



T Level Technical Qualification in Management and Administration

Exam guide

Version 1.0

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1. Introduction

This exam guide for the T Level Technical Qualification in Management and Administration core exams (Paper 1 and Paper 2) provides general tips for candidates taking these assessments, along with examples of different types of questions that will appear. Example candidate responses have also been provided along with examiner commentary and further hints and tips. The example candidate responses should not be considered as the only or best way to answer the question, their aim is to support transparency of the expectations when candidates are responding to different types of questions.

2. General Tips

- Spelling, Punctuation and Grammar (SPaG) are not assessed within the core exam, no marks are awarded or deducted based on this. Examiners will make a judgement in relation to phonetic spelling to determine if the candidate has the required knowledge and/or understanding and where there is credit will award the mark(s).
- Handwriting quality, it is key that the candidates provide responses which are legible. Examination papers are scanned and marked onscreen therefore it is critical that candidates respond to questions using a ball-point pen and ensure their writing is legible. A recommendation would be to use block capitals if handwriting is poor or explore using a scribe.
- It is key candidates understand the paper is split into two sections (Section A and Section B) and they understand the type of questions they will find in each part of the paper. This can help them with time management ensuring they leave sufficient time to respond to the Extended Response Questions within Section B.
- The order of the paper is modelled in a way so that it gradually increases in level of difficulty. The paper starts with Section A with questions assessing knowledge, before moving onto understanding, then application. Section B then assesses application, analysis and evaluation.
- It is important that candidates carefully read and understand the question, reading it through twice if needed.

3. AO1a – Demonstrate Knowledge

What this assessment objective means

Recall or recognition of specific elements of knowledge which must be committed to long term memory in order to underpin success in the role.

All Assessment Objectives require the ability to recall knowledge. AO1a) refers to instances where the candidate is simply required to demonstrate basic recall. In the exam, this helps to give confidence in sufficiency of coverage of the content, and recognises that not all knowledge requires further understanding eg terminology, number facts etc.

A candidate can

- name or recognise technical terms, principles theories, based on a description/use or vice versa
- distinguish between correct and incorrect definitions/descriptions
- correctly use terminology/terms
- locate a part on a diagram.

This is assessed within the examination by

Simple questions that require knowledge that could be learned by rote (facts) no requirement to go beyond recall and statement of fact:

- Labelling a diagram with names/locations
- Definitions, facts, recall of purpose of something
- Description of physical appearance of something

3.1. Question and Mark Scheme

<p>Q1</p>	<p>Xyfyj y t tkymj uzwtxjx tkymj Jvzfq~ Fhy75653</p>			
	<p>Acceptable answer(s)</p>	<p>Guidance</p>	<p>Max marks</p>	<p>Test Spec ref & AO</p>
	<p>To legally protect people from discrimination in the workplace and wider society (1) To replace previous anti-discrimination laws with a single Act, making the law easier (1) To protect people of certain characteristics from discrimination eg age, gender reassignment (1)</p>	<p>Award 1 mark for each correct answer to a maximum of 2 marks.</p> <p>Accept alternative answers on the purpose of the Equality Act . An answer of ensuring equal opportunities or equality only is not acceptable.</p> <p>Do not accept encourage diversity in the workplace as it is outcome of the act, not a purpose of the Equality Act 2010</p>	<p>2</p>	<p>2.3 AO1a</p>
<p>KO</p>	<p>KO2 People</p>			

3.2. Candidate Responses

Example 1 (Marks 2)

To ensure people are treated fairly and with respect.

To outline protected characteristics that must not be discriminated against.

Candidate details two purposes, one relating to fair treatment and respect, and one relating to protected characteristics. The first answer is awarded under awarding other acceptable answers, and protected characteristics are mentioned in the acceptable answers provided.

Example 2 (Marks 1)

To ensure that there are equal opportunities so that all people have accessibility.

1 mark was awarded for there are equal opportunities so that all people have accessibility.

Example 3 (Marks 0, 0)

Equal opportunities of success.

No one is at a disadvantage.

No marks were awarded for this answer; neither response was sufficient to answer the question or match responses captured in the mark scheme.

