

Markscheme

May 2024

Business management

Higher / Standard level

Paper 1

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The markbands on page 3 should be used where indicated in the markscheme.

| Marks | Level descriptor |
|-------|--|
| 0 | The work does not reach a standard described by the descriptor. |
| 1–2 | <ul style="list-style-type: none"> • Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made. |
| 3–4 | <ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated. |
| 5–6 | <ul style="list-style-type: none"> • The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided. |
| 7–8 | <ul style="list-style-type: none"> • Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance. |
| 9–10 | <ul style="list-style-type: none"> • Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material. |

Section A

1. Define the term *span of control* (line 39). [2]

Span of control is the number of people [1] a supervisor or line manager directly supervises [1].

N.B. no application required. Do not credit examples.

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

N.B. “Person” is too vague to indicate a supervisor/manager/leader.

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

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

2. Define the term *fringe payments* (lines 52-53). [2]

Fringe payments are additional benefits offered to employees [1] above their normal salary/wage [1].

N.B. no application required. Do not credit examples.

Do not accept answers that indicate that the benefits are non-financial rewards.

“Separate” is allowed as an indication that the fringe payments are additional, but there must also be an indication that they are above normal salary/wage.

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

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

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

3. Describe **two** external sources of finance used by *BON* (lines 5–6 and 35–37). [4]

The case study considers the seasonal bank overdraft and the conversion from private limited to public limited company status. Other external sources such as bank loans can be credited. Internal sources such as retained profit are not valid.

Mark as 2 + 2.

Award [1] for each source of finance identified and an additional [1] for a description of that source as used by BON, up to a maximum of [2].

4. Explain **one** advantage **and one** disadvantage for *BON* of Patrice Moon's leadership style (lines 38–50). [4]

Patrice could be explained as an autocratic/authoritarian styled leader, but the advantages and disadvantages must be in context for both marks.

Patrice Moon is the site manager who supervises the construction of festival sites. She has complete control and makes all decisions without consultation. She has a span of control for four key functions. She arranged for the helicopter collection of a new water pump and she is known to bully, shout at and threaten staff if tasks are not completed on time etc.

One advantage for *BON* of Patrice Moon's leadership style, is that staff are more likely to work in a way that avoids upsetting her. Keen to keep her happy, the workforce execute her direction efficiently and effectively. She gets things done, which is good for *BON*. "All [of] *BON*'s festivals open on time". Decisions are not consulted and can be done quickly. I.e. hiring the helicopter to collect a new water pump.

One disadvantage for *BON* is that her leadership style could be deemed as abusive and lead to worker dissatisfaction and demotivation. Working in a climate of fear can reduce the desire for the workforce to do a good job. Given the nature of the work it is important to develop a good teamwork-based approach. The negative publicity surrounding the media reports might make future recruitment tricky and could reflect poorly on *BON*.

Accept any other relevant advantage / disadvantage.

Mark as 2 + 2.

Award [1] for a relevant advantage / disadvantage identified and an additional [1] for a relevant explanation of that advantage / disadvantage in the context of BON, up to a maximum of [2].

5. Explain **one** reason why *BON* uses social media to advertise its festivals (line 22). [2]

Reasons include:

- Social media can reach a large audience.
- It is low cost.
- It can be used to gather feedback via comments.
- Builds brand loyalty.

BON has regular customers who check their social media pages regularly. They are likely to be followers.

Accept any other relevant reason with an explanation applied to *BON*.

Award [1] for explaining why BON uses social media such as a reason given above. Award an additional [1] for application to the case study, up to a maximum of [2].

6. Analyse **one** way in which *BON* is working to protect the environment **and two** ways in which it is not (lines 26–34). [6]

BON is working to protect the environment by:

- Cleaning up after every festival, employing 70 staff after every festival to clear the waste and discarded items. This helps its operations be environmentally sustainable but increases costs.
- *BON* generates 20% of the electricity for festivals from solar power, which may reduce *BON*'s operating costs in the longer term.
- Using eco-friendly material. *BON* requires food outlets to use bamboo plates and cutlery. This does not increase *BON*'s costs but will help improve its image in terms of environment sustainability.

