BUS.EN4 Stakeholders and their conflicting interests

AQA 8132 · Calculator allowed · about 60 minutes

Total Marks

Name: ________________________________ Date: ____ / ____ / ______

Answer ALL questions in the spaces provided. Show your working for any calculation: method marks are available even if your final answer is wrong. Marrow Lane Grocers, used throughout this pack, is a fictional business.

1 Which one of the following best defines a business stakeholder?

- ☐ A) Anyone who owns shares in the business
- ☐ B) Any individual or group with an interest in, or who is affected by, a business's activities
- ☐ C) A customer who has made a complaint
- ☐ D) A business's main competitor

(Total for Question 1 is 1 mark)

2 Which one of the following is an INTERNAL stakeholder of a business?

- ☐ A) A customer
- ☐ B) A local resident
- ☐ C) An employee
- ☐ D) The government

(Total for Question 2 is 1 mark)

3 State two external stakeholders of Marrow Lane Grocers, other than its customers.

(Total for Question 3 is 2 marks)

4 For each stakeholder group below, state their main interest in Marrow Lane Grocers.

(a) Shareholders/owners **(1)**

(b) Employees **(1)**

(c) Suppliers **(1)**

(d) The local community **(1)**

(Total for Question 4 is 4 marks)

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5 Explain one way in which the interests of Marrow Lane Grocers' shareholders and its employees could conflict.

(Total for Question 5 is 3 marks)

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6 Marrow Lane Grocers makes 80,000 pounds of profit before tax. Corporation tax is charged at 19% of profit.
Calculate the corporation tax Marrow Lane Grocers must pay. Show your working.

(Total for Question 6 is 2 marks)

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7 Using your answer to question 6, calculate Marrow Lane Grocers' profit after tax. Show your working.

(Total for Question 7 is 2 marks)

8 Marrow Lane Grocers' board decides to allocate its 64,800 pounds after-tax profit (question 7) as follows: 40% to shareholders as dividends, and 5% to an employee bonus pool.

(a) Calculate the total dividend pool paid to shareholders. **(2)**

....

(b) Calculate the total employee bonus pool. **(2)**

....

(Total for Question 8 is 4 marks)

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9 Explain one reason why shareholders might argue that the 25,920 pound dividend pool (question 8a) should be even larger, at the expense of the employee bonus pool (question 8b).

(Total for Question 9 is 3 marks)

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10 Marrow Lane Grocers also allocates 2% of its after-tax profit (question 7) to a community donation fund, and keeps the rest of the after-tax profit as retained profit for reinvestment.

(a) Calculate the community donation fund. **(2)**

....

(b) Using your answers to questions 7, 8 and 10a, calculate the retained profit kept for reinvestment. **(2)**

....

(Total for Question 10 is 4 marks)

11 Marrow Lane Grocers has 12 members of staff who share the employee bonus pool (question 8b) equally. Calculate the bonus each employee receives. Show your working.

(Total for Question 11 is 2 marks)

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12 Explain one way in which the interests of Marrow Lane Grocers' shareholders and the local community could conflict.

(Total for Question 12 is 3 marks)

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13 Explain one way a business like Marrow Lane Grocers could try to balance the conflicting interests of different stakeholder groups.

(Total for Question 13 is 3 marks)

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14 State two ways, other than pay or a bonus, that Marrow Lane Grocers could satisfy the interests of its employees.

(Total for Question 14 is 2 marks)

15 Marrow Lane Grocers' shareholders are pushing for their dividend share to rise from 40% to 50% of after-tax profit (question 8a) next year. This extra dividend would come entirely out of retained profit (question 10b), reducing the funds available for store reinvestment, while the employee bonus pool (question 8b/11) and community donation fund (question 10a) would stay unchanged.

Recommend whether Marrow Lane Grocers' board should approve the shareholders' request. Justify your answer using the figures and points made earlier in this pack.

(Total for Question 15 is 9 marks)

Mark scheme · BUS.EN4 Stakeholders and their conflicting interests

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** C cao
- **Answer: C**

Question 3

- **B1** one acceptable external stakeholder, e.g. suppliers
- **B1** a second acceptable external stakeholder, e.g. the local community, the government, or a bank/lender
- **Answer: Any two, e.g. suppliers; the local community.**

Question 4

- (a) **B1** profit/return on their investment (e.g. dividends)
- **(a) Answer: Profit/return on their investment.**
- (b) **B1** fair pay and job security (or good working conditions)
- **(b) Answer: Fair pay and job security.**
- (c) **B1** being paid on time/in full, and receiving reliable, repeat orders
- **(c) Answer: Being paid on time and receiving reliable, repeat orders.**
- (d) **B1** local jobs being created, and minimal negative impact, e.g. traffic/noise/environmental impact
- **(d) Answer: Local jobs being created, and minimal negative impact such as traffic or noise.**

