresses – Any new events coming out will be emailed to these previous visitors first and if they are interested some free gifts could be given to attract them to the museum. It can also be used to keep a record of how many times they visit in a year. D
- (ii) Desktop Publishing software – This software is useful as information can be readily obtained from it. All the information will be clearly stated and is very clear cut as all the answers can be taken directly from there. D
- (iii) Website – It is commonly used and anyone online can access the website. Even those who have not visited the museum can find out the location, entry cost, etc. All information can be obtained via the website. W

### Examiner Response

#### Candidate A

This is a very good answer, and suggests several relevant uses for each item of IT. An additional mark could have been achieved for recognition of the use of a database for profiling and identifying similar groups of visitors to target, or to use it to build a loyalty scheme.

**Marks awarded = 7 out of 8**

#### Candidate B

This candidate gains marks for a suggestion for using the database, and also the website. The explanation of Desktop Publishing software is incorrect.

**Marks awarded = 4 out of 8**

**Task 3 (a)(i)**

Mai Lin has been asked to write a number of different internal and external written communications. Prepare the following -

- (i) A letter to school teachers explaining the new attractions for the forthcoming year. (You may create any information to help). **[6]**

**General Comment**

Part (a) of this Task asks candidates to prepare two contrasting communications: one for an external audience, and one for an internal audience. Both the letter and the memo should follow a standard format, and content should be written in a style that is appropriate for both the purpose and the audience addressed.

**Individual Candidate Response**

**Candidate A**

Hong Kong Space Museum  
No 11 Hong Kong Kowloon 524307  
Tel: 852 1111 8888  
Fax: 852 1111 8887  
Email: [hksm@hk.com](mailto:hksm@hk.com)  
Website: [www.hksm.com](http://www.hksm.com)

Date – 13<sup>th</sup> May 2003

Hong Kong Secondary School  
No 87 Sha Tim  
Hong Kong 52797  
FAO: School Admin Officer

Dear Sir/Madam

Re: 2004 New Innovative 'Sky Show' – 'Cosmic Voyage'

We are pleased to introduce to your school our new innovative sky show in 2004. It is called 'Cosmic Voyage' which will be suitable for secondary school students. This show will employ cutting edge technology and state-of-the-art computer animation. The students will be taken onto a thrilling journey from the 'Big Bang' to the present civilisation. Our education manager, Melvyn Hy, is trying to book a world famous scientist to launch this new event in 2004. We are confident that this is a good chance for your students to hear the professor's opinions during the event. Should you need any further information or clarification, you may contact me at a time convenient to you. Looking forward to serving your students in 2004.

Thank you,

Yours faithfully,

Mai Lin  
Web site and PR officer  
Hong Kong Space Museum

Enclosed brochures for your reference.

**Candidate B**

Hong Kong Space Museum  
40<sup>th</sup> Kowloon District  
Hong Kong  
Tel: 852 250 0383  
Fax: 852 250 0384  
Email: [space\\_museum@singnet.wm](mailto:space_museum@singnet.wm)

13<sup>th</sup> May 2003

20<sup>th</sup> Kowloon District  
Hong Kong

To: The Principal/school teacher in charge

Re: New events coming up in the Hong Kong Space Museum

Dear Teachers,

Thank you for your support over the past few years through organising your school trips to our museum for excursions etc.

I am pleased to inform you that there will be some new events coming up for the forthcoming year. It will be a new innovative 'sky show' to be called 'Cosmic Voyage' which will definitely be suitable for secondary schools. This show will employ cutting edge technology and state of the art computer animation.

Well, isn't it interesting that after mentioning the new events, enclosed are the participation list and an envelope. If you have hesitation or queries please feel free to contact me.

Hope to hear from you soon,

Yours sincerely,

Mai Lin  
Museum staff

**Examiner Response**

Both of these letters are very good, and generally follow an appropriate format. Candidate A gains an additional mark for using an appropriate salutation and closure. Both introduce the new attractions in a positive way, and include details of how interested parties should respond.

**Candidate A**

**Marks awarded = 5 out of 6**

**Candidate B**

**Marks awarded = 4 out of 6**

### Task 3 (a) (ii)

Mai Lin has been asked to write a number of different internal and external written communications. Prepare the following -

- (ii) A memorandum to internal staff explaining the new attractions and the need to ensure that a good level of customer service is evident. (You may create any information to help). **[6]**

### Individual Candidate Response

#### Candidate A

Hong Kong Space Museum  
Memorandum

To: All staff  
From: Mai Lin, Web site and PR officer  
Date: 13<sup>th</sup> May 2003  
Enclosed: Brochures

RE: 2004 New Innovative 'Sky Show' – 'Cosmic Voyage'

We are pleased to inform all fellow colleagues that our Museum is going to launch a new innovative sky show in 2004.

It is called 'Cosmic Voyage' and will be suitable for secondary school students. This show will employ cutting-edge technology and state-of-the-art computer animation. The students will be taken onto a thrilling journey from the 'Big Bang' to present civilisation.

Our education manager, Melvyn Hy, is trying to book a world famous scientist to launch this event.

We wish that all staff will read through the attached brochures and understand the event thoroughly. The secondary schools that have received our brochures may call or write in to make enquiries or require clarification.

We hope that everybody will try their best to provide a good level of customer service for this whole exercise.

Thank you!  
Mai Lin

## Candidate B

Memorandum  
13<sup>th</sup> May 2003  
To: All staff  
Cc: Managing Director  
From: Mai Lin

Please take note that there will be some new events/attractions for the forthcoming year. Kindly update whoever you need to know and answer visitors' queries correctly in order to ensure good customer service.

Leaflets have been given to your department managers for the new events. You can obtain all of the information from them.

Any queries, feel free to contact me,

Yours sincerely,

Mai Lin

### Examiner Response

#### Candidate A

This candidate includes all the relevant features of an internal memo – To, From, Date, Subject and Title. It also is written in a style that is appropriate to encourage staff to offer good customer service, and enough information to introduce the new attractions. 6/6

**Marks awarded = 6 out of 6**

#### Candidate B

This candidate misses the 'Subject' and 'Title' elements of the memo format. It is rather formal for the purpose it aims to achieve, and does not include any real detail about the new attractions, so may not be as encouraging to staff.

**Marks awarded = 3 out of 6**

### Task 3 b

Explain to Mai Lin **two** advantages and **two** disadvantages of -

- i) external letters
- ii) internal memoranda

**[8]**

### General Comment

This section of this task gives candidates the opportunity to gain marks for knowledge of the advantages and disadvantages of communication, without needing to link their answers to the Case Study.

## Individual Candidate Response

### Candidate A

(i) external letters:-

two advantages;

- physical evidence
- conformation of oral agreement/arrangement

two disadvantages;

- time consuming
- no immediate response

(ii) internal memoranda:-

two advantages;

- physical evidence
- can use for future reference

two disadvantages;

- no immediate response
- reader may not read

### Candidate B

Advantages	Disadvantages
External letter	
Conformation and agreement of contract	Cannot build a good relationship
As a proof of written communication and can refer back	Time consuming and need to follow up
Internal memoranda	
Provide information	Lack of information
Convey message within the organisation	Lack of flexibility

## Examiner Response

### Candidate A

This candidate has identified suitable advantages and disadvantages as required by the task.

**Marks awarded = 8 out of 8**

### Candidate B

This candidate presents their response in a table, which is a useful method for such tasks. However, some of these responses are inappropriate and contradictory. For example, an advantage of an internal memorandum is that it 'provides information', but a disadvantage is 'lack of information'.

**Marks awarded = 5 out of 8**

#### **Task 4 (a)**

Issi Chang is concerned about Mai Lin and decides to undertake a performance appraisal review in the form of an interview with Mai Lin.

Explain **four** types of question which Issi could use in the interview and give an example of each type. **[8]**

#### **General Comment**

This Task is set to assess candidates understanding of essential issues relating to interviewing. The first part looks at types of questions, the next part looks at the differences between two important types of business interview (recruitment and performance appraisal), and the final part looks for brief explanations of other types of interview a manager may be involved in.

#### **Individual Candidate Response**

##### **Candidate A**

Closed questions -

Usually requires one specific answer. It will limit the interviewee and they will not be able to answer freely. For example - Are you happy working in this museum?

Leading questions -

Usually inappropriate in interview, this type of question will lead the interviews to the correct answers. For example - Don't you think your behaviour or attitude will upset other members of staff?

Open questions -

This type of question allows the interviewee to open up and have maximum freedom to answer the question. For example - Tell me more about yourself and your relationships with other members.

Hypothetical questions -

The interviewer sets the scenario, what would the interviewee do if the situation occurred. For example - If you were in my position how would you solve this problem (Regarding Mai Lin not integrating well)?

##### **Candidate B**

Closed ended, or bipolar, questions - The interviewer expects a certain answer from the interviewee and does not allow them to explain further. A straight forward question with a yes or no answer.

Open questions - Will allow the interviewee to express himself and better explain his answers to suit the question.

Leading questions - The interviewer asks a question which leads the interviewee to answer in the manner that the interviewer expects.

Hypothetical questions - A question with a scenario. The interviewer gives a scenario to the interviewee to explain his answers in the context of the scenario.

## Examiner Response

### Candidate A

This is an excellent answer in which the candidate identifies four appropriate types of question for use in interviews, and also gives some good examples of questions linked to the Case Study.

**Marks awarded = 8 out of 8**

### Candidate B

This candidate also identifies four appropriate question types, but does not give examples as required, thus limiting the marks that can be achieved.

**Marks awarded = 4 out of 8**

## Task 4 (b)

Explain **three** ways a performance review interview would differ from a recruitment interview for the new 'Schools Liaison Officer' post. **[6]**

## Individual Candidate Response

### Candidate A

Three ways a performance review interview would differ from a recruitment interview.

- Performance review is to check the standards of the work and behaviour of the staff whereas recruitment would check whether the applicant's specification is suitable to the job specification.
- Another important issue is that performance review can be used to check a person's accountability for job related problems. A recruitment interview can be about whether the reference from the previous employer or school is suitable.
- Another difference between performance review and recruitment interview is responsibility of the job and relationship with other members of staff.

### Candidate B

- 1) A performance review interview will be with the immediate supervisor and his staff but a recruitment interview will be with the recruiting committee and the person who has come for the job interview.
- 2) A performance review is an informal interview whereas a recruitment interview is formal.
- 3) The structure of the performance review interview will be focused on ways and means to improve working style and what the supervisor thinks of the staff but recruitment interview is based on recruiting a new person for the job.

## Examiner Response

### Candidate A

This is a very good answer, although the final difference stated is a little vague. It would have been useful to highlight that a performance review interview should be motivational and 'two-way', and that a recruitment interview should involve the candidate in more of the talking.

**Marks awarded = 5 out of 6**

### Candidate B

This is also a good answer, although the first and second differences do not always apply.

**Marks awarded = 4 out of 6**

## Task 4 (c)

Identify and explain **three** different types of business interviews which a manager may be expected to undertake within his or her role. **[6]**

## Individual Candidate Response

### Candidate A

Three different types of business interviews -

- (i) Employment interview – which is for selecting someone for the job, whether the persons specification will suit the job description and determine whether to hire the staff or not.
- (ii) Induction interview – which is orientation for new recruits about organisation structure, job duties, health and safety and security of the organisation.
- (iii) Performance review interview – which is to check the standards of the persons work, accountability, competencies and relationships with other colleagues.

