



**MS3**  
**£3.00**

# **GCE MARKING SCHEME**

**BUSINESS STUDIES (NEW)**  
**AS/Advanced**

**SUMMER 2009**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2009 examination in GCE BUSINESS STUDIES (NEW). They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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## **BS1 (NEW)**

### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are mainly eighteen year olds who are writing under examination conditions, for this reason the standard of marking should be appropriate to the levels of performance expected from this age group.

#### **Positive Marking**

Credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Some questions are awarded marks on the basis of the level of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to properly analyse a situation are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 5 (c).

**Q.1 Explain what else Cari could do to market her business.**

**[6]**

Level 1	1 - 2	Candidate gives one or two valid suggestion that Cari could use to market her business.
Level 2	3 - 4	Candidate attempts to explains what Cari could do to market her business.
Level 3	5 - 6	Candidate fully explains what Cari could do to market her business.

Possible responses may include:

- Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements.
- She should find out what her customers' requirements are and make sure that her products meet them – market research is used for this purpose – candidates may refer to primary and secondary research.
- Is the layout/presentation of the shop attractive enough?
- Review her **product** range – is it appropriate? Is she targeting the right market?
- She should review her **pricing** e.g. in comparison with the competition.
- Review the way she **promotes** her products. Alternative promotional offers. Examples.
- She could find out about competition again via market research.
- She might consider the **location** – is it suitable – footfall, etc.?

**Q.2 Suggest a method of production which might be suitable for making the sixty-four different versions of the toy. Give reasons for your answer. [4]**

The type of production method depends on the uniqueness of the product and the number required. Given the information it could be inferred that either batch production or flow production might be suitable.

**Batch production**

(1 plus 1 - 3 for explanation)

Regular demand not a "one off". Suitable when production is divided into a number of operations. A particular operation is carried out on all products in a batch. The batch then moves to the next operation. Suitable for standardised products but possible to vary each batch. Products can be produced in very large or very small quantities depending on the level of demand. May compare with other products/production methods to illustrate why batch production is appropriate.

**Flow production/mass production - repetitive flow production**

(1 plus 1 - 3 for explanation)

Need high demand levels. Production is organised so that different operations can be carried out one after the other, in a continuous sequence as production moves continuously from one stage of the process to the next. Large quantities can be produced for simplified or standardised products. May compare with other products/production methods to illustrate why flow production is appropriate.

Candidates may also be rewarded for cell production..

**Q.3 Using the data provided, briefly explain the changes that have taken place in the pattern of employment in the UK. [6]**

Level 1	1 - 2	Candidate describes the changes shown in the graph.
Level 2	3 - 4	Candidate describes the changes and gives one or two valid reasons for the changes – may focus on one of the sectors.
Level 3	5 - 6	Candidate describes the changes and explains two or three valid reasons for the changes – reference should be made to at least two sectors.

**Candidates may refer to:**

A general increase in the overall level of employment in the 10 year period.  
Steady growth in the tertiary sector throughout the period.  
Decline in the secondary sector from 2000.  
Primary sector very low throughout the period.

Better candidates may refer to degree of change/percentage changes.

**Decline in secondary employment:**

- De-industrialisation – decline in once prosperous industries such as shipbuilding, steel, textiles and car manufacturing.
- Changes in consumer demand in favour of foreign goods – better quality products from countries like Japan, Korea, etc, at very competitive prices/better quality/reliability/innovation.
- Lack of competitiveness of UK manufacturing firms in world markets/increasing overseas competition.
- Lack of investment in manufacturing both by government and industry.
- Technology has replaced workers.
- Trade union problems can cause markets to be lost to foreign competition.
- Relocation of UK manufacturers abroad due to lower costs.
- Education system not producing as many graduates e.g. engineers who are able to work in manufacturing – manufacturing has become 'unfashionable'.

**Increase in tertiary employment:**

- Tertiary business created which did not exist until fairly recently, e.g. fitness centres, internet cafes, on-line shopping services.
- Greater affluence during that period has led to growth in demand for services – finance, travel, leisure, etc.
- Education system more geared to tertiary employment.
- Manufacturing has become 'unfashionable': people wish to work in more pleasant environments.

**Primary sector:**

Valid reasons for persistently low levels of employment in the primary sector may also be credited.

**Q.4 Advise Angela as to whether or not she should let Sally job share. [6]**

Level 1	1 - 2	Candidate outlines one or two benefits/disadvantages to Angela of allowing Sally to job share.
Level 2	3 - 4	Candidate explains advantages and/or disadvantages to Angela of allowing Sally to job share.
Level 3	5 - 6	Candidate considers fully both advantages and disadvantages and offers guidance to Angela on whether or not to permit Sally job share.