3.3. Examiner Hints and Tips

- Often candidates struggle to achieve marks in relation to AO1a as they don't have the knowledge the question is targeting, meaning they do not have a secure breadth of knowledge across the syllabus. Candidates may either leave the question blank or will recall an incorrect fact, acronym or name.
- When asked to recall legislation or regulations, examiners will accept industry recognised abbreviations and acronyms, as shown in the marking scheme.
- Examiners will also accept alternative answers, if acceptable within the marking guidance.
- Candidates sometimes pick up on key words and capture knowledge around this. They should be encouraged to read the full question and ensure they are answering this accurately.
- Where a candidate does not know the answer, or is unsure, they should be advised to leave these questions and come back to them once they've completed the rest of the paper.

4. AO1b – Demonstrate Understanding

What this assessment objective means

The ability to explain principles and concepts beyond recall of definitions in order to be able to transfer these principles and concepts between contexts. Candidates have built connections between related pieces of knowledge.

AO1b focuses on the ability of the candidates to show understanding by summarising or explaining concepts in their own words, exemplifying or comparing and making inferences in general terms that show eg cause and effect.

A candidate can

- explain a concept in their own words
- explain what it means in practice
- give relevant examples
- say what the impact/implication may be in general terms

This is assessed within the examination by

Straightforward questions requiring demonstration, beyond recall, of understanding about something. Response is in general terms, or a concrete exemplification.

- Why is..
- What does ... mean?
- Explain the use of...
- Explanation of how something works
- Explanation of the benefits/weaknesses of...

4.1. Question and Mark Scheme

Q10	Explain two benefits to an organisation of having a diverse and inclusive workforce.			
	Acceptable answer(s)	Guidance	Max marks	Test Spec ref & AO
	<ul style="list-style-type: none"> • It enhances the organisation’s reputation (1) by being considered a desirable employer to work for (1) • Leads to broader skills and experience within the workforce (1) improve productivity/efficiency (1) • Ensuring equality/equal opportunities for all (1) by reducing ‘group think’ (1). • Offers the possibility of enhancing creativity (1) and opportunities for new talent (1). • Can improve staff motivation (1), and in turn staff retention (1). • Promotes innovation (1) and encourages different points of view (1). • Able to attract more applicants (1) through a wider recruitment pool (1) • Creates a positive working environment (1) 	<p>Award up to 2 marks for each developed benefit to a maximum of 4 marks.</p> <p>Accept alternative developed benefits to an organisation of having a diverse and inclusive workforce</p>	4	2.3 AO1b
KO	KO2 People			

4.2. Candidate Responses

Example 1 (4 marks)

Having a diverse workforce will help the business to have different sets of skills and this is good as you will be able to combine the good ideas.

Another benefit would be that employees would have a better morale through communicating about their difference and this will help boost productivity in the workplace.

Examiner Commentary on application of mark

Marks were awarded as follows:

1. Point: *different sets of skills*, this is a benefit as listed in the acceptable answers in the mark scheme.
2. Expansion: *able to combine the good ideas*, this is a valid expansion point and links to encouraging different points of view and enhancing creativity.
3. Point: *employees would have better morale*, this is a correct benefit and links improving staff motivation.
4. Expansion: *and this will help boost productivity in the workplace*, this is a valid expansion of the benefit and is detailed in the acceptable answers.

Example 2 (3 marks)

If an organisation has a diverse and inclusive workforce, it promotes more production as there are different skill sets to share and to work with. Secondly, it provides a more trustworthy and accepting team as it is more comfortable for individuals to get to know each other.

Examiner Commentary on application of mark scheme

Marks were awarded as follows:

1. Point: *promotes more production*, one benefit of a diverse and inclusive workforce. Not clearly developed so no mark awarded for expansion.
2. Expansion: *different skill sets to share and work with*, valid expansion point linked to the benefit and related to answers listed in the mark scheme.
3. Point: *trustworthy and accepting team*, valid point relating to creating a positive working environment.

Marks were not awarded for:

- Expansion: *it is more comfortable for the individuals to get to know each other*, this point is not sufficiently developed and does not relate to the benefit to the organisation.

Example 3 (2 marks)

One benefit to diverse and inclusive workforce is it brings new ideas to the organisation. People bringing new ideas to an organisation is a major benefit as it could lead to a major change positively which could lead to more customers and more revenue for the organisation.

A second benefit is it could bring new ways of working This is a benefit as they may find a new way to operate more efficiently and faster. This will save the organisation in costs as there is a faster and better way to operate which is cheaper overall saving money for the organisation.

