

Markscheme

November 2025

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. State **two** purposes of a mission statement. [2]

Purposes include:

- It lists a business' aims / goals
- It helps a business stay focused
- It helps decision making
- It provides information about the business to stakeholders
- It can motivate employees.

Accept any other relevant purpose.

Award [1] for each purpose stated, up to a maximum of [2].

2. Define the term *economies of scale*. [2]

Economies of scale are cost advantages a business experience when it increases its level of output/ as a business grows. [1]

The key principle is reduction in average cost per unit as production increases. [2]

Award [1] for the idea that economies of scale arise from increases in output/production.

Award an additional [1] if it is stated that average cost or cost per unit falls.

Note: the definition does not have to be worded exactly as above to score [2].

Do not award examples of economies of scale on their own.

3. Describe **two** sources of finance used by *WW*. [4]

WW uses the following sources of finance:

- **Crowdfunding** is finance raised online from a large number of people – it is not repaid. *WW* used crowdfunding to finance the development of the *Telec* tiles.
- **Overdrafts** are a short-term source of finance that enable a business to spend more than it has in its bank account. Overdrafts can be called in by the lender at very short notice and interest is charged for each day an account is overdrawn. *WW* used an overdraft to finance the development of the *Telec* tiles.
- **Shares** are a form of permanent capital. Each share entitles the owner to a vote at an AGM. Dividends are paid for each share owned. Nikita sold 40 % of her shares in *WW* to a business Angel.
- **Business angel:** an external investor; Nikita sold 40 % of her shares to a business angel who will have a say in the strategic decisions of *WW*.

Mark as [2]+[2].

*Award [1] for identification of a source of finance that *WW* uses and [1] for a correct description in context.*

N.B. Do not award any marks if a candidate states or describes a source of finance not mentioned in the case study.

4. Explain **one** advantage **and one** disadvantage for *WW* of being a product-orientated business (line 26). **[4]**

Advantage

Allows the business to concentrate/focus on producing a high-quality product quickly without the need to take account of consumer demands / tastes. **[1]**

Allows the business to achieve a first-mover advantage.

Application: Within 18 months *Nkita* had designed, tested and launched the *Telec* tile. **[1]**

Disadvantage

By ignoring consumer demands / tastes they may produce a product that does not meet all consumer demands so lose orders. **[1]**

Application: *Nkita* has turned down orders from potential customers who wanted tiles of different sizes. In 2024, a new entrant into the market, *QQ Tiles*, began to sell tiles similar to the *Telec*, but in four sizes. **[1]**

Mark as **[2]+[2]**.

Award **[1]** for identification of the advantage/disadvantage and **[1]** for a correct explanation in context.

Accept any other relevant advantage/disadvantage.

5. Explain why *QQ Tiles* uses batch production rather than flow production (line 30). **[2]**

Flow production is best used to make a single, standardized product. Batch production enables a business to make a variety of similar products.

Application: *QQ Tiles* began to sell tiles similar to the *Telec*, but in four sizes.

Award **[1]** for an explanation why batch is better in some circumstances than flow production.
Award **[1]** for application to *QQ Tiles*.

6. Explain **two** circular business models that *WW* uses (line 31).

[6]

Mark as [3+3].

WW is using three different circular business models:

Award **[1]** for naming a relevant model:

- circular supply
- resource recovery
- product life extension (accept “extend product life cycle”)

Award an additional **[1]** for explaining how that models works.

Award an additional **[1]** (a third mark) for application to *WW*.

For example, circular supply model [1] involves a business using renewable materials [1]. WW does this by using solar power and recycled plastics [1].

Resource recovery model [1] involves the production of secondary materials from waste products [1]. WW does this by reusing the plastic from tiles returned by customers [1].

Product life extension model [1] involves extending the lifetime of products [1]. WW achieves this by designing tiles that allow the electronic components of older, existing tiles, purchased by customers, to be upgraded thus extending their useful life. [1]

N.B. *Candidates that cannot explicitly name the models can still be awarded up to [2] for each answer if they describe an appropriate model with reference to the stimulus.*

Section B

7. Discuss, using Maslow's motivation theory, whether Nkita's plan will reduce the number of employees leaving WW. [10]

In exit interviews, none of the eight employees who left mentioned salary as an issue, and they are on salaries higher than the industry average. However, a salary rise may not prevent further employees leaving. In terms of Maslow, levels of salary would be seen as the lowest of the hierarchy of needs, which is physiological. These needs are being met as the salaries paid should enable employees to pay for their basic needs. A salary rise would also increase WW's costs and reduce its profit margins.

