

	Term 1	Term 2	Term 3
<b>Unit Title</b>	4 Operations	5 Finance	6 Influences & Interdependence
<b>Approx. Lessons</b>	21	19	18
<b>Curriculum Content</b>	<ul style="list-style-type: none"> <li>• Different production processes and their impact on businesses</li> <li>• The influence of technology on production and the impact on businesses</li> <li>• The concept, methods and importance of quality</li> <li>• The influence of e-commerce</li> <li>• The importance to a business of good customer service including after-sales service</li> <li>• The impact of consumer law on businesses</li> <li>• Factors influencing business location</li> <li>• The role of procurement</li> <li>• The impact of logistical and supply decisions on businesses</li> </ul>	<ul style="list-style-type: none"> <li>• The purpose of the finance function and its influence on business activity</li> <li>• The reasons businesses need finance and ways of gaining it depending on whether it is suitable for new and established businesses</li> <li>• The concept of revenue, costs and profit and loss in business and their importance in business decision making</li> <li>• The importance of cash to a business and the usefulness of cash flow forecasting</li> </ul>	<ul style="list-style-type: none"> <li>• The concept of globalisation and its impact on businesses</li> <li>• Ethical and Environmental considerations and their impact on businesses</li> <li>• The economic climate and its impact on businesses</li> <li>• The interdependent nature of business operations, finance, marketing and human resources within a business context</li> <li>• The use of financial information in measuring and understanding business performance and decision making.</li> </ul>
<b>Links to prior learning</b>	Students will be aware that there are a variety of different business types. They will have an understanding marketing and human resources.	Students will be aware of some of the key financial terms and how the size of the business will influence sources of finance.	Students will be aware of the four main functions within a business and their role in making the business a success.
<b>Cultural Capital Opportunities</b>	<p>Read - James Dyson Autobiography and the business news to identify examples that relate to business concepts.</p> <p>Visit a factory – Greene and King or Cadbury World</p> <p>Watch the TV programme: BBC - Inside the factory</p>	<p>Read from myon: Smart Spending: The Teens' Guide to Cash, Credit, and Life's Costs</p> <p><a href="https://barclayslifeskills.com/families/home-learning-money-skills/">https://barclayslifeskills.com/families/home-learning-money-skills/</a></p> <p>Talk to them about the budgeting that you do.</p> <p>Watch the TV programme: Money Expert</p>	<p>Read – the news and identify how the economy is effecting businesses</p> <p>Discuss - How does trading effect your purchases? How ethical are you with your purchases?</p> <p>Read the business review articles</p>
<b>Assessment Focus</b>	Interim Practice Exam Questions on prior and current knowledge	Interim Practice Exam Questions on prior and current knowledge	End of year examination covering paper 1 and paper 2
<b>Knowledge Organiser</b>	Unit 4 Knowledge Organisers	Unit 5 Knowledge Organisers	Unit 6 Knowledge Organiser

## 4:1 Production Processes

**Production is:**  
the process of turning raw materials into saleable products and services

**Job production**

*Making products individually*

**Batch production**

*Making one type of product then switching to make a different product*

**Flow production**

*The production of one product on a continuous assembly line*

**Automation**

*Production involving machinery not controlled by a person*

### Job production

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Products are usually high-quality</li> <li>Products can be made to meet the needs of individual customers</li> <li>Workers often get more satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Costs of production will be high</li> <li>Labour costs may be high because job production often requires skilled labour</li> </ul>

Technology is being used more and more in the production of goods and services.