### Candidate B

Three different types of business interview –

- (i) Structured interview – Manager will use a prepared set of questions which will enable them to gather information.
- (ii) Openness interview – It allows the candidates to speak freely and respond as they wish. This will enable the manager to test their personalities and professional experience.
- (iii) Group interview – A few candidates will sit together to communicate with each other. Managers will be able to judge their interpersonal skills.

## Examiner Response

### Candidate A

This candidate has correctly identified and explained three different types of interview that a manager may undertake. Other types include; counselling, disciplinary, termination or exit interviews, and data gathering interviews.

**Marks awarded = 6 out of 6**

### Candidate B

This candidate has described different styles of interview, rather than different types. This has limited the number of marks available.

**Marks awarded = 2 out of 6**

## Task 5 (a)

You have been asked to prepare a chart to illustrate the figures for schools in table 1.

Present this data using the most appropriate method.

**[10]**

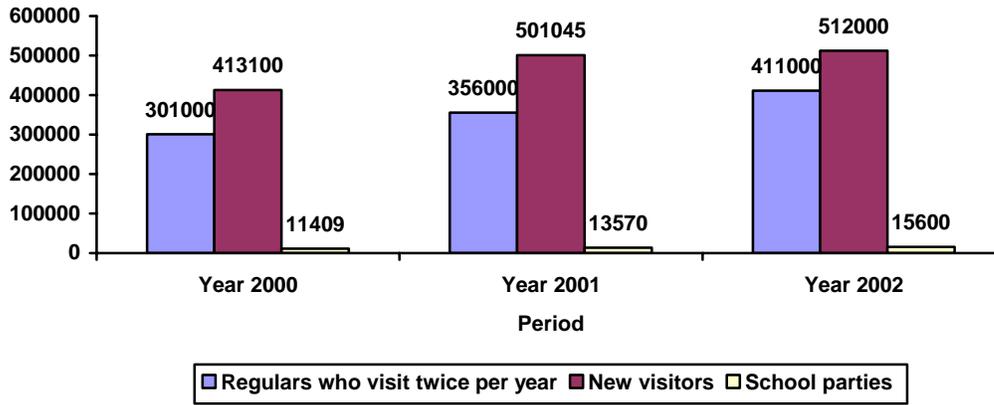
## General Comment

This part of task 5 gives candidates the opportunity to demonstrate their knowledge of charts and graphs, and which are most appropriate for a specific situation. Marks can be gained for identifying the most appropriate chart to display the information in the Case Study, constructing the chart accurately, and correctly labelling and titling the chart, showing a key to the data.

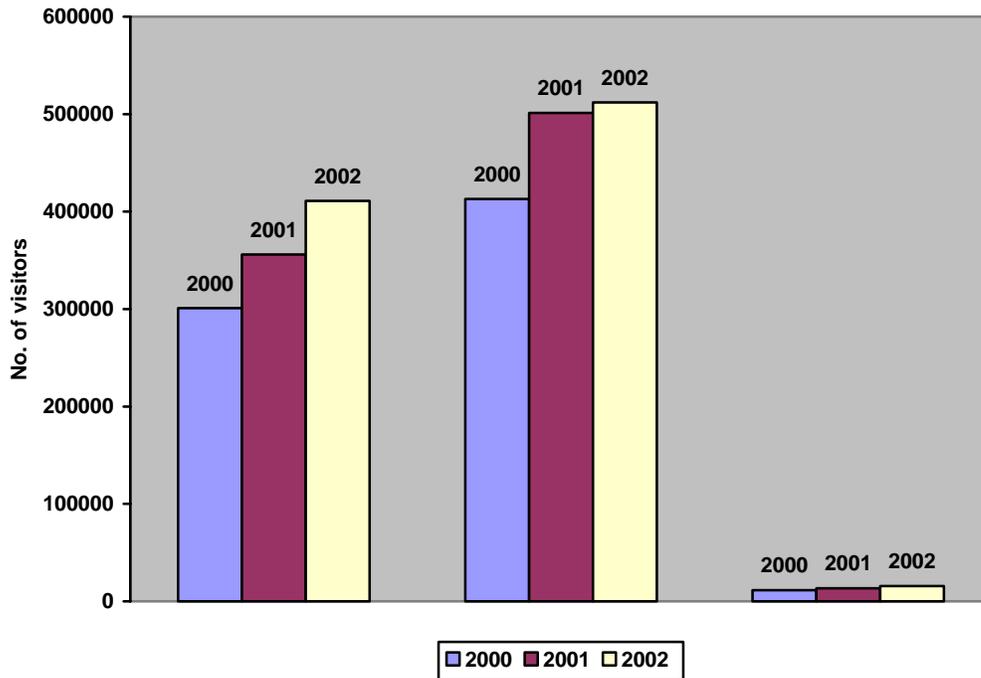
Individual Candidate Response

Candidate A

### Hong Kong Space Museum Number of Visitors During the Last Years



Candidate B



## Examiner Response

### Candidate A

This candidate uses an appropriate bar chart, and displays the data accurately and professionally. The chart includes more data than is requested, although it is easy to extract the relevant information, and so does not achieve full marks.

**Marks awarded = 9 out of 10**

### Candidate B

This candidate also presents a professional chart. However, the labelling is inappropriate, and there is no title to the chart, so further marks are lost.

**Marks awarded = 6 out of 10**

## Task 5 (b)

Explain the following types of visual charts -

- (i) Gantt chart
- (ii) Flow chart
- (iii) Pie chart

**[6]**

## General Comment

This part of the task allows candidates to demonstrate their knowledge and understanding without having to apply this to the Case Study. One mark is available for a description of each type of chart, and a further mark for identification of how it might be used.

## Individual Candidate Response

### Candidate A

- (i) Gantt chart. This type of chart is the progress chart. The two horizontal bars show the amount progressed over the time period. One bar indicates the planned, targeted or proposed figures. The other bar indicates the actual figures achieved from the actual sales or operation
- (ii) Flow chart. This type of chart is used for solving the problems of sales production methods or trouble-shooting in television repair. The system analyst and computer programmer break down the problems into smaller parts and sequencing the procedure in the operation. Through analysing the flow chart you can solve the problems mentioned above.
- (iii) Pie chart. It is divided into sections or segments, % or degrees (the total must be 100% or 360°), and then the sections can be compared. Each part of the chart/data can be analysed in terms of percentage. Colour can be used to enhance the visual impact.

### Candidate B

- (i) Gantt Chart. It shows how much time is needed to accomplish one project task.
- (ii) Flow chart. It shows a procedure from beginning to end and the step by step process in sequential order.
- (iii) Pie chart. It shows the composition of the whole which indicates relative proportion, size and percentage.

### Examiner Comment

#### Candidate A

This is an excellent answer, with both clear explanations and examples of how each chart might be used.

**Marks awarded = 6 out of 6**

#### Candidate B

This candidate correctly, but briefly, describes each chart. Marks are limited because examples are not given.

**Marks awarded = 3 out of 6**

### Task 5 (c)

Explain **two** ways computer software can be used to enhance the presentation of complex information. **[4]**

### General Comment

This section of the task again gives an opportunity to gain marks without having to apply knowledge and understanding. Candidates are asked to identify two ways that computer software can be used to enhance the presentation of information.

### Individual Candidate Response

#### Candidate A

Two ways computers can enhance presentations are:

- Three dimensional models can be created using software to show what the object might look like in real life.
- Presentation software, like PowerPoint, allows other files to be linked to the presentation. The presenter can easily click and show these files if needed.

#### Candidate B

Two ways:

- Simplify the complex information into a simple, readable format.
- Can present in colour or 3D forms, it can make it more 'presentable' overall.

### **Examiner Comment**

#### **Candidate A**

This is an excellent answer, giving two clear ways in which computer software can be used.

**Marks awarded = 4 out of 4**

#### **Candidate B**

This candidate gives one way in which software can help. However, the first statement explains 'what' it can do (this was given in the task), rather than 'how' it helps.

**Marks awarded = 2 out of 4**

### **Core Module - 5172 Overall Comments on Candidate Performance**

The examples of candidate performance shown above have been taken from the work of several candidates to demonstrate contrasts in performance. Had all the higher marked examples been from one candidate, then the mark would have warranted a distinction.

All candidates show strengths and weaknesses across questions in a paper. However, the examples above aim to show the way marks can be built up by candidates demonstrating a build up of knowledge, understanding and application to the Case Study scenario.



## 5173 Business Finance

### Task 1 (a)

Explain and give **one** example of what is meant by the term 'intangibles'. **[2]**

### General Comment

Candidates are invited to demonstrate their knowledge of financial terminology and to illustrate this with an appropriate example.

### Individual Candidate Response

#### Candidate A

Intangibles are assets that are not of a physical nature and they include goodwill, patents, copyrights among others.

#### Candidate B

The term intangible is referring to the assets of the business that cannot be held physically e.g. ordinary shares e.g. recording studio.

### Examiner Comment

#### Candidate A

Clear and concise definition of the term was provided with appropriate examples.

**Marks awarded = 2 out of 2**

#### Candidate B

The candidate shows a reasonable understanding of the term, but fails to provide an appropriate example.

**Marks awarded = 1 out of 2**

### Task 1 (b)

Explain what is meant by the terms 'exceptional and extraordinary items' (line 20) and give an example of **each** item. **[4]**

### General Comment

Candidates are invited to demonstrate their knowledge of financial terminology and to illustrate this with appropriate examples.

### Individual Candidate Response

#### Candidate A

Exceptional or extraordinary items are those expenses that are not necessarily expected. They are expenses, away from the normal expenses that the firm expects to incur. An example of an exceptional item is the provision for bad debt and an example of an extraordinary item is expense associated with restructuring.

#### Candidate B

By exceptional he means something unusual. And extraordinary means something out of the ordinary. An example would be the amount that debtors owe. It is a very very big amount.

### Examiner Comment

#### Candidate A

The candidate has provided a reasonable, if not totally accurate, explanation of the terms and has backed this up with relevant and informative examples. An award of 3 marks was considered appropriate.

**Marks awarded = 3 out of 4**

#### Candidate B

The candidate has made a vague attempt to distinguish between the terms and only provided one partially relevant example. An award of 2 marks was considered appropriate.

**Marks awarded = 2 out of 4**

### Task 1 (c)

Explain the difference between 'financial and management accounting' (line18). **[3]**

### General Comment

Candidates are invited to demonstrate their understanding of financial and management accounting practices and to identify any similarities/differences in the approaches that may be employed.

## Individual Candidate Response

### Candidate A

- Financial accounting mainly concentrates on summarising data/information for the needs of people not involved in running day-to-day activities of the company, usually it is for the external parties of the company.
- Management accounting provides information/reports for the managers of the company for running day-to-day activities as well as for medium and long-term planning. The reports are usually very detailed.
- Hence, the main difference is of the user/reader of the reports generated by financial accounting (users are external parties) and management accounting (users are managers of the company).
- Another difference is that the reports generated by financial accounting is simple and not detailed, as the reports generated by management accounting is very detailed.

