3.7 Retrenchment, Redundancy and Business Contraction as a Strategy: 10-minute Pack

AQA 7132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. Write full sentences for questions worth 3 marks or more. Show your working for every calculation.

1 Which one of the following best describes voluntary redundancy?

- ☐ A) Employees are selected and dismissed by the employer without choice
- ☐ B) Employees choose to leave in return for a redundancy payment
- ☐ C) Employees are temporarily laid off and kept on the payroll
- ☐ D) Employees are moved to a different department with the same pay

(Total for Question 1 is 1 mark)

2 Define the term 'retrenchment' as it is used in a business strategy context.

(Total for Question 2 is 2 marks)

3 State two typical uses of funds raised by asset sales during retrenchment.

(Total for Question 3 is 2 marks)

4 Explain one disadvantage to a business of making compulsory redundancies rather than voluntary redundancies.

(Total for Question 4 is 3 marks)

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Mark scheme · 3.7 Retrenchment, Redundancy and Business Contraction as a Strategy: 10-minute Pack

Question 1

B cao **B1**

Answer: B

Question 2

gives a correct definition, e.g. reduction in a firm's scale of operations or withdrawal from markets/units to cut costs **B1**

adds a development, e.g. closing stores, selling assets or cutting staff to improve financial performance **B1**

Answer: Retrenchment is a deliberate reduction in the scale of a firm's operations or withdrawal from parts of its business, for example closing units or selling assets, to cut costs and improve financial performance.

Question 3

paying redundancy or restructuring costs **B1**

reducing debt or improving cash reserves for core operations **B1**

Answer: Paying redundancy or restructuring costs; reducing debt or improving cash reserves for the core business.

Question 4

identifies a disadvantage, e.g. compulsory redundancies can damage staff morale and trust **B1**

develops the effect, e.g. remaining staff may become less productive or leave, increasing turnover **B1**

links to a business consequence, e.g. reduced productivity or recruitment costs may offset some savings **B1**

Answer: Compulsory redundancies can damage staff morale and trust; remaining staff may become less productive or leave, increasing turnover and recruitment costs, which can offset some of the intended savings.

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