Technological development is making it possible for technology to perform skilled work and reducing the need for human resources

### Batch production

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>The needs of different customers can be met by making batches of different goods</li> <li>Batches are made to meet specific orders from customers</li> <li>It may be possible to use specialist machines to automate production</li> </ul>	<ul style="list-style-type: none"> <li>It takes time to switch production from one batch to another - costly</li> <li>May have to keep stock of raw materials to be able to switch production</li> <li>Less choice of products for customers</li> <li>Tasks are repetitive for workers</li> </ul>

### Flow production

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Large amounts can be made</li> <li>Costs of production for each unit is low</li> <li>Machinery can be used, helping to reduce costs</li> <li>Technology can be used to change the products slightly to more are available for customers to choose from</li> </ul>	<ul style="list-style-type: none"> <li>Goods are mass-produced so quality may be low</li> <li>Expensive to set up a production line</li> <li>Large stocks of materials need to be kept which can be expensive</li> <li>If production stops at any point then production stops everywhere</li> <li>Jobs can be repetitive and boring</li> </ul>

**Quality is:**  
about a product being fit for purpose and working in a way that it is supposed to

**Quality control**

*A system for inspecting the quality of goods and services*

**Quality assurance**

*An approach that involves the whole business focusing on quality*

**Returns**

*Goods which customers take back to the shop because of problems*

**Recalls**

*The business asks for products to be returned because of faults*

## 4:2 Quality of Goods and Services

### Importance of providing quality products

**It avoids waste**

If goods are not of a good quality they may not be able to be sold and so the producer has wasted money

**It avoids recalls**

If unsatisfactory products are made and sold they will then have to be recalled and the issue resolved at a cost to the manufacturer

**Reputation and sales**

Customers will not be happy with poor quality products and may shop elsewhere in the future

**Disrupted production**

Production may be disrupted if quality is poor from the start

## 4:3 The Sales Process and Customer Service

Businesses are able to use a range of selling methods.  
E-commerce:

**Pros to the business**

Can sell worldwide  
Open 24/7  
Professional look at little cost  
Lower operating costs

**Cons to the business**

Worldwide competition  
Problems with delivering and returning goods  
Online security issues  
Technology advances rapidly

**Pros to the customer**

Price comparison available  
24/7 availability  
Wider range of products

**Cons to the customer**

Lack of personal contact  
Problems returning goods  
Only image of goods seen  
Security  
Cannot pay with cash

**E-commerce**

*Bringing together the buyer and seller electronically*

**Customer service**

*What a business does to keep customers happy*

**Face-to-face selling**

*Usually completed in a shop where there is direct contact between buyer and seller*

**Telesales**

*Sales completed over the telephone*

**After-sales service**

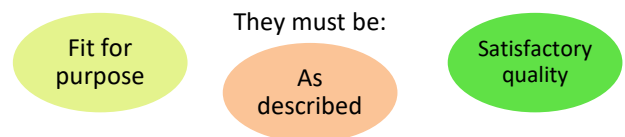
*Any help and advice given to customers after they have bought a product*

**Consumer law is:**  
the area of law which protects customers.

**Fit for purpose**  
This means that goods must do what they are meant to do  
**As described**  
This means goods must be as the business describes  
**Satisfactory quality of goods**  
This means that how the goods are made will reflect the price  
**Reputation**  
What customers say about a business

### 4:4 Consumer Law

Customers are protected by the **Consumer Rights Act 2015**. This Act of Parliament gives customers protection when they buy goods and services.



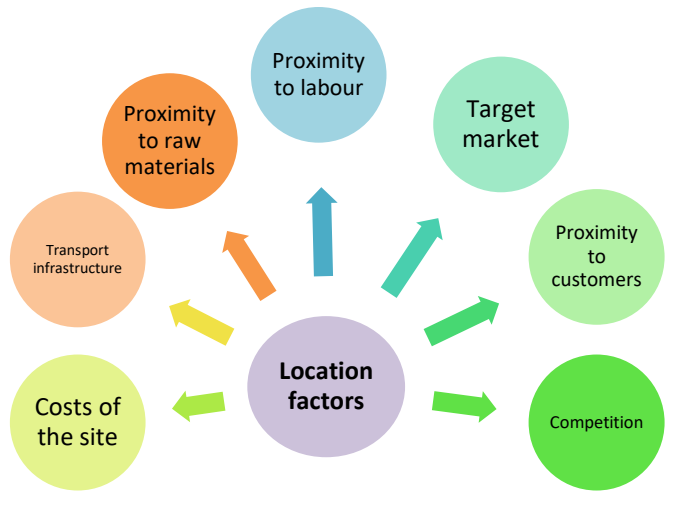
Impact of consumer law on business	
Production	A business must make sure that the quality of the goods is up to standard. They must not be faulty or damaged when bought. If they are not customer could return products and this will affect their reputation.
Safety of goods	If goods are produced in a defective way customers can claim compensation for damage or personal injury. This could result in huge costs for the business and a loss of reputation.

