# Check In test

# External Influences and change

## Questions

1. A manufacturing company has spent $400,000 on raw materials from the USA and €300,000 on raw materials from Europe. The exchange rate is $1.54 = £1 = €1.36.

The manufacturer’s cost of sales in pounds sterling is:

1. £480,328
2. £482,758
3. £1,015,000
4. £1,024,000 **[1]**
5. A trading bloc:
6. imposes tariffs and quotas on members
7. makes it illegal to restrict competitive practices
8. protects itself from imports from non-members
9. regulates firms with dominant market positions **[1]**
10. The Eurozone includes all countries:
11. in Europe
12. that are members of the European Union
13. that use the Euro as their currency
14. which subscribe to The World Trade Organisation **[1]**
15. Which of the following best describes an emerging market?
16. An entrepreneur who has invented a new product
17. Consumer orientated market research
18. Developing countries achieving rapid growth
19. Multinational companies selling to India and China **[1]**
20. Fiscal policy does **not** involve:
21. adjusting taxes
22. controlling public spending
23. manipulating interest rates
24. offering government subsidies **[1]**
25. Which of the following types of business is most likely to benefit from an economic slump?
26. A building firm
27. A designer clothing boutique
28. A discount supermarket
29. A new car showroom **[1]**
30. Which of the following is an internal cause of change?
31. Competitor activity
32. Globalisation
33. Product innovation
34. Social trends **[1]**
35. Which of the following components is at the heart of McKinsey’s 7-S model of change management?
36. Scientific management
37. Shared values
38. Staff
39. Systems **[1]**
40. Identify **one** legal and **one** non-legal consequence to a business of failing to comply with legislation. **[2]**

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1. Explain **one** supply-side policy which the government could use to improve the productive capacity of the UK. **[2]**

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1. Explain **two** disadvantages to a business of using the latest computer technology. **[4]**

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1. Explain why a third sector organisation might use an external agency to manage change within the organisation. **[4]**

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## Mark scheme

| **Question** | **Answer** | **Marks** | **AO** | **Rationale** |
| --- | --- | --- | --- | --- |
| **1** |  | **(a)** | **1** | **2** | **(a) Correct answer:** ($400,000/1.54) + (€300,000/1.36) = £480,328.**(b)** Candidate uses an average of the exchange rates i.e. 1.45.700,000/1.45 = £482758.**(c)** Candidate uses an average interest rate and erroneously multiplies rather than divides.**(d)** Candidate erroneously multiplies the figures, rather than divides. |
| **2** |  | **(c)** | **1** | **1** | **(a)** Candidate confuses a trading bloc with a barrier to trade.**(b)** Competition law, administered by theCompetition and Markets Authority makes it illegal to restrict competition. However, this is nothing to do with a trading bloc.**(c) Correct answer:** This is the central purpose of a trading bloc, allowing free trade within but imposing barriers on imports from without.**(d)** Candidate confuses the CMA blocking a firm from merging with a trading bloc. |
| **3** |  | **(c)** | **1** | **1** | **(a)** Not all countries in Europe are in the EU, furthermore even fewer use the Euro.**(b):** There are several countries in the EU which do not use the Euro, the UK included.**(c) Correct answer:** The Eurozone comprises all countries that use the Euro.**(d)** The World Trade Organisation has a global remit not a European one. |
| **4** |  | **(c)** | **1** | **1** | **(a)** Candidate erroneously confuses emerging market with newly invented products which go on sale.**(b)** Candidate erroneously confuses market research which discovers what customers really want with an emerging market.**(c) Correct answer:** China, India, Brazil and Russia are considered to have emerging markets. **(d)** This is an example of a business exporting to emerging markets, it is not a description of what an emerging market is. |
| **5** |  | **(c)** | **1** | **1** | **(a)** Fiscal policy involves governments adjusting direct and indirect taxation for economic benefit.**(b)** The level of public spending (the accurate term for government spending on public provision) is controlled for economic benefit.**(c) Correct answer:** Manipulating interest rates is a monetary, rather than fiscal, policy**.****(d)** A subsidy is in effect a negative tax; the government gives out money rather than collects it. Fiscal policy therefore includes government subsidies. |
| **6** |  | **(c)** | **1** | **1** | **(a)** Business investment is plummets significantly during an economic slump, and consumers are less willing to move house.**(b)** Designer clothing is a luxury market and therefore likely to suffer in times of economic slump.**(c) Correct answer:** In an economic slump (the bottom of the business cycle) disposable income is tight. A business that sells necessities is more likely to flourish than one that sells luxuries. Furthermore, a business that sells necessities at reduced prices is even more likely to flourish.**(d)** A new car would be considered a luxury in an economic slump, a second hand car dealer may do better. |
| **7** |  | **(c)** | **1** | **1** | **(a)** Competitors are external to the business; as such they are an external cause of change.**(b)** Driven by improvements in technology, transport and infrastructure this is again an external cause of change.**(c) Correct answer:** The development of a new product, or a new feature on a product, is within the control of a business. It is therefore an internal cause of change.**(d)** Consumer preferences are not within the control of the business. They are therefore external causes of change. |
| **8** |  | **(b)** | **1** | **1** | **(a)** This is not one of McKinsey’s seven components; instead it is the central part of Taylor’s motivation theory.**(b) Correct answer:** The model has seven components, the central one of which is to achieve shared values during a period of change.**(c)** ‘Staff’ is a component of McKinseys 7-S model, but it is not the central goal.**(d) ‘**Systems’ is a component of McKinseys 7-S model, but it is not the amalgamating factor. |

