# Check In test

# Objectives and Strategy

## Questions

1. Which of the following is true for all stakeholders of a business?

(a) They have an interest in the business

(b) They own shares in the business

(c) They want the business to grow

(d) They work in the business **[1]**

1. A forthcoming general election is likely to lead to a business experiencing:

(a) decreased uncertainty caused by external factors

(b) decreased uncertainty caused by internal factors

(c) increased uncertainty caused by external factors

(d) increased uncertainty caused by internal factors **[1]**

1. Which of the following is a financial measure of company performance?

(a) Customer retention rates

(b) Return on equity

(c) Market share

(d) Stock turnover ratio **[1]**

1. A national hotel chain obtains its supplies of beds and soft furnishings from Jackson’s Ltd.

Which of the following is **not** likely to be an objective of Jackson’s Ltd?

(a) To be paid on time for goods supplied

(b) To have a written contract to supply

(c) To obtain orders for larger quantities

(d) To receive cheaper orders **[1]**

1. In the hierarchy of objectives,:

(a) aims are broader than objectives.

(b) aims are more specific than objectives.

(c) strategic objectives are more focused than tactical objectives.

(d) tactical objectives are narrower than operational objectives. **[1]**

1. The miscommunication of objectives to employees is most likely to lead to:

(a) a unified business focus.

(b) increased workforce motivation.

(c) poor industrial relations.

(d) reduced strategic risk. **[1]**

1. A business plan:

(a) is a legal requirement when setting up a company.

(b) may help a business obtain a bank loan.

(c) should only be used in emergencies.

(d) would be useful for start-up enterprises only. **[1]**

1. In order for a business to be successful risk needs to be:

(a) avoided.

(b) ignored.

(c) managed.

(d) maximised.  **[1]**

1. In the context of business strategy, explain what is meant by the term ‘unquantifiable risk’. **[2]**

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1. State **two** specific risks faced by an entrepreneur. **[2]**

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1. Mighty Motors, a business partnership, operates a small chain of car repair workshops in out-of-town locations in the north-east of England.

Identify **two** internal stakeholder groups in Mighty Motors and explain **one** issue over which the two stakeholder groups may hold conflicting views. **[4]**

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1. Explain **one** way in which the objectives of a public sector organisation are likely to differ from the objectives of a private sector organisation. **[2]**

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## Mark Scheme

| **Question** | | **Answer** | **Marks** | **AO** | **Rationale** |
| --- | --- | --- | --- | --- | --- |
|  |  | **(a)** | **1** | **1** | **(a) Correct answer:** A stakeholder is one who has an interest, i.e. stake in the business.  **(b)** Not all stakeholders are shareholders.  **(c)** Not all stakeholders want the business to grow – consider local residents, pressure groups or even employees who might experience change in work patterns or practices.  **(d)** Not all stakeholders work in the business. |
|  |  | **(c)** | **1** | **1** | **(a)** Political/Government factors are external to the business but they increase rather than decrease uncertainty.  **(b):** A general election is neither within a business’ control nor does it lower uncertainty for the future.  **(c) Correct answer:** Any change increases uncertainty – this change is from a political source outside of the control of the business and is thus external.  **(d)** A forthcoming general election does increase uncertainty but not caused by internal factors. |
|  |  | **(b)** | **1** | **1** | **(a)** A qualitative measure of customer satisfaction  **(b) Correct answer:** Return on equity is financial.  **(c)** Percentage of market serviced by a business, numerical but not financial.  **(d)** The number of times stock is turned over in a year, or the number of days it takes to turn over average stock, numerical but not financial. |
|  |  | **(d)** | **1** | **1** | **(a)** This is a likely to be an objective of a supplier.  **(b)** Having a written contract puts the supplier relationship on a firmer footing.  **(c)** This is likely to be an objective of a supplier.  **(d) Correct answer:** Jackson’s Ltd in its role as a supplier does want to receive more lucrative orders, rather than cheaper ones. |
|  |  | **(a)** | **1** | **1** | **(a) Correct answer:** The hierarchy of objectives is a continuum: aims, corporate objectives, strategic objectives, tactical objectives, operational objectives. The broadest and least specific being aims and the narrowest and most focused being operational objectives.  **(b)** Aims are more general than objectives so the statement is incorrect.  **(c)** Tactical objectives are more focused than strategic objectives so the statement is incorrect.  **(d)** Operation objectives are narrower than tactical objectives so the statement is incorrect. |
|  |  | **(c)** | **1** | **1** | **(a)** A unified business focus would, hopefully, be the result of well communicated objectives.  **(b)** Miscommunication is likely to decrease workforce motivation, rather than increase it.  **(c) Correct answer:** The miscommunication of objectives to employees may lead to mistrust, frustration, concern, misunderstanding, uncertainty etc. Any of these is likely to have a negative effect on industrial relations.  **(d)** Strategic risk would be increased, rather than decreased. |
|  |  | **(b)** | **1** | **1** | **(a)** There is no legal requirement to produce a bank loan when setting up a company, although it would be advisable.  **(b) Correct answer:** Is often a requirement from a bank when considering an application for finance, and if deemed suitable may help to obtain a bank loan.  **(c)** Candidate confuses a business plan with a contingency plan.  **(d)** Candidate erroneously believes that business plans are only of value to start-up enterprises. |
|  |  | **(c)** | **1** | **1** | **(a)** Operating a business inevitably entails taking risks, risk cannot be totally avoided.  **(b)** Ignoring risk is not an appropriate course of action for a successful business; the business needs to take account of the degree and nature of the risk it faces during all of its decision-making.  **(c) Correct answer:** risk management is crucial to the success of a business.  **(d)** Candidate misunderstands the link between risk and reward, erroneously believing that maximum risk will lead to maximum reward and therefore success. |

| **Question** | | | **Answer** | **Marks** | **Guidance** |
| --- | --- | --- | --- | --- | --- |
|  |  |  | One mark for ‘risk’.  One mark for ‘unquantifiable’. | **2**  (AO1 2) | Indicative content:   * risk: the possibility of an adverse event (1). * unquantifiable: unknown/which cannot be numerically valued (1).   **No** context required.  Do **not** award examples.  Exemplar response:  The likelihood of a negative occurrence happening to a business (1) for which the degree of risk or the damage caused cannot be estimated in numerical or financial terms (1). |
|  |  |  | One mark for each correct identification, to a maximum of two identifications. | **2**  (AO1 2) | Indicative content:   * physical wellbeing * mental wellbeing * personal financial wellbeing * impact on domestic/family situation * impact on personal relationships * cash-flow issues * business failure.   **No** context required. |
|  |  |  | One mark for each correct identification, to a maximum of two identifications plus up to two further marks explanation. | **4**  (AO2 4) | Indicative content:   * owners/partners * employees * managers.   Do **not** award shareholders, the business is a partnership.  Award any issue of conflict appropriate to the stakeholder groups identified. Award one mark for the view of each stakeholder group.  Exemplar response:  The partners (1) and the car mechanics (1) might disagree about pay. The partners may want to pay the minimum wage (1) whereas the car mechanics want higher pay rates for a better standard of living (1). |
|  |  |  | One mark for a correct identification, plus one further mark for explanation. | **2**  (AO1 2) | Indicative content:   * profit * service provision * cost minimisation * income maximisation * operational efficiency * reputation * community benefit * competiveness   Difference required for full marks.  Exemplar response:  E.g. A public sector organisation is likely to have objectives relating to the quality and availability of its service provision (1) whereas a private sector organisation is likely to have profit as its main objective (1). |

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