### Candidate B

Financial accounting needs to be very accurate but management accounting take into account materiality. They are more concerned with whether the company is making a profit.

## Examiner Comment

### Candidate A

The candidate shows clear understanding of the terms and provides evidence of how the two approaches differ.

**Marks awarded = 3 out of 3**

### Candidate B

The response by the candidate indicates that they do not understand the terms. 0/3

**Marks awarded = 0 out of 3**

## Task 1 (d)

Explain what is meant by the term 'cost centred approach' (line17) and give **one** advantage of using such an approach. **[3]**

## General Comment

Candidates are invited to demonstrate knowledge of the term and to provide a relevant advantage of adopting this approach.

### Individual Candidate Response

#### Candidate A

Cost-centre approach means to calculate the cost on a particular product of a section of department. The management can know which product or which department cost more by using this approach. Then they can find out what is the problem and adjust the structure or capital invested to control the cost and make the structure of production more reasonable and the running of the business smoother. Then they can get more profit.

#### Candidate B

'Cost-centred' approach refers to the opportunity of costs and 'mark-up' for pricing of products. One advantage of cost-centered approach is it can be used for break-even analysis.

### Examiner Comment

#### Candidate A

The candidate has provided a reasonable explanation of the term linking costs to individual sections of the firm and has demonstrated an appreciation of the possible advantages of using such an approach.

**Marks awarded = 3 out of 3**

#### Candidate B

The candidate has provided rather a confused explanation of the term and the advantage is not well expressed. Despite this there does appear to be some knowledge that the approach could be employed for control purposes and an award of 1 mark was considered to be appropriate.

**Marks awarded = 1 out of 3**

### Task 1 (e)

- i) Explain what is meant by the terms 'downsizing and concentrating on core activities' (line16). **[2]**
- (ii) Give **one** financial implication of **each** of the above terms. **[2]**

### General Comment

Candidates are invited to demonstrate their understanding of the terms and to illustrate their understanding with relevant financial implications.

## Individual Candidate Response

### Candidate A

- i) Downsizing refers to the cutting down in size of a company. When a company downsizes, it reduces its production capacity. In the past, it may have had three operating factories for production but after downsizing it now closes two of these factories and leaves behind only one factory in operation. Hence, it reduces its production capacity.

Concentrating on core activities refers to the targeting of a company on its main activities rather than offering a range of products/services. It narrows down its product or service range and drops the unfavourable ones. It may decide to only provide one or two services now as compared to their wider range of services offered before. In doing this, the company hopes to be a specialist in that particular chosen field as it is now able to focus on this narrower segment.

- ii) A financial implication of downsizing is the reduction in operating expenses compared to before.

A financial implication of 'concentrating on core activities' is the 'freeing' of funds in the company. Now, the company would be able to spend more on a specific provision of the service. It can devote more resources to an R & D department to further improve this area.

### Candidate B

- i) Downsizing and concentrating on core activities means to cut down on certain areas and then put more attention to the bulk of the business.
- ii) One financial implication of concentrating on core activities is raising capital for future expansion of the business.

## Examiner Comment

### Candidate A

- i) The candidate provides clear definition of both of the terms.
- ii) The implications selected by the candidate are not fully explained, but they are relevant and deserve full credit.

**Marks awarded = 2 out of 2, 2 out of 2**

### Candidate B

- i) The candidate demonstrates some knowledge of the processes involved in the activities, but does not distinguish clearly between the terms.
- ii) The implication presented is not well explained and is considered too vague to warrant the award of any marks.

**Marks awarded = 1 out of 2, 0 out of 2**

### Task 2 (a)

The Chairman's report had mentioned the possibility of 'going public'. Identify and explain **three** methods that could be employed to sell shares to the general public. **[3x3=9]**

### General Comment

Candidates are expected to demonstrate their knowledge of how a share issue could be made available to the public and to explain the processes associated with the different methods.

### Individual Candidate Response

#### Candidate A

Three methods of shares selling:

- offer by prospectus  
Shares are offered to public at fixed price. The prospectus contains the company past financial performance and future financial forecast.
- offer by tender  
Shares are offered to general public, but no fixed price is issued. The buyer will have to submit the price they are willing to pay. The final price will depend on the supply and demand in the stock market.
- placement  
This method will be used if there is no new shares issued and general public have held at least 25% of the company shares. The public can buy shares from existing share holders.

#### Candidate B

The term going public refers to the process where a private limited company, offers ownership to the general public by selling shares.

The use of a prospectus is one method that can be used to sell shares to the public. A prospectus is a financial position document of a firm that is used to attract investors. The shares are normally sold via a financial institution.

The stock exchange market can be used to sell shares. One example of such a market is the Alternative Investment Market.

Shares can also be made available to the public via an introduction. These potential buyers are introduced to the company through the use of investment houses.

## Examiner Comment

### Candidate A

The candidate has identified three appropriate methods that could be employed to sell shares and although the explanations are not totally clear, there is sufficient distinction between the methods to warrant a full award of marks.

**Marks awarded = 9 out of 9**

### Candidate B

The candidate provides some knowledge of the methods that could be employed, the explanation of the use of the prospectus is reasonable. However, the other methods are less well explained.

**Marks awarded = 6 out of 9**

## Task 2 (b)

Identify **three** other sources of finance that could be employed by the firm to raise capital, and for **each** source explain the possible effects on the future profitability of the firm. **[3x3=9]**

## General Comment

Candidates are expected to select appropriate alternative sources of finance. The choice of long term sources of finance is considered to be most appropriate although medium and short term financing could also be considered for the award of credit.

## Individual Candidate Response

### Candidate A

Three other sources of finance that could be employed by the firm are Bank loans, leasing and debt factoring. Bank loans refer to money lent by the bank to the company on an agreement that after the loan period is over, the company has to repay back not only the initial sum borrowed but also an interest amount. This method has a possible effect of reducing the future profitability of the firm as it has to fulfil its obligation of the interest payment.

Leasing refers to the 'renting' of various assets that a firm can engage in as compared to purchasing them instead. For example, a company can choose to lease its computers instead of purchasing them, this smoothes out the initial cash flow. Take for example the cost of \$40 000 to purchase these items. Instead of paying the whole lump sum of \$40 000 for the computers, the company would only have to pay \$8 000 to lease these assets for a certain period of time. A possible effect when a firm adopts this method is that it may increase its future profitability. When a company leases its equipment, it is unaffected by the rapid change in technology as it is leased equipment if usually upgraded with the changing times by the leasing company. This means that its equipment would always remain top of the lime and hence, production is always improved. Thus, an increase in profitability is possible.

Lastly, a firm can adopt debt factoring to raise capital. A firm has debtors when it sells or provides goods or service on credit terms. The firm usually does not receive the money until the credit term expires, hence the lack in capital. In debt factoring the firm 'sells' its debts to a factoring company at a fee. It hands over the receipts of its debtors and this company would in return give them the amount owed minus the fee it charges. The debt is now the factoring company's possession and

it is responsible for its collection. The firm loses its control on the debt and its method of collection.

This might have an effect of lowering the firm's future profitability as customers might stay away or chose to go to a competitor instead. If a factoring company uses unscrupulous or unruly manners to collect the debt, these customers might be afraid and thus, stay away.

#### **Candidate B**

Three other sources of finance that could be used to raise capital are debentures, mortgages and loans.

#### **Examiner Comment**

#### **Candidate A**

The candidate provides clear explanations of three appropriate medium/short term methods of raising capital and provides reasonable explanations of how the methods might have an impact on the future profitability of the firm.

**Marks awarded = 9 out of 9**

#### **Candidate B**

The candidate merely lists other possible methods of raising capital, but does not provide any explanations of the methods or of the possible effects on profitability.

**Marks awarded = 3 out of 9**

#### **Task 3**

Using the information in the Case Study, produce a revised balance sheet, in a vertical format, that incorporates all the additional transactions identified by the Chief Accountant. **[16]**

#### **General Comment**

Candidates are required to be able to demonstrate that they have an understanding of the effects on the balance sheet totals when the additional transactions have been taken into account. They are then required to produce an accurate revised balance sheet that incorporates these changes. The balance sheet should be complete and in the appropriate format.

<b>Individual Candidate Response</b>
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**Candidate A**

TWO LTD  
DRAFT BALANCE SHEET  
AS AT 29 APRIL 2002

	\$ 000s	\$ 000s
<b>FIXED ASSETS</b>		
Premises	2 400	
Fixtures	2 200	
Equipment	1 600	
Intangibles	300	
	6 500	6 500
<b>INVESTMENTS</b>		500
<b>CURRENT ASSETS</b>		
Stock	1 700	
Debtors	900	
Cash	550	
	3 150	
<b>CURRENT LIABILITIES</b>		
Trade Creditors	500	
Other creditors	200	
Taxation	250	
Dividend	400	
	1 800	1 800
<b>NET CURRENT ASSETS</b>		8 800
<b>ASSETS (-) CURRENT LIABILITIES</b>		8 800
<b>LONG TERM LIABILITIES</b>		
Mortgage	2 500	
Loan	900	
	3 400	3 400
<b>NET ASSETS</b>		5 400
<b>SHAREHOLDERS FUNDS</b>		
Ordinary Shares (2 mil @ \$2)		4 000
Retained Profits		1 400
		5 400

**Candidate B**

Dr	Cash	Cr
Opening b/d	800 000	
		Tax Payment 350 000
Received from debtor	100 000	
		Closing bal c/d 550 000

Dr	Creditor	Cr
	Opening b/d	400 000
	Equipment purchases	200 000
	Stock purchase	100 000
closing bal c/d		700 000

Dr	Stock	Cr
Opening b/d	1600 000	
Purchases	100 000	
		Closing bal c/d 1700 000

Dr	Creditor	Cr
Opening b/d	1400 000	
Purchases	200 000	
		closing bal c/d 1600 000

Dr	Debtor	Cr
Opening b/d	1000 000	
		Payment received 100 000
		closing bal c/d 900 000

Dr	Tax	Cr
		Opening b/d 600 000
Tax paid	350 000	
Bal c/d	250 000	

#### Examiner Comment

##### Candidate A

The candidate has correctly identified the effects of the transactions, although no explanation or workings were given, and has incorporated the changes to produce an accurate revised balance sheet in the required format.

**Marks awarded = 16 out of 16**

##### Candidate B

The candidate has identified the effects that the transactions will have upon the balance sheet totals. The format, however, is not totally accurate and the sub-totals and overall balancing figure is not as required. An award of 3 marks for the format and an award of marks at the top end of band 2 were considered justified.

**Marks awarded = 9 out of 16**

#### Task 4

The Chairman's report had identified a number of external factors that could influence the firm in the near future. Identify and explain how **three** of these factors might affect the firm. **[3x4=12]**

#### General Comment

Candidates are expected to extract from the Case Study relevant external (PEST) factors and to explain how they might have an impact on the firm in terms of possible changes in the levels of revenues, costs and profits.

## Individual Candidate Response

### Candidate A

A firm can be influenced by a number of external factors, namely the PEST factors where P = Political, E = Economic, S = Social and T = Technological.

The three factors that can affect the firm are Economic, Social and Technological.