An Employee of the Year trophy goes some way to meeting one of the issues revealed by the exit survey: achievements rarely recognized. However, as it is only awarded once a year to one employee, this may not be sufficient to prevent employees leaving. In Maslow's theory, this idea does attempt to meet one of the higher needs in Maslow's hierarchy – this is the fourth level, self-esteem.

The monthly employee dinner at a local restaurant might make some employees feel less isolated as they will be able to socialize on a regular basis. In Maslow's theory, this idea relates to the third level of Maslow's hierarchy of needs – love and belonging. However, it does not solve the isolation employees feel in the factory, as this is caused by working alone and noise levels that prevent conversations.

Putting employees in teams might be one of the less costly methods to improve motivation / reduce the number of employees leaving. Exit interviews tell us that employees feel isolated, and this is caused by each employee working at a separate workstation and noise levels preventing conversations. This is likely to have some positive impact on employees, and in terms of Maslow this relates to the third level – love and belonging – and may have some positive impact in reducing the number of employees leaving.

Limitations of the case study, missing information:

- By how much do employees' salaries exceed the industry average?
- Size of the salary increase?

Award marks according to the markbands on page 3.

If the candidate makes no reference to Nkita's plan, then the maximum mark to be awarded is [4] even if there is some balance.

If the candidate makes no reference to Maslow, then the maximum mark to be awarded is [4].

8. Discuss whether *WW* should accept *AIXA*'s offer to purchase 25% of *WW*'s shares. **[10]**

Advantages of the offer

Would broaden her customer base, as currently *WW* only has customers from shopping malls in Country Y, three other neighbouring countries, and the Middle East.

Would create awareness of her product in a potentially huge market (airports), which might lead to more orders – a survey *WW* conducted revealed that only 1% of large business knew of *WW* and its *Telec* tile. Awareness of *WW* could also be increased, as *AIXA* also offered to highlight the *Telec* in all their advertisements.

This offer would provide some of the funding (\$1.25 million out of \$1.75 million) needed for *WW* to expand its factory, and *WW* could then cancel its contract with *DVC*.

This would also increase *WW*'s profit margin on each tile by 20%. Currently, *WW* makes \$200 on each tile sold. This would increase to \$300. The order from *AIXA* is for 30 000 *Telec* tiles, which would bring in \$9 million in profit if the price stayed at \$700 per tile. Or it would enable *WW* to reduce price if needed, as the market is becoming more competitive with the entrance of *QQ tiles* into the market.

Disadvantages of the offer

This deal is at odds with one of *Nkita*'s aims, which is to create meaningful employment opportunities for women. *AIXA* have been accused of paying their female employees up to 25% less than male employees. *AIXA* is also getting bad publicity from this dispute, which could damage *WW*'s reputation.

Nkita will no longer have a majority of the shares in *WW*. Currently, she owns 60% and a business angel 40%. If the deal goes through, she will only own 35% of the shares and *AIXA* and the business angel could make decisions together that *Nkita* does not agree with.

AIXA claims it is carbon neutral. However, investigators found that *AIXA* is only referring to its use of solar power and ignores the impact of the petrol-powered vehicles used in its airports on its carbon footprint. This again could damage *WW*'s reputation – *Nkita* has a strong commitment to CSR as shown by her mission statement.

On a personal level, *Nkita* would lose the potential dividends on those shares she sells, which would reduce her income from dividends in future years, particularly if *WW* becomes increasingly profitable.

Award marks according to the markbands on page 3.

If there is no balance, then for a one-sided response where only one argument is considered then award a maximum of [3]

If the candidate makes no reference to the stimulus provided, then the maximum mark to be awarded is [4] even if there is some balance.

Award a maximum of [8] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material.

NB *candidates cannot reach the top marks if there is no relevant reference/application to the stimulus and an explanation/awareness of the limitations of the stimulus material.*