**Location:**  
refers to the place where a business is sited

**Proximity**  
Means 'nearness to'  
**Labour**  
The people employed by the business to produce goods and services  
**Raw materials**  
Materials needed to produce saleable goods and services  
**Transport infrastructure**  
The provision of roads, railways, ports and airports

### 4:5 Business Location

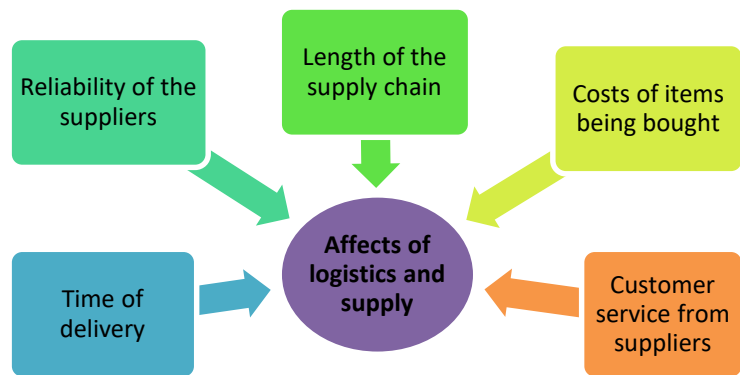
For many businesses, the decision of where to locate is one of the most important decisions it takes. There are a number of factors that influence the location of a business



**Logistics**  
The management of the transportation and storage of goods  
**Procurement**  
The management of purchasing within a business  
**Suppliers**  
Parties who supply goods and/or services to a business

### 4:6 Working with Suppliers

- Procurement has a number of roles within a business:
1. Identifying goods and services to buy
  2. Choosing suppliers
  3. Ordering goods and services
  4. Receiving deliveries from suppliers



### Assessment Information

Your assessment will take place during a normal timetabled lesson but you should be revising at home.

Number of marks available: 40  
Time allowed: 50 minutes

Answer **ALL** of the questions

The first 10 questions will be multiple choice - you must only select **ONE** answer, selecting two will score 0 marks.

The other questions will include a range of 2, 3, 4, 6, 7, & 9 mark questions

- Possible questions**
1. State one way consumers are protected by law.
  2. Explain why quality is important to businesses.
  3. Analyse one benefit of using batch production.
  4. Recommend one type of production a business could use for a product.
  5. Evaluate the importance of selling good-quality products.

## 5:1 The Role of the Finance Function

### Finance function

is the finance department and is only found in larger businesses

It is vital for any business to have accurate financial data. Without accurate data wrong decisions could be made which affect the business negatively.

### When will financial info be useful in business decision-making?

When a business decides to become more environmentally friendly	There may be increased costs to monitor, it may need extra finance - finance function will provide this
When the business is thinking about changing production methods	A prediction in changes of costs will be needed from the finance function as well as what extra finance will be needed and how the changes might affect cash flow
When the business wants to change the way it markets its products	The finance department would provide information about the costs of these new advertising methods and may need to raise extra finance

### Financial information

Includes details of profit, loss, cash flow, break-even, profit margin and average rate of return. These can be used to help make business decisions.