**Candidates may refer to:**

How good an employee Sally is and whether or not Angela wishes to retain her. If Sally is not given job share she may leave – is this desirable for Angela?

**Possible benefits for Angela of job share:**

- Angela can retain Sally – maybe an experienced and valued member of staff;
- Meets Sally's request, keeps her happy and well motivated – performance may suffer if she stays full time;
- Somebody in place for at least part of the time if Sally is on leave or ill – an element of continuity;
- Angela may gain from ideas of two people though in this case may be limited scope for this kind of input.

**Possible disadvantages for Angela of job share:**

- Administration costs for training another employee.
- Communication between Sally and new employee may breakdown on occasions – leads to less continuity and possible inefficiency.
- Angela will have to communicate same information to two people – scope for errors.
- Sally may not be available to attend important meetings – information will have to be passed on.
- Will the person chosen for the Job Share be acceptable to the senior partner?
- Will the senior partner agree to the arrangement?

**Q.5 (a) Explain two reason why Rhys may want to set up his own business. [4]**

(1 for reason plus 1 for development x 2.)

Possible reasons may include:

- Independence/own boss – wants to take own decisions and take responsibility rather than being told what to do.
- Wants to develop the skills acquired in the building industry/has acquired sufficient knowledge and understanding to give him the confidence to set up his own business. Natural progression. Wants to achieve something for himself.
- To increase rewards - Rhys may believe he will earn more than if he continues to be employed in the building industry.

**(b) Suggest two souces of finance that would be suitable for Rhys and explain one advantage and one disadvantage of each. [6]**

1 for valid suggestion plus 1 for valid advantage and 1 for valid disadvantage x 2.

<b>SOURCES OF FINANCE</b>	<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
Own funds	Rhys would not have to pay interest on own money. Immediately available.	Money is tied up in business so not earning interest. Cannot use for other purposes (opportunity cost).
Borrowing from friends and relatives	Do not have to pay interest or low rates of interest. Easy to negotiate/set up. Immediately available.	Tends to be informal and this can be a problem – may fall out and may need urgent repayment if circumstances change.
Loans	Funds made available for medium to long-term borrowing of large sums of money hence suitable for Rhys if he needs to acquire building land.	Requires a rigid/formal agreement between borrower and bank with regular fixed amounts of capital and interest being repaid. Banks may require some form of collateral.
Overdraft	Flexible way of borrowing - amount by which Rhys goes overdrawn depends on needs at the time – useful for day to day transactions, easing cash flow needs and emergency requirements Only pay interest when account is overdrawn i.e. do not have to pay off regular sums.	Expensive form of borrowing May be arrangement fee. Can be called in immediately – it is repayable on demand.

<b>SOURCES OF FINANCE</b>	<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
Leasing	<p>A form of renting used for machinery – no large sums of money needed to buy it.</p> <p>Leasing agreement can include maintenance contract. Good way of acquiring machinery where technology changes quickly.</p> <p>Costs can be offset against taxation.</p> <p>Likely to get replacement machine if existing one breaks down.</p> <p>Useful if machinery is only needed occasionally.</p>	<p>More expensive over the lifetime of a machine than buying it outright.</p> <p>Servicing and repairs may have to be done by nominated engineers or by leasing companies own engineers - can add substantially to costs.</p> <p>Will never own the machinery – unless given option to purchase.</p> <p>Tied in for full period of leasing contract.</p>
Hire purchase	<p>Can have equipment immediately</p>	<p>Do not become owner until last payment made. If Rhys falls behind with his payments then equipment can be repossessed. Usually higher rates of interest than banks.</p> <p>Add servicing charges for paying in instalments.</p>
Trade credit	<p>Rhys may get trade credit from his suppliers – will not have to pay for goods for at least one month – in effect short term interest free credit.</p>	<p>Rhys may have a trade credit limit imposed on him.</p> <p>Suppliers may stop selling goods to Rhys if he owes too much through trade credit</p> <p>He may become a credit risk.</p> <p>Will not benefit from cash discounts related to prompt payment.</p>
Government grants	<p>In this case unlikely but there may be business start up grants for a limited period of time – essentially money available at no cost.</p>	<p>Administration requirements – forms to complete to meet what can be strict criteria.</p> <p>Tend to come with certain conditions which must be met.</p>
Credit cards	<p>Suitable for purchase of raw materials. Convenient, secure and avoid interest charges if monthly accounts are settled within the credit period.</p>	<p>They have a credit limit.</p> <p>Rates of interest are high if monthly accounts are not settled.</p>

(c) **Discuss the view that a business plan is essential for a business to achieve success.** [10]

Level 1	1 - 3	Candidate identifies features of a business plan/outlines purpose of a business plan.  The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.
Level 2	4 - 7	Candidate explains why a well-constructed business plan will contribute to success and may attempt some evaluation.  The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.
Level 3	8 - 10	Candidate fully evaluates the importance of a business plan in achieving business success.  The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.

