

A-LEVEL BUSINESS

A-level (7132)

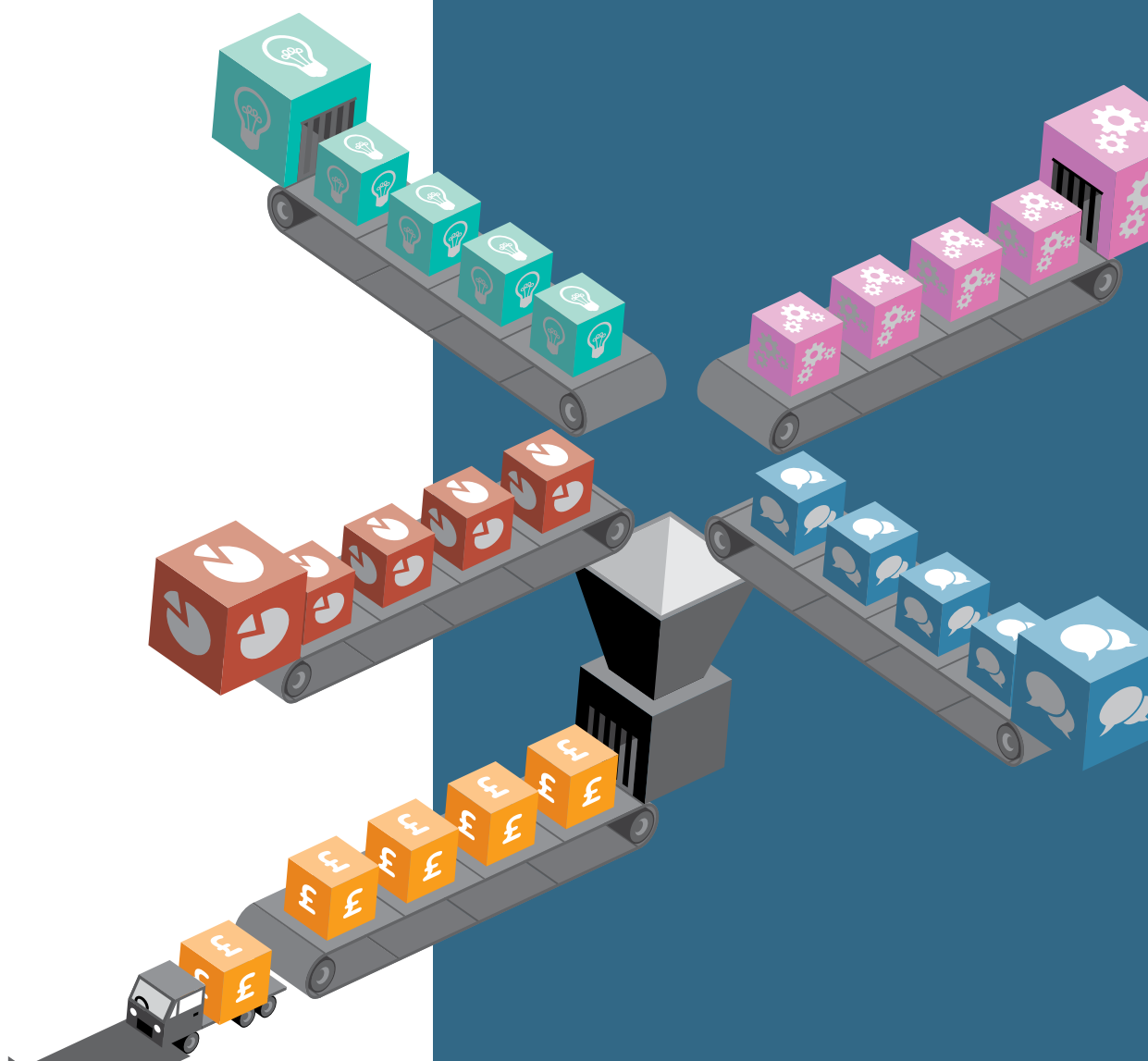
Paper 1

7132-1

Marked answers from students of different levels for specific questions. Supporting commentary is provided to help you understand how marks are awarded and how students can improve performance.

Version 1.0 April 2023

Answers and commentaries



A-level Business Studies

Answers and commentaries Paper 1 2022

Please note that these responses have been reproduced exactly as they were written and have not been subject to the usual standardisation process.

Section B – Question 19

Analyse why non-profit organisations set financial objectives.

