Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

Paper 2 Data Response **May/June 2019**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(i)</td><td>

Define the term 'mission statement' (line 2).

Knowledge and Application	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Note: Do not allow objectives or confusion with a business's objectives

Answers could include:

A written summary of an organisations main purpose / focus. Usually doesn't change over time. Shows what is important to the organisation, communicates sense of intended direction to external and internal stakeholders. May give examples.

A correct definition should include two aspects of a mission statement, for example two of the of the following:

- Vision / beliefs
- Purpose
- Goals
- Values
- Focus
- Marketing / communication – attract customers
- (Core) aim
- Motivational
- Long term
- Sense of direction
- Creates interest by external groups
- Communicates to stakeholders
- It is not an objective

Exemplar	Mark	Rationale
The goals and aims of a business	2	Two aspects
Statement of an organisation's vision	1	Simple but correct definition
Document showing the purpose of a business	1	Partial definition
A mission statement is a statement of objectives	0	Do not reward linking to being an objective

</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Explain the term 'co-operative' (line 1).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example or some other way of showing good understanding, e.g. bulk buying, common in agriculture, motivational, slow decision making, allows the achievement of economies of scale etc.</td><td>1 mark
Pink</td></tr>
<tr><td>B</td><td>• Responsibilities are shared
• Owners may contribute to the running of the business
• Shared decision making
• All members have one vote</td><td>1 mark
Yellow</td></tr>
<tr><td>A</td><td>• Owned / financed by workers / customers / members
• Profits are shared</td><td>1 mark
Blue</td></tr>
</table>

Note: using the case as an example is repetition and not rewardable as the C mark

A co-operative is a business structure where the workers are the owners. The profits are shared with workers. Workers (owner) do not have to run the business, they will vote for Directors. In smaller co-operatives such as co-worker operatives then workers may also run the business.

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Members (A) own a co-operative and share the running (B) of the business. QL is a worker co-operative which mean the workers are the members (C).</td><td>3</td><td>A, B and C</td></tr>
<tr><td>A co-operative can be owned by customers or workers (A) who will each have a vote (B). Because they own it, they are motivated for it to do well (C).</td><td>3</td><td>B and C</td></tr>
<tr><td>A co-operative has shared profit (A) and responsibilities (B)</td><td>2</td><td>A and B</td></tr>
<tr><td>Members (A) who join together to benefit from bulk buying (C)</td><td>2</td><td>A and C</td></tr>
<tr><td>A co-operative is made up of people who share the responsibilities of the business (B). Each person has a vote and the decision making is shared.</td><td>1</td><td>Three points but all from so only one mark.</td></tr>
</table>

</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>

Refer to Table 1.1. Calculate the value of X in quarter 4.

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer with or without correct working or $ or 000s</td><td>2</td></tr>
<tr><td>Correct formula* or the correct identification of figures</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

**Correct formula can be implied through the use of figures*

Formula:
Opening balance + cash in – cash out
–$100 000 + $200 000 – $10 000 = $90 000 (accept 90)

<table>
<tr><th>Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>90 (no working)</td><td>2</td><td>A correct answer</td></tr>
<tr><td>200 – 10 – 10 = 180
180 – 100 = 80</td><td>1</td><td>Only mistake is doubling up the cash out figure, so one mark</td></tr>
<tr><td>–100 + 200 – 20 = 80</td><td>1</td><td>Formula implied through use of figures (i.e. one added and one subtracted from opening balance) but wrong cash out and wrong answer</td></tr>
<tr><td>80 (no working)</td><td>0</td><td>A wrong answer with no working to show thinking</td></tr>
<tr><td>$100 000 + $10 000 = 110 000</td><td>0</td><td>Formula is obviously wrong and answer is also wrong</td></tr>
</table>

</td><td>**2**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain two benefits to FN of cash flow forecasting.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APP+APP)</td><td>Explanation of two benefits of cash flow forecasting in context</td><td>4</td></tr>
<tr><td>2a (APP)</td><td>Explanation of one benefit of a cash flow forecasting in context</td><td>3</td></tr>
<tr><td>1b (K+K)</td><td>Identifies two benefits of cash flow forecasting</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Identifies one benefit of cash flow forecasting</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Note: an answer which explains ONE benefit in context (i.e. APP annotation) gains 3 marks.