Examiner Commentary on application of mark scheme

Marks were awarded as follows:

1. Point: *it brings new ideas to the organisation*, this is a valid benefit of a diverse and inclusive workforce.
2. Expansion: *...is a major benefit as it could lead to a major change positively which could lead to more customers and more revenue for the organisation*, this is a valid expansion of the benefit to the organisation.

Marks were not awarded for:

- Point: *bring new ways of working*, this benefit is very similar to the previous one.
- Expansion: *new way to operate more efficiently and faster. ... cheaper overall saving money for the organisation*, this expansion is very similar to the previous one.

Example 4 (0 marks)

One benefit of this is that there is a variety. Having just an inclusive workforce or just a diverse workforce would be nowhere near as good. Another benefit of this is that there is not gonna be an overload of either workforce. By having both, a good balance can be made full of skilled workers.

Examiner Commentary on application of mark scheme

Marks were not awarded for:

- This is not a valid answer to the question. Variety and an overload of either diverse or inclusive are not valid points in answering this question.

4.3. Examiner Hints and Tips

- In questions such as this, candidates should take the approach of stating their point, then expanding on why this is helpful/important in the context of the question posed. Using conjunctions such as 'which' or 'so' to show cause and effect.
- Using this model and understanding of the mark scheme candidates can understand how to structure their answer. In this example they get a point for identifying a benefit of a diverse and inclusive workforce, and the 2nd and 4th mark then comes from the linked explanation/expansion of this benefit.
- Some questions may give the candidates the point, and ask them 'why' meaning the question is looking for them to explain/expand only.
- Candidates must ensure they have also considered the context given within the question. Candidates will only achieve marks when they identify characteristics relevant to the context given.
- By just listing out benefits with no further explanation, candidates will not be able to achieve full marks as they have not demonstrated they understand why diversity and inclusion is beneficial in an organisation.

5. Mathematical Questions (AO1b/AO2)

Paper 2 contains mathematical questions related to finance principles.

There is no set amount of mathematical style questions or marks for each paper, but they will always feature as a part of the question paper therefore its important candidates understand how the mark scheme works.

The questions will be as transparent as possible around what we need the candidate to demonstrate they know/understand. For example; some questions may explicitly state the mathematical method we want to see (to assess understanding of that method) whereas others may need the candidate to determine the mathematical method from the context of the question (to assess ability to apply mathematical concepts to a particular context).

5.1 Question and Mark Scheme

Q14

A small retail company has put together its financial statement for the last financial year.

Items	Financial Year (£000s)
Sales	296
Returns, Refunds, Discounts	12
Cost of Goods sold	180

Table 1

Using the figures provided in Table 1, calculate:

- the gross profit for the year.
- the profit margin, rounded to two decimal places.

Show your workings.

Acceptable answer(s)	Guidance	Max marks	Test Spec ref & AO
<p>a) Formula: revenues – cost of goods sold = gross profit (1) or (£296k – £12k), £284k – £180k = (1) or (180+12), 296 – 192 = (1)</p> <p>(£)104,000</p>	<p>Award 1 mark for use of correct method – can written formula or calculation</p> <p>Accept any other accurate calculation.</p> <p>Award 1 mark for accurate response/answer</p> <p>A mark can be awarded for a correct response that does not reference £s</p> <p>Marks can be awarded for 104K</p>	2	4.1 AO1b (1) AO2 (1)
<p>b) Formula: gross profit / sales revenue x 100 = profit margin (1) or £104k / £296k X 100 = (1)</p> <p>35.14% (1)5</p>	<p>Award 1 mark for use of correct use of correct method – can written formula or calculation</p> <p>Award 1 mark for accurate correct response/answer (to 2 decimal points).</p> <p>Marks can only be awarded if % mark is given with the response</p>	2	4.1 AO1b (1) AO2 (1)

		If the candidate uses an incorrect carry over figure for gross profit from (a) but calculates the profit margin correctly with this incorrect figure, then the mark for correct calculation should still be awarded.		
KO	KO4 Finance			

5.1. Candidate Responses

Example 1 (2, 2 marks)

a)

GP = sales – COGs – returns, refunds, discounts

$$296 - 180 - 12 = 104,000$$

Gross profit = £140,000

b)

$$GPM = \left(\frac{GP}{sales} \right) \times 100$$

$$\frac{104}{296} = 0.35135 \times 100 = 35.14$$

Gross profit margin = 35.14%

Examiner Commentary on application of mark scheme

Mark 1: The candidate has correctly identified the formula required.