The firm might be influenced by the economic factor. This refers to the economic environment and as stated in the case study, 'there is a predicted downturn for the economies of the Pacific-rim'. If an economy is facing a downturn, it might affect the demand of the firm's product or service. Businesses might not be doing well and have to cut costs and be more careful with its expenditure. The public would also have less disposable income as a result of job losses. These factors might affect the demand for the firm's product/service.

The social factor refers to the people that are present in the market. As stated in the case study, 'the new generation of electronic aids is upon us ... the modern consumer is more interested in 'green products' than 'value for money.' This reflects the social environment attitudes and taste. Thus, to remain competitive, the firm has to meet this requirement. It has to now look into the development of newer products as compared to before. The last factor is the technological factor. It refers to the level of technology that is currently present in the environment. The firm has to keep up with this advancement as an increase in technology would yield benefits like better products that are produced, cheaper production costs and faster production time. To ensure that it remains competitive with the competitors that are entering the market, the firm has to keep up and embrace new technological advances. This technology might give them an advantage over its competitors.

### Candidate B

1. Competition - competition can affect the firm by the competitors producing products similar/identical in nature to Two Ltd. The competitor may sell their products cheaper than Two Ltd, and if the products provide the same benefit but are sold cheaper customers may leave Two Ltd and a loss of sales means profits will go down/decrease.

2. Economy - if there is a downturn in the economy this means that persons are going to have less disposable income and this will result in decrease in purchases. If there is a downturn in the economy spending patterns will change. The company will be affected since sales are going to decrease eventually.

3. Technology - because of the new era in technology the firm may lose customers because persons may go for new improved products, the customer focus might be on keeping in touch with new technology, they may not be concerned with benefits. Technology can affect the firm if it does not keep abreast with all the new designs and styles customers may purchase elsewhere.

### Examiner Comment

#### Candidate A

The candidate has correctly identified the external factors from the Case Study and has made a sound attempt to trace the likely impact of the factors on the firm's revenues and costs.

**Marks awarded = 11 out of 12**

#### Candidate B

The candidate has identified relevant factors from the Case Study and provided some general explanations as to how they are likely to affect the firm, but these explanations are not always explicitly linked to the effects upon revenues/costs.

**Marks awarded = 7 out of 12**

### Task 5 (a)

The new equipment which has been purchased is depreciated by the firm.

Using the straight line method of depreciation:

- (i) calculate the annual depreciation allowance **[3]**
- (ii) calculate the book value of the equipment at the end of Year 3 **[2]**

### General Comment

Candidates are expected to show an understanding of the process required to calculate depreciation allowances and the ability to apply this knowledge to the information provided in the Case Study.

## Individual Candidate Response

### Candidate A

(i) Annual depreciation allowance =  $\frac{\$200\,000 - \$26\,000}{4}$   
(Straight line method)  
= \$43 500  
  
=  $\frac{\text{Purchase Price} - \text{Estimated Residual Value}}{\text{Expected Useful Life}}$

(ii) Book value at the end of Yr 3:-

The rate of depreciation yr = \$43 500  
Therefore accumulated depreciation at the end of 3 years  
= \$43 500 x 3 = \$130 500

Therefore book value at the end of Yr 3 = \$200 000 - \$130 500  
= \$69 500

### Candidate B

(i) Straight line depreciation

\$200 000	(Price)
<u>\$26 000</u>	(Residual Value)
<u>\$174 000</u>	

\$174 000 | 4 years = \$42 500 per annum

Therefore annual depreciation allowance \$42 500

(ii) Book value at the end of Yr 3 = \$200 000 - (42 500 x 3)  
= \$200 000 - 127 500  
= \$72 500

## Examiner Comment

### Candidate A

The candidate provides clear evidence of the required knowledge of processes needed to solve the problem and by employing a correctly produced formula is able to produce accurate solutions to both parts of the task.

**Marks awarded = 3 out of 3, 2 out of 2**

### Candidate B

The candidate provides clear evidence of understanding of the process required to calculate depreciation allowances. Unfortunately the calculation in part (a) is incorrect, but in applying the 'own figure rule' the candidate should be awarded credit for the calculation in part (b).

**Marks awarded = 2 out of 3, 1 out of 2**

**Task 5 (b)**

Using the reducing balance method of depreciation (with a discount rate of 40%):

- (i) calculate the depreciation for Year 2 **[3]**
- (ii) calculate the book value of the equipment at the end of Year 3 **[2]**

**General Comment**

Candidates are expected to show an understanding of the process required to calculate depreciation allowances and the ability to apply this knowledge to the information provided in the Case Study.

**Individual Candidate Response****Candidate A**

(i)	Yr	Opening Book Value	Depreciation at 40%	Closing Book Value
	1	\$200 000	\$80 000	\$120 000
	2	\$120 000	\$48 000	\$72 000
	3	\$72 000	\$28 800	\$43 200

Therefore depreciation allowance in Yr 2 = \$48 000

- (ii) Book value of the equipment at the end of Yr 3 = \$43 200

**Candidate B**

Reducing balance method (discount rate @40%)

Year 1 - \$200 000  
 - 40% (\$80 000) = \$120 000

Year 2 - \$120 000  
 - 40% (48 000) = \$72 000

Year 3 - 72 000  
 - 40% (28 800) = \$43 200

Book value at end of Yr 3 = \$43 200

### Examiner Comment

#### Candidate A

The candidate provides clear evidence of the required knowledge of processes needed to solve the problem and by employing a correctly produced formula is able to produce accurate solutions to both parts of the task.

**Marks awarded = 3 out of 3, 2 out of 2**

#### Candidate B

The candidate provides clear evidence of knowledge of the process required and the relevant figures can easily be extracted from the workings presented.

**Marks awarded = 3 out of 3, 2 out of 2**

### Task 5 (c)

Explain why a firm such as Two Ltd will find it necessary to allow for depreciation of its fixed assets. **[4]**

### General Comment

Candidates are required to provide relevant justifications for undertaking the process of depreciating fixed assets thereby demonstrating an understanding of the purposes behind depreciation.

### Individual Candidate Response

#### Candidate A

Two Ltd can benefit by allowing depreciation of its fixed assets, because depreciation is a non-cash expenditure and the company can use it to show less profit in its initial years to the share holders and can put that money into the operation. The shield of depreciation can also be used effectively to reduce the taxable amount from its operating profit.

#### Candidate B

It is necessary to allow for depreciation of its fixed assets because the equipment will wear and tear. There is also expense that is incurred annually.

### Examiner Comment

#### Candidate A

The candidate provides two relevant and concise arguments for allowing for depreciation.

**Marks awarded = 4 out of 4**

#### Candidate B

The candidate provides a single, rather vague justification for depreciating assets and does not link their point to the need to replace worn out assets.

**Marks awarded = 2 out of 4**

### Task 6 (a)

(i) Using the information in the case study, calculate **one** ratio for **each** of the categories below:

- liquidity ratio
- activity(asset usage) ratio
- performance ratio
- investment ratio

[4 x 2 = 8]

### General Comment

Candidates are required to demonstrate knowledge of ratio analysis by selecting an appropriate ratio from each category. They should then apply these ratios to the Case Study data to produce accurate solutions.

### Individual Candidate Response

#### Candidate A

Liquidity ratio:

$$\begin{aligned}\text{Current ratio} &= \frac{\text{current assets}}{\text{current liabilities}} \\ &= \frac{3\,400\,000}{1\,400\,000} \\ &= 2.43\%\end{aligned}$$

Activity (asset usage) ratio:

$$\begin{aligned}\text{Stock turnover} &= \frac{\text{stock}}{\text{cost of sales}} \times 365 \text{ days} \\ &= \frac{100\,000}{13\,600\,000} \times 365 \\ &= 2.68\%\end{aligned}$$

Performance ratio:

$$\begin{aligned}\text{Net profit margin} &= \frac{\text{net profit}}{\text{turnover}} \times 100 \\ &= \frac{1\,700\,000}{16\,000\,000} \times 100 \quad \text{or} \quad \frac{950\,000}{16\,000\,000} \times 100 \\ &= 10.625\% \qquad \qquad \qquad = 5.94\%\end{aligned}$$

Investment ration:

$$\begin{aligned}\text{Return on capital employment (ROCE)} &= \frac{\text{net profit before tax and interest}}{\text{capital employed}} \times 100 \\ &= \frac{1\,700\,000}{8\,300\,000} \times 100 = 20.48\%\end{aligned}$$

### Candidate B

Liquidity ratio:

Acid ratio:  $\frac{\text{Current Asset - stock}}{\text{Current liabilities}}$

$$\frac{3\,150\,000 - 1\,700\,000}{1\,350\,000} = \frac{\$3\,400\,000 - \$1\,600\,000}{\$1\,400\,000} \quad ] \text{ From Trial Balance}$$

= 1.07                      = 1.29

Activity ratio:

Debtors turnover:  $\frac{900\,000}{16\,000\,000} \times 365$

= 20.53

= 20 days

Performance ratio:

$$\frac{1\,700\,000}{1\,360\,000} \times 100 = 0.12 = 12\%$$

Investment (shareholder) ratio:

$$\frac{500\,000}{\dots}$$

### Examiner Comment

#### Candidate A

The candidate has provided evidence of understanding how ratios can be employed and has produced formulae and workings that are accurate and appropriate.

**Marks awarded = 7 out of 8**

#### Candidate B

The candidate has produced only one relevant ratio which has a correct formula. The remaining responses are too vague to warrant the award of any marks.

**Marks awarded = 2 out of 8**

### Task 6 (a)

- (ii) Explain how **each** of the ratios that you have calculated could be employed by those interested in the firm. **[4]**

### General Comment

Candidates are required to be able to demonstrate an understanding of the reasons for using ratios to analyse business situations. They should also be able to link the ratios to particular interested parties.

### Individual Candidate Response

#### Candidate A

The liquidity ratio - shows how fast cash can be converted (management/owners concerned).

The activity ratio shows how quick stock and other current assets will turn.

The performance ratio shows how the firm performs (interested management/ employees).

The investment ratio - investors could use this to find out whether firm is viable or ok to invest in.

#### Candidate B

If the ratios are good compared with the other companies within the same industry the other investors could be interested in the firm. For example liquidity ratio: the investor can base from this ratio in order to know whether the company is liquid enough. Or from the activity ratio the investor can see how the debtor, creditor and stock turnover are and whether they are good or not.

### Examiner Comment

#### Candidate A

The candidate has identified a number of relevant interested parties, but the discussion as to how they might use the information is rather generalised.

**Marks awarded = 2 out of 4**

#### Candidate B

The candidate has provided some rather vague reasons for employing ratios and made a weak effort to distinguish between the different parties who would use the ratios.

**Marks awarded = 1 out of 4**

### Task 7 (a)

The management of working capital is an important element in the success of a business.

Explain what is meant by working capital.

[3]

### General Comment

Candidates are required to demonstrate an understanding of the term and to be able to produce a precise definition in terms of net current assets.

### Individual Candidate Response

#### Candidate A

Working capital is the excess of current assets over current liabilities. It involves the day-to-day running of the business. If a firm lacks working capital it is likely to have liquidity problems. Enough working capital ensures the smooth running of the business.

