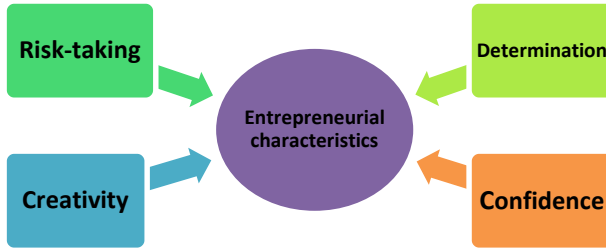


	<b>Term 1</b>	<b>Term 2</b>	<b>Term 3</b>
<b>Unit Title</b>	6 Influences and Revision	Revision and Exam Practice	Revision and Exam Practice
<b>Approx. Lessons</b>	21	19	8
<b>Curriculum Content</b>	<ul style="list-style-type: none"> <li>The economic climate and its impact on businesses</li> <li>The interdependent 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> <li>To revisit marketing, operations finance and people</li> </ul>	<ul style="list-style-type: none"> <li>Understand how business work in the real world, using their knowledge to analyse, apply understanding to be able to evaluate and justify different situations in reference to all the business functions and how they are interdependent.</li> <li>To revisit business activity, finance and influences.</li> </ul>	<ul style="list-style-type: none"> <li>To revisit paper 1 and paper 2 topics to enable students to apply their knowledge and understanding.</li> </ul>
<b>Links to prior learning</b>	Students will have an understanding of the four main functions within a business and how the external environment influences it.	Students will have a full understanding of the different functions of the business.	Students will have a full understanding of the different functions of the business.
<b>Cultural Capital Opportunities</b>	<p>Read – the national news and identify how the economy has and is impacting on businesses. Business review or the Financial Times</p> <p>Look at business case studies and apply knowledge. Complete previous exam practice questions and read the examiners reports.</p> <p>Use the Businessed or Tutor2U websites.</p> <p>Watch the TV programme: Money Maker</p>	<p>Read – the national news and identify business concepts in action Business review or the Financial Times</p> <p>Look at business case studies and apply knowledge. Complete previous exam practice questions and read the examiners reports.</p> <p>Use the Businessed or Tutor2U websites.</p> <p>Watch the TV programme: Money Maker</p>	<p>Read – the national news and identify business concepts in action</p> <p><a href="https://www.theuniguide.co.uk/subjects/business-and-management-studies">https://www.theuniguide.co.uk/subjects/business-and-management-studies</a></p>
<b>Assessment Focus</b>	Knowledge Tests Mock Examination Paper 1 (out of 80 marks) Paper 2 (out of 80 marks)	Knowledge Tests Mock Examination Paper 1 (out of 80 marks) Paper 2 (out of 80 marks)	Final examinations
<b>Knowledge Organiser</b>	Units 1 to 6	Units 1 to 6	Units 1 to 6

## 1:1 Role of Business Enterprise and Entrepreneurship

**Enterprise is:**  
seeing an opportunity to provide a product or service that people are willing to buy



Risk	Reward
<ul style="list-style-type: none"> <li>▪ <b>Financial</b> Possibility of losing money</li> <li>▪ <b>Health</b> The strain of being in charge can affect health</li> <li>▪ <b>Strained relationships</b> Starting a business is time consuming</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Financial</b> Some successful entrepreneurs can make a lot of money</li> <li>▪ <b>Independence</b> Some people like to be their own boss</li> <li>▪ <b>Self-satisfaction</b> Some people like to see and idea work</li> </ul>

**Entrepreneur**  
*A person who takes the risk of starting and running a business*

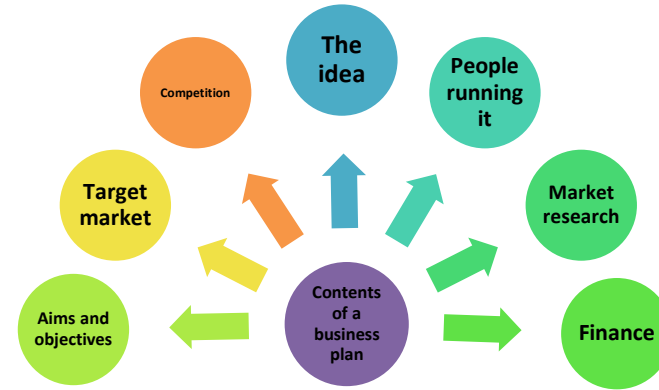
**Enterprising characteristics**  
*Features of an entrepreneur*