Mark 2: The candidate has correctly calculated using the formula to come to the correct answer.

Mark 3: The candidate has correctly identified the formula required.

Mark 4: The candidate has correctly calculated using the formula to come to the correct answer to two decimal places.

Example 2 (2, 1 marks)

a)

Gross profit = revenue – cost of goods sold

revenue = sales – returns, refunds and discounts

$$= 296 - 12 = 284$$

$$Gross\ profit = 284 - 180 = 104$$

$$Gross\ profit = 104,000$$

b)

$$Gross\ profit\ margin = \left(\frac{gross\ profit}{revenue} \right) \times 100$$

$$= \frac{104,000}{284,000} \times 100$$

$$= 36.6197$$

= 36.62% (rounded to 2 decimal places)

Gross profit margin = 35.14%

Examiner Commentary on application of mark scheme

Mark 1: The candidate has correctly identified the formula required.

Mark 2: The candidate has correctly calculated using the formula to come to the correct answer.

Mark 3: The candidate has correctly identified the formula required.

Mark 4: The candidate has incorrectly calculated using the formula, therefore reaching the incorrect answer.

5.2. Examiner Hints and Tips

- Encourage candidates to always show their working on mathematics questions, they may be able to pick up marks for following the correct method, even when calculations have gone wrong.
- If candidates only present an answer and do not show the method they used for the calculation they may not achieve full marks.
- Where candidates make errors in their calculations or the method used, they should cross through their working.
- Candidates should note the unit of measure when providing their answer, when applicable for the calculation.
- Candidate should note the number of decimal places or significant figures they are asked to give their answer to.
- Candidates should ensure any workings out are clear, and are presented in a logical order.

6. AO2 – Apply Knowledge and Understanding to Different Situations and Contexts

What this assessment objective means

Using and applying knowledge and understanding, of processes, procedures, generalisations principles and theories to specified, concrete situations. AO2 is about being able to take the understanding of generalities (AO1b) and apply them to specific novel situations. It is more granular than the more extended synthesis/creation that may respond to an analysis (AO3a) of a more holistic complex situation/brief.

A candidate can

- differentiate relevant from irrelevant information in a given, new situation,
- select appropriate procedures/principles from memory and
- implement these procedures and principles appropriately for the given situation.

This is assessed within the examination by

Given a clear, straightforward/narrow situation, the question requires selection and application of relevant principles and procedures in a way that is specific to the situation (rather than in general terms).

- What is the best approach to... in this situation?
- Explain the process/ procedure to take when...
- What are the implications of ...(specific rather than general situation)

6.1. Question and Mark Scheme

<p>Q13</p>	<p>A food production company has been visited without warning by a Health and Safety Executive (HSE) officer. The officer noted one of the slicing machines was operating with a broken guard, so the company was issued with a prohibition notice requiring the work to be stopped immediately.</p> <p>Explain the risk to and impact on the food production company of not complying with this notice.</p>			
	<p>Acceptable answer(s)</p>	<p>Guidance</p>	<p>Max marks</p>	<p>Test Spec ref & AO</p>
	<p>The risk is that there could be an injury (1) and not complying could result in criminal prosecution (1)</p> <p>Noncompliance could result in the company paying a large fine (1) or facing imprisonment (1) resulting in bad publicity and loss of business and profit (1) Business closure (1) causing staff to lose their job /staff being made redundant (1)</p> <p>Not complying with a prohibition notice can result in a serious accident occurring (1) meaning absence of injured worker and possible financial claim by the worker (1)</p> <p>Poorly maintained equipment can result in a lack of trust within the workforce (1) which can result in poor staff retention, which can be costly.</p>	<p>For each point explained, award 1 mark for each developed point, to a maximum of 4 marks.</p> <p>Marks can be awarded for developed points from any part of the mark scheme, provided it is appropriately linked to the risk/impact being explained.</p> <p>Accept any other alternative answer that explains the risk and impact.</p>	<p>4</p>	<p>3.3 AO2</p>
<p>KO</p>	<p>KO3 - Quality and Compliance</p>			

6.2. Candidate Response

Example (4 marks)

First of all, the organisation runs the risk of employees getting injured, resulting in fines related to the Health and Safety at Work Act 1974. These fines would result in reputation damage, high turnover and cost increases. Additionally, should the officer return and discover the issue has not been resolved, they can take the organisation to court and have fines issued, the company disbanded or even place the owner in prison for not complying with the law.