[9 marks]

Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding of issues in the question demonstrates analysis which is well developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question demonstrates analysis which is developed and is applied to the context. 	4–6
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited range and depth of knowledge and understanding of issues in the question demonstrates analysis with little development and with mainly descriptive application to the context. 	1–3

The demands of this question are:

- to understand the meaning of non-profit organisations
- to understand the meaning of financial objectives
- to analyse the benefits of financial objectives for a business
- to apply this analysis to non-profit organisations.

Indicative content:

- showing understanding of, or gives example(s) of non-profit organisations
- explaining benefits of objectives, such as giving direction, providing a focus for decision-making, giving a sense of purpose to employees, and providing a yardstick against which actual performance can be measured and judged
- using financial objectives, such as profit (or break-even) and cash flow objectives, in this analysis
- recognising that financial objectives are needed by non-profit making organisations in order to secure their existence. Or pursue their corporate objectives.

Marker's Note: Maximum of 7 marks (low L3) for answers focused only on financial objectives. Accept all relevant arguments.

Student responses

Student response 1

One reason why a non-profit organisation such as a social enterprise would set financial objectives could be because the business would still have to make financial surpluses in order to reinvest back into the community. Taking the example at a social enterprise, whilst their corporate objectives are not that of shareholder returns but rather to give money back to communities in need. This means that the non-profit organisation would still have to set financial objectives to make sure they are achieving their goals, which allows them to judge their performance, in financial terms, thus ensuring that the non-profit organisations can achieve their other objectives at giving back to people in need.

Additionally, setting financial objectives can be very motivating for employees and/or volunteers at the non-profit organisation. This is because they can see whether or not they are reaching the financial objectives, which can motivate them to carry on as they are if objectives are being met or to push on harder if their objectives are not being met, thus motivating the volunteers/employees, allowing the non-profit organisation to succeed.

This is a Level 3 response

The opening sentence shows sound knowledge within the context of the question. This understanding of the context of non-profit organisations is developed further in the next sentence. The concluding sentence of this opening paragraph demonstrates a developed argument in context. A very effective start.

The 2nd paragraph contains a separate argument but it is more generic; it could apply to any type of organisation. The link between motivation and financial objectives is developed in a more limited manner.

For a 9 mark question the answer demonstrates a good understanding of non-profit organisations and a sound understanding of 'objectives' rather than 'financial objectives'. The first argument is developed well and is applied effectively to the context. This is the most significant argument in the answer. The 2nd argument lacks context and some clarity.

Overall: The answer meets the requirements of Level 3 in the mark scheme, but the analysis could be developed more fully.

7 marks

Student response 2

Non-profit organisations are organisations that don't aim to make profit eg charities. One reason they may set financial objectives is because it may be to measure growth. It's one way of measuring how well the organisation is doing in terms of finance. If they aren't meeting specific targets then they may not be able to pay fixed costs such as rent for the location and therefore they will have to close, so financial objectives are still needed.

They may also set them for staff, meeting objectives is motivating and could increase productivity and staff morale if staff are motivated. If productivity is increased it means that resources are being used efficiently and that can lower the unit costs for the business/organisation. Staff being motivated also means labour turnover decreases and therefore they can keep staff that have the skills for the job and don't need to spend money on training new staff.

This is a Level 2 response

The first sentence/paragraph accurately describes the concept of a non-profit organisation and is credited with showing "Knowledge". However, in the remainder of the answer there is no reference to non-profit organisations. The arguments included in the answer can only be assessed in terms of the knowledge and analysis shown; there is no evidence of application skills as the context is not used.

The second paragraph consists of a sound argument with some development but no context – it is a generic explanation of why an organisation might set financial objectives.

The final paragraph makes assumptions which need to be more fully supported with logical reasoning and need to be linked to the context

Overall: Knowledge is good but understanding of relatively few issues is evident in the answer (Level 2). Analysis is sound and developed, but application to the context is not evident. The knowledge and understanding and analysis is sound but the absence of application means that this answer is awarded the lowest mark in the Level 2 range. The final mark of 4 results from knowledge and analysis that is at a higher level, but application/use of context which is not used at all in the arguments.

4 marks

Student response 3

Non-profit organisations set financial objectives because viewing financial data aids correct funding to the specific function of the business in order to make sales and keep the business functioning. If there were no financial objectives set, products could be sold at the wrong price or budget variances can be adrose and the business will struggle to grow/expand. Another reasons for setting financial objectives is

This is a Level 1 response

This is a limited response overall with little focus on the demands of the question (Level 1).

