



**The Association of Business Executives
NQF
Introduction to Business
Mark Scheme**

Unit Title: Introduction to Business

Unit Code: IB

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Question 1

(a) Describe the main features of the following production methods:

- (i) Job production
- (ii) Batch production
- (iii) Cell production

(12 marks)

(b) A manufacturer currently uses a batch production system. The company wants to increase production and is planning to introduce a flow production system. Identify and explain the possible problems associated with such a change. **(13 marks)**

Suggested Answer:

(a) Award up to 4 marks for each production/process.

- (i) Job production – This is for one-off, special orders **(1)** that are custom built to a client's specifications **(1)**. Materials are bought in especially for the one order **(1)**. Highly skilled workers are required to interpret and construct the specialist design **(1)**. General-purpose machinery and tools **(1)** are required as each order is different. There are few opportunities for economies of scale **(1)** as there is little chance of any repeat orders **(1)**. For these reasons the unit cost is usually high **(1)** e.g. a made to measure dress or hand-made shoes **(1)**.
- (ii) Batch production – this involves the making of a large number of identical items **(1)** in a process where the 'batch' move together through the production process **(1)**. More division of labour occurs **(1)** so there is some opportunity for the use of specialist machinery **(1)** as well as general-purpose machinery. The labour, therefore, need not be as skilled **(1)**. Unit costs tend to be less than job production **(1)** e.g. T-shirts to commemorate an event such as a centenary **(1)**.
- (iii) Cell production is a development of the mass 'flow' production typical of the modern economy **(1)**. The cellular method splits a continuous-flow production line into self-contained units **(1)**. Each cell will produce a significant part of the finished product **(1)**, enabling the cell members to feel 'ownership' of their complete unit of work **(1)**. Each cell passes on their 'product' to the next cell thus creating an internal chain of customers **(1)**. This method not only drives up productivity **(1)** but also improves quality as the cell has pride in satisfying its customers **(1)**.

Maximum Marks for (a)

12 marks

(b) For each of the problems award up to 3 marks, 1 mark for identifying the problem and 2 further marks for developing it to a maximum of 13 marks overall.

The manufacturer might face the following problems when changing from a batch production to a flow production system:

- A change in labour requirement might mean redundancies **(1)** and compensation payments for some of the workers **(1)**. The remaining staff may feel less secure and have lower morale **(1)**.
- The skill level required to operate more automated systems is often much lower **(1)**, which might demotivate multi-skilled workers **(1)**.
- As systems become more mechanized and automated the work tends to be more monotonous **(1)**.
- A change to flow production often requires a large initial investment of funds **(1)**
- More investment is required in preventive maintenance **(1)** as the production system becomes more mechanized **(1)**.
- A more intensive marketing campaign is needed to ensure a sustainable larger market demand for the product **(1)**. This in itself will be more expensive **(1)**.
- Production and sales might be interrupted in the changeover from batch to flow **(1)**.

Maximum Marks for (b)

13 marks

Total Maximum Marks for Q1

25 marks

Question 2

(a) The manager of an engineering company is concerned about the quality of the goods produced by the company. Explain how the use of each of the following could improve quality control:

- (i) Self-checking
- (ii) Quality circles
- (iii) Kaizen
- (iv) Benchmarking

(16 marks)

(b) The company is considering moving the factory from its current location on the edge of a city to a new and undeveloped site in the countryside 20 miles away. Identify and explain three problems that the company might face with such a relocation. **(9 marks)**

Suggested Answer:

(a) Award 3 marks for explaining the method and up to 2 marks for the type of improvement expected to a maximum of 4 marks for each technique.