Examiner Commentary on application of mark scheme

Point: *risk of employees getting injured, resulting in fines related to the Health and Safety at Work Act 1974*, appropriate risk to the company of not complying with this notice.

Expansion: *fines would result in reputation damage, high turnover and cost increases*, this expands upon the previous point and links to bad publicity as mentioned in the mark scheme.

Point: *should the officer return and discover the issue has not been resolved, they can take the organisation to court*, is a valid point relating to an impact on the company.

Expansion: *fines issued, the company disbanded or even place the owner in prison*, the company paying a fine, or closure of the business is a valid expansion point to the concerns raised in the point.

Examiner Hints and Tips

- Any context given to the candidates is needed to answer the question in full. It is crucial candidates acknowledge this context in their response and tailor their knowledge to this context.
- Candidates should be encouraged to highlight or underline the context given within the question. They should consider how this context impacts on the question they are being asked. They will only be given context and information which is relevant and needed for them to answer the question.
- Candidate should link their responses against the question context and requirements specifically, trying not to respond randomly in their own words.

7. Section B – Extended Response and AO3 (Analysis and Evaluation)

AO3a Analysis

What this assessment objective means

Complex thinking that distinguishes patterns and relationships, breaking material into constituent parts, and determining how the parts are related to one another and holistically, inferring underlying assumptions / conditions / relevance / causation.

It can be seen an extension of understanding (AO1b), or a prelude to evaluation (AO3b) and to the creation of a response to, for example, a complex brief or situation (more fully assessed in the project).

A candidate can

- break down a complex problem into parts
- consider the relationships between the parts
- manipulate knowledge and experience to determine a range of solutions/proposals
- balance competing priorities to suggest the best outcome.

This is assessed within the examination by

Given a relatively complex, realistic occupationally relevant scenario, stating a situation that implies (but does not directly state) the need for application of a number of different (possibly competing) principles / approaches / procedures; a requirement to respond / propose solutions

- Analyse the situation recommending an approach to be taken to...
- Analyse how the situation can be managed in order to...
- Analyse the consequences of...

AO3b Evaluation

What this assessment objective means

Ability to make judgements about the value, for some purpose, of own or other's work / ideas / solutions / methods using internal or external criteria or standards relevant for the occupational area. These criteria may include eg quality, accuracy, effectiveness, efficiency, coherence, consistency, and may be quantitative or qualitative.

A candidate can

- judge the quality of actions proposals, outcomes
- using their own internal quality standards
- using external standards / criteria
- can justify their judgements of quality.

This is assessed within the examination by

Must have something either given or supplied by the candidate to be evaluated; often following / as part of analysis and the proposal of eg an approach, (AO3a above).

- ...justify your decisions/approach
- Evaluate how well ... meets ...standards
- Evaluate how effective/efficient...

7.1. Question and Mark Scheme

Q21	<p>A toy manufacturing company currently manages its operations from five small factories that the company owns. Each factory is currently operating at less than 50% capacity. The CEO has proposed that the organisation invests in and centralises all of its manufacturing operations from a single site. The company has insufficient existing capital to invest in a new site, so as part of the proposal, a range of finance options have been considered.</p> <p>Evaluate two different finance options that are available to the company to support this move, recommending an approach that provides the best option for the company.</p>
	<p>Intention:</p> <p>To allow learners to demonstrate their understanding of the finance options available to the organisation in this scenario.</p>
	<p>Indicative content</p> <p>Two from the options available:</p> <ul style="list-style-type: none">• Options available• Review options for freeing up funds from existing assets, e.g., selling existing factories.• Consider aligning operations from a smaller number of existing factories to free-up running costs across different sites, e.g., staff costs, operational costs.• Look at options for investor funding to support the short-term investment, for longer-term gain through efficiencies made.• Seek external financial support, through bank loans, credit cards, increased overdrafts, venture capitalists.• Consider applying for grants to relocate in new area. <p>Sources of finance</p> <ul style="list-style-type: none">• Internal sources – any existing capital, owners’ capital, sale of assets, reducing costs, retained profit.• External sources – bank loans, investor funding, cash advances, grant funding, venture capitalists. <p>Recommendations</p> <ul style="list-style-type: none">• Looking at ways to free up capital from internally within the company provides potentially less financial risk.• Apply to local authorities for a grant to relocate in their region to increase local employment rates.• Approach venture capitalists with similar/previous experience of centralising operations to bring skills and capital into the project in exchange for a percentage of the ownership.• Using sale of existing assets and streamlining activities for efficiency, would increase available capital and reduce expenditure, which would support the company to maintain control of its finances as part of investing in a larger site.