## 5:3 Revenue, Costs and Profit

	Calculation
Revenue	Quantity sold x selling price
Variable costs	Quantity sold x variable cost per unit
Total costs	Fixed costs + variable costs
Gross profit	Revenue - cost of sales
Net profit	Gross profit - expenses
Gross profit margin	$\text{Gross profit} \div \text{revenue} \times 100$
Net profit margin	$\text{Net profit} \div \text{revenue} \times 100$
Profit	Revenue - costs

Businesses will need to interpret these figures to help make business decisions

### Revenue

Money from sales

### Average rate of return

A method of measuring and comparing the profitability of an investment over its life

### Loss

Occurs in a business when costs are greater than revenue

### Expenses

The costs of operating the business

### Profitability ratios

Calculations which help to interpret financial data

## 5:2 Sources of Finance

### Owners' capital

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>No need to repay the money</li> <li>No interest has to be paid</li> <li>No cost to raise the finance</li> <li>Readily available</li> </ul>	<ul style="list-style-type: none"> <li>The owner might not have enough savings to cover the whole finance</li> <li>May leave the owner short in personal situations</li> </ul>

### Retained profit

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>No interest has to be paid</li> <li>No need to repay the money</li> <li>No cost to raise the finance</li> <li>Readily available</li> </ul>	<ul style="list-style-type: none"> <li>Business might not have enough profit to cover the whole finance</li> <li>May leave the business short in the future in emergency situations</li> </ul>

### Loan

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Repayment is spread over time</li> <li>Business knows exactly how much has to be repaid and when</li> <li>Money is available quickly</li> </ul>	<ul style="list-style-type: none"> <li>Interest has to be paid</li> <li>Business may need to risk an asset as security</li> <li>Bank will want to see a business plan to ensure they can afford the loan</li> </ul>

### Issuing shares

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>A lot of finance can be raised from many investors</li> <li>Money does not have to be paid back</li> <li>No interest is payable</li> </ul>	<ul style="list-style-type: none"> <li>Dividends may have to be paid to shareholders</li> <li>Shareholders are entitled to have a say in the running of the business</li> <li>The business may be taken over by a competitor</li> </ul>

### Interest

The amount of money that has to be paid back on borrowed money

### Sale of assets

Items sold by the business

### Crowd funding

Money raised through an appeal to public

### Overdraft

An arrangement with a bank to spend more money than it has in its account

### Retained profit

Profit not distributed to owners

### Loan

Sums borrowed for a certain period at an agreed rate of interest

### Owners' capital

Money from savings put into the business by the owner

**Break-even forecast**  
*A prediction about the break-even quantity based on estimates of future sales revenues and costs*

**Break-even quantity**  
*The amount a business must sell to earn enough revenue to cover its costs*

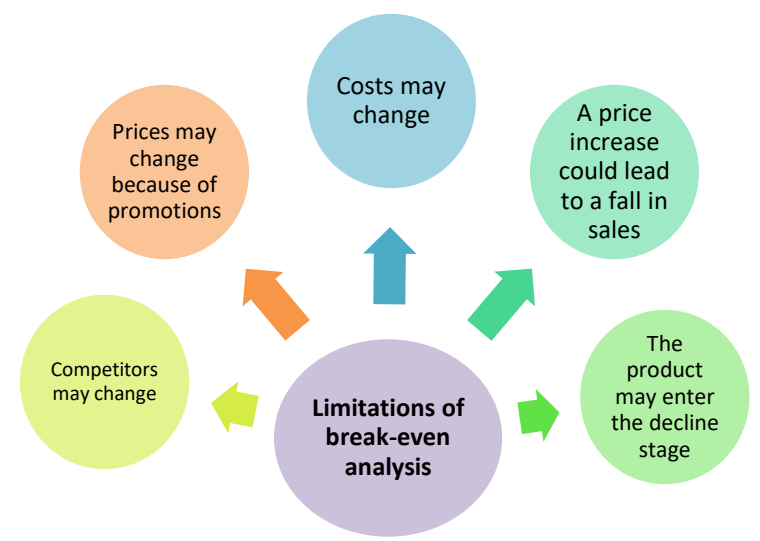
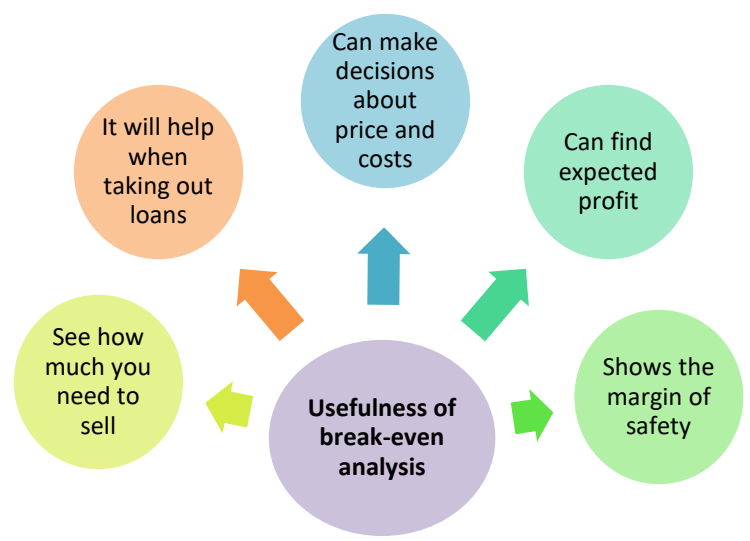
**Margin of safety**  
*The amount by which a business' actual output is greater than its break-even output*