- (i) Self-checking is one of the actions that can be taken to ensure good quality control in a production system. Self-checking is where the task of checking a product at each stage of production **(1)** is devolved to the individual worker **(1)**. This raises the profile of the importance of quality **(1)** while at the same time enhancing the worker's role **(1)**. The added responsibility helps to boost self-esteem and motivation **(1)**. Overall the engineering products should have fewer if any faults **(1)**.
- (ii) Quality circles are discussion groups **(1)** that meet regularly to identify quality problems **(1)**, to consider solutions and to make recommendations to management **(1)**. They are composed largely of factory floor workers **(1)** as they are the people who know the operation best **(1)**. The group allows workers to participate in the decision making process to solve production problems. It serves to motivate the work force **(1)** as they are given the chance to show their knowledge of the process **(1)** and to suggest improvements that will directly benefit their working environment **(1)**. This should lead to a continuous improvement **(1)** in the engineering production process.
- (iii) Kaizen is a Japanese term meaning 'continuous improvement' **(1)**. It is a means of improving performance by involving all employees **(1)** in the suggestion and implementation of small changes **(1)**. The cumulative effect of these small changes **(1)**, often the idea of shop floor workers, is a steady rise in productivity **(1)**, a fall in the reject rate **(1)** and the raising of quality. The main advantage of this approach is the positive motivation **(1)** achieved by the inclusion of the entire work force **(1)**. This in turn results in a reduction in the costs of production **(1)** that can be passed on to consumers in the form of lower prices **(1)** and to workers in the form of higher wages **(1)**. The engineering products should now be more competitive and reliable **(1)**.
- (iv) Benchmarking is the practice whereby the engineering firm studies the 'best' production and marketing practice **(1)** used by immediate competitors **(1)** and firms from similar industries. Benchmarking involves identifying areas that need improving **(1)**; studying how other firms perform these processes well **(1)**; adapting and implementing those processes **(1)** and monitoring the impact of the change **(1)**. In simple terms 'copying' and 'adapting' the best practice **(1)**. This practice means the engineering firm is constantly measuring itself **(1)** against the 'best' **(1)** and continually striving for enhanced quality **(1)**.

Maximum Marks for (a)

16 marks

(b) Award up to 4 marks for each problem identified and explained up to a maximum of 9 marks overall.

Moving to a new site 20 miles away could cause a variety of problems. A crucial one would be the impact on the work force **(1)**. If the factory is in a remote part of the countryside there is little chance of public transport by bus or train **(1)**. Therefore the move would be reliant on the workers making their own way by car **(1)** which would add to their personal costs **(1)**. The employees would look to the business to compensate them for the extra travel **(1)** or to supply company transport

such as a bus (1). This in turn would increase the costs of the business (1). Some employees may be unwilling to commit the extra travel time (1) involved and find other employment. This could be important if they were key workers (1).

A second problem might be availability of resources and access for suppliers (1). If the factory requires large amounts of raw materials especially bulky items such as steel and wood (1) they will need good transport links (1). These are readily available in most cities but might be missing in rural areas (1).

A third problem might be availability of utilities (1) such as gas, electricity and telecommunications (1). The need for a reliable source of energy would be important for a factory that is highly mechanized (1). In a similar way telecommunications is important in today's economy for links with customers (1) and suppliers via e-mail and a web site (1).

The business must balance the advantages of cheaper land and more modern facilities against the problems associated with employees, supplies and energy (1).

Maximum Marks for (b)
Total Maximum Marks for Q2

9 marks
25 marks

Question 3

(a) A family-owned private limited company manufactures office equipment in its three wholly-owned factories. The company wants to expand and build two further factories in Europe. Explain the advantages and disadvantages of using the following sources of finance to raise the £8 million required for the expansion:

- (i) Sale and leaseback of its three factories
- (ii) An issue of new shares

(10 marks)

(b) Give the equation for the following financial ratios:

- (i) The current ratio
- (ii) The gearing ratio
- (iii) ROCE

(6 marks)

(c) If the company concerned was seeking a loan from the bank, explain the significance of each of the ratios in (b) for the loan application.