The opening sentence is unclear, but shows some understanding that financial performance is needed for an organisation. The second sentence contains a valid idea, but it lacks both clarity and development.

The two bullet points for Level 1 in the mark scheme are:

- demonstrates a limited range and depth of knowledge and understanding of issues in the question
- demonstrates analysis with little development and with mainly descriptive application to the context.

This answer matches very well to these two descriptions and so the answer was placed in the middle of Level 1 (1–3 marks).

2 marks

Section B – Question 20

Analyse how widening a manager’s span of control might affect labour productivity within the department she manages.

[9 marks]

Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding of issues in the question demonstrates analysis which is well developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question demonstrates analysis which is developed and is applied to the context. 	4–6
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited range and depth of knowledge and understanding of issues in the question demonstrates analysis with little development and with mainly descriptive application to the context. 	1–3

The demands of this question are:

- showing an understanding of span of control
- showing an understanding of labour productivity
- analysing how an increase in span of control can affect the labour productivity of the department

Indicative content:

- analysing how an increase in the span of control can reduce the ability of managers to monitor and support subordinates or lower morale and thus lead to lower labour productivity
- analysing how an increase in the span of control can lead to increased delegation and greater responsibility for subordinates. This will lead to higher labour productivity because subordinates are motivated by responsibility and because tasks are carried out by people with relevant skills
- analysing that a greater span of control will lead to fewer levels of hierarchy, which can improve the speed of communication (but which can lead to some subordinates being less likely to receive communications). Developing this idea to show the impact on the department's labour productivity.

Accept all relevant arguments.

Additional guidance

Credit should be given to students who use logical arguments to show the impact on labour productivity. Arguments that focus on levels of hierarchy should be rewarded, **but** only if the connection between increased spans of control and reduced levels of hierarchy has been established.

Student responses

Student response 4

Widening a manager's span of control may mean that employees lose focus of the businesses vision and objectives and therefore productivity decreases. This may be because she now manages too many people to control everything that goes on. Employees may feel like they are no longer valued and therefore labour productivity will decrease along with the quality of products employees are producing. Also, when communication of a department is bad, it may suffer from diseconomies of scale due to lack of performance from employees.

However, productivity may not be affected if the workers the business has employed are skilled and fully trained. A decent realised approach will only work with skilled workforce as the manager can't watch over so many people at once. Productivity, therefore, may not change and unit costs will remain the same.

This is a Level 3 response

The logic in the first paragraph becomes clear as the paragraph develops, culminating in a developed argument. The concluding argument draws well on business theory to confirm that the answer is showing sound analysis and context. It should be noted that the model referred to in this paragraph (Hackman & Oldham) will no longer be required from students commencing two year A level study in September 2023. However, the essence of this argument is the greater autonomy of the workforce in this situation, and so this response would still be credited because it addresses the question well and shows efficient use of business logic.

The second paragraph then addresses a counter argument (why there may be negative consequences) and develops this argument fully and in context. There is no requirement to provide two separate arguments to a question phrased as "analyse how". However, students often find it more challenging to develop a single argument to a significant extent than develop two contrasting pieces of logic. Overall: This response shows excellent knowledge and understanding and provides two developed arguments that are based on contrasting, but logical ideas. This fully meets the grade descriptors for Level 3 and is a good example of a question that warrants full marks.

9 marks

Student response 5

If a managers span of control is too wide labour productivity may reduce. This is because employees may feel not seen or valued and therefore loose motivation and become complacent in doing little work as their manager is not around enough, as she has too many people to manage. So they feel they can get away with it.

Another reason may be because there is not enough individual guidance. If an employee is struggling and needs a managers assistance and the manager is not available as they are dealing with another area, it means that individuals workload has stopped as they cant continue without this assistance, therefore they are being paid to sit their and is not able to use their time efficiently even is they wanted to.

This is a Level 2 response

The opening paragraph shows sound logic, although in places the student's argument would benefit from a fuller explanation and more apt use of business language. A rather simplistic idea.

The second paragraph uses a better foundation for the argument, but the logic overlaps because both arguments are based on consequences of the manager's absence.