Content is likely to come from:

- Identifies potential cash shortfalls – If a business runs out of cash and is able to obtain new finance, it will become insolvent.
- To measure the financial performance of the business
- Makes sure the business can pay debts / bills
- Identifies potential problems with customer payments
- Allows better management of a business's finances
- To give information to other stakeholders, e.g. banks
- Identify potential shortfalls in cash balances in advance – 'early warning system'.

Note: cash flow forecasting does not allow a business to forecast profit / loss

Context may come from:

- Expansion
- Use of numbers from Table 1.1
- Purchase of neighboring farm
- Answer to **1(b)(i)**

Example of how responses should be marked:

<table>
<tr><th>Identification of a benefit of cash flow forecasting (K)</th><th>Explanation of a benefit in context (APP)</th></tr>
<tr><td>Manage cash</td><td>To see if they can afford to expand</td></tr>
<tr><td>Identify times when they do not have cash</td><td>For example in the first three quarters</td></tr>
</table>

</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
Analyse two sources of finance, other than selling shares, FN could use to purchase the neighbouring farm.
<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td>Shows understanding of two sources of finance in context</td><td>4</td><td>Developed analysis two sources of finance in context</td><td>4</td></tr>
<tr><td>Shows understanding of one source of finance in context</td><td>3</td><td>Developed analysis of one source of finance in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two sources of finance</td><td>2</td><td>Limited analysis of two (or more) sources of finance</td><td>2</td></tr>
<tr><td>Shows knowledge of one source of finance</td><td>1</td><td>Limited analysis of one source of finance</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No credible content</td></tr>
</table>
Note: do not reward the sale of share OR the change of legal structure to a PLC (unless it is totally unrelated to share issue)

Content:

Internal sources of finance:

• Retained earnings
• Sale of unwanted assets
• Sale and leaseback of non-current assets
• Working capital

External sources of finance:

• New partners
• Venture capital
• Overdrafts
• Leasing
• Hire purchase
• Bank loans
• Mortgages
• Debentures
• Micro-finance
• Crowd funding
• Government grants
</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>Could choose any source of finance but, from the context, most likely to consider getting more members in the co-op or obtaining a bank loan – analysis and understanding will come from the context

Note: ‘internal’ and ‘external’ can be sources of finance in themselves

Contextual analysis likely to come from:

• Amount to raise is $80 000 (or $140 000 based on negative cashflow)
• One option discussed to invite more members of the co-op
• Bank loan – cash flow predicts a healthy surplus in just over a year
• Internal finance may not be suitable as FN has limited capital / poor cashflow
• Being a co-operative

<table>
<tr><th>Example of a source of finance (K)</th><th>Examples of application / context (APP)</th><th>Examples of possible analysis (AN + DEV)</th></tr>
<tr><td>Bank loan</td><td>Been established for 10 years so likely to be granted</td><td>Interest will have to be repaid (AN) which may mean that FN has even worse cashflow (DEV)</td></tr>
<tr><td>Mortgage</td><td>The farm is a property so a mortgage would be suitable</td><td>Mortgage would have a lower interest rate than a bank loan (AN) but still reduces the profits of the business (DEV)</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Evaluate the likely impacts on the local community if FN changes from a co-operative to a public limited company.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified evaluation based on arguments in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed evaluation based on arguments in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement based on arguments in context</td><td>5</td></tr>
<tr><td rowspan="2">Shows understanding of changing from a cooperative to a public limited company in context</td><td rowspan="2">3–4</td><td>Argument based on two impacts of FN changing from a co-operative to a public limited company on the local community</td><td>4</td></tr>
<tr><td>Argument based on one impact of FN changing from a co-operative to a public limited company on the local community</td><td>3</td></tr>
<tr><td rowspan="2">Shows knowledge of changing from a co-operative to a public limited company</td><td rowspan="2">1–2</td><td>Limited analysis of two impacts of a change in legal structure a local community</td><td>2</td></tr>
<tr><td>Limited analysis of one impact of a change in legal structure on a local community</td><td>1</td></tr>
<tr><td colspan="3">No credible content</td><td>0</td></tr>
</table>

Note: local community could include customers, neighbouring farms, suppliers. Internal stakeholders are not local community, such as investors and members.