Question 5

- **B1** identifies the conflict, e.g. shareholders want a larger share of profit paid out as dividends
- **B1** develops the point, e.g. this can mean less money is available to increase staff pay or hire extra staff
- **B1** links clearly to an outcome, e.g. employees may become demotivated or leave for better-paid jobs elsewhere, which the business must weigh against keeping shareholders satisfied
- **Answer: Shareholders wanting a larger dividend can mean less money is available to increase staff pay, which could demotivate employees or cause them to leave, a trade-off the business must manage.**

Question 6

- **M1** 80,000 x 0.19 seen
- **A1** 15,200 pounds cao
- **Answer: 15,200 pounds.**

Question 7

- **M1** 80,000 - 15,200 seen (ft from question 6)
- **A1** 64,800 pounds cao
- **Answer: 64,800 pounds.**

Question 8

- (a) **M1** 64,800 x 0.40 seen (ft from question 7)
- (a) **A1** 25,920 pounds cao
- **(a) Answer: 25,920 pounds.**
- (b) **M1** 64,800 x 0.05 seen (ft from question 7)
- (b) **A1** 3,240 pounds cao
- **(b) Answer: 3,240 pounds.**

Question 9

- **B1** identifies a reason, e.g. shareholders took the financial risk of investing in Marrow Lane Grocers and expect a return in exchange
- **B1** develops the point, e.g. they may compare their return with what they could earn investing the same money elsewhere
- **B1** links clearly to an outcome, e.g. if the dividend feels too low compared with the risk taken, shareholders may sell their shares or refuse to invest further, weakening the business's access to finance
- **Answer: Shareholders took the risk of investing and expect a competitive return; if the dividend is too low compared with the risk taken or with other investments available, they may sell their shares or refuse further investment, weakening the business's access to finance.**

Question 10

- (a) **M1** 64,800 x 0.02 seen (ft from question 7)
- (a) **A1** 1,296 pounds cao
- **(a) Answer: 1,296 pounds.**
- (b) **M1** 64,800 - 25,920 - 3,240 - 1,296 seen (ft from question 7, 8a, 8b, 10a)
- (b) **A1** 34,344 pounds cao
- **(b) Answer: 34,344 pounds.**

Question 11

- **M1** 3,240 / 12 seen (ft from question 8b)
- **A1** 270 pounds cao
- **Answer: 270 pounds.**

Question 12

- **B1** identifies the conflict, e.g. shareholders want costs kept low to maximise profit and dividends
- **B1** develops the point, e.g. this could mean the community donation fund (question 10a) or measures to reduce noise/traffic near the store are kept to a minimum
- **B1** links clearly to an outcome, e.g. local residents may then feel the business is not giving enough back, which could damage its reputation and local support
- **Answer: Shareholders wanting costs kept low to maximise dividends could mean the community donation fund or measures to reduce local traffic/noise are kept to a minimum, which could damage the business's reputation and local support.**

Question 13

- **B1** identifies a method, e.g. consulting stakeholder groups before making a major decision, or setting a fixed percentage split of profit (as in questions 8 and 10) between groups
- **B1** develops the point, e.g. this ensures no single stakeholder group's interests are ignored, and each group receives an agreed, predictable share
- **B1** links clearly to an outcome, e.g. this can reduce conflict and build trust between the business and its stakeholders over time
- **Answer: A business could set a fixed percentage split of after-tax profit between stakeholder groups (as Marrow Lane Grocers does in questions 8 and 10), ensuring each group gets a predictable share, which reduces conflict and builds trust over time.**

Question 14

- **B1** one acceptable way, e.g. offering job security/permanent contracts
- **B1** a second acceptable way, e.g. training and promotion opportunities, or safe/pleasant working conditions
- **Answer: Any two, e.g. job security; training and promotion opportunities.**

Question 15

- **Level 1** (1-3): Makes simple, undeveloped comments about the dividend request, with little or no use of the pack's figures and no clear recommendation.
- **Level 2** (4-6): Gives a developed argument for or against approving the request, using some of the pack's figures, but does not fully weigh both sides or reach a clearly justified recommendation.
- **Level 3** (7-9): Weighs the evidence for and against approving the request, using the dividend, retained-profit and stakeholder figures from this pack, and reaches a justified recommendation supported by that analysis.
- **Indicative content:**
  - For approving: shareholders took the financial risk of investing in Marrow Lane Grocers (question 9) and a higher, more competitive dividend could help retain their support and make it easier to raise further finance from them in future.
  - For approving: the employee bonus pool and community donation fund are protected/unchanged, so this specific conflict does not directly worsen relations with those two stakeholder groups.
  - Against approving: retained profit would fall from 34,344 pounds (question 10b) by the full amount of the dividend increase, leaving less money for reinvestment in the store, which could limit future growth or maintenance.
  - Against approving: reduced reinvestment could eventually affect employees and customers indirectly (e.g. an ageing store, fewer opportunities for pay rises funded by growth), even though the bonus pool itself is untouched this year.
  - Judgement: a reasonable recommendation is that the board should only approve part of the increase, or delay it, since retained profit funds the business's own future (and indirectly all other stakeholders' long-term interests), so protecting a reasonable level of reinvestment alongside a modest, not maximal, dividend rise is likely to balance shareholder and business interests better than the full request.