(9 marks)

Suggested Answer:

(a) Award up to 2 marks for explaining the source of finance and a further 3 marks for each advantage or disadvantage to a maximum of 5 marks overall for each.

- (i) Sale and leaseback is a contract (1) to raise cash by selling an asset (1), in this case the four factories, and immediately renting the properties back on a long term lease (1). The advantage of this type of finance is that it allows the company to stay in the factories (1) and continue trading as though nothing has happened (1). The capital released (1) can be used immediately to enable the company to expand into Europe (1). The disadvantage is that the company has sold some of its most valuable assets (1) and it must pay a rental sum for the period of the lease (1). Overall the company will only benefit if the expansion into Europe produced more profit than the cost of the lease (1).
- (ii) An issue of new shares is a reasonably cheap way (1) of providing the company with more permanent capital (1) which can be used to finance the expansion. Another advantage is that the company is not obliged to pay dividends to the shareholders (1). A disadvantage, however, is that the ownership is diluted (1) and each share is now worth slightly less (1). The shareholder will only benefit if the expansion creates sufficient profits to raise the share price (1) and to deliver higher dividends (1).

Maximum Marks for (a)

10 marks

(b) 2 marks for each correct equation. Award 1 mark if inverted.

- (i) Current ratio = Current assets/current liabilities **(2)**
- (ii) Gearing = Long term liabilities/Total Capital Employed *100 **(2)**
- (iii) Return on capital employed = Operating profit/Total capital employed * 100% **(2)**

Maximum Marks for (b)

6 marks

(c) Award up to 4 marks for the use of each ratio to a maximum of 9 marks overall.

A bank is concerned with the ability of a company to create sufficient profits to repay a loan. It is, therefore, interested in measuring the degree of 'risk' involved in a loan. The three ratios help to formulate a picture of the company in the following way:

- The current ratio (or liquidity ratio) measures the company's ability to meet its short-term debts **(1)**. The bank will be looking for a ratio of approximately 2 to 1 **(1)** i.e. twice as many current assets available to meet its current liabilities or debts **(1)**.
- The gearing ratio measures the proportion **(1)** of the company's capital that is provided by long-term lenders **(1)**. The higher the ratio the more likely the company will be adversely affected by rising interest rates **(1)** and therefore the greater the risk **(1)**.
- The ROCE measures the company's return on the capital employed **(1)** in the business. The bank would be looking for a low ratio **(1)**, certainly less than 50% **(1)**. It is a measure of the financial effectiveness of the business **(1)**.

Overall the bank would be looking for a current ratio close to 2, a low gearing ratio and a high ROCE as an indication that the company would be able to repay a loan **(1)**.

Maximum Marks for (c)

9 marks

Total Maximum Marks for Q3

25 marks

Question 4

(a) Using examples explain the following terms:

- (i) Primary sector
- (ii) Secondary sector
- (iii) Tertiary sector
- (iv) Public sector

(12 marks)

(b) Explain how the objectives of a new business might change as it grows in size.

(13 marks)

Suggested Answer:

(a) Award up to 3 marks for each term. If no examples maximum of 2 marks each.

- (i) The primary sector is concerned with the extraction or creation of raw materials **(1)**. Examples include all forms of mining **(1)** (such as gold, copper and coal), agriculture **(1)**, oil extraction **(1)**, fishing and forestry **(1)**.
- (ii) The secondary sector is that part of the economy concerned with the manufacture of products **(1)**. It uses the end products of the primary sector **(1)** as its raw material and 'transforms' **(1)** them into finished products **(1)**. For example a furniture manufacturer would use wood, metal, leather and plastic to produce a range of final goods such as chairs, tables and beds **(1)**.
- (iii) The tertiary sector is that part of the economy comprising of businesses that supply services **(1)**, such as insurance **(1)**, transport **(1)** and banking **(1)**.
- (iv) The public sector of an economy is that part owned and directed by the government **(1)** on behalf of the people **(1)**. The public sector's main role is to provide public services **(1)** such as health care, law and order, defence and education **(1)**.