### Purpose of a business plan:

- To reduce the risk of starting a business
- To help a business succeed

## 1:2 Business Planning

**A business plan:**  
details how a business aims to achieve its objectives



### Role of a business plan:

- Identify markets
- Helping with finance
- Identifying resources needed
- Achieving aims and objectives

**Business plan**  
*A simple plan which sets out the details of the business*

**Finance**  
*The money needed to start the business*

## 1:3 Business Ownership

### Sole trader

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Easy to set up</li> <li>▪ Little finance required</li> <li>▪ Full control</li> <li>▪ Keep all the profits</li> <li>▪ Financial information is private</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unlimited liability</li> <li>▪ Business stops if ill or on holiday</li> <li>▪ Long working hours</li> <li>▪ Shortage of capital</li> <li>▪ Skills shortage</li> <li>▪ No continuity</li> </ul>

### Partnership

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ More capital available</li> <li>▪ Easy to set up</li> <li>▪ More skills available</li> <li>▪ Shared workload</li> <li>▪ Financial information is private</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shared profit</li> <li>▪ Unlimited liability</li> <li>▪ Shortage of capital</li> <li>▪ Slower decision making</li> <li>▪ No continuity</li> </ul>

### Private Limited Company (LTD)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Limited liability</li> <li>▪ Continuity</li> <li>▪ Can raise capital more easily</li> <li>▪ Control over share sale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial information available to the public</li> <li>▪ Complex and expensive to set up</li> <li>▪ Sale of shares is restricted</li> <li>▪ Dividends to be paid</li> </ul>

### Public Limited Company (PLC)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Can raise large amounts of capital</li> <li>▪ Easier to borrow money</li> <li>▪ Limited liability for shareholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Possibility of a takeover</li> <li>▪ Complex and expensive to set up</li> <li>▪ Hard to manage as so large</li> <li>▪ Financial information available to the public</li> </ul>

### Unlimited liability

*Responsibility for the debts of the business rests with the owners*

### Capital

*Money raised to start or develop a business*

### Deed of partnership

*A document setting out the operations of the partnership*

### Sleeping partner

*Someone who only invests in a partnership*

### Limited liability

*Responsibility for the debts of the business is limited to the amount invested*

### Shareholders

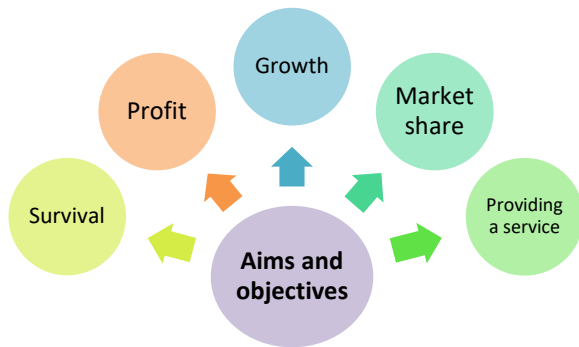
*Owners of a limited company*

### Dividend

*Money paid to shareholders from business profits*

**Business objectives:**  
are what the business wants to achieve

### 1:4 Business Aims and Objectives



As businesses evolve their objectives may change

**Initially:** the aim may be to simply survive  
**Later:** the aim may be to increase profit or market share

The objectives will also depend on the type of business ownership i.e. sole trader or limited company

**Stakeholders are:**  
groups of people or individuals who have an interest in a business

### 1:5 Stakeholders in Business

Stakeholder	Internal or external	Effects
Owners	Internal	See profit as their main aim so will want to run the business cost effectively
Employees	Internal	Employees want to be treated well and receive a fair wage. Without this they could go on strike
Customers	External	Customers want to receive a good service and pay a fair price. Without this they could go to competitors
Suppliers	External	Suppliers want to be paid on time. Delayed payments could mean the supplier refuses orders
Government	External	The government wants businesses to succeed however an increase in income tax means less money for customers
Local community	External	The local community will want jobs in their area however they could protest against a new business development