#### Candidate B

Working capital is the amount you get when you add all your current assets and minus all current liabilities from the current assets.  $\text{Current assets} - \text{current liabilities} = \text{working capital}$ .

### Examiner Comment

#### Candidate A

The candidate demonstrates clear understanding of the purpose of keeping sufficient working capital and provides a sound definition of the term.

**Marks awarded = 3 out of 3**

#### Candidate B

The candidate provides a clear and accurate formula to show how to calculate working capital.

**Marks awarded = 3 out of 3**

### Task 7 (b)

Discuss **three** methods that could be employed to ensure that a firm has sufficient working capital.

[9]

### General Comment

Candidates are required to provide explanations of how the level of working capital could be maintained and/or improved by entering into a discussion as to how current assets may be kept at a reasonable level above current liabilities. The possibilities of either increasing assets and/or decreasing liabilities should be the focus of the answer.

## Individual Candidate Response

### Candidate A

1. Lower the amount of current liabilities; pay the money to suppliers on the things bought by credit.
2. Issue fewer dividends to shareholders. This gives the firm more working capital.
3. Increase the amount of current assets. Collect money from customers who bought on credit. This will give the firm more working capital.

### Candidate B

1. The firm could ensure that its current liabilities are minimal. If current liabilities are minimal there will not be a negative figure for working capital.
2. The firm should ensure that its current liabilities never exceed its current assets.
3. Introduction of cost-centred approach to pricing.

## Examiner Comment

### Candidate A

The candidate clearly understands the nature of the problem and has provided evidence of understanding the need to adjust the element totals, although the proposed solutions are not necessarily relevant. This was judged to be a level 2 answer.

**Marks awarded = 5 out of 9**

### Candidate B

This response shows that the candidate appreciates the nature of the problem, but they have provided no explicit solutions. This was regarded as a level 1 answer.

**Marks awarded = 3 out of 9**



## 5174 Marketing

### Task 1 (a)

'The Green Company' has recognised that it is not focused on the customer.

Explain the meaning of the marketing concept.

**[4]**

### General Comment

This task requires an explanation of the term 'marketing concept', and looks for recognition that an organisation's activities should be focused on customer needs, and that all activities should be coordinated to meet objectives. Four marks were allocated here, indicating that a short answer is acceptable.

### Individual Candidate Response

#### Candidate A

Marketing concept is the idea which companies use to do their marketing. It involves building their operations with the customer constantly on their mind. The concept starts with a well defined market then focuses on the needs of the customer and co-ordinates all related activities to meet and satisfy these needs. Through this concept, companies earn their profits by maintaining long-term relationships with their customers.

#### Candidate B

It is the fundamental idea of marketing that organisations survive and prosper through meeting the needs and wants of the customer. This important idea is more commonly known as the marketing concept. The marketing concept is a matching process also known as marketing environment.

### Examiner Comment

#### Candidate A

This candidate identifies all four key points well, and so attracts full marks.

**Marks awarded = 4 out of 4**

#### Candidate B

This candidate recognises the need to meet customer needs only, and so attracts only one of the marks available.

**Marks awarded = 1 out of 4**

### Task 1 (b)

From the case study, identify and explain **four** actions the company might take to achieve a more customer-focused approach. **[4x4=16]**

### General Comment

This second part of the task continues from **part a** by looking at the marketing concept. In this part of the task candidates are asked to apply their knowledge of action needed to achieve this customer focus to the Green Company in the Case Study. There are many acceptable answers here. However, the four most appropriate to the Case Study are:

- Carrying out research to identify customer requirements.
- Re-structuring the organisation to achieve more customer orientation.
- Setting up a customer care programme.
- Measuring customer satisfaction.

### Individual Candidate Response

#### Candidate A

- 1- Train staff. The salesperson needs to train to answer customers' questions effectively and be able to provide whatever the customer needs to know about the product.
- 2- Set targets. The company needs to evaluate performance of its employees, especially those in the front line, and also of the company as a whole.
- 3- Identify the problem. The company needs to find out whether the customer is satisfied with the product. If the customers are not happy then the company can correct the problem through taking action.
- 4- Measure result. Need to get some information as to whether or not the customer is happy through relationship marketing. Relationship marketing can help you to obtain information about the customer's satisfaction and expectations in relation to the product.

#### Candidate B

- 1- The Green Company can ask for feedback from its customers about the supplier. Through the feedback provided by the customer, The Green Company can see what the response is from the customers, which is very valuable. From this feedback The Green Company can improve the quality of their product.
- 2- The Green Company can conduct some market research in order to improve the service levels for the customer. Many of the customers have requested additional services such as displays for exhibitions and inner offices. By finding new services required by the customer The Green Company can work towards meeting the customers needs.
- 3- The Green Company can employ marketing segmentation in order to better supply its plants. Sometimes people are willing to pay more for products from The Green Company. The Green Company can conduct psychographic segmentation which looks at social class. Some larger companies may be looking for a lot of plants that can help build a more pleasant environment. Some companies do not mind paying more in order to have products and status associated with The Green Company.
- 4- The Green Company may also be able to identify the cultural attitudes of their customers, as cultural attitudes have an effect on buying behaviour. The Green Company are located in Singapore so they may also consider Chinese cultural attitudes when selecting plants for their range as there is a large percentage of Chinese in Singapore. The Green Company could also consider other cultural attitudes with other races located in Singapore such as Malay, Indian etc.

## Examiner Comment

### Candidate A

This candidate identifies the need to train customer facing staff (customer care), set targets and measure customer satisfaction levels. Points three and four are similar, and so the number of marks is limited.

**Marks awarded = 9 out of 16**

### Candidate B

This candidate identifies the need to measure customer satisfaction, carry out research into customer needs and segment markets. Again, points three and four are on the same topic, and so the number of marks is limited.

**Marks awarded = 10 out of 16**

## Task 2

Explain the **five-stage** process for planning a marketing research project, linking each stage to one of the issues facing 'The Green Company'. **[5x4=20]**

## General Comment

This is a straightforward task, giving candidates the opportunity to demonstrate: their knowledge of the five stage process for planning a research project, their understanding of each stage through explanation, their application of each stage to the Case Study scenario.

The stages are –

- Definition of problem
- Design research and sample
- Collect data
- Analyse and report findings
- Take appropriate marketing action

## Individual Candidate Response

### Candidate A

The first stage of a marketing research project will be the identification of either a problem or an opportunity. In this case the problems have been identified and they include limited communication with the customer and a lack of environmental analysis.

The second stage is the planning of the research that will be done. This stage decides on what to research, the methods to be used and the period of time in which to complete the research. Taking the problem of communication as an example, one method that could be used is surveys – these could be face-to-face, over the telephone or via direct mail. Focus groups and consumer panels could also be used. The topics discussed with the interviewees may include suggestions and feedback. The research would only last for one week.

After planning, the methods selected are then implemented. For example, if The Green Company choose to conduct face-to-face surveys they may send some staff out from the customer service office for this purpose. If they chose to use a focus group they will invite a group of customers into the office and discuss the subject with them to get the feedback.

The next stage will be the analysis of the results from the survey. The results are checked through and those with bias or inaccuracy would be removed. Then the remaining ones could be tabulated, for example those providing similar feedback could be grouped together and then counted. This stage converts the results gathered into information that the management could use.

Finally, the analysed results are studied and 'used' by the management when making decisions. For example, if results showed that the customer would like to communicate with the company then a feedback or suggestion system could be developed. The person in charge of developing the survey may also be required to give recommendations. The results collected do not make the decision but guide the management in the decision making process.

### Candidate B

- 1- Identify the problem. For example, one of the problems facing The Green Company is that no environmental analysis is being carried out. The company is only reactive to demand.
- 2- Design and select sample. The Green Company should design a marketing research plan and set the sample size.
- 3- Collect information and analyse information. The Green Company should collect information about external environment factors such as economic growth, customer buying behaviour and income level. This information would then be analysed.
- 4- Present the information. The information that has been analysed would be written down and presented to all the staff of The Green Company. Through presenting the research results The Green Company would be able to know the situation they are in.
- 5- Put measures in adjustment of methodology. They now have an overall picture of the internal and external environment and they now know what the problem is. At this time The Green Company need to adjust their thoughts and actions which are not suitable for development. The company should not be reactive only to demand – they should respond to the customers needs.

### Examiner Comment

#### Candidate A

This candidate demonstrates knowledge and understanding, but fails to make links with the Case Study at each stage. At the first stage they make this link by identifying the 'problem' that the Green Company needs to research. However, full marks at this stage would have been gained only by wording this as a research objective. For example, 'to identify ways in which communication with customers might be improved'.

**Marks awarded = 15 out of 20**

#### Candidate B

This candidate is a little confused about the stages of the process. Stages 1 – 4 are identified in the candidate's points 1 – 3. Some attempt is made to explain each stage, but this is not as clear as it could be. Again, the only real link to the Case Study is made in point 1. Simply using the name of the company in each point is not demonstrating an understanding of the issues facing the company.

**Marks awarded = 8 out of 20**

### Task 3 (a)

Identify the **six** stages of the organisational buyer decision process.

**[6]**

### General Comment

This task asks candidates to list the stages in a specific process – the organisational buying decision process. It attracts one mark for each stage, and no explanation of the stages is required.

### Individual Candidate Response

#### Candidate A

Six stages of the organisation buying decision process –  
Define the problems  
Solve the problems  
Information search  
Evaluate alternatives  
Select and purchase  
Evaluate on purchase

#### Candidate B

1- Problem recognition  
2- Product specification  
3- Supplier search  
4- Select the supplier  
5- Order the goods  
6- Evaluate the performance of the goods

### Examiner Comment

#### Candidate A

This candidate identifies only four of the stages of this process, confusing it with other processes in the other two answers.

**Marks awarded = 4 out of 6**

#### Candidate B

This candidate correctly identifies all six stages, attracting full marks.

**Marks awarded = 6 out of 6**

### Task 3 (b)

Explain why it is important to understand the organisational buyer decision process with reference to:

- i) identifying changing customer needs [2]
- ii) targeting communications messages more effectively [2]

### General Comment

This part of the task required candidates to demonstrate their understanding of the relevance of the organisational buying process by linking to two specific situations, relevant to the Case Study. Identifying changing customer needs can be linked to research when the organisation specifies products, and communication messages can be targeted more effectively to ensure that companies are aware of their products and services when 'problems' are identified. Unfortunately many candidates confused this with segmentation, which is a separate part of the marketing process.

### Individual Candidate Response

#### Candidate A

- i) To segment the market so that resources of the organisation can be deployed in that area to maximise profitability and sales according to customer needs
- ii) This is so that the intended customers will be reached, via advertisements, brochures etc, and the targeted communications messages will be more effective. An example of this could be, targeting the messages at a segment of the market to achieve maximum results.

#### Candidate B

- i) Through the process, The Green Company can understand how their customers purchase their required items and therefore know what they need. The company target them more accurately as their needs are identified.
- ii) Through the process, the company can identify who functions as the influencer, the decider and the buyer. They can then target the right person, in this case possibly the decider, raising awareness and achieving more sales.

### Examiner Comment

#### Candidate A

This candidate was partly correct, but confused segmentation with the way in which organisations buy.