Maximum Marks for (a)

12 marks

(b) Award up to 5 marks for each objective to a maximum of 13 marks overall.

As a new business grows its objectives will change **(1)**. At first the principal objective is survival **(1)** that is to reach a sustainable sales level that allows the firm to break-even **(1)**. Unless a business can achieve this objective it will close **(1)** as soon as initial capital is exhausted **(1)**. Once a firm has reached a sustainable level of sales **(1)** it might change its objective to one of profit maximisation **(1)**. At this stage the business is attempting to maximise the difference between total revenue and total cost **(1)**. A sustained period at this stage allows a business to develop capital reserves **(1)** that can be used to fund the next stage of expansion **(1)**.

Successful firms can follow a policy of growth **(1)** not only growing market share with existing products **(1)** but introducing new products **(1)** and moving into new markets **(1)**. This leads to a greater diversification in its operations **(1)**, which in turn should reduce the risk **(1)**.

Maximum Marks for (b)
Total Maximum Marks for Q4

13 marks
25 marks

Question 5

(a) Define the following terms:

- (i) Primary research
- (ii) Cost-based pricing
- (i) USP
- (ii) Product promotion

(12 marks)

(b) A mobile phone manufacturer is beginning to experience falling sales of its leading brand of phone. Explain how the firm can prevent the phone from entering the decline phase of its product life cycle by amending its marketing mix.

(13 marks)

Suggested Answer:

(a) Award up to 3 marks for each definition.

- (i) Primary research is the gathering of first hand data **(1)** that is specifically relevant to a firm's products **(1)**, consumers or markets **(1)**. This is carried out by fieldwork **(1)** using questionnaires, interviews, focus groups or direct observation **(1)**. It is usually expensive to collect **(1)** but is specific to the product **(1)**.
- (ii) Cost-based pricing is a pricing policy that sets the minimum price of a new product at a level that covers the cost of its production **(1)**. Price is determined by adding a profit element on top of the cost of making the product **(1)**. Cost-based pricing is normally only used in markets that are not competitive as it ignores the pricing policies of competitors **(1)**. This policy is often used in traditional markets, such as engineering and production components, where price is less important than quality and products are customised **(1)**. This pricing policy has also been used for pricing public goods, such as transport and energy **(1)**. It can, however, be difficult to calculate accurately the unit cost of production **(1)**, so sometimes firms base pricing decisions on the marginal cost of production, a pricing policy frequently used in the travel or hospitality industry **(1)**.
- (iii) USP stands for Unique Selling Point (or Proposition) **(1)** which is a feature of a product that can be focused on **(1)** in order to differentiate it from all competition **(1)**. The USP should be based on a real product characteristic **(1)** that consumers can easily verify **(1)**, for example a sports car boasting that it has the fastest acceleration **(1)**. Stronger USPs are those based on a patented technical advantage **(1)** for example Dyson vacuum cleaners that boasted the only dual cyclone suction method **(1)**.
- (iv) Product promotion is a means of boosting a product's sales **(1)** as part of the marketing mix **(1)**. A combination of advertising, branding, sales promotion and public relations **(1)** can be used to influence consumer opinions **(1)** and buying habits **(1)**.

Maximum Marks for (a)

12 marks

(b) Award up to 4 marks for each extension strategy explained in each of the four components of the marketing mix.

In order to slow the transition from maturity to decline the mobile phone company must adopt a series of extension strategies **(1)** many of which will involve changing the elements of the marketing mix (Product, Price, Promotion and Place) **(1)**.

It is important that the product is continually developed **(1)**. The phone company could add extra services or facilities to the phone **(1)** such as a camera or music player **(1)**. The business might also develop a new shape **(1)** for the handset. In order to make the model competitive the firm must identify the modification that will have the most customer appeal **(1)** whether that is the colour, shape, or extra features **(1)**.