</td><td>**11**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
This is a question about changing legal structure, not creating jobs. If knowledge of changing legal structure has been shown, then creating jobs can be an impact (i.e. analysis) but no reward if that knowledge has not been shown earlier in the answer.

Context / content:

• Customer focused business – will it alienate their customer base
• Will prices rise as shareholders would want high profit / dividends
• Culture of a PLC very different to a co-operative
• Will it affect working relationships
• Not all members agree so already causing conflict
• Could provide finance for the expansion and no interest to pay
• Provide income for members
• Would have to appoint Board of Directors – members might all want to be on the board
• Currently all have equal rights – this could change
• Will it change mission statement especially in relation to local community?
• Will it change plans for use of additional land from education and events for the local community?
• Will it still commit to sustainable farming?
• Neighbouring farms may fear possible takeover

An example of how an answer could develop and how it should be annotated:

<table>
<tr><th>K</th><th>APP</th><th>AN</th></tr>
<tr><td>A PLC can sell shares (K) so FN can gain more capital (K)</td><td>It could use the capital to open more local farm shops (APP) and provide more educational programmes (APP)</td><td>It can afford to employ more people from the local community (AN) and living standards would rise (AN)</td></tr>
<tr><td>A PLC can sell shares to the general public (K) its main business objective is profit maximization (K)</td><td>FN may no longer offer educational programmes (APP) and may cut costs by using lower quality seeds (APP)</td><td>To increase profits prices may go up (AN) or lower quality products offered (AN)</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
<table>
<tr><th>DEV</th><th>EVAL</th></tr>
<tr><td>If shops are nearby then this will be more convenient for local people who will buy their daily foods more easily which will reduce travelling costs (DEV).

More educational programmes will mean that more local people can benefit from these programmes and their skill levels will increase and they will be more employable (DEV)</td><td>In the short-term converting to a PLC will benefit the community (EVAL) as they will have lower living costs and higher incomes from employment (EVAL).

In the long run the educational programmes will also give them qualifications which will make it easier for those people to get better paid jobs (EVAL)</td></tr>
<tr><td>FN’s mission to contribute to the local community may no longer be an aim and the local community will not be able to benefit from the educational programmes (DEV)
The rise in the price of products will impact the local community, especially the poorest, as they will be unable to buy as much and food is a necessity (DEV)</td><td>The impact on the local community will be negative (EVAL) as they will not be offered programmes to increase their skill levels and employability (EVAL) and, at the same time, will face lower living standards as there is a greater impact on income, from paying higher prices for a necessity (EVAL)</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>
Define the term ‘unique selling point’ (line 1).
<table>
<tr><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
Content

• Different / differentiates about a business’s product / service
• Factor or feature
<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>A factor that differentiates a product from its competitors</td><td>2</td><td>Full definition</td></tr>
<tr><td>A feature that differentiates a product service</td><td>2</td><td>Implied competition</td></tr>
<tr><td>A feature that sets you apart from competitors</td><td>2</td><td>Full definition</td></tr>
<tr><td>A special feature of your product</td><td>1</td><td>No relation to competition</td></tr>
<tr><td>Makes your product stand out</td><td>1</td><td>No relation to factor or feature</td></tr>
</table>
</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(a)(ii)	**Explain the term 'mass customisation' (line 10)** Award one mark for each point of explanation:	**3**

C	Example or some other way of showing good understanding, i.e. can involve the use of IT, low cost solution to making etc.	1 mark Pink
B	Understanding of 'mass', i.e. understanding of the use of production lines / flow production / assembly line etc.	1 mark Yellow
A	Understanding of customisation, i.e. the use of techniques to create differentiated products, unique products, to customer orders etc.	1 mark Blue

Note: the C mark is dependent on gaining both A and B marks first because otherwise a wrong understanding of mass customisation (e.g. mass production) could gain the majority of the marks.

- Using production lines to make a variation in products. Using mass production techniques to produce differentiated products.
- Can add value to a product by adding differences and customisation.
- Make products unique to each customer but with low cost.