- Forecasting savings incurred as part of the outward investment of the new factory and having a plan in place to support the closure of the smaller factories, would provide confidence that the investment would be worthwhile/ and be achievable.
- Sale of assets would have to be managed in a way that ensures ongoing productive (and flow of) revenue continues.
- The company would need to account for any risks incurred with external financial support, such as repayment rates/terms, interest – so would be best to use this to supplement the funds needed, rather than for the full funds – ensuring that the interest etc, incurred is manageable to be repaid alongside the sale of other assets.

Guidance

If only one finance way is discussed, then depending on the depth provided the candidate can only access the bottom of band 3

Band 1 (1 – 3 marks)	Band 2 (4 – 6 marks)	Band 3 (7 – 9 marks)	Band 4 (10 – 12 marks)	Max marks	Test Spec ref & AO
<p>For no awardable content, award 0 marks.</p> <p>Applies a basic understanding of a limited range of financial sources available for the company.</p> <p>Demonstrates basic analysis in reviewing a limited range of options available to support the company to successfully invest in the new factory.</p> <p>Demonstrates basic evaluative skills when making recommendations for the best financial options available to the company, with limited consideration of the of the scenario.</p> <p>The response lacks clarity and is generally poorly structured.</p>	<p>Applies a good understanding of a range of financial sources available for the company.</p> <p>Demonstrates good analysis of different options available to support the company to successfully invest in the new factory.</p> <p>Demonstrates good evaluative skills when making recommendations for the best financial options available to the company. Some justifications are provided for the types that would prove most suitable, with some consideration given to the scenario.</p> <p>The response is generally clearly expressed, with some</p>	<p>Applies a thorough understanding of a range of different financial sources available for the company.</p> <p>Demonstrates thorough analysis of the range of different options available to support the company to successfully invest in the new factory.</p> <p>Demonstrates thorough evaluative skills when making recommendations for the best financial options available to the company. Justifications are provided for the types that would prove most suitable with accurate chains of reasoning evident that considers the scenario.</p>	<p>Applies a comprehensive understanding of a range of different financial sources available for the company.</p> <p>Demonstrates comprehensive analysis of different options available to support the company to successfully invest in the new factory.</p> <p>Demonstrates comprehensive evaluative skills when making recommendations for the best financial options available to the company. Justifications are provided for the types that would prove most suitable with detailed and accurate chains of reasoning evident that demonstrate a developed consideration of the scenario.</p>	12	4.3 AO2 4 AO3 8

		consideration to structure of response.	The response is clearly expressed and has been well-structured.	The response is fully coherent and is articulated using an optimal structure.		
KO	KO4 Finance					

What do we mean by:

	AO2	AO3
Basic	Limited application of understanding that is relevant to the context or question. Application of understanding is undeveloped, with limited accuracy in interpretation through lack of application of relevant knowledge and understanding.	Limited accuracy in analysis through lack of application of relevant knowledge and understanding. Unsupported evaluation through lack of application of knowledge and understanding. Un-supported judgement through lack of application of knowledge and understanding.
Good	Some application of understanding that is relevant to the context or question. Some accuracy in interpretation through the application of some relevant knowledge and understanding.	Some accuracy in analysis through the application of some relevant knowledge and understanding. Partially supported evaluation through the application of some relevant knowledge and understanding. Partially supported judgement through the application of some relevant knowledge and understanding.
Thorough	A range of accurate application of understanding that is relevant to the context or question. Accurate interpretation through the application of relevant knowledge and understanding.	Accurate analysis through the application of relevant knowledge and understanding. Supported evaluation through the application of relevant knowledge and understanding. Supported judgement through the application of relevant knowledge and understanding.
Comprehensive	A range of detailed and accurate application of understanding that is fully relevant to the context or question. Detailed and accurate interpretation through the application of relevant knowledge and understanding.	Detailed and accurate analysis through the application of relevant knowledge and understanding. Detailed and substantiated evaluation through the application of relevant knowledge and understanding. Detailed and substantiated judgement through the application of relevant knowledge and understanding.