The phone company could adopt different pricing strategies as falling sales begin **(1)**. During maturity it is likely that pricing was based on matching the prices of competitors **(1)**. To maintain market share 'special offers' **(1)** can be used to keep current customers and to win new ones **(1)**. These special offers are often limited to particular models **(1)** and only offered for a limited period **(1)**, perhaps a free upgrade for the next month only **(1)**.

Promotion is about communication with the market **(1)**. It is important that the correct segment of the market is identified and targeted **(1)** with the information about changes to the phone and its price **(1)**. This could be in the form of advertising or direct selling **(1)**. For a mass market **(1)** such as mobile phones this often takes the form of TV commercials, posters and direct mailing **(1)**. The important point is to obtain the best balance between coverage and cost **(1)** especially when the product is nearing its decline stage **(1)**.

Place is concerned with availability **(1)**. As the phone declines in one market it might be appropriate to limit the number of outlets at which it is available **(1)**. Special offers can then be rotated **(1)** from one area to another **(1)** without the need for mass advertising **(1)**. Sales of special offer phone deals can then be limited not only by time and number but also by region **(1)**.

Maximum Marks for (b)
Total Maximum Marks for Q5

13 marks
25 marks

Question 6

(a) Businesses are affected by external factors beyond their control. Define the following terms and briefly describe **one** impact that **each** of the following factors might have on a business:

- (i) Exchange rates
- (ii) Environmental pressure group
- (iii) The business cycle

(12 marks)

(b) The economy of a country is entering a period of prolonged recession. Explain how a business making products for both the home market, and for export, might react to this recession. **(13 marks)**

Suggested Answer:

(a) Award up to 3 marks for defining the term and 2 marks for describing an impact to a maximum of 4 marks each overall.

- (i) The exchange rate is the price of one currency expressed in terms of another **(1)**. The pound sterling is often quoted in terms of the currency of its major trading partners **(1)** i.e. against the dollar and the euro **(1)**. Fluctuations in the exchange rate can have a large impact on businesses **(1)**. For example if the pound becomes stronger against the dollar a UK exporting business will find it more difficult to sell into the USA **(1)** as its prices will appear more expensive **(1)**. However, a business that imports from America will benefit from lower prices **(1)**. The impact will depend on the direction of the change in the exchange rate **(1)** (up or down) and whether the business is a net exporter or importer **(1)**.
- (ii) A pressure group is an organization of people with a common interest **(1)** who are concerned about the impact of business on the world environment **(1)** e.g. Greenpeace or Friends of the

Earth (1). Political lobbying and media coverage by a pressure group can have a negative impact on a business (1) if their actions are damaging the environment such as an oil spillage (1) or the Japanese hunting of whales (1). However, those businesses that are pro-environment can turn the publicity into a marketing opportunity (1). The Bodyshop has used its ethical stance to gain a loyal group of customers (1) who are concerned about animal testing and recycling (1).

- (iii) The business cycle is the regular cycle of upturns and downturns (1) in demand and output (1) within the economy (recovery, boom, recession, and slump (1)). Businesses are directly affected by movements in the business cycle (1). For example in a boom a business experiences rising sales, higher profits (1) and is more willing to employ extra people and to invest in new plant and machinery (1). However, in a recession, the businesses will reduce the work force (1), cut back on stocks and delay investing (1) in new machinery until the economy improves again (1).

Maximum Marks for (a)

12 marks

- (b)** Award up to 4 marks for each reaction explained to a maximum of 13 marks overall.

A recession is defined as two consecutive quarters of negative growth in Gross Domestic Product (1). A period of prolonged recession is likely to last several years (1). In the home market the level of demand will fall for several years (1) and will level off at a substantially lower level (1). Firms will need to reduce their costs (1) to match the lower level of demand. This generally results in lower employment levels (1) and the permanent shedding of some jobs (1). As all firms in an industry will be affected the level of competition will increase (1) and prices will usually be driven downwards (1) thus putting more pressure on profit margins (1). At this stage uncompetitive, high cost firms will go out of business (1).