Exemplar	Mark	Rationale
Using a production line (B) to make differentiated products (A) often using machinery (C)	3	All three elements
Where a business makes products which have are based on the individual customer requirements (A) but have been made on a production line (B). This keeps the cost low for the business (C).	3	All three elements
Where lots of different types of products (A) are made using flow production (B).	2	A and B mark
Making customised products for the customers which can be low cost.	1	A mark only – do not allow the C mark unless **both** A and B have been awarded (See NB)
Making lots of products on a production line which keeps the costs of the business low and means that the business can produce lots of products to sell	1	B mark only – obvious confusion with mass production (See NB)

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(i)</td><td>

Calculate the new quantity demanded of the Tommy Turner if FBL increases the price by 10%.

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer with or without correct working or units</td><td>4</td></tr>
<tr><td>Correct calculation of change in QD (24 000) with or without direction</td><td>3</td></tr>
<tr><td>Correct calculation of percentage change in QD (-20%)</td><td>2</td></tr>
<tr><td>Correct formula*</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

**Formula can be implied through the use of figures*

% change in QD = PED % change in P

% change in QD = $\frac{-2}{10\%}$

So % change in QD = –20%
So, change in QD = –24 000 units (a decrease of 24 000 units)
120 000 – 24 000 = **96 000 units**

<table>
<tr><th>Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>96 000 (no working)</td><td>4</td><td>Correct answer</td></tr>
<tr><td>–96 000</td><td>3</td><td>One mistake</td></tr>
<tr><td>24 000</td><td>3</td><td>Calculation of change in QD</td></tr>
<tr><td>–24 000</td><td>3</td><td>Calculation of change in QD</td></tr>
<tr><td>–20%</td><td>2</td><td>Percentage change in QD</td></tr>
<tr><td>20%</td><td>2</td><td>Percentage change in QD (ignore lack of minus)</td></tr>
<tr><td>–1/5</td><td>2</td><td>Percentage change in QD (also without –)</td></tr>
<tr><td>% change in QD = PED</td><td rowspan="2">1</td><td rowspan="2">Correct formula</td></tr>
<tr><td>% change in P</td></tr>
</table>

</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>

Explain one factor influencing the supply for the Tommy Turner.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Explanation of a factor influencing supply in context</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Explanation of a factor influencing supply</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Content may include:

- Changing costs
- Number of producers
- Investment
- Supply of a related good
- Technology
- Productivity
- Taxes and subsidies
- Weather
- Availability of factors of production
- Production time

Context may include:

- Capacity – FBL working at full capacity
- Ability to invest – requires $100 000
- Productivity – can this be increased?

ARA

Example of how responses should be marked

<table>
<tr><th>Explanation of a factor
(1 mark)</th><th>Explanation of a factor in context
(2 marks)</th></tr>
<tr><td>Productivity</td><td>Tommy turners are hand made and labour-intensive work</td></tr>
<tr><td>Availability of labour</td><td>Highly skilled job</td></tr>
</table>

</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>

Analyse two methods FBL could use to extend the product life cycle of the Tommy Turner.

<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td>Shows understanding of two methods to extend the PLC in context</td><td>4</td><td>Developed analysis of two methods to extend the PLC in context</td><td>4</td></tr>
<tr><td>Shows understanding one method to extend the PLC in context</td><td>3</td><td>Developed analysis one method to extend the PLC in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two methods to extend the PLC</td><td>2</td><td>Limited analysis of two methods to extend the PLC</td><td>2</td></tr>
<tr><td>Shows knowledge of one method to extend the PLC</td><td>1</td><td>Limited analysis of one methods to extend the PLC</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No credible content</td></tr>
</table>

Context / content

Extension strategies extend the life of the product before it goes into decline may include:

- Advertising – try to gain a new audience or remind the current audience
- Extend range – add new designs / features to the current product e.g. other named characters (other than ‘Tommy Turner’)
- Price reduction – more attractive to customers / favoured by Aninditad
- Explore new markets – try selling abroad
- New packaging – brightening up old packaging, or subtle changes such as changing the colour or font used or new name for the range