7.2. Candidate Responses

7.2.1. Band 1

Top of band 1 response (3 marks)

The company wants to move to one site to centralise its operations which is a smart move as it will mean the site can operate as a higher capacity.

In terms of the businesses financial position the CEO could consider taking a bank loan to help invest into the new site. Then benefits to this is that they will have the capital there to invest in the new site, which will mean there will be less time taken for the moving process and operations in the new site can start sooner. However a risk to taking a bank loan is not being able to pay it back. This could happen if the business doesn't create enough revenue and profit, which could end up in the business having to shut down due to debt.

Examiner Commentary on application of mark scheme

The candidate applies **basic** understanding of a limited range of financial sources available for the company by only referencing one finance option, they did discuss the risk of not being able to the loan back and causing business closure due to debt, but no discussion of interest when obtaining bank loan or any further details to show beyond basic understanding.

The candidate demonstrates a **basic** analysis in reviewing a limited range of options available to support the company to successfully invest in the new factory by talking about the advantages and disadvantages of the bank loan.

Because the candidate only discussed one finance option, they did not demonstrate any evaluative skills, make any recommendations or link things back to the scenario. The response lacks clarity and is generally poorly structured.

7.2.2. Band 2

Top of band 2 response (6 marks)

One finance option available is taking out a bank loan that will be paid back over many years. Bank loans are a quick source of finance and are very reliable, they are also one of the few sources available to borrow a large sum of money in a short period of time. This would mean that all production can start from the centralised site and the company can start to sell the rest of the 5 sites to put back towards the bank loan that has been taken out. Bank loans however have a big disadvantage, on top of the money owed to the bank interest will have to be paid with the money that is owed. If they didn't get a fixed rate interest then this could increase while they are in the process of paying back the loan money. A bank loan should only be taken out if it is almost guaranteed that the business can pay it all back over the period discussed with the bank.

Another finance option could be crowd fundraising. For example holding events to raise money towards the new factory, this could be promoting their products to the public or getting

involved with the community showing their presence. The one main disadvantage is that there is no guarantee that the company will raise anywhere near enough money to purchase the warehouse, this method is very risky and provides no guarantee of completion. It is also not a long term source of finance and has no date of completion.

Overall I believe that a bank loan is the best source of finance that the company can get. This is because it is quick source of finance and can be repaid over many years. The money is also guaranteed with a lower risk involved.

Examiner Commentary on application of mark scheme

The candidate applies a **good** understanding of different financial sources available for the company by capturing details around bank loan, including details around fixed interest rate and repayment. The candidate captured a second option around crowd funding that was less appropriate to the scenario.

The candidate demonstrates **good** analysis of the range of different options available to support the company to successfully invest in the new factory by capturing that the bank loan would be quick, but the business would have to pay interest. And disadvantages around crowd funding are that there is no guarantee. Higher marks could have been gained if the second option was more appropriate for the scenario.

The candidate demonstrates **good** evaluative skills when making recommendations for the best financial options available to the company by selecting the bank loans as the most appropriate option with justifications being quick and guaranteed. Evaluation was limited due to the second options selected

The candidates response is clearly expressed and has been well-structured.

7.2.3. Band 3

Middle of band 3 (8 marks)

A centralised site is one where all the decisions are made and the main operations are run. Having insufficient capital to invest into a new site is a problem because it can be difficult to raise such a large amount of capital.

One source of finance the company can use is a bank loan. This will allow them to raise a large sum while they can pay off over time. Therefore, allowing them to invest into a new site and also put in measures to increase capacity usage.

However, according to the economic climate, interest rates may be high. As the toy company already has insufficient capital they may struggle to pay off the loan at an even medium interest rates. This can cause the company's assets or facilities to be ceased. Therefore causing all operations to stop.

Another source of finance they can use is raising funds through investors. This can once again allow them to raise a large amount for the move. Investors can also give them ideas on how to increase capacity usage in the new site.

However, in order to raise funds through investors the CEO will be giving up equity. Losing a share of the ownership may mean that they won't be in charge of the decisions.

I recommend that the company tries raising funds through investors. This will not only enable them to receive advice on how to manage the site to optimise capacity, but also raise funds. However, the CEO will be giving up ownership and if investors don't find the manufacturing company attractive they may not even invest. Although there are some cons to this source of finance investors may see the potential for growth in the company.