**Internal stakeholders**  
People with an interest in and who work in the business

**External stakeholders**  
People with an interest in but who are outside of the business

**Survival**  
The business can pay its costs but has nothing left

**Profit**  
The difference between revenue and costs

**Market share**  
The share of the total market for a product

**Growth**  
The business becomes larger

**Organic growth**  
Internal growth using own resources i.e. opening more shops

**Merger**  
Two or more businesses agreeing to join together

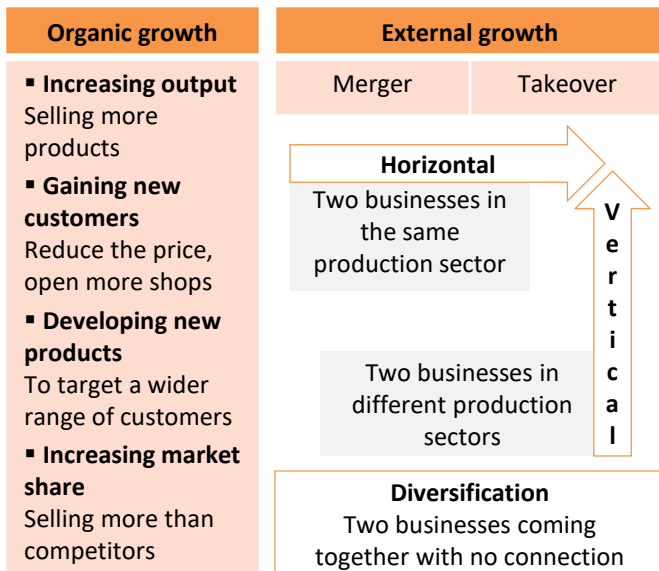
**Takeover**  
One business takes control of another

**Horizontal growth**  
Two businesses in the same production sector joining together

**Vertical growth**  
Two businesses in different production sectors joining together

### 1:6 Business Growth

There are two methods of business growth:



### Assessment Information

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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

- State two aims of a new start up business.
- Define the term 'entrepreneur'.
- Explain how a business' objectives may have changed since first starting out.
- Analyse how a business decision may impact on two stakeholders.
- Analyse two benefits of being a public limited company.
- Evaluate the effectiveness of a business plan.

**State Explain Analyse Recommend Evaluate**

**Marketing is:**

finding the needs of customers and demonstrating how a business fulfils those needs in order to increase sales

**Marketing**

*Finding the needs of consumers and demonstrating how a business meets those needs*

**Market research**

*The collection of data to help business decisions*

**2:1 The Role of Marketing**

**How can a business increase sales?**

1. Advertise the product or service more in order to raise awareness of what is on offer
2. Introducing a new model that will appeal to more customers
3. Increase the range of products or services available
4. Reducing the price to sell more products - but will profits increase?
5. Selling the product in different countries to target a wider range of customers
6. Selling by different methods i.e. Online or offering digital distribution

**2:2 Market Research**

Before a business starts, it is important that the owners know exactly who their customers are likely to be.

Primary	Pros	Cons
Questionnaire	<ul style="list-style-type: none"> <li>▪ Cheaper than interviews</li> <li>▪ Easily target certain people</li> </ul>	<ul style="list-style-type: none"> <li>▪ Difficult to predict how many will be completed</li> <li>▪ people may not understand the questions</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>• Questions can be explained</li> <li>• Customers can be easily targeted</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• Customers may feel uncomfortable</li> </ul>
Trials	<ul style="list-style-type: none"> <li>• Save money before making products widely available</li> </ul>	<ul style="list-style-type: none"> <li>• Costly to set up</li> </ul>
Focus groups	<ul style="list-style-type: none"> <li>• Data is accurate to the target market</li> </ul>	<ul style="list-style-type: none"> <li>• Only small groups that take part so expensive</li> </ul>

Secondary sources include census data, websites, internal data and newspapers.