With regard to the mark scheme, for knowledge and understanding the bullet point for Level 2 is a good match for this answer, notably the second part of the phrase ('good knowledge and understanding of relatively few issues in the question').

Analysis is developed and applied to the context. It is not 'well developed' (Level 3) but it is more than the Level 1 descriptor of 'little development and mainly descriptive', although there is some description given in the answer.

Overall: In terms of both sets of skills, this answer is seen as a Level 2 response and so it was placed in the middle of the Level 2 mark range (4-6).

Student response 6

One reason that widening a managers span of control might affect labour productivity within the department she manages is that it may increase labour productivity as, if the manager has increased control, employees could be more incentivised by the possibility of the manager having more means to be able to punish or reward the employees from their work. For example an employee may start to work harder based on the thought that is he does he could be rewarded with a bonus for example now that the manager has a new span of control.

This is a Level 0 response

In this answer the student shows no understanding of the term 'span of control'. Instead, the answer refers to how 'controlling' the manager is. Although the argument presented has some logic based on this interpretation, it is not a valid answer to the question. There is no relevant knowledge shown and consequently the analysis is irrelevant.

In order to earn any marks, students must show some knowledge. The absence of understanding meant that this answer did not reach the descriptor for Level 1 (a limited response).

0 marks

Essay questions

Section C – Question 22 or 23

In Section C students choose to answer one essay question (either Q22 or Q23). The three answers below were all in response to Q23.

Will the increased use of e-commerce lead to all retailers operating only online? Justify your view.

[25 marks]

Mark scheme

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	21–25
4	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding of issues in the question demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	16–20

3	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	11–15
2	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	6–10
1	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question makes judgements or proposes solutions based on assertions. 	1–5

The demands of the question are:

- understanding the meaning of e-commerce
- analysing reasons why online retailing might continue to grow
- analysing possible limitations to the growth of online retailing
- assessing circumstances that might promote or negate online growth
- drawing a reasoned conclusion on whether all retailers will become purely online providers.

Indicative content may include:

Analysis of factors that will continue to cause online growth. For example:

- online retailing reduces costs, such as rents for city centre properties
- online ordering provides businesses with more accurate forecasts of demand
- with flexible contracts, businesses can call in the exact number of workers needed to process online orders. For shops, staffing levels are based on previous experience and so over-staffing or under-staffing is more likely
- online ordering provides more data on customers, enabling the retailer to introduce more effective strategies

- lower costs can lead to lower prices (for goods with price elastic demand) or higher profit margins (for goods with price inelastic demand)
- 24 hour online retailing is much more convenient for many customers
- customers benefit from greater price comparison if retailers are online.

Analysis of factors that may restrict or prevent future online growth. For example:

- the decline in city centre retailing is likely to lead to lower rents, making stores a more attractive proposition
- online retailing involves technology costs, these will dissuade many (smaller) retailers from going online
- for products such as clothing, the tactile experience can help customers to decide on products. For these goods, some city centre shops are likely to remain
- services, such as coffee shops and hairdressers, cannot operate online
- customers may have concerns about the security of online retailing and continue to use stores.

Accept all relevant arguments.

Evaluation

Evaluation will depend on the quality of arguments presented.

Good evaluation is likely to show balance between factors encouraging online growth and factors limiting online growth.

Evaluating the circumstances in which online growth is most likely and those in which it is less likely. Providing arguments to show how online growth is likely to vary between different markets/products.

It is unlikely that all retailers will become **purely** online. However, the overall conclusion should be consistent with the arguments presented and/or the products and markets used in the analysis and evaluation of this topic.

Student response 7

The increased use of e-commerce may lead to retailers only operating online. This may be down to a time saving method for customers as shops have closing times but online doesn't. Having the 24 hour access to products is something a shop can't replicate so it allows for sales every day of the week instead of the more common weekends. This is beneficial to the retailers as they now appeal to more customers and therefore generate more revenue. If we look at businesses that have only ever operated online like Amazon, they are extremely successful as they have created a USP of many products for reasonable price and Prime delivery. This is something that combats the issue of wanting items now as they come next day. Amazon's strategy was highlighted during Covid 19 lockdown as retail shops couldn't open so their customers went to Amazon. Companies began to develop their websites to try and retain their customers, By doing this companies who reacted fast managed to save themselves but others who didn't like Topshop had to close and sell their remaining assets. This dramatic change for all retailers meant less focus on their shops when reopening began. If we relate this to the 7Ps of the marketing mix, the physical environment was being neglected which created customers' behaviour's in just using e-commerce, as it had already become a habit from lockdown.