Examiner Commentary on application of mark scheme

The candidate applies a **thorough** understanding of a range of different financial sources available for the company by capturing details around bank loan, including how current climate may affect interest, how assets or facilities could be ceased. And details around funding via investors, including large amounts of money and that having investors would mean giving up equity. Higher marks could have been gained if they had considered time needed to source investors.

The candidate demonstrates **thorough** analysis of the range of different options available to support the company to successfully invest in the new factory by outlining the advantages and disadvantages of each and linking back to the scenario, for example referencing the company has insufficient capital they may struggle to pay the loan back and the advantage of gaining additional advice from investors.

The candidate demonstrates **thorough** evaluative skills when making recommendations for the best financial options available to the company and Justifications are provided for the types that would prove most suitable with accurate chains of reasoning evident that considers the scenario by recommending the investor because it provides funds but also gain advice from investors. Higher marks could have been gained if they had the conclusion also captured the reasons for selecting the investor over the loan.

The response is clearly expressed and has been well-structured.

7.2.4. Band 4

Middle of band 4 (11 marks)

There are many financial options available for gaining capital expenditure, each of which come with various advantages and disadvantages.

The first option would be a bank loan or loan from a loan company. A bank loan is when a bank lends money to an organisation in response of paying back with interest. This would inject a large amount of funds into the business, that could be used to invest in the new site, that they could pay back gradually. This would be achievable due to their operations being profitable and gaining money over time to pay back the loan. It is likely they would be able to attain a loan by providing substantial evidence of previous success e.g. their five factories they currently own. The advantage of taking a bank loan is that there is no loss of ownership

or control of the business, and the money is available immediately to the business in order to proceed with their proposal.

However, bank loans usually have very high interest rates and unless the business has a set rate for their loan, this interest could fluctuate with economic instability. These rates mean that the company will pay back more than they gained, which could reduce shareholder dividends long-term while the loan is being repaid. This could result in dissatisfied shareholders leaving the business and further reducing funds from shares; and reducing the share price.

Another potential finance option is venture capital. Venture capitalists invest money into a business in exchange for part-ownership or a percentage of the profits. If the business could show how significant this growth would be (not in number of factories but in growth of one factory) they would be more likely to attract venture capitalists who are interested in size growth and profit increase.

Unfortunately, finding venture capitalists is rare – they usually invest in new businesses instead of projects. Therefore the increase in time it would take to gain necessary funds would increase. As each factory is currently operating at less than 50% capacity, the cost of running unused facilities (lighting, heating and rent etc.) would continue to negatively impact the business' profitability. This would cause a negative impact on the businesses financial health, resulting in further limited internal sources of finance for the project.

To conclude, the company should apply for a bank loan to fund the centralisation of sites. Whilst interest rates result in larger repayment, the benefit of gaining the money quickly to create the new site outweighs this cost, as profitability will increase faster. The business could then repay the loan by either selling the five small factories that can generate a large sum of money to pay back or the business can rent out the small factories and use the revenue that comes from the renting to pay back for the loan.

Examiner Commentary on application of mark scheme

The candidate applies a **comprehensive** understanding of a range of different financial sources available for the company by describing two different options that were both viable financial sources, including details around fixed and variable interest rates for bank loans, and venture capitalists being rare and often preferring to invest in new businesses.

The candidate demonstrates a **comprehensive** analysis of different options available to support the company to successfully invest in the new factory by capturing that the advantages and disadvantages of each finance option and linking it back to the scenario. With the bank loan; there is no loss of ownership, immediately available and, likely to gain easily due to company history and five factories but has to pay interest. With the venture capitalist; there is no need to pay money back, leaders can focus on managing the organisation, but venture capitalists may be hard to find which can take a long time.

The candidate demonstrates **comprehensive** evaluative skills when making recommendations for the best financial options available to the company and justifications

are provided for the types that would prove most suitable with detailed and accurate chains of reasoning evident that demonstrate a developed consideration of the scenario by clearly identifying the bank loan as the best option, with clear justification around speed and suggestion to mitigate risk that links back to the scenario; the company could repay the loan by selling or renting out other factory locations.

The response is fully coherent and is articulated using an optimal structure. It has clear structured paragraphs that responded clearly to the question and scenario. A clear conclusion was drawn because of the evaluation of the options.

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