**Candidates may refer to:**

A statement which outlines the way in which a business will attempt to achieve its objectives - giving a clear idea of its operation and direction.

- Outlines its marketing strategy - researches vital information such as the size of the potential market, the strength of the competition, etc.
- Clear idea of direction and operation – Strategic planning/setting objectives.
- Helps to convince banks and lending institutions of its ability to pay back loans – cash flow forecast.
- Highlights strengths and identifies possible problems which can then be dealt with in advance.
- Sets out what personnel/skills will be required to run the business effectively.
- Any other items found in a business plan which may be regarded as vital to its success.

**However:**

- May succeed if the product or service proves so popular that sales are very high and profits are made consistently.
- May succeed without one if a small, easily managed business e.g. window cleaner.
- No business can be *guaranteed* success however good the business plan.
- External factors may make the business successful even if business plan not drawn up – economic upturn, change in the law/government policies.

All in all, those businesses that have a clear plan are more likely to be successful compared to those that do not.

**Q.6 Discuss the view that, despite the difficulties that face small businesses, many will continue to survive. [8]**

Level 1	1 - 2	Candidate outlines one or two reasons why small businesses survive.
Level 2	3 - 5	Candidate may outline difficulties small business face and/or explains why small businesses survive.
Level 3	6 - 8	Candidate considers the difficulties small businesses face and the reasons why they survive.

**Difficulties that face small businesses:**

Difficulties that face small businesses e.g. fierce competition from larger firms which are able to reap economies of scale, complying with increased government demands e.g. on health and safety.

**Why small businesses will continue to survive:**

- They are able to provide a **personal service**, something which is very difficult to do in large organisations. Many people prefer to do business directly with the owner.
- Some entrepreneurs are simply **happy** to remain as a small business. They are content with the current level of profits and wish to avoid the added responsibilities and risks associated with growth and increased size.
- They can be a lot **more flexible** in some circumstances. They can react quickly to changes in market conditions or technology. Management can make decisions quickly without undergoing endless meetings with other departments or divisions of the company.
- **Serving the local community.** Many small firms do this and have survived for many years, often being the only one providing such a service in a particular locality.
- **They are often easy to set up.** Set up costs are often relatively low – for example, a painter and decorator can start almost straight away once they have found some customers. Many people who have been made redundant in areas of high unemployment often receive grants to help them set up their own small business. They do not all survive, but many do, and they go on to provide jobs for others in their community.
- Small firms **often serve niche markets** – the marketing of products to a particular, small segment of the market. The size of the market itself may dictate the potential for growth.

## **BS2 (NEW)**

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#### **Quality of written communication**

The QWC is assessed in question 3(d).

**Q.1 (a) Outline the advantages of CAD to a car manufacturer. [4]**

Possible responses may include:

- Accurate designs can be constructed on a computer which can be viewed in 3D and rotated in order to demonstrate the whole range of possible images.
- They can be easily and cheaply altered for a client - reduce lead time.
- Designs can be accurately measured and tested on screen in order to detect faults prior to manufacturing.
- Increased accuracy and ability to alter designs can reduce the cost of the design process.
- Designs can be more easily stored and quickly retrieved.
- Considerable sums of money can be saved by eliminating the production and testing of expensive prototypes.
- Testing programmes can also be included e.g. wind tunnels.

1 mark for each valid point plus 1 mark for appropriate development or 4 valid points.