**Marks awarded = 2 out of 4**

#### Candidate B

This candidate identified relevant links to the Case Study and gained full marks.

**Marks awarded = 4 out of 4**

### Task 4

Identify and explain **two** suitable groups for segmenting the market for 'The Green Company's' products. **[2x5=10]**

### General Comment

This task focused on segmentation, and asked candidates to apply their knowledge of business to business segmentation bases to the Case Study. The main bases that were suitable were geographic, size of company, type of company and number of employees.

### Individual Candidate Response

#### Candidate A

The first suitable group would be behaviour. This segments the market according to behaviour or reaction when using the product. For example, The Green Company can segment according to the usage rate of the clients. They can encourage the heavy users to use more of their services (e.g. get more plants for office interiors or the use of their services on special occasions such as a grand opening). They can also segment according to the benefits that the customer wants. For example one group of customers may want the plants to make the office air fresher whilst another may only want the plants to make the office more colourful.

Secondly, they can segment according to preference or taste of their customers. For example, some of their customers may want to have more exotic or colourful plants to decorate their office. Such a preference may be from larger companies that can afford this. On the other hand smaller companies may prefer more ordinary plants. Another difference in preference of their customers may be that some like leafy plants whilst others may like flowers, some may like hanging baskets and others free-standing plants.

### Candidate B

- 1- Foods and hotel-like industries  
Appeal more to restaurant groups and hotel-like industries  
Attraction of plants, pictures and styles to staff and visitors  
Can make customers more confident, all enjoy green environment  
Sometimes different historical designs of restaurants and hotels  
Tourists, both national and international use these restaurants and hotels so may become potential customers
- 2- Information Technology Industries  
The Green Company can recommend to more IT companies  
IT companies work in high-pressure environments, the plants could ease pressure and help make a more creative environment  
Using the plants for displays and decoration can help to relax customers

### Examiner Comment

### Candidate A

This candidate has used one segmentation base that is traditionally used in consumer marketing - behavioural segmentation. However, this been appropriately applied to the scenario, and combined with 'size of company' as a second base, high marks are attracted.

**Marks awarded = 9 out of 10**

### Candidate B

This candidate has used 'industry type' as the segmentation base in both of their examples. They have mistakenly identified two different types of industry, food and hotel and IT, instead of two different segmentation bases.

**Marks awarded = 4 out of 10**

### Task 5 (a)

Identify the **seven** stages of the marketing planning process, explaining each stage. **[7x2=14]**

### General Comment

This task gives candidates the opportunity to demonstrate their understanding of the seven stages of the marketing planning process by explaining each in terms of the Case Study. The seven key stages are:

Marketing audit  
SWOT  
Objectives  
Segmentation  
Strategy  
Marketing Mix  
Control

However, other planning models are acceptable, as long as they are correctly applied to the scenario.

## Individual Candidate Response

### Candidate A

#### Marketing Planning Process

Stage 1 – Marketing Environment Analysis/Executive Introduction.

Macro Environment – Economy, Political, Social, Cultural and related competition and technology.

Micro Environment – Own production, HR, Finance, Marketing and Sales capabilities, Suppliers and other services.

Stage 2 – SWOT analysis, comprising of strengths and weaknesses of the organisation itself and major and minor opportunities and threats for the business. Market research and surveys are conducted at this stage.

Stage 3 – Setting the specific organisational goal including translating information into a financial goal.

Stage 4 – Designing the objective of each activity and applying MBO (managing by objective).

Stage 5 – Design strategies to achieve goals. The strategy should be clearly communicated to all people involved in the process. The Action Plan is now designed.

Stage 6 – The implementation stage involves the proper application of all the marketing strategies. This relates to all strategies – Product, Price, Promotion, Place (distribution channel), etc.

Stage 7 – Control the activities accordingly and reassess the budget periodically. Simultaneously 'fine tune' the strategies according to market needs.

### Candidate B

#### 7 stages of the marketing planning process

##### Stage 1 – Segmentation

Company should specify and target which subsets they can provide services and products to and which are suitable.

##### Stage 2 – SWOT

Strengths, weaknesses, opportunities and threats. Strengths and weaknesses refer to internal situation. Opportunity and threats from customers and competitors also affect business strategy.

##### Stage 3 – PEST

Political, environmental, societal and technological. Very important to the marketing planning process. These four issues are to be involved in the survey of planning.

##### Stage 4 – Ansoff Matrix

Market penetration, market development, product development and diversification should be considered in the marketing planning process.

##### Stage 5 – Generic Ideas

Cost leadership, differential. Try to lower production costs and wages to maximise profit. The different customer services, structure and location.

##### Stage 6 – Marketing Mix

7 P's element. Product, Price, Place, Promotion, People, Physical Evidence and Process.

##### Stage 7 – Implementation

The last stage is to implement all stages of the process, with the aim of achieving low cost and maximum profit.

### Examiner Comment

#### Candidate A

This candidate correctly identified six of the stages (stages three and four cover the same stage). However, they were not clearly explained in terms of the scenario, and some marks were lost in this respect.

**Marks awarded = 10 out of 14**

#### Candidate B

This candidate also correctly identified six stages (in this case, stages four and five cover the same stage). However, not only were the stages not explained using clear links to the scenario, but this candidate confused the order of the stages within the process.

**Marks awarded = 8 out of 14**

### Task 5 (b)

Write a **SMART** marketing objective that 'The Green Company' might seek to achieve. **[6]**

### General Comment

This section of the task asks candidates to **write** a SMART marketing objective for the Green Company. Marks were awarded to those who explained what a SMART objective is. However, full marks required application of that knowledge and the wording of an appropriate objective.

### Individual Candidate Response

#### Candidate A

The marketing objective could be 'To set up a customer service department with at least five employees within the next six months'

They may choose this objective as they do not have such a department and they face several problems in this area – for example, lack of customer communication and no system to evaluate customer satisfaction.

Having an objective to create such a department in such a short time will not only help to solve their problems but they could also be able to build better relationships with their customers. It is likely that they would choose such an objective.

#### Candidate B

SMART stands for specific, measurable, achievable, relevant and time-based. The Green Company need to set an achievable sales target within a specific time. After this period of time they can see if it has worked and adjust it accordingly to the internal and external environment.

## Examiner Comment

### Candidate A

This candidate achieves maximum marks for the objective stated, which is specific (set up a customer service department), measurable (with five employees), achievable (it is not too ambitious for the size of the company), relevant (customer service needs to be improved), and time bound (within six months).

**Marks awarded = 6 out of 6**

### Candidate B

This candidate explains the SMART mnemonic and is awarded two of the six marks available.

**Marks awarded = 2 out of 6**

## Task 6

Recommend a suitable extended marketing mix (including the 7P's) for 'The Green Company', explaining your recommendation for each element of the mix. **[20]**

## General Comment

This task gives candidates an opportunity to demonstrate their knowledge of the seven elements of the extended marketing mix by identifying each. It then asks for recommendations for each element, and an explanation of each recommendation. Up to fourteen marks are available for the identification of each element and making an appropriate recommendation for each. Top marks are only awarded to candidates who justify their recommendations in terms of the scenario posed, and balance the elements across the mix.

## Individual Candidate Response

### Candidate A

- 1- Product. The Green Company should target the people who need it or expect to use it. The plants the customers receive should satisfy their needs.
- 2- Place. The Green Company should locate the place that the customers can access easily. Convenience to shop is the priority.
- 3- Price. The Green Company product should be priced reasonably and represent value for money. This depends on the customers perception of value.
- 4- People. The Green Company should offer good customer service to their customers. Customers should be served with a pleasant attitude and staff should be able to help.
- 5- Process. The Green Company should have a good delivery process. Products should be delivered on time and in accordance with the schedule.
- 6- Promotion. Consists of advertising, personal selling and promotions. The company should deliver their message through the appropriate medium for their customers.
- 7- Physical Evidence. All of the products and services consist of physical evidence. The Green Company's plants should be well maintained and attractive to the customers.

## **Candidate B**

The suitable extended marketing mix (the 7 P's) for The Green Company;

**Product:** Their existing product – the foliage plant. They may add value to the product in terms of better packaging, perhaps for more valued customers. Also quality commitments should be checked.

**Price:** Could add value through quicker and more consistent delivery. This enhanced service could justify an increased cost.

**Place:** The Green Company could go for a strategic alliance with the plant suppliers in various countries where they may be facing problems (increasing their capacity to maintain quality and supply consistently at Greens sought price). Also, an additional supply chain could be developed.

**Promotion:** Some advertisement in terms of focused communication may be used in business magazines both national and international. Also, some MPR (marketing public relations) could be used to enhance the image of Greens and what they do to help create a wider awareness of the company. Some could be conducted by the customer relations manager through the sending of cards for special occasions or other gifts to key decision makers.

**People:** Everybody in marketing knows that 'people are the brand'. The human resource structure could be arranged in such a manner so as to serve customers depending on their value. Big accounts could be dealt with separately in a cost effective manner. A 'Customer Relationship Cell' should be created and an HR consultant used to recruit the appropriate professional people for that job.

**Process:** The organisational culture has to be adopted through 'delayering' the hierarchy. The sourcing of the plants needs to be faster to aid in the processing of customer orders. A direct despatch office located in the south of the country may be considered or the sourcing of plants suppliers. This would help them to meet their value proposition expected by the customer. All five directors should work together to attain operational excellence.

**Personalised Service:** The value proposition created by Green should be based on obtaining 'operational excellence' and 'product leadership' simultaneously. Accordingly, the segmentation should be conducted and the customer accounts generating the highest profit should be given to the better managers who can attend to the customers needs. The supply chain has to be designed in such a way that these key accounts do not suffer. The customer data interchange service should be managed by an IT expert.

### **Examiner Comment**

## **Candidate A**

This candidate correctly identifies all seven elements of the mix, and makes some effort to explain each element. However, these explanations are not always recommendations and are not satisfactorily linked to the scenario. An example of this could be, under the promotion element of the mix, 'Consists of advertising, personal selling and promotions. The company should deliver their message through the appropriate medium for their customers' is not a recommendation.

**Marks awarded = 10 out of 20**

## **Candidate B**

This candidate has correctly identified six of the seven elements of the mix, and has made clear recommendations as to what the Green Company should do under each heading. Two marks were lost through missing the 'physical evidence' element of the mix, and a further two through a lack of explicit integration of the elements.

**Marks awarded = 16 out of 20**

### **Optional Module 5174 - Overall Comments on Candidate Performance**

The examples of candidate performance shown above have been taken from the work of several candidates to demonstrate contrasts in performance. Had all the higher marked examples been from one candidate, then the mark would have warranted a distinction.

All candidates show strengths and weaknesses across questions in a paper. However, the examples above aim to show the way marks can be built up by candidates demonstrating a build up of knowledge, understanding and application to the Case Study scenario.



## 5175 Human Resource Management

### Task 1 (a)

Explain the main factor driving DEVA's need for change.

**[5]**

### General Comment

This question relates to Assessment objective 1.0 and targets competence criteria 1.1 and 1.2.