Businesses use information about revenues and costs to calculate the break-even level of output

**5:4 Breakeven**

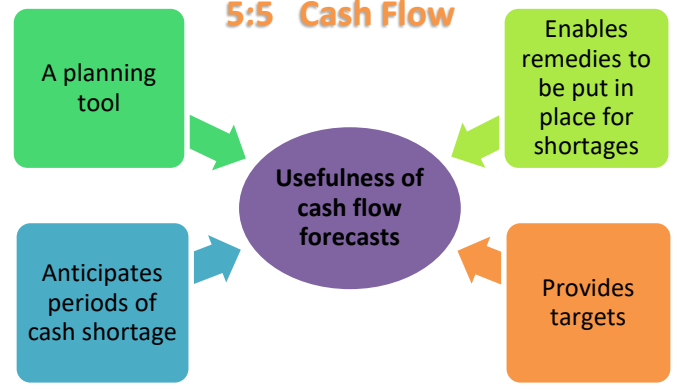
**Calculating break even**

$$\text{Total fixed costs} \div (\text{price} - \text{variable costs per unit})$$



**Cash flow forecast:**  
 shows the expected flow of money into and out of a business

**5:5 Cash Flow**



**Inflows**  
*Cash flowing into the business*

**Outflows**  
*Cash flowing out of the business*

**Expenditure**  
*Money that the business pays out*

**Opening balance**  
*Cash available at the start of the month*

**Closing balance**  
*Cash available at the end of the month*

A negative cash flow may:

- only be temporary and may not necessarily cause a problem for the business
- require the business to obtain additional finance in the form of an overdraft to help it overcome a shortage of cash
- mean that the business has to delay payment of money it owes to others such as suppliers

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Answer **ALL** of the questions

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- Possible questions**
1. State one function of the finance department.
  2. Calculate the profit a business would make in 4 weeks.
  3. Analyse one benefit of owners' savings.
  4. Recommend one source of finance for a business to use.
  5. Evaluate whether a business should use a bank loan or retained profit.

**State      Explain      Analyse      Recommend      Evaluate**

**Ethics is:**  
about what is right and wrong

### 6:1 Ethical and Environmental Considerations

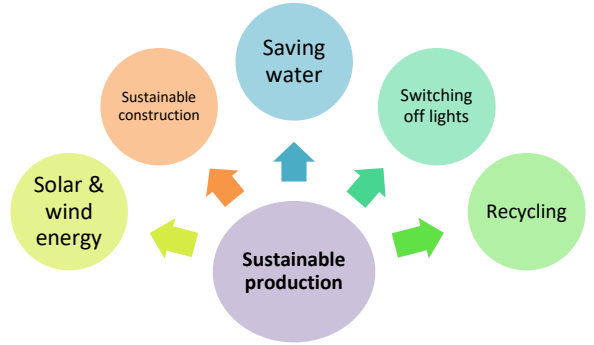
Ethics involves treating workers, suppliers and customers right however what is right and wrong changes over time so it can be hard for businesses to keep up.