On the other hand, I do believe the need for shops is still there. The want for shopping days is still there even if it's not as common. Retailers majorly affected by this is fashion retailers, the increased use of e-commerce on grocery sales is not as large so supermarkets still have the demand. But another way some retailers will stay open is if they have a USP that needs in person interaction or low costs, an example of this is Primark as they don't do e-commerce and they are doing fine, this is due to minimising costs to keep prices low and customers know that so they will make the trip.

In conclusion I don't think all retailers will change to only operating online. This is down to not all retailers can work online like the businesses state above supermarkets and specifics like Primark. But Fashion retailers do seem more likely to make this change as there are many competitors that already do so, therefore they are profiting off people unable to shop in-store. This means businesses not online are losing out on market share which could leave them losing their economies of scale and overall producing less revenue which means less profit.

This is a Level 5 response

On the first page the student makes a relevant point (about 24 hour access) and develops this argument. The Amazon example (second page) gives an excellent example of context and provides depth; enhancing the quality of the student's argument. The remainder of this opening paragraph discusses how businesses reacted to Covid and the effective use of real-life examples again adds context to the argument. The conclusion of this paragraph then shows a relevant use of theory, using the marketing mix in a valid manner. Overall, this paragraph shows high quality analysis and application and demonstrates some judgement on the impact of e-commerce on retailing.

The second paragraph then introduces a balancing argument. The idea of 'shopping days' is valid and the context shown is good. The supermarket argument is not developed effectively but the Primark example provides good context and a counter argument which supports potential evaluation.

The concluding paragraph shows a reasoned judgement which is justified in the paragraph and is also consistent with earlier arguments. Overall, the answer shows well-developed arguments with balance and logical judgement.

In terms of the three bullet points in the mark scheme, the answer matches all three Level 5 descriptors:

- knowledge and understanding is precise and shows range and some depth
- analysis is well-developed, on the whole, and very effectively applied in a balanced manner
- judgements are built on analysis and show balance and a clear focus. The answer could have benefited from more depth but in the time allowed was an 'excellent response'.

23 marks

Student response 8

With the rise of internet shopping more and more businesses are proceeding to sell online. The benefit of selling online through a website is lower costs. There is not external shops to pay for so fixed costs will be low. Selling online with no shop for example PLT allow the business to target their audience through adverts and cookies making sure they reach them. This can relate to an app being created providing on the go accesibility, so they're able to go shop anywhere. It's convenient so solely online is a positive of the increase in e-commerce.

However, by only selling online, you don't get the "try before you buy" experience which may put people off. The novalty of going to two for day of shopping wouldn't be available if shops sold solely online. Clothes shops like Primark, haven't began to sell online as they're selling point is mid quality, low price so people will always have to go to the physical shop. This way people may see more items than they need thus buying more that they would then online.

Also people who don't shop online would be excluded from shopping in particular ships thus reduction of profit so although there are benefits to going fully e-commerce the mix of both physical environment and product play a role. A combination of the two makes sure that all people are able to shop widening their market, appealing to more customers. A mis of both physical stores and online let everyone access it.

This is a Level 3 response

The opening paragraph describes the benefit of lower costs for online retailing and then presents this argument in the context of a particular business. The argument is valid but not developed.

The second paragraph commences with a balancing argument that supports the view that shops have an advantage over online selling. This idea is then extended into a developed argument that also uses context effectively.

Another valid point is made at the bottom of the second page but is not analysed. However, this point is incorporated into the logic presented in the final conclusion. This shows a brief, but supported judgement.

Overall, the answer shows a 'reasonable response'. It is relevant and balanced, but is brief and thus lacks depth.

In terms of the three bullet points in the mark scheme, the answer most closely matches the three Level 3 descriptors:

- knowledge and understanding are good, but only relatively few issues are included.
- analysis is developed in places and applied to context but only considers some issues
- judgements are built on analysis and do show balance, but the focus is more limited.

The answer was logically sound but too brief.

13 marks

Student response 9

E-commerce has rapidly changed the way in which we make purchases and have made spending patterns different. Websites have made business' very easy to access to buy products and services, this type of selling is much more cost efficient compared with high street stores where they have staff and rent to pay. However in some retailers, customer service is key for brand image and brand loyalty. As a result retailers cannot do this because customer service will degrade. Some people cannot afford to use e-commerce tho a physical place to purchase items will still be in demand. Some high value luxury products will not be wanted to be purchased online as they have a very detailed amount of customization, if there was only e-commose brand image would be wasted because of a lack of customer service, it will never match face-to-face purchasing.