The two parts of the question require the candidate to identify an aspect of HRM that is in the case study and explain it, and for the second part of the question to 'explain' aspects of the behaviour of the HR Director. This calls for two different skills. Firstly to identify HR issues and secondly to use their knowledge of HR issues and apply them. The second part of the question demands higher skills and so is awarded a greater proportion of the marks. A Level markscheme is used with level 1 reserved for the basic answers, level 2 for those candidates who can provide a reasonable explanation and in part b, level 3 for a full and accurate explanation.

### Individual Candidate Response

#### Candidate A

DEVA's business is going to a downturn and has seen a slowing down of growth. As mentioned in the passage, DEVA's main problems are to retain workers with high level skills and at the same time reduce cost. Due to the economic downturn, it is essential for the company to practice cost-cutting measures. At the same time as employees are an asset to the company, DEVA wants to retain those highly skilled workers and motivate them to contribute in the organisation goal. As such, DEVA need to change the working methods to homeworking as it can save cost on office space and electricity.

**Marks awarded = 5 out of 5**

#### Candidate B

DEVA's need for being profitable drove the organisation into making some changes so that they cut off unnecessary expenses and unneeded labour, which will enable them to make a profit or break even, and in the same time produce high quality garments for affordable prices.

**Marks awarded = 2 out of 5**

### Task 1 (b)

Explain fully why the Chief Executive Officer has involved the Human Resources Director at such an early stage in the development of a business strategy. You should base your answer on the role of the Human Resource Management in a modern business.

**[10]**

## Individual Candidate Response

### Candidate A

Human Resource Management is the management of various activities designed to enhance the effectiveness of an organisation workforce in contribution to the organisation goal. Human Resource Management (HRM) had undergo changes compared to the past where personnel management was being practised. HRM are pro-active in identifying problems and respond to changes more quickly. This means that HRM no longer being on the backstage, but instead working together with line managers to achieve the operational goal and the strategic goals. HRM need to be in line with the organisational goals and analyse ways to contribute to the organisation using its workforce. The CEO has involved the HR Director right from the beginning due to the new roles HRM is having. HRM has four roles. They are advisory role, senior management role, service provider role and planning role. HRM advise the line managers on selection process and training of the staff. HRM provide customer and supplier with excellent service from the trained and skilled employees. HRM are now involved in planning with the senior management in achieving the organisation goal. In DEVA case, the HR Director is to advise the CEO on ways of cost-cutting and alternative employment contracts. Should the organisation decide to practise homeworking, HRM will recruit and select suitable candidates to work with the organisational goal. The HR Director will also find the sources of contracting out employment and provide every support needed by the organisation decision. At the same time, HRM are also involved in training and development of employees to compete in this international textile market.

**Marks awarded = 10 out of 10**

### Candidate B

Human Resource Manager or department is responsible for creating and maintaining good relationships between employers and the people who work for or with them.

Thus it is very simple to understand why the Human Resource Manager is part of the decision making process at such an early stage. Because he is the one dealing with the personnel management at almost all levels and might even have a much better understanding of the organisations aims, goals and objectives and why they are operating in a certain way.

The Human Resource department also deals with creating or establishing policies and procedures including finding only the best qualified worker for a job (recruitment).

**Marks awarded = 4 out of 10**

## Examiner Comment

### Candidate A

This is an extremely full account of the situation in part (a) and an excellent response to part (b). The answers are not perfect, but are good enough to merit full marks. It is important to note that to gain full marks an answer does not have to be perfect, Candidates have 2 hours to write their answers after 15 minutes of reading. This candidate clearly understands the questions, has a good knowledge of HR and HR issues and has produced a comprehensive answer.

### Candidate B

This candidate fails to identify 'the slowing of growth recently' and so the answer is unable to move out of the level 1 band. There is a good attempt to discuss other issues and so the top of the band is possible, but the central issue is missing.

In part (b) the same is true. All of the points are correct, but the central issue of the strategic role of HRM is missing. The answer struggles into the level 2 band, but could not move out of this band without more detail. The answer is written for a general stance and not that of a specialist in HR, which is what is expected.

## Task 2 (a)

DEVA has a problem in trying to achieve the right mix of skills while controlling costs.

Explain why the core-and-periphery model (lines 8-11) could prove inappropriate for DEVA. **[10]**

## General Comment

Once again this question in its entirety tests a candidate's ability to extract information from the text within an HRM context and explain it. In addition a candidate's ability to use the knowledge they have and apply it to a situation within the case is also tested. Both parts (a) and (b) use information given in the case. Part (a) allows for three levels of answer whereas part (b), marked out of 5, only allows for two levels of answer.

By contrast, part (c) requires knowledge of contracting out as a way of organising work and the benefits it may bring. The candidate should then be able to match these benefits against the situation of the case study.

It is important that the candidate follows the instructions given and produces **two** benefits fully explained and in context.

## Individual Candidate Response

### Candidate A

Since DEVA's problem is to achieve the right mix of skills while controlling costs, the core and periphery model would be inappropriate because development of important staff would require some cost so while controlling costs, development cannot be given to its staff.

The staff commitment towards work would go down if some of them are contracted out, the remaining staff would feel insecure, and there will be no sense of belonging so the work will suffer. They would lose sense of identity.

There are no clear staff roles for the development of business because of which there would be a confused environment in the workforce, so the essential staff who are retained cannot give targeted results.

### Candidate B

In order for Deva to achieve the right mix of skills while controlling costs, they need to reorganise their staff roles. For example, restructuring of the company and add a value added advantage to the skilful workers. With these the morale of the workers would not be jeopardised. The skilled workers would be motivated to improve more of his skill to others. The next levels that the management can look into and can be selective with their individual performance of the workers, they can always have an appraisal system so that their workers performance for any years will be filled up and we can easily make a trend for their day to day improvement.

Secondly the periphery model where their products are to be contracted out in order to control cost. This proves that inappropriate by doing so time is crucial. For example, if the contract workers are not well trained, their business will be easily be a gone case. It will incur higher costs rather than maintaining their own staff. They got to look into the consideration of delegating their goods out.

## Examiner Comment

### Candidate A

The candidate produces a level 2 answer. There is an understanding here of the core and periphery model, but the explanation is not totally clear. Paragraph three is possibly the best part of this answer and will get the majority of the credit. To move into level 3 the candidate would need to distinguish between who the 'core' and 'periphery' staff actually are.

**Marks awarded = 5 out of 10**

### Candidate B

The candidate struggles to move out of the level 1 band with this answer. The question is not answered directly, but a number of points are made that deserve credit. There is not a clear understanding of the core and periphery model which this answer would require to move into the top band.

**Marks awarded = 3 out of 10**

**Task 2 (b)**

Identify where the main cost savings for the business can be made.

**[5]**

**Individual Candidate Response****Candidate A**

The main cost saving for the business can be made in the Production Department. Kaizen philosophy system that is Total Production Management tool should be adopted by DEVA so that heating, lighting are done effectively without any breakdown which would require huge cost for replacement and maintenance.

Costs can also be saved by proper labour cost management. Since DEVA spends huge amounts of money in paying remuneration to high skill workers, by efficient labour cost management, the work could be given non financial benefits to ensure their commitment towards work.

By maintaining high standards, that is by codifying the satisfied performance would result in avoiding costly warranty claims. DEVA should adopt SDCA cycle to reduce cost in warranty claims i.e. standardise, do, check and act.

**Candidate B**

The main cost savings for the business can be made by the production facility and the associated factory with its heating, lighting and maintenance. They can even control their overtime rates in order to increase their gross profit of their business. They even look into the opportunity to contract out their production under a putting out system. Next they can easily minimise the sizes of their business role to a multi tasking level e.g. at the Director level, 1 – fashion director 2 – marketing directors, 3 – purchasing and procurement departments. They are all high paid level. They do not need too many directors to do a different type of individual department's role.

**Examiner Comment****Candidate A**

The candidate has taken a slightly different approach, but understands where cost savings could be made.

**Marks awarded = 4 out of 5**

**Candidate B**

The answer to this part of the question is, in contrast to part (a), a good answer. The main details are included, but a little more detail would have helped.

**Marks awarded = 4 out of 5**

**Task 2 (c)**

Identify and explain **two** of the key benefits that DEVA's new plan for contracting-out services could offer to the business. **[2 x 5 = 10]**

**Individual Candidate Response****Candidate A**

Benefits that DEVA's new plan for contracting-out service would offer are:

Cost Benefit – By contracting-out DEVA would reduce its cost of employing staff full time. Since the contract workers are not required to be permanent they are just for a specific task therefore DEVA would save cost if paying them on the contract basis and would save the cost of paying them as permanent employees which the firm used to practice.

Ensure effective result – The worker's having contract with DEVA would be more focused in achieving required result since the contract payment would be result oriented. The contractual workers would only be paid when they finish the work assigned to them according to the contract, they would work more efficiently and effectively toward attaining of the result required by them.

**Candidate B**

The 2 benefits that DEVA's new plan for contracting-out services could offer to the business are:

Contracting-out under a putting out system to homeworkers who work at home on a piecework basis. The only main cost would be the transport of the various, part-made pieces of garments to and from the homeworkers.

There would also be the need for a computer-based system to track all of these items, for the modern contact computer is a user friendly and also to minimise time of working. Workers can easily access data from the internet website or to have a communication through email to others easily and to have a good and fast responding system.

**Examiner Comment****Candidate A**

Two benefits are produced; hence a maximum of 10 is possible. The explanation for the first benefit is stronger than the second, but both lack the full detail required.

**Marks awarded = 7 out of 10**

**Candidate B**

Attempts are made here to outline two benefits. One is completely wrong and the other is poorly expressed. The material is clearly identifiable from the case, but the candidate has ignored this. This is a common failing. Candidates fail to understand that the questions are based upon the case study even if not directly mentioned.

**Marks awarded = 2 out of 10**

### Task 3

DEVA will have to ensure that adequate numbers of people are recruited to its homeworkers workforce. Explain **three** recruitment and selection methods the company might use to do so. **[15]**

### General Comment

This is a big mark question that relates directly to criteria 3.3. Marks are allocated at four levels and not, as with previous questions, a number of marks for each method. This highlights why it is important for the candidate to actually read the question and not make assumptions. Despite the fact that marks are not allocated per method candidates will not be able to achieve level 4 without explaining three methods in detail and in context.

Knowledge of recruitment or selection alone is not sufficient, a judgement of the best methods in this case is essential.

### Individual Candidate Response

#### Candidate A

Recruitment and selection is the process of getting the right mix of skill of employees to work in the organisation. Organisations only need to recruit people where necessary. This means where there is a vacancy within the organisation. HRM need to do the job analysis. Job analysis is the process of gathering and analysing information about the job so that this piece of information can be informed to the applicant. For job analysis HRM need to work together with the line managers. Job description is the information on the responsibilities, task and criteria for the job. Once a job description has been confirmed HR then decide on the sources of getting the people. This can be done by internal and external recruitment. Internal recruitment means recruiting someone internally. This can be done by promotion and transfer of employees. This saves cost and employees will be motivated to work harder. DEVA can actually transfer some of the production workers to homeworking. Some employees prefer to work from home as they can also spend time with their family. Besides recruiting internally, recruitment can also be done externally. External recruitment such as job fairs, using agencies and advertising the position can be done. With these methods DEVA will get a bigger pool of candidates for the position of homeworking. Candidates can then apply through application forms and come for interview. To select from these short-listed candidates DEVA can also put these candidates into several selection test. In my opinion, the three selection test for homeworking will be psycho motor test, skill based test and aptitude test. This enables DEVA to know if the candidate are computer literate, have the required skills and have discipline on working at home. DEVA can also call up references to help them with the selection process. Once a selection is done, the new employee will then need to go for employee induction.