**Pros:** cheap and already available to use  
**Cons:** not exactly what you need and could be out of date

**Target market**

*The group of customers who a business aims to sell its products to*

**Primary research**

*Data collected first-hand (desk research)*

**Secondary research**

*Data collected by others (field research)*

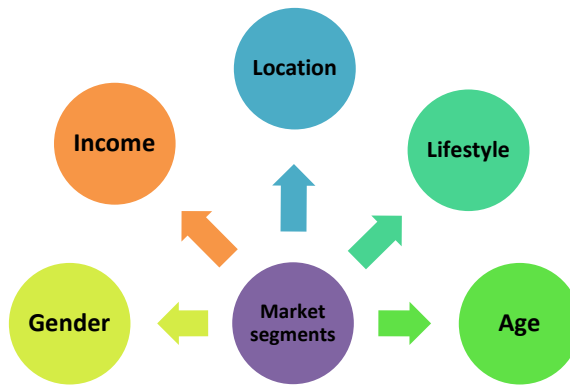
**Qualitative data**

*Data based on opinions of those being asked*

**Quantitative data**

*Data based on facts or numbers*

**2:3 Market Segmentation**



**Market segmentation**

*Splitting the market for a product into different parts, or segments*

A watch can be segmented in a number of ways:

**Age** - Disney theme for children, plain for adults

**Gender** - made for men or women

**Income** - watches can be very cheap at £10 others can be very expensive at £1000's

**Lifestyle** - special watches for diving, running and other outdoor sports

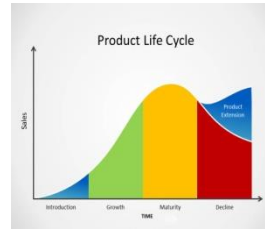
**2:4 The Marketing Mix - Product**

The product is a vital element of the marketing mix. The product or service must be something customers actually want.

Advertising a new product more widely can increase sales and extend the life of a product.

Reducing the price of a product can help to maintain sales and extend the life of a product.

Selling in new markets i.e. abroad, opens the product up to a wider range of new customers and so extends the life of the product



**Introduction**

*A product is first made available for sale*

**Growth**

*Sales are growing strongly*

**Maturity**

*Sales are at their highest level*

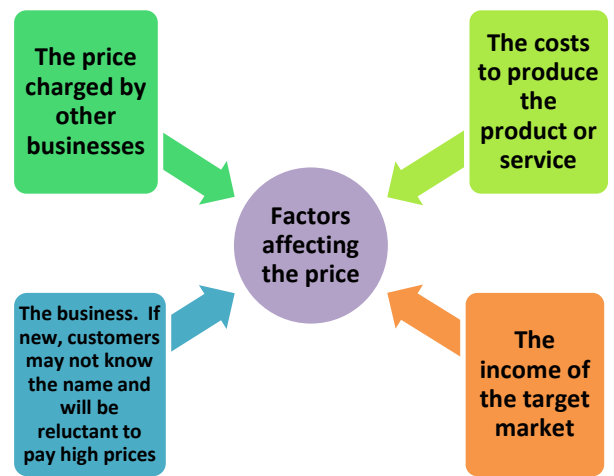
**Decline**

*Sales are falling*

### 2:4 The Marketing Mix - Price

- Competitor pricing**  
A price is set based on prices charged by competitors
- Cost-plus pricing**  
Adding a percentage of profit onto the total costs of making a product
- Penetration pricing**  
A price is set lower than competitors
- Skimming**  
A high price is charged initially for those customers who want the latest products
- Promotional pricing**  
Prices are reduced to give sales a boost

A business must take great care when setting the price of products and services. Too low and the business won't make enough profit, too high and customers will not buy



**Place is:** concerned with where the product is sold from and the distribution of goods

- Physical distribution**  
Distribution of goods using a physical presence
- Digital distribution**  
Distribution of goods and services digitally by downloading from a website

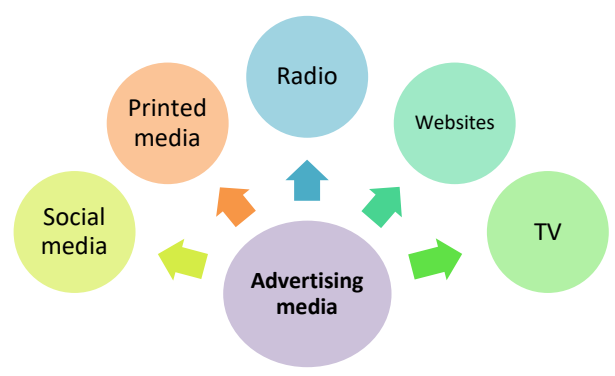
### 2:4 The Marketing Mix - Place



Advantages of digital distribution	Disadvantages of digital distribution
<ul style="list-style-type: none"> <li>▪ Customers can access products and services 24/7</li> <li>▪ Goods are downloaded so available quickly</li> <li>▪ No physical product to deliver so the business saves money</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not all goods are suitable for digital distribution i.e. bread</li> <li>▪ Not all customers have access to the internet</li> <li>▪ Easier for illegal content to be copied and distributed which means the business loses sales</li> </ul>