**(b) Explain, with examples, the benefits to a business of investing in research and development (R&D). [6]**

- |           |       |  |
|-----------|-------|--|
| Level I   | (1-2) | Candidate briefly outlines one or two possible benefits.                           |
| Level II  | (3-4) | Candidate attempts to explain one or two possible benefits.                        |
| Level III | (5-6) | Candidates fully explains at least two possible benefits or partly explains three. |

Possible responses may include:

- Accurate definition.
- R&D can lead to the development of new products which may give a business a competitive edge. Patents can be obtained preventing competition for a period of time – leading to higher profits, e.g. Dyson bagless cleaner, Microsoft operating systems.
- Improved working environments. New machinery can be developed which may cut costs and raise productivity. May also be cleaner, safer and more ergonomically designed, improving the working conditions of employees.
- Improved image. Consumers may be impressed with businesses committed to R&D. Pharmaceutical firms may gain a great deal of prestige if they produce a drug that helps in the fight against Aids, cancer, Alzheimer's, etc.
- Can motivate staff – may help to satisfy their higher order needs. May create optimism and give the organisation a positive feel.
- Increased sales - consumers benefit from a wider variety of goods and services – mobile phones. Satellite navigation, new drugs, etc.

**Q.2 (a) Explain two reasons why increasing brand awareness is important to Kid Me Not. [4]**

Level I (1-2) Candidate identifies one or two benefits.

Level II (3-4) Candidate clearly explains two possible benefits.

Possible responses may include:

- To create brand loyalty - this will encourage repeat purchasing.
- Pricing decisions have more flexibility – demand will not fall significantly when the price is raised.
- Customers tend to trust the product and may purchase other products that are associated with the brand.
- Gives a business a clear and easily recognisable identity which will help to differentiate products from those of competitors.
- Retailers will be more willing to stock and sell the branded products.

**(b) How might the Boston Matrix assist Kid Me Not in managing its expanding product portfolio? [8]**

Level I (1-3) Candidate describes/illustrates the elements of the Boston Matrix.

Level II (4-6) Candidate attempts to analyse how Kid Me Not might use the Boston Matrix in managing its product portfolio.

Level III (7-8) Candidate fully analyses how Kid Me Not might use the Boston Matrix and clearly applies their analysis to Kid Me Not's expanding product portfolio.

Possible responses may include:

- Candidate illustrates or describes the Boston Matrix.
- As the firm's portfolio grows the Matrix may be helpful in giving Kid Me Not's owners a structure/method for analysing how each product is doing in relation to market share and market growth.
- Have any of the fudge flavours become cash cows yet? Do they need as much promotion as other fudge products? Can any of their products be regarded as cash cows given that the business has only been trading for 3 years?
- Are any of the products problem children – do they need to withdraw them from the market or seek ways of boosting sales?
- Are any of the products doing very well – are they rising stars? Should production capacity be increased at the expense of other less successful products?
- It is not good to have too many items in each category and this might be the case with Kid Me Not. Perhaps they should allow the products that they have to mature in the marketplace before introducing any more new lines. To provide balance to Kid Me Not's portfolio.

(c) **Evaluate the view that producing innovative products is likely to be the most important element in Kid Me Not's marketing mix. [10]**

Level I	(1-3)	Candidate briefly outlines why innovative products may be important to Kid Me Not.
Level II	(4-7)	Candidate attempts to explain why producing innovative products is important for Kid Me Not and may attempt some evaluation.
Level III	(8-10)	Candidate fully evaluates the statement, weighing up other aspects of the business which may be significant in Kid Me Not's marketing mix.

Possible responses may include:

**The innovative nature of the products is important to the success of KMN because.....**

- Innovation is the commercial exploitation of an invention.
- KMN has developed goat's milk products in a form that meets customers' needs and can be sold profitably.
- The range of products needs to stand out from others in the market place in order that customers can differentiate them from the products of KMN's competitors.
- The products may particularly appeal to consumers who might gain the same 'health benefits' as Lorraine's children. They are alternatives to the more commonly available cow's milk products.
- They are important as the products serve a 'niche' market, enabling KMN to exploit the benefits of such a market.
- The fact that the products are 'goat's milk' products gives them a USP.

**There may, however, be other important aspects to KMN's marketing mix.**

- She also highlights the importance of PR and promotion of the products – thereby increasing customer awareness.
- Effective distribution channels have also been important in gaining extra sales for the business.
- Listening to customers' needs via various forms of market research is clearly very important. Businesses which are not customer orientated tend not to be successful as they may waste money on producing products that customers may not want or promoting to those other than their target market.
- KMN's pricing policy must be suitable for the market in which it is operating – margins are likely to be high as it is a niche market.
- Unique, attractive packaging is also a factor in boosting sales.
- Competitors' activities need to be watched carefully and reacted to accordingly.

**Q.3 (a) Assume that in December the following occurs following:**

- That wages are increased by 6%.
- The insurance premium that the company has to pay rises by 10%.