| **Question** | **Answer** | **Marks** | **Guidance** |
| --- | --- | --- | --- |
| **9** |  |  | One mark for the correct identification of a legal consequence.One mark for the correct identification of a non-legal consequence. | **2**(AO1 2) | Indicative content:* legal:
	+ court action
	+ fines
	+ compensation
	+ damages
	+ business closure
	+ imprisonment of senior personnel.
* non-legal:
	+ time
	+ opportunity cost
	+ solicitor costs
	+ bad publicity
	+ impact on reputation.

**No** context required. |
| **10** |  |  | One mark for a correct identification, plus one further mark for explanation. | **2**(AO1 2) | Indicative content:* improve education and training
* improve workforce skills
* encourage enterprise
* help for small businesses
* improve the flexibility of labour
* lower trade union power
* deregulation of industries
* reduce bureaucracy and red tape
* make it less appealing to be unemployed.

**No** context required.Exemplar response:The government could encourage school leavers to become entrepreneurs (1) by offering business start-up grants or training workshops to improve business planning skills (1). |
| **11** |  |  | One mark for a correct identification, to a maximum of two identifications, plus one mark for each of two explanations. | **4**(AO1 4) | Indicative content:* cost of hardware/software
* training cost
* need for IT support
* over-reliance on technology
* system failure could render business non-operational
* need for data backup systems
* catastrophic loss of data possible
* risk of hacking and fraud
* may not be fully tested
* public may be resistant to new technology.

**No** context required.Exemplar response:The latest technological systems might contain bugs which are currently unknown (1). This could lead to a catastrophic loss of data (1). |
| **12** |  |  | One mark for each point of explanation, but allow development. | **4**(AO1 2)(AO2 2) | Indicative content:* time benefits
* objectivity/independence
* avoidance of corporate politics
* pro-active thinking
* maintain focus
* manage workload
* an analytical framework
* hypothesis driven problem-solving
* an holistic viewpoint
* a multi-functional approach
* quality control
* expertise and methodology
* an external viewpoint
* broader perspectives
* expertise
* specialisation.

Context **required** for more than two marks.Exemplar response:An external agency should have greater expertise in managing change than the organisation itself (1). This should lead to better outcomes for the charity (1), minimising the chances of negative publicity (1) which may significantly affect the reputation and earning potential of the charity which relies on donations to fund its cause (1). |

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