However, unless the recession is global not all countries might be in recession (1), therefore the business can put greater emphasis on exports (1). A business could protect its output and employment levels by switching sales to foreign markets (1). If, at the same time as the recession, the exchange rate falls (1), the business will be able to benefit by increasingly competitive prices abroad (1). Relative price levels will allow the business to off-set falling demand at home with rising sales opportunities in foreign markets (1).

Maximum Marks for (b)

13 marks

Total Maximum Marks for Q6

25 marks

Question 7

- (a)** Define the following terms:

- (i) Human Resource Planning
- (ii) Performance-related pay
- (iii) Labour turnover

(9 marks)

- (b)** A large retail store is experiencing high levels of absenteeism and a high turnover in front line staff. This is resulting in high recruitment and training costs and poor service to customers. The store is considering a number of different methods of improving the situation.

Explain how each of the following methods might improve staff motivation:

- (i) Job enlargement
- (ii) Job enrichment
- (iii) Empowerment
- (iv) Teamworking

(16 marks)

Suggested Answer:

- (a)** Award up to 3 marks for each term suitably defined.

- (i) Human Resource Planning is concerned with ensuring that an organisation has the right quantity and quality of employees (1) and that these employees are doing the right things in the right place and at the right time (1). HRP is also concerned with ensuring a firm's staff costs are appropriate for the operations of the business (1). It is also concerned with recruitment and selection, training and retention of staff (1).
- (ii) Performance-related pay relates financial rewards to individual, group or corporate performance (1) in respect of meeting specified targets (1). The aim of PRP is to foster high levels of performance, innovation and team work (1) and to change the firm's culture to one that concentrates on results and performance (1). PRP is flexible, in that it adjusts pay costs to take account of the organisation's performance and ability to pay the total remuneration package (1). There are two types of PRP – merit pay and incentives and bonuses (1).
- (iii) Labour turnover is the rate at which employees leave the business (1). It can be calculated using the formula: number of employees leaving/total workforce x 100 (1). Labour turnover is expensive for a firm as it is costly and time-consuming to recruit and train new employees (1) and the firm loses the experience of those who leave (1). To keep costs down, firms seek to minimise their labour turnover (1). Some industries have higher turnover than others, especially those with an inexperienced, poorly rewarded, or casual workforce (1).

Maximum Marks for (a)

9 marks

(b) Award up to 4 marks for each method. Maximum of 2 marks if no attempt made to illustrate how motivation would be improved.

- (i) In retailing the work can be notoriously repetitive (1) which may result in workers becoming bored and disenchanted with their employment (1) for example stacking shelves or operating the check-out (1). In extreme cases this could result in a regular exodus from the work force as employees seek more interesting or demanding work (1). Job enlargement is considered to be one of the ways in which staff can be motivated. It consists of increasing the number of tasks (1) and possibly responsibilities involved in a job (1). This may succeed but it depends largely on how different the tasks are (1) and the amount of responsibility given (1). It could result in 'more of the same' type of work (1) in which case it will soon become as repetitive and boring as the original single task (1). However, if it provides a more varied routine (1) it could result in better motivation (1).
- (ii) Job enrichment, however, takes this a stage further and is largely based on the work of Herzberg (1). He suggested that an enriched job should ideally contain several tasks at different ability levels (1), some of which were beyond the worker's experience to date (1). This would provide some progression (1). This may be a better method of motivating workers in retailing especially if the scheme involved a team of workers (1) e.g. discussions on shop layout or display (1).
- (iii) Empowerment gives employees the power to do their job (1). It is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction (1). Empowerment provides a form of on-the-job training improving competence, confidence, employability and customer service (1). Trusting employees will improve their self-esteem and create a sense of ownership (1). It should support better decision making (1). However, it may increase workload and stress of subordinates, which may counteract any positive impacts (1).
- (iv) With team working, responsibility is devolved to both teams and to the individuals making up those teams (1). Production is broken down into large units, with teams given the responsibility to complete the task (1). The team not only competes the task, but decides how the task is done and by whom (1). Each team member brings their own ideas, perspectives, skills and experience to the production process and this can help improve efficiency (1). Teamwork can lead to better decision-making, products and services (1). As teams work together they develop an increased level of bonding, reducing conflicts and increasing job satisfaction (1).