**(i) Recalculate the closing balance in December for Spring Furnishings Ltd's cash flow forecast. (Show clearly your workings.) [5]**

New monthly Wages = £212,000  
New Insurance Premium = £44,000  
New total Payments = £1,718,000  
New net cash flow = (£ 498,000)  
New Closing Balance = (£160,000)

(x1) for each correct calculation or (£160,000) = 5

**(ii) Suggest three ways in which Spring Furnishings could attempt to improve its cash flow situation and evaluate each of your suggestions. [9]**

- Level I (1-3) Candidate briefly outlines up to three ways to improve its cash flow.
- Level II (4-6) Candidate explains/analyses ways identified to improve cash flow in Level 1 and may attempt some evaluation.
- Level III (7-9) Candidate fully evaluates ways to improve cash flow in Level 1.

Possible responses may include:

- Improving revenue through increased sales and marketing campaign – unlikely to work as economic conditions are against them.
- Increase prices – will depend on price sensitivity (PED).
- Cut costs – this would depend on how efficient they already are. e.g. Cutting raw material costs by finding a new supplier may compromise quality.
- Chase Relax Retail for the outstanding invoices. If they have gone into administration then getting the money is very unlikely.
- Find new insurer – will cover still be as good?
- Take some action to improve productivity. IR doesn't seem too good at present – new initiatives may not go down too well.
- Reduce wage bill by making some people redundant – TU would fight this and could result in a strike.
- Invite new shareholders to inject money into the business - possible dilution of control.
- Sale of assets - may lose benefits of the assets.
- Re-negotiate terms of the loan - may back more in the future.
- Debt factoring on future invoices but will not get full invoice value.
- Ask bank to increase overdraft limit on a short-term basis but extra interest.
- Extend credit terms with their own suppliers might cost more as early discount lost.

**(b) What is an *autocratic management style*? [4]**

Possible responses may include:

- Leader sets objectives, allocates tasks and insists on obedience.
- Group may be dependent on the leader.
- Employees not involved in decision making.
- High levels of supervision characterise this leadership style.
- Often linked to poor levels of motivation amongst employees.
- Most suitable in a crisis situation.
- Leadership of troops in the Army - example.

1 mark for each valid point plus 1 mark for appropriate development.

**(c) Explain how a manufacturing firm, such as Spring Furnishings might improve its productivity. [8]**

Level I	(1-2)	Candidate briefly outlines how productivity might be improved.
Level II	(3-6)	Candidate attempts to analyse ways in which productivity be improved.
Level III	(7-8)	Candidate fully analyses ways in which productivity might be improved.

Possible responses may include:

- Productivity can be viewed as the ratio of outputs to inputs in a production process, such as the output of a given amount of labour or capital.
- Both labour and capital productivity can be measured – relevant formula.
- New and more efficient machinery – computer controlled robotics, etc.
- Replacing labour with machinery.
- Training the labour force. Quality Circles.
- Motivating the labour force to put in increased effort – both financial and non-financial rewards.
- Redesigning production processes.
- Job enrichment, job rotation, etc.
- Appointing better management.
- Employ management consultants to suggest ways of improving the running of the business.

(d) **With reference to some of the motivation theorists you have studied, evaluate Jenny's view that there are more effective ways, other than improving wages, of improving motivation. [12]**

Level I (1-4) Candidate outlines ways in which employees may be motivated by non-financial factors with reference to the motivation theorists they have studied.

The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.

Level II (5-8) Candidate explains how the motivational theorists they have studied believe motivation can be improved.

The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.

Level III (9-12) Candidate fully evaluates the statement in relation to financial and non-financial factors based on the views of the motivational theorists and applies their argument to Spring Furnishings.

The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.

Possible responses may include:

- Maslow's hierarchy of needs applied to Spring Furnishings.
  - Taylor and Scientific management.
  - Mayo and the Hawthorn studies.
  - Herzberg's two-factor theory.
  - McGregor's theory X and theory Y.
  - Poor working conditions  
Boredom  
'Them and us' attitudes
- } Key issues the text.

Will refusal of the 6% pay rise cause de-motivation? - Taylor, Theory X would suggest yes.



WJEC  
245 Western Avenue  
Cardiff CF5 2YX  
Tel No 029 2026 5000  
Fax 029 2057 5994  
E-mail: [exams@wjec.co.uk](mailto:exams@wjec.co.uk)  
website: [www.wjec.co.uk/exams.html](http://www.wjec.co.uk/exams.html)