#### Candidate B

As the business requires very skilful workers, the company can use agencies to recruit people. The agencies will have better knowledge about the staff. Headhunting is also a good way. The company could also use job centres. Job centres will provide skilful workers if any company requires them. The company could also advertise it in newspapers. For selection, the company could also base their selection on aptitude test or psychology test. This test will gauge what personality and aptitude the person has.

## Examiner Comment

### Candidate A

This answer includes the three methods asked for after explaining what recruitment and selection actually are. The opening paragraphs are not required and so do not gain any marks. The candidate penalises themselves because this irrelevant material wastes time. The effect is that less time is spent on the relevant material and because of the inevitable lack of detail full marks are not obtained.

**Marks awarded = 11 out of 15**

### Candidate B

This candidate correctly identifies three methods, but the answers are basic and lack any real detail. All three methods only make this a level 2 answer.

**Marks awarded = 6 out of 15**

## Task 4 (a)

Explain the term 'homeworkers' (line 19).

**[5]**

## General Comment

This question tests a candidate's knowledge and understanding in sections (a) and (b) and their ability to draw correct and relevant conclusions based upon their knowledge, in section (c). The question is based around competence criteria 4.1 and 4.2, testing a candidates understanding of the difference between working pattern and working structures. In addition, it is acknowledged that candidates have a poor knowledge of methods to measure and monitor performance other than appraisal. It is important for candidates to place answers to (b) and (c) in the context of the case study.

## Individual Candidate Response

### Candidate A

These are people who work from home. They perform the same functions for the company as they would have done at the company's premises; the only difference is that they are at home. They are thus removed from the company, but do their work from home.

### Candidate B

Homeworkers are people who work in the premises of their home. They work from home and deliver the finished product to the company. Homeworkers are skilled independent workers who can carry out tasks without supervision.

### Examiner Comment

#### Candidate A

This is a very basic answer at level 1 and states no more than 'works form home'.

**Marks awarded = 2 out of 5**

#### Candidate B

This is a basic answer that states quite simply 'people who work on the premises of their home'. There is no further explanation and so the basic mark is gained.

**Marks awarded = 2 out of 5**

### Task 4 (b)

Identify **two** advantages to DEVA of using homeworkers.

**[5]**

### Individual Candidate Response

#### Candidate A

People who work from home do not require office or floor space from the company. Such space is costly to acquire and maintain for the organisation. There is thus a major cost saving.

DEVA will also only pay staff for the amount of work they complete. This means that staff will be motivated to perform better and turn out more work. Thus production will go up. DEVA will not have to carry the salaries of unproductive staff.

#### Candidate B

Two advantages of using homeworkers is that DEVA is aware of the high level of skills of the homeworkers, therefore can be confident that the garments will still be of high a standard as when produced in the factory premises itself. The cost can be cut down by downsizing the staff. Homeworkers also work in the comfort of their own home and they can manage their time at their own disposal causing no stress to them and there by producing better output and workmanship.

### Examiner Comment

#### Candidate A

This answer provides two advantages in some detail, both in the context of the company.

**Marks awarded = 4 out of 5**

#### Candidate B

This answer begins to move away from the level 1 answer by providing two advantages, however, there is confusion here and full marks are not possible.

**Marks awarded = 3 out of 5**

**Task 4 (c)**

Recommend to DEVA a suitable method of monitoring the performance of homeworkers. Give reasons for your choice. **[10]**

**Individual Candidate Response****Candidate A**

Performance has two dimensions to it in this case. DEVA must monitor the rate of production of all the homeworkers as well as the quality of production. The amount of products that a home worker produces can be monitored by a simple stock control system. This system could even be incorporated in the computer-based system used to track all items. Thus, garment pieces are booked out on a homeworker's account when they are sent to him/her. When the completed clothing products are sent back to the company they are booked in on the homeworkers account. This will provide DEVA with information on how much the homeworker produces over a period of time (1 month). This is important for identifying dead spots where homeworkers are not producing enough garments to fill their quota. Spot checks of the quality of the products are not sacrificed in any way. These must be done regularly. Quality checks must especially be done for homeworkers with a high output.

**Candidate B**

A suitable method of monitoring the performance of homeworkers is to offer initiatives (both financial and non financial) to homeworkers who perform excellently by conducting periodic performance appraisals. This will motivate homeworkers to do well knowing that they will be rewarded in addition to their salary. The performance appraisal is the best method to review performance of staff and offer feedback or improvement to their performance overall. Other motivating aspects to the homeworkers would be giving due recognition to these homeworkers who perform excellently by awarding them with certificates of merits.

**Examiner Comment****Candidate A**

This answer gains marks in the top level. No mention is made of the conventional titles such as targets etc, but the answer does detail a good system for setting targets and quality, competences etc.

**Marks awarded = 8 out of 10**

**Candidate B**

This answer is confused throughout and looks at incentives. The mention of performance appraisals and the brief explanation gains some marks outside of the initial band, but due to the confused nature of the answer, any further marks are unlikely.

**Marks awarded = 3 out of 10**

### Task 5 (a)

The Chief Executive Officer has identified some problems with people working at home.

Explain the main problems identified in the case study.

[5]

### General Comment

This question duplicates the approach of question 4. Part (c) requires simple skills of recognising the relevant parts of the case study. Part (b) develops the understanding of the problems of recruitment and asks the candidate to apply this understanding in the context of the case. Doing this is far more difficult and so a level three answer is expected. The instructions are again important because **two** issues are requested. Without this a level three answer cannot be produced. Part (c) is similar to part (b) except that there are no direct hints given in the case study. The candidate needs to consider the case as a whole and apply his or her knowledge and understanding to answer the question in the context of motivation – criteria 5.3.

### Individual Candidate Response

#### Candidate A

The main problems identified by the Chief Executive Officer are as follows:

- The company will lose economies of scale
- Workforce will lose a sense of identity
- Team working atmosphere generated in the factory will be lost
- Uncertainty with regard to:
  - Where homeworkers live
  - How many would wish to participate
  - What alternative employment opportunities there are for them
- On the basis of the above:
  - The Chief Executive Officer has doubts about Human Resources Directors Problem
  - The problem of how to reduce costs and increase growth still remain

#### Candidate B

The main problem with working at home according to the CEO of the company is that the workers would lose the teamwork atmosphere that there would be if they were in the factory. Also they might be less motivated when at home. The other problems are how are they going to keep track of the workers and where they live. How many people would actually want to do something like that.

## Examiner Comment

### Candidate A

This answer clearly and precisely identifies all of the points made in the case study and receives maximum marks.

**Marks awarded = 5 out of 5**

### Candidate B

This candidate correctly identifies some of the problems outlined in the case, but not all. In addition the explanations are lacking in detail and so the maximum mark is not available.

**Marks awarded = 3 out of 5**

## Task 5 (b)

Identify and explain **two** potential recruitment issues which might pose further problems. **[10]**

## Individual Candidate Response

### Candidate A

The two potential recruitment issues which might pose further problems are:

- i) The location of the homeworkers.
  - ii) Availability of required skills labour
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- i) The location of the homeworker poses a great problem because most of the homeworkers will be living in distant places especially for industrial region, this causes the problem in:
    - Increase in costs of managers travelling expenses to monitor the home workers progress
    - Increase the transportation of goods cost, which is paid by the industry either directly or indirectly through the workers fees
    - The safety of the products in transit (accidents of carriage, theft, damages caused)
  - ii) Availability of required skilled labour poses severe problems taking into account:
    - The gender of the workers, especially female as they have to take the risk of travelling
    - The age of the workers
    - The maternity status
    - The availability of technology required for products quality and quantity efficiency.

### **Candidate B**

The potential recruitment issues are:

- 1 How many people would actually participate
- 2 How can they find and retain such people

1) One of the main recruitment issues for DEVA is whether or not they would find enough people that want to do the job in order to make a selection. With low cost labour they are expected to find what type of people would actually participate. Maybe they have to look for college students who want a job that pays below or slightly above the average wage.

2) DEVA find these people to participate and apply - when they apply do they have the right skills already or do they have to be trained. If they have to be trained what type of training, how much is it going to cost DEVA and with the training and acceptance into the company will they remain or accept the training then move on. How is the company going to keep track of all these people and applicants when they are outside of a factory?

### **Examiner Comment**

#### **Candidate A**

This answer provides two potential recruitment problems, both are accurate accounts. However, they are provided in note form which reduces the impact of any explanation and so maximum marks are not obtained. Candidates should avoid this approach unless asked to list points.

**Marks awarded = 7 out of 10**

#### **Candidate B**

Two issues are identified, but are very similar. Both lack detail and the answer has a tendency to contain too much irrelevant material. Explanations of other issues rather than the problems mean that the answer is off of the track and so a level 2 mark is the best that can be achieved.

**Marks awarded = 4 out of 10**

### **Task 5 (c)**

Identify and explain **two** major motivational issues which might become a problem when using homeworking. **[10]**

## Individual Candidate Response

### Candidate A

Two motivational issues which might become a problem with using homeworking are:

- i) The benefits that the labourer gets (No performance appraisals)
  - ii) No changes in the status of work environment
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- i) The homeworkers are not motivated to work as they do not receive any fringe benefits and the company self employees itself demotivated as works are contracted out, that will lead to many job cuts within the organisation. The homeworkers do not receive additional pay even when the goods are produced ahead of time.
  - ii) There is no question of promotion in homeworkers as they are working for themselves, they do not have any managers to guide them. They are not provided with any better environment or workplace. Since the production is done in the home of workers, this creates a very demotivational environment as the home are filled with goods and looks more like a workplace than a home.

### Candidate B

With homeworking there are two motivational issues. One being that there is no form of supervision for these people. There is no saying that they are doing a good job or that they have improved since they began the job. There is no appraisal system put in place for these types of workers. Most times human beings need someone to tell them now and then keep up the good work or that they are doing much better. There is no sense of competition or such when you are home taking your time. Another problem is that as a homeworker there is little or no benefits. Hence there is no need for training and development on the company's part unless you do as an individual want to develop yourself. Being at home offers you no job rotation so you learn other skills and there is no need for improvement with other skills because there is no promotion and no upgrading. All home workers have to do is assemble clothes so there is little or no motivation at all.

## Examiner Comment

### Candidate A

This answer lies outside of the mainstream points quoted in the markscheme, but are still largely relevant. In the case of the first issue this is true, but could also be true of someone working in the factory and so receives little credit. The majority of the marks are obtained for the second issue.

**Marks awarded = 6 out of 10**

### Candidate B

This answer highlights a number of issues, however, many such as supervision, are not directly linked to the concept of motivation. Once again benefits are highlighted as an issue when in fact the question requires motivational factors linked to the nature of work.

This is a poor answer because the candidate does not understand the question. The result is a weak attempt to link some vague ideas of motivation and the case study.

**Marks awarded = 3 out of 10**