Now test yourself answers

Unit 1 The business environment

1 Understand different types of businesses and their objectives
1 A hotel provides a service (1 mark). It does not manufacture goods or extract raw materials (1 mark).
2 [c] (1 mark).
3 Unlimited liability means the owner is responsible for the debts of the business (1 mark). This puts at risk the owner’s personal possessions (1 mark), including own house and car, as they may need to be sold to pay off the business’s debts (1 mark).
4 A community interest company must pay tax on its income (1 mark), a registered charity is tax exempt (1 mark). A community interest company requires less paperwork (1 mark) because it is not governed by the strict rules of the Charity Commission (1 mark).
5 A financial aim suitable for a new business is to break-even (1 mark) in the first year of trading. This means earning enough revenue to cover business costs (1 mark). A non-financial aim for a new business might be to be environmentally friendly (1 mark) by using recycled packaging materials (1 mark).

2 Understand how the functional areas of businesses work together to support the activities of businesses
1 [c] (1 mark).
2 Dealing with customer complaints (1 mark) by listening carefully to the customer and trying to reach a resolution (1 mark).
3 Ordering raw materials (1 mark) so that stocks do not run too low (1 mark).
4 The business may not be able to afford to pay a new employee (1 mark).
5 The R&D function may be able to support the sales function by listening to feedback from customers (1 mark) and improving the product design (1 mark). This would make the products easier to sell (1 mark).

3 Understand the effect of different organisational structures on how businesses operate
1 A flexible structure which allows different combinations of employees from several functional areas (1 mark) to work on a specific project (1 mark).
2 [c] (1 mark).
3 Empowerment is about equipping the workforce so they can work on their own initiative (1 mark), solving problems and making decisions without having to refer to their superiors (1 mark).
4 A flatter organisational structure would have fewer levels of management; this is likely to make the spans of control in the organisation wider (1 mark) because the same number of staff will be managed by fewer managers (1 mark).
5 The communication paths in a business with a tall organisational structure will be long because the messages have to pass through many levels (1 mark). This slows down communication, resulting in decisions to respond to changes in the market taking longer (1 mark).

4 Be able to use financial information to check the financial health of businesses
1 (b) (1 mark).
2 Total Revenue = 800,000 × £3.25 = £2,600,000 (1 mark).
   Total Cost = £1,000,000 + £400,000 = £1,400,000 (1 mark).
   £2,600,000 – £1,400,000 = £1,200,000 profit (1 mark).
3 Break-even point = \( \frac{\£60,000 + \£90,000}{\£25,000 - \£7000} \)
   = \£150,000 (1 mark)
   \£18,000 (1 mark)
   = 8.33 (1 mark)
   Break-even point = 9 boats (1 mark)
4 (a) Assets (1 mark), liabilities (1 mark), capital (1 mark).
   (b) Assets [current assets] (1 mark) because inventory is stock that the business owns (1 mark).
5 The business had minus £10,000 (1 mark) in its bank account (1 mark) at the end of June.
5 Understand the relationship between businesses and stakeholders
1 To stop trees being cut down (1 mark) and forests that have been growing for hundreds of years being destroyed (1 mark).
2 To stop trees being cut down (1 mark), because trees are needed to reduce our carbon footprint (1 mark).
3 Employees could try to alter the behaviour of their employer by refusing to do overtime (1 mark). This means that the employees will not work any additional hours, even if asked to do so by their employer (1 mark).
4 [d] (1 mark).
5 Reduced cash inflows (1 mark), lower sales revenue (1 mark), make a loss (1 mark).

6 Understand the external influences and constraints on businesses and how businesses could respond
1 (b) (1 mark).
2 The Copyright, Designs and Patents Act (1 mark).
3 Race discrimination (1 mark); discrimination because of sexual orientation (1 mark).
4 The farm could use green energy (1 mark) to heat the greenhouses, e.g. wind power (1 mark).
5 Advances in automation are likely to lead to even faster machines (1 mark). This will increase the quantity of products that the business can make (1 mark). To keep up with the competition, the business may need to invest in the new automation technology (1 mark). This will increase its business costs (1 mark).

7 Understand why businesses plan
1 A business can avoid unnecessary risk by planning carefully (1 mark).
2 Using a credit card (1 mark) or an overdraft (1 mark).
3 A private limited company (1 mark), a public limited company (1 mark) and a community interest company (1 mark).
4 One advantage of using a venture capitalist is that in addition to the finance, the business will be able to benefit from the expertise (1 mark) of the venture capitalist. This should help the existing owners make better decisions (1 mark) leading to a higher chance of business success (1 mark). However, a venture capitalist will become a part-owner of the business (1 mark) and want a share of the profit (1 mark). This will reduce the amount of profit which can be retained in the business (1 mark).
5 [a] (1 mark).