</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>ARA
<table>
<tr><th>Example of a method (K)</th><th>Examples of application / context (APP)</th><th>Examples of possible analysis (AN + DEV)</th></tr>
<tr><td>Add new features (K)</td><td>As it only spins could add animal sounds (APP)</td><td>Parents could see this as an educational benefit (AN) to help their children recognise different animals by sound so more are likely to buy it (DEV)</td></tr>
<tr><td>Suggest new uses (K)</td><td>The spinner could be marketed to an older age group as a ‘stress reliever’ (APP)</td><td>A product in the maturity phase of the product life cycle has achieved peak growth (AN) by marketing to older age groups (than 4–10 year olds) with a different use, such as stress relief, can help maintain or increase sales (DEV)</td></tr>
</table></td><td></td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Discuss the likely impact on the morale and welfare of FBL's employees if supply of the Tommy Turner is increased.
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified evaluation based on arguments in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed evaluation based on arguments in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement based on arguments in context</td><td>5</td></tr>
<tr><td rowspan="2">Shows understanding of staff morale and welfare in context</td><td rowspan="2">3–4</td><td>Arguments (two-sided) based on the impact of an increase in supply on FBL's employees morale and welfare</td><td>4</td></tr>
<tr><td>Argument (one-sided) based on the impact of an increase in supply on FBL's employees morale and welfare</td><td>3</td></tr>
<tr><td>Shows knowledge of staff morale and welfare</td><td>1–2</td><td>Limited analysis of the impact of an increase in supply on employee's morale and welfare</td><td>1–2</td></tr>
<tr><td colspan="3">No credible content</td><td>0</td></tr>
</table>
Employee morale and welfare would include job satisfaction, outlook, feelings of wellbeing, good work relationships, engaged / take pride in work, good workplace culture. One of the cornerstones of business which has been shown to have a direct effect on productivity. Low morale leads to reduced concentration, absenteeism, missed deadlines, fall in productivity, high staff turnover etc.
</td><td>11</td></tr>
</table>

Question	Answer	Marks
2(d)	**Context / content:** Increased supply requires a production change to CAM, machinery rather than hand produced toys which would mean lower skilled work and could lead to a fall in morale. Also might change payment system. FB's employees: • Take great pride in their work. • Very loyal to the company and their co-workers. • Most of the employees have been with the company for over 10 years. • Enjoy good relationships with all the directors. If morale falls employees might: • Look for other jobs • Find it hard to concentrate • Resent the directors for the change • Cause conflict with management and even co-workers • Produce less • Be absent more frequently • Lower quality of work Evaluation could include: • The fact that there are strong relationships within the company so employees could be persuaded that the change is good for all. • It's possible that pay might increase. • Some employees might welcome learning new skills to operate the machinery. • The design team is still required so not as much change for them. • Management could consult and communicate benefits of change to employees so that they are comfortable with the changes. • Other toys might still be handmade. An example of how an answer could develop and how it should be annotated:	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
<table>
<tr><th>K</th><th>APP</th><th>AN</th></tr>
<tr><td>Employee morale refers to job satisfaction (K) and welfare to a healthy work environment (K)</td><td>Employees at FBL are happy there as they have worked for it for 10 years / a long time (APP) and take great pride in their work (APP)</td><td>If employees feel job satisfaction they will be happy to work more hours to increase supply (AN) and will proud that they work for a successful firm (AN)</td></tr>
<tr><td>Employees with low morale dislike their job (K) and will lack motivation to do well (K)</td><td>This might damage the existing good relationship with the directors (APP) and even between co-workers who have been loyal to each other (APP)</td><td>Leading to conflict between workers and management (AN) and employees may look for jobs with competitors (AN)</td></tr>
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</td><td></td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
<table>
<tr><th>DEV</th><th>EVAL</th></tr>
<tr><td>FBL’s employees tare highly skilled but if FBL introduces mass customisation their skills will no longer be required as the new machinery will take over much of the production process (DEV). They may be happy that they will be trained in other skills such as operating the new machinery as this will increase their skill set and provide greater job security (DEV)</td><td>However, as there are good relationships within the company the employees could be persuaded that the positives of the change outweigh the negatives (EVAL) and the increased profits could mean higher wages for the workers (EVAL) leading to an increase in morale and feelings of job satisfaction (EVAL)</td></tr>
<tr><td>If the existing good relationship between employees and directors is damaged, conflicts might occur which could disrupt production and reduce output (DEV). Although not all employees are affected in the same way, the design team are still needed to work on designs for future products which could increase their job satisfaction (DEV)</td><td>Although the Tommy Turner may be produced using mass customisation there may still be a need for other hand made toys (EVAL) so the current employees could still use their skills to make these (EVAL) and new employees could be recruited to work the new machines so that all current employees still enjoy their jobs (EVAL)</td></tr>
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