Overall I believe e-commerce is a brilliant advance in technology to be able to use, but I think it will be impossible to only use it online, and get rid of physical stores as it will ruin brand images of retailers globally as companies cannot interact with customers well.

This is a Level 2 response

The opening paragraph shows relevant knowledge and a brief argument. The opening line of the second paragraph shows balance but would benefit from an explanation. The remaining ideas in this paragraph have validity but are statements rather than supported analysis. There is also some repetition.

The conclusion is more assertion than judgement, but does tie in with earlier ideas and so shows limited evaluation.

Overall, knowledge is borderline Level 1/Level 2 – a limited range of understanding is shown but no real depth and knowledge is imprecise.

Analysis shows little development and application is mainly descriptive – a clear Level 2.

Although there is assertion within the judgement made, it does have a limited link to the earlier analysis, so meets the Level 2 descriptor for evaluation more than the Level 1 descriptor.

This answer was awarded Level 2 (6–10 marks). The middle mark is 8, but the relative weaknesses (only analysis skills showed a clear Level 2 standard) led to the award of 7 marks.

7 marks

Section D – Question 24 or 25

In Section D students choose to answer one essay question (either Q24 or Q25). Student responses 13 and 14 below are answers to Q25; Student response 15 is an answer to Q24.

Question 25

Businesses using flexible employment contracts can be criticised for being unethical. To what extent should businesses avoid the use of flexible employment contracts?

[25 marks]

Mark scheme for Question 25

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	21–25
4	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	16–20

3	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	11–15
2	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	6–10
1	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question makes judgements or proposes solutions based on assertions. 	1–5

The demands of the question are:

- understanding the meaning of flexible employment contracts
- understanding the meaning of ‘unethical’ and explaining why flexible employment contracts might be unethical
- analysing reasons why businesses might avoid the use of flexible contracts
- analysing reasons why businesses might choose to use flexible contracts
- comparing these reasons in order to make an overall judgement on the extent to which such contracts should be avoided.

Indicative content may include:

- explaining the nature of flexible employment contracts, such as part-time work, job-sharing, flexitime, annual hours, working from home and zero-hour contracts
- understanding the concept of unethical.

Analysing reasons why flexible employment contracts might be avoided:

- zero-hour contracts provide employees with very little security and can make it difficult for employees to find other work, even if their employer is not giving them hours of work
- flexible contracts are often given to the lowest paid, most vulnerable members of a business's workforce
- in some cases it may be impossible to ensure that minimum wage legislation is being complied with
- flexitime may only suit the needs of the business rather than the welfare of the employees.

Analysing reasons why flexible employment contracts might be used:

- zero-hour contracts may suit the needs of employees who can choose when and where to work
- flexible contracts can enhance the quality of life of employees if they can choose their specific working hours
- flexible contracts can allow a business to respond more quickly to the needs of its customers and other stakeholders, such as owners and suppliers
- flexible contracts can enable a business to save costs and improve its productivity. This can ensure its survival, thus protecting jobs.

Evaluation:

Some flexible employment contracts might be considered to be unethical. However, some elements, such as working from home, may be an unethical way of cutting business costs **or** a very ethical way of meeting the preferences of employees.

Job-sharing and flexitime are often desired by employees to a greater extent than employers and would be seen to be ethical.

A business should cater for all of its stakeholders' needs. Flexible employment contracts may cause disadvantages for stakeholders, such as customers and owners, by reducing efficiency and increasing costs.

Overall evaluation should be based on the logical conclusion arising from the arguments used within the answer.

Marker's Note

The reference to unethical behaviour is intended to provide guidance. However, it is **not** necessary to include reference to it in the answer. Answers can achieve all five levels of response by just providing arguments for and against flexible contracts, without referring to ethical or unethical behaviour.

Student response 13 – Question 25

Flexible employment contracts are contracts without set hours, meaning employees and the business structure their shifts based on what needs are to be met. These contracts are criticised for the fact that employees are unsure of how many hours they are going to work and whether or not they will work enough to be paid the amount they need.