8 Be able to assess the performance of businesses to inform future business activities
1 Poorly skilled employees (1 mark). Staff turning up late for work (1 mark).
2 [d] (1 mark).
3 [d] (1 mark).
4 Interpreting business performance helps a business identify the positives and negatives of its performance (1 mark). This should guide future decision making (1 mark) and increase the likelihood of business success (1 mark).
5 The business exceeded its target in 2015–2016 (1 mark). However, it was well under the target in 2016–2017 (1 mark). Since the business hit its target again in 2017–2018 (1 mark) this slight dip in 2016–2017 does not seem anything to worry about (1 mark). The average performance over the three years is 2 per cent (1 mark) and so, while not meeting the target each year, overall the business’s performance is in line with business targets (1 mark).
5 Understand how to communicate effectively with stakeholders
1 The audience (1 mark) and purpose (1 mark).
2 Reason 1 – safety (1 mark), electronic copies can be protected with a password (1 mark); reason 2 – costs (1 mark), hard copies can be expensive to print (1 mark).
3 Reason 1 – CSR (1 mark), businesses are expected to reduce the use of paper when possible (1 mark); reason 2 – to meet the expectations of customers (1 mark) to maintain reputation (1 mark).
4 Letters (1 mark), reports (1 mark).
5 Business cards (1 mark), press release (1 mark).

Unit 3 Business decisions

1 Understand factors to be taken into account when making business decisions
1 The nature of risk (1 mark). Changes in technology (1 mark).
2 A major decision which affects the entire organisation (1 mark), e.g. a decision to move production overseas (1 mark).
3 Primary research seeks out new information (1 mark) whereas secondary research uses information which is already available (1 mark).
4 It gives the business the opportunity to judge the strength of public opinion (1 mark), allowing them to manage any external stakeholder conflict more effectively (1 mark).
5 An external consultant will charge for their time (1 mark). This will increase the expenses of the business (1 mark), reducing the availability of funds for future projects (1 mark).

2 Be able to use financial data to inform business decisions
1 Gross profit = £45,000 – £13,500 
= £31,500 (1 mark)
Gross profit ratio = £31,500/£45,000 x 100 (1 mark)
= 70% (1 mark)
2 Margin of safety = 150,000 radiators – 120,000 radiators = 30,000 radiators (1 mark)
3 Unit contribution is the difference between the selling price of the jam and the variable cost of making the jam (1 mark). The 45p gross profit for each jar sold helps the manufacturer cover its fixed costs (1 mark).
4 One way a business could improve its cash flow position is by finding a cheaper gas supplier (1 mark); this will reduce cash outflows (1 mark).
3 Understand how human resource information informs business decisions
1 To give new workers (1 mark) the information they need to do their job (1 mark).
2 Watching a demonstration given by the site supervisor on how to use safety equipment (1 mark).
3 The number of workers who leave the business (1 mark).
4 \[ \frac{500}{100} \times 2 = 10 \] golf clubs (1 mark)
5 In 2016 Sandtec plc’s bricklayers’ productivity was above the national average (1 mark).
Sandtec plc’s bricklayers’ productivity has fallen over the years (1 mark).
Sandtec plc’s bricklayers’ productivity in 2018 was 10 per cent below the national average (1 mark).

4 Understand how marketing information informs business decisions
1 August = \[ \frac{£450 + £550 + £400}{3} \] = £1,400/3 = £467 (1 mark)
September = \[ \frac{£550 + £400 + £350}{3} \] = £1,300/3 = £433 (1 mark)
October = \[ \frac{£400 + £350 + £300}{3} \] = £1,050/3 = £350 (1 mark)
2 Cash cows (1 mark).
3 (a) Toddlers (1 mark); teenagers (1 mark).
(b) The packaging (1 mark) for the shampoo is likely to be different. The shampoo targeted at toddlers is likely to be brightly coloured and may feature cartoon characters (1 mark), whereas the shampoo targeted at teenagers may include celebrity endorsement and links to social media (1 mark).
4 The aims of the business (1 mark); whether a bank loan can be obtained (1 mark).
5 The firm cannot use the email addresses of previous customers to send out marketing emails (1 mark) unless they specifically ask the customers whether they are willing to opt in to this service (1 mark).