Maximum Marks for (b)

16 marks

Total Maximum Marks for Q7

25 marks

Question 8

(a) Define the term 'stakeholder', using examples to support your definition. **(4 marks)**

(b) Outline the main objectives of the following types of organisation:

- (i) A not-for-profit organisation
- (ii) A family business
- (iii) A PLC

(9 marks)

(c) A developer is planning to build a complex of 300 houses, a large shopping centre and a sports complex at the edge of a small rural town. Identify the likely positive **and** negative opinions of the following groups towards the development:

- (i) The population living nearby
- (ii) Local government
- (iii) Local retailers

(12 marks)

Suggested Answer:

(a) Award 2 marks for defining a stakeholder as any individual or group **(1)** that has an effect on or is affected by a business or organisation **(1)**. A further two marks for examples that might include groups such as employees **(1)**, owners **(1)**, trade unions **(1)**, customers **(1)**, pressure groups and competitors **(1)**.

Maximum Marks for (a)

4 marks

(b) Award up to 3 marks for a well explained objective with a mark for each valid point.

- (i) The objective of a not-for-profit organisation such as a charity might be to raise funds **(1)** for a specific cause **(1)** such as cancer research **(1)** and to do so they minimise costs **(1)**.
- (ii) A family business' objectives might be to provide employment for family members **(1)**, a reasonable level of profit **(1)** and continuity of business for future generations **(1)**.
- (iii) A PLC's (public limited company **(1)**) main objective is to generate profits **(1)** for its shareholders **(1)** while at the same time satisfying other interested stakeholders such as customers and suppliers **(1)**.

Maximum Marks for (b)

9 marks

(c) Opinions towards development can be positive or negative. Reward any well explained opinion. Award up to 4 marks for the opinions of each group. Maximum of 3 marks if only one side of the argument is considered.

- (i) A positive opinion will be the creation of employment for local people **(1)**, the provision of better, more modern housing **(1)** and more leisure facilities **(1)**. However, it might also cause problems such as road safety for children **(1)** and the reduction of 'greenbelt' land **(1)**. For those living close to the leisure centre they will have a convenient sports facility **(1)** but this must be balanced by the increase in traffic **(1)**. The increase in housing might also affect the value of existing properties **(1)**.
- (ii) The local government will view the development as a short term boost to employment **(1)** but also a long term improvement to facilities **(1)**. Reward any comment that differentiates between short term and long term gains. However, if the development results in extra population the government will have to provide extra school places **(1)** and appropriate health facilities **(1)**. The development might also have an adverse effect on the environment **(1)** such as traffic congestion **(1)** or pollution **(1)**. Conversely the extra population might boost demand for goods in local shops **(1)** and provide extra local taxation **(1)**.
- (iii) Local retailers will welcome the expansion of housing as it will mean a larger population **(1)** in the area with, hopefully, more customers **(1)**. Similarly the sports complex and shopping centre should encourage visitors to the area **(1)** creating a greater throughput of people **(1)**. It will also provide more jobs for local people **(1)** who will, hopefully, still spend in local shops **(1)**.

However, the shopping centre might include retailers in direct competition with local shops (1), selling similar goods at lower prices (1), particularly if they are large national supermarkets (1). In this case it could mean the closure of local outlets as they cannot compete (1).

Maximum Marks for (c)
Total Maximum Marks for Q8

12 marks
25 marks