BON is **not** working to protect/harming the environment by:

- Using farmland and public-owned parks for the festivals is arguably a bad use of such facilities in environmental terms as local people who are unlikely to be festival attendees will lose a valuable and free resource for several weeks.
- Promoting events that are likely to lead to environmental wastage and excess could damage *BON*'s image as tons of waste and discarded camping equipment, footwear etc, are the result of each festival.
- Not agreeing to the charity offer to re-sell discarded festival items. *FOTP* argue that *BON* is guilty of greenwashing and putting profit before the planet for their decision to not use the charity and operate as they do.
- Running festivals that cause noise pollution but there is no evidence in the case study to support this.

Accept any other relevant answer.

Mark as 2 + 2 + 2.

Award **[1]** for identifying from the case study a way that *BON* is working to protect the environment up to a maximum of **[2]** and an additional **[1]** for analysing the way with application to *BON* up to a maximum of **[2]**.

For each way in which *BON* is not working to protect the environment mark as **2 + 2**.

Award **[1]** for identifying from the case study a way that *BON* is **not** working to protect the environment and an additional **[1]** for analysing the way with application to *BON* up to a maximum of **[2]**.

Context cannot be repeated for different ways.

Up to a maximum of **[6]**.

Section B

7. Discuss whether *BON* should accept the city mayor's offer to setup and run its community festival. [10]

Reasons **for** accepting the city mayor's offer:

- *BON* receives a fee of \$5 million plus 50% of the revenue from ticket sales.
- The mayor's office will organize the ticket sales and the outsourcing of food and drink outlets.
- Revenue from ticket sales is expected to be $150\,000 \times \$50 = \$7\,500\,000$. *BON* would therefore get a total revenue of \$3 750 000 plus the \$5 million fee.
Profit would therefore be \$8.75 million minus \$8 million running costs = \$750 000 profit.
- Successful events may lead to other events and offers from other city mayors.
- *BON* is keen to expand.
- *BON* has spare capacity as its final festival ends in August.

Reasons **for not** accepting the city mayor's offer:

- The financial return is dependent on ticket sales. If sales do not reach 50 000 per day, the anticipated maximum revenue will fall. Break even for ticket sales for *BON* is 40 000 per day. Below 40 000, *BON* will lose money.
- The festival might reflect negatively on *BON* because of the closure of the community park for four weeks.
- The festival has been negatively publicized by *FOTP* on social media.
- Share price may fall if the festival is not a success. A lower share price would make *BON* vulnerable to a hostile takeover by *CFA*.

Accept any other relevant reason for and against BON accepting the city mayor's offer. Marks should be allocated according to the markbands on page 3.

8. Discuss whether *BON* should expand into the music concert market. [10]

Reasons **for** expanding into the music concert market:

- It would expand the number of events that *BON* could stage.
- It could have a positive impact on revenues and profits.
- It may allow *BON* to employ more permanent staff due to the all-year-round operation.
- It would reduce the need to rely on a seasonal overdraft (**this reason can also be negative**) At \$6 million in January 2024, this could be a huge drain on resources if interest rates are rising.
- Diversification of risk (credit references to Ansoff matrix).
- Potentially very profitable if the financial director's forecasts are correct, as by 2027 there may be a revenue of \$4 billion from this market and therefore revenues of \$17.5–20 million.

Reasons **for not** expanding into the music concert market:

- It may be difficult to establish contracts with world-famous music artists. They may not wish to be associated with *BON* who are unknown in this market (no established brand name and reputation).
- Many of the best venues are already contracted to *CFA*.
- The market is dominated by a competitor, *CFA*. *CFA* may launch a hostile takeover of *BON* if *BON* threatens its market share. *CFA* has a history of hostile takeovers. *BON* may find it too become a target.
- *BON* lacks experience in the music concert market. From an Ansoff matrix perspective, this could be viewed/argued as either product or market development.
- The financial director's forecasts may be overly optimistic.
- Setting lower prices to gain market share may invite retaliation, which will reduce profit margins.

Accept any other relevant reason for and against BON expanding into the music concert market.

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