5 Be able to use resource, project and change management information to inform business decisions
1 The cost of the equipment (1 mark). Whether the new equipment will be compatible with the old equipment (1 mark).
2 A Gantt chart gives a visual representation (1 mark) of the order of activities (1 mark) for a specific course of action.
3 EST = 110 + 60 = 170 (1 mark)
4 Absenteeism rates should not deteriorate (1 mark) because the workers do not fear coming into work (1 mark).
5 Creating a contingency plan allows the business to return to normal as quickly as possible (1 mark). This should minimise any disruption to customers (1 mark), thereby maintaining the firm’s reputation for good customer service (1 mark).

6 Be able to use information to make and justify business decisions
1 Moderate risk (1 mark).
2 Increasing market power (1 mark) by reducing the competition (1 mark).
3 Vertical integration (backwards) (1 mark).
4 A tomato producer with greenhouses at three sites closes its most northern site (1 mark) to make the business more cost efficient (1 mark).
5 It will help the employee understand why the business has made the decision it has (1 mark). This should create a more positive employer–employee relationship (1 mark).

Unit 15 Change management
1 Understand the drivers of change
1 One technological driver of change in the primary sector is an increased use of robotics (1 mark). More and more farmers are using robots, e.g. cow-herding drones (1 mark). This has reduced the labour-intensive (1 mark) nature of the sector.
2 Healthy eating is on the increase (1 mark). Consumers’ increasing concern about food waste (1 mark).
3 Positive impact – increased staff morale (1 mark) leading to lower labour turnover (1 mark); negative impact – increased wage costs (1 mark) leading to lower profits (1 mark).
4 Ageing workforce [1 mark], more women at work [1 mark].
5 A change from a hierarchical structure to a flatter structure [1 mark] means that employees have more authority in decision making [1 mark].

2 Understand the key aspects of theories of change management
1 One mark each for: strategy, structure, systems, shared value, style, staff, skills.
2 Hard elements can be controlled by management but soft elements are more difficult to control [1 mark]. Hard elements are easy to identify whereas soft elements are less clearly defined [1 mark].
3 One mark each for: urgency, coalition, vision and plan, communicate, remove obstacles, create wins, build on change, embed to culture.
4 Short-term targets create motivation [1 mark] when reached, convincing stakeholders that change is achievable [1 mark].
5 Unfreeze [1 mark]; prepare stakeholders for change by challenging existing culture [1 mark]. Change [1 mark]; communicate benefits of change to stakeholders and execute change [1 mark].
Freeze [1 mark]; incorporate change into core values [1 mark].

3 Be able to plan for change, manage change and overcome barriers
1 Reason 1 – to gain their support [1 mark]; reason 2 – to gain their opinions on change [1 mark].
2 To tell employees what exactly they need to do [1 mark] to achieve the target set [1 mark].
3 A proactive approach anticipates change before it happens [1 mark]; while a reactive approach is when change is implemented after something has happened [1 mark].
4 Stakeholder inertia refers to the unwillingness to do anything [1 mark], brought about by lack of clear objectives [1 mark].
5 Training existing staff [1 mark], recruiting new staff with relevant skills [1 mark], outsource project [1 mark].

4 Be able to assess the impacts of change on businesses and stakeholders
1 A product life cycle is the different stages a product typically goes through [1 mark]. These are launch, growth, maturity and decline [1 mark].
2 The R&D function can find new ways of manufacturing a product [1 mark], to increase productivity [1 mark].
3 Increase product range [1 mark]; enter a new market [1 mark].
4 If the local residents are resistant to change they might protest [1 mark]. This could slow down the change process [1 mark], costing the business more money [1 mark].
5 Withdraw the supplies of goods [1 mark], change terms and conditions of trade [1 mark].

5 Be able to use data to monitor change management in businesses
1 Output level [1 mark]; waste level [1 mark].
2 Profit [1 mark] before and after the change [1 mark] can be compared to see whether it has improved.
3 Benchmarking is the process of comparing a business with its competitors [1 mark] to evaluate the current performance of a business [1 mark].
4 Reason 1 – to make sure the process is on track [1 mark], otherwise remedial actions can be taken [1 mark]; reason 2 – to identify improvements to the original objectives [1 mark] so that the process can be managed better [1 mark].
5 Shorter opening times mean customers have less time to shop [1 mark]. Customers will be inconvenienced [1 mark]; they will either fail to get what they want/need or might have to travel further to get what they want [1 mark].