Businesses use these contracts as they are cost efficient and essentially allow the business to dictate the employees hours for when they're needed. Using flexible contracts can increase a business' cash flow which in turn allows the business to invest else where, allowing room for growth. In some cases, flexible contracts can even improve employee motivation. This is seen at Google as they allow employees with specific circumstances, like childcare, flexible contracts. This allows the employees to structure their work week based off of their homelife needs, and is comparable to Herzberg hygiene factors; in which the homelife structure is comparable to a hygiene factors, which can prevent the employee from becoming demotivated.

On the other hand, it could be argued businesses should avoid flexible employment contracts as in most cases they reduce employee motivation. This can be shown in Maslow's hierarchy of needs, as after food and shelter etc. job security is one of the first few basic needs. Flexible employment contracts do not offer as much security as a standard salaried contract and can demotivate employees for this reason. These contracts can also have a negative impact on the business' brand image and reputation. Customers may decide against shopping or using your business with the knowledge that some or all of the staff they interact with have poor contractual conditions. Media and News outlets may also publish this and cause bad publicity for the business. Both of these factors can damage revenue and profit figures as customers may choose to shop else where. Finally, the business may have increased labour turnover as a result of these contracts. Labour turnover is the percentage of employees leaving out of the average amount of employees employed over the year. Workers on the flexible contracts will be far more likely to leave in search for better contracts elsewhere. In turn this can make it more difficult for the business to employ workers due to the increased number of those who have left. If people begin to notice an increased rate of turnover they are less likely to work there. This is also increasingly more costly for the business to advertise for an employ more workers.

In conclusion, I believe businesses should judge their use of flexible employment contracts based on their aims as a business. If the business has a large focus on maintaining an ethical image and a low labour turnover rate, then they should avoid using these contracts. However, if the business is more focused on reducing overall operating costs and increasing cashflow, then they should make use of the contracts but as a cautious rate.

This is a Level 5 response

On the opening page, the student's answer shows a clear understanding of flexible employment contracts and an argument against their use. The next idea provides balance and is a brief explanation of why businesses use flexible employment contracts. However, the analysis is limited.

The answer then features an example using Google. This presents an argument showing why employees may support these contracts. Although it is arguably an untypical example, it is relevant to the essay. The argument presented, which concludes at the end of the second paragraph, shows an excellent link to business theory (Herzberg) and excellent application skills.

The next paragraph then shows a balancing argument using business theory (Maslow) to demonstrate why these contracts may be undesirable. This is a very well developed argument that shows high quality analysis and use of context. There is then a further argument based on customer perceptions of the business. This leads into an argument relating to labour turnover and its negative impact on the business.

Each of these arguments concludes with a judgement on whether the contract is beneficial or detrimental to the business (mainly the latter).

The final paragraph focuses on evaluation in a balanced manner. The judgements made are very sophisticated as they demonstrate two sets of business aims, one of which would support the use of flexible contracts and one which would suggest that they should not be used.

The Level 5 descriptors for essays are shown below:

- demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question
- demonstrates analysis throughout which is well-developed, applied effectively to the context and considers a balanced range of issues in the question
- makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.

This answer was an excellent response and clearly meets all three of these descriptors.

25 marks

Student response 14 – Question 25

A flexible employment contract could help businesses with a high labour turnover, as flexible contracts allows the business to use employees as and when they are needed, as opposed to paying a fixed, full time wage to employees that are on a flexible number of hours. This would most likely decrease the labour cost for the business, leading to lower total costs, leading to increased profit. The increased profit would be a good reason to not avoid flexible employment contracts. To back up that point, the decreased labour costs increases output in relation to costs, meaning that the business is paying less for the same output, making them more cost efficient.

A flexible employment contract may also benefit employees of the business, as they may be looking for a job that isn't full time, so the business can attract employees within this bracket, and justify them paying the lower wages, this would improve employee morale while decreasing labour costs for the business, benefitting both sides.

However, employing the flexible employment contracts does not fit with Ellington's triple bottom line. It fits with profit but may not fit with people. People are important to the sustainability of the business, for example, the contracts being unethical may be reason to avoid them, as people viewing the business as unethical could have a knock-on effect on the performance of the business. Being seen as unethical an decrease brand image, leading to decreased customer loyalty. This decrease in loyalty then results in a decrease in sales, which is likely to ultimately be a decrease in profit from sales.