**Ethical marketing**  
Marketing activities that seek to give customers information to make good choices

**Environmentally friendly**  
Describes consumers and businesses that act to make production sustainable

**Sustainable production**  
The share of the total market for a product

Benefits of being environmentally friendly	
Increased sales	Reduced costs
Reduced tax bills	Reduce resource scarcity



**Economic climate:**  
refers to how well the country is doing in terms of the levels of income and employment

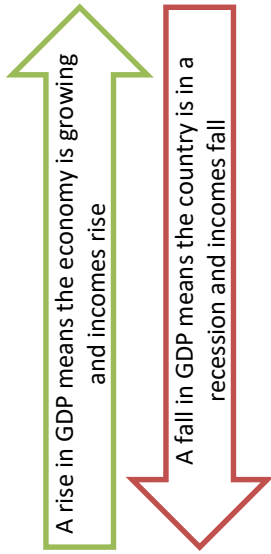
### 6:2 The Economic Climate

**Gross Domestic Product (GDP)** is a measure of the amount of goods and services a country produces

**Income**  
The amount of money people receive from work

**Customers**  
Buyers of goods and services

**Consumer income**  
The total amount of income that all customers in the country receive



	Response to economic change
Production	<ul style="list-style-type: none"> <li>Sell the product at a lower cost to beat competition (<i>less profit though!</i>)</li> <li>Improve quality control to reduce wastage</li> <li>Increase productivity through technology</li> </ul>
HR	<ul style="list-style-type: none"> <li>Increase productivity by motivating workers</li> </ul>
Finance	<ul style="list-style-type: none"> <li>Reduce costs by improving cash flow, reducing interest payments on overdrafts or loans</li> <li>Change loans to get a lower interest rate</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>Change the marketing mix                             <ul style="list-style-type: none"> <li>Change the product to appeal to different customers</li> <li>Increase promotion</li> <li>Different pricing strategies</li> <li>Sell using e-commerce</li> </ul> </li> </ul>

**Globalisation is:**  
the process by which business activity around the world has become increasingly interconnected

### 6:3 Globalisation

**International branding**  
Creating an image or values for a product in different countries

**Multinational companies**  
Businesses that operate in different countries

**Productivity**  
A measure of output of each worker on average

**Free trade**  
The absence of restrictions on trade between countries

Pros of a UK business locating abroad	Cons of a UK business locating abroad
<ul style="list-style-type: none"> <li>Lower labour costs</li> <li>Lower costs</li> <li>Expertise</li> <li>Skilled workers</li> <li>Demand</li> </ul>	<ul style="list-style-type: none"> <li>Quality control</li> <li>Poor communications</li> <li>Transport</li> <li>Loss of UK sales</li> <li>No skilled labour</li> <li>Costs of moving</li> </ul>

**Influences on business**

**Ethical and environmental considerations**  
There could be negative implications if businesses don't follow UK guidelines in other countries

**The economic climate**  
This will influence whether or not a business is willing to operate there - if low income the business will suffer

**Assessment Information**

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Time allowed: 50 minutes

Answer **ALL** of the questions

The first 10 questions will be multiple choice - you must only select **ONE** answer, selecting two will score 0 marks.

The other questions will include a range of 2, 3, 4, 6, 7, & 9 mark questions

- Possible questions**
- State two advantages of moving production abroad.
  - Define the term 'globalisation'.
  - Explain how being environmentally friendly could affect the finance department.
  - Analyse how being environmentally friendly can benefit a business.
  - Analyse two impacts of globalisation on a business.
  - Evaluate how a rise in income could affect different business functions.