To conclude, businesses could avoid the use of flexible employment contracts to an extent. I believe this because there may be a decrease in sales as a result of ethics reducing brand image. It depends on the level of savings that the business would make on the reduced labour costs compared to the potential loss of custom, and whether avoiding would be worth it for this purpose. The most important point is that there may be repercussions as a result of using the flexible contract such as decreased sales.

This is a Level 4 response

The answer commences with a valid point that then becomes a developed argument. The student shows good exam technique in the first paragraph by providing a reasoned judgement at the end of this argument, based on the analysis shown.

The second paragraph provides a different perspective, showing why employees might support the use of these contracts, although the argument is not developed.

The argument in the third paragraph uses Elkington to develop a balancing argument that demonstrates why a business should not use these contracts. The final conclusion provides a supported judgement, based on the earlier analysis.

This answer was focused throughout and addressed the demands of the question.

The answer would have benefited from greater detail/depth but knowledge was sound and the use of theory enhanced the quality of the arguments. The judgements are based on the evidence provided.

The focus and thus the knowledge and understanding shown were relatively narrow and so was borderline Level 3/Level 4, but more Level 3 because it was good knowledge of relatively few issues.

Analysis was well-developed and applied well, but the range of issues considered was relatively narrow. This meets the Level 4 descriptor slightly more than Level 3. The evaluation shown also met the Level 4 descriptor more than Level 3.

Overall, the quality and evaluation led to the award of Level 4, but the lowest Level 4 mark was awarded.

A greater range of ideas was needed for a high Level 4

16 marks

Question 24

Evaluate the extent to which the actions of the finance function of a business can help that business to achieve the lowest cost in its market.

[25 marks]

Mark scheme for Question 24

The demands of the question are:

- showing an understanding of low cost
- analysing different ways in which the finance function can help a business to achieve cost leadership
- assessing the overall impact of these ways of achieving cost leadership
- evaluating the extent to which decision-making by the finance function can help a business to achieve cost leadership.

Indicative content may include:

The finance function may help the business achieve cost leadership by:

- setting cost minimisation objectives
- achieving better budgetary control of cost budgets
- using investment appraisal to assess better ways of cutting costs in a way that increases profitability
- choosing sources of finance that minimise costs
- using ratio analysis, such as efficiency ratios, in order to minimise costs of inventory and debt collection
- analysing different methods of achieving cost leadership.

Evaluation might include:

- assessing the extent to which individual approaches can cut costs
- evaluating the relative merits of different strategies used by the finance function
- recognising the influence of external factors, such as competitors and consumer tastes, on these strategies
- examining how other functional areas can help towards cost minimisation and assessing their relative importance in comparison to the finance function.

Evaluation

Good evaluation should be based on analysis of the relative impact of the finance function in achieving cost minimisation across the business as a whole.

Student response 15 – Question 24

Having cost leadership in a market can cause profit to be high, as more revenue goes straight to the business.

The finance functional area of a business controls, measures and forecast all the money in a business. Because of this, actions of the finance sector give a business the best chance to achieve low cost. This is because they can look at where the money is going and see anyway they can cut down, this could be done by evaluating labour productivity, inventory turnover or payables. Finance can then act on these evaluations, like increasing trade credit terms or decreasing labour wage.

However, trying to evaluate how the business is not maximising production based off financial statements fails to look at the real side of it. Operations know how the business can increase productivity rather than just seeing that there is room to streamline. HR know that the workforce may need higher motivation through job rotation or more autonomy. A business has functional areas for a reason and the best way to achieve lower costs is by these areas working together. One sector cannot cause a business to change on it's own. And for that reason, finance is not the most influential in achieving low costs.

Although finance can evaluate costs, the numbers cannot equate to real change. For a business to achieve it's objectives the functional areas must work together.

This is a Level 1 response

The statement in paragraph 1 has no supporting logic and so it is not credited. Paragraph 2 shows a vague understanding of the role of the finance function, but the argument on cutting down money outflows is not explained. The final sentence of the second paragraph suggests some knowledge of finance, but no obvious understanding.

The third paragraph looks at other functional areas, but this lacks focus on how lower costs might be achieved.

The judgements made at the end of the second paragraph and in the third paragraph are assertions rather than being derived from any analysis.

Overall: Knowledge and understanding are imprecise; analysis is undeveloped and the judgement made is an assertion. All three skills shown are Level 1 skills. Based mainly on the knowledge of finance and the functional areas of the business that is shown by the student.

3 marks

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