### 2:4 The Marketing Mix - Promotion

- Aims of promotion**
- To inform customers about a product or service
  - To keep a business ahead of its competitors
  - To create or change the image of a business, its products and services
  - To maintain or increase sales



- Point of sale promotions**  
Price reductions, loss leaders, competitions, free samples
- Advertising campaign**  
A series of advertisements often using different advertising media
- Advertising media**  
The methods by which a business can advertise a product

### Assessment Information

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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. Identify which price a business should charge.
  2. Explain one advantage and one disadvantage of using focus groups.
  3. Analyse one benefit of a businesses distribution channel.
  4. Analyse two benefits of using questionnaires to gather market research.
  5. Evaluate whether or not a business should use social media to promote its products.

### 3:1 The Role of Human Resources

**Human resources:** are the people who do the work for a business. They are the employees.

**Human resource plan**  
A plan detailing the workers a business will need i.e. how many, when, full time or part time and the skills they need

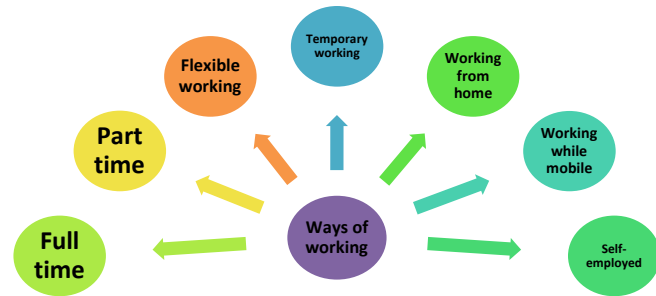
**Functions**  
Different types of work that need to be done in a business i.e. Marketing, production and finance

Human resource planning - things for a business to think about	
<ul style="list-style-type: none"> <li>The number of workers needed</li> <li>The number of workers who will work full-time or part-time</li> <li>The number who should be employed on zero-hour contracts</li> <li>The number of workers to hire as contractors as and when needed</li> <li>When workers will be needed - times of the day, days of the week</li> <li>Where the workers will work - finance, production, marketing</li> <li>The skills the workers will need to have</li> <li>The need to manage and supervise some of the workers</li> <li>The age, gender, ethnicity of the workers</li> <li>How many staff members the business can afford to employ</li> </ul>	
When might a business need to review its human resource needs?	
<ul style="list-style-type: none"> <li>Workers may have to be replaced i.e. because they have left, retired or been promoted</li> <li>The business may grow or shrink so may need more or fewer workers</li> <li>The business may change its method of production so may need more or fewer skilled workers</li> <li>The business may decide to relocate so may have to recruit workers who live nearby - they could still take their current workforce</li> <li>The budget available for paying staff. If the budget is decreased they will need fewer staff and vice versa</li> <li>Changes in the law may affect employment i.e. Minimum wage which will impact on the budget</li> </ul>	

### 3:2 Organisational Structures

There are two different types of organisation structure:

Advantages of a tall structure	Advantages of a flat structure
<ul style="list-style-type: none"> <li>The span of control is likely to be narrower meaning that he does not have as many people to look after</li> <li>There will be plenty of opportunities for workers to gain promotion which will motivate them to work harder</li> </ul>	<ul style="list-style-type: none"> <li>Lines of communication are clear - communication will be quicker from top to bottom because there is not as many layers</li> <li>Fewer mistakes in communication will be made because there is fewer levels</li> <li>People at the bottom may be encouraged to share ideas</li> <li>Wider span of control means tht managers can delegate work</li> </ul>



**Organisation chart**  
A diagram to show how workers are organised in a business

**Authority**  
The power that one person has to make decisions

**Chain of command**  
The order of authority from top to bottom

**Span of control**  
The number of people a manager is in charge of

**Delegation**  
Giving someone else permission to make a decision

**Communication is:** the transmission of a message from a sender to a receiver

**Written communication**  
Communication by written words i.e. Text, email, letters

**Verbal communication**  
Communication by speaking ie. telephone or meetings

**Formal communication**  
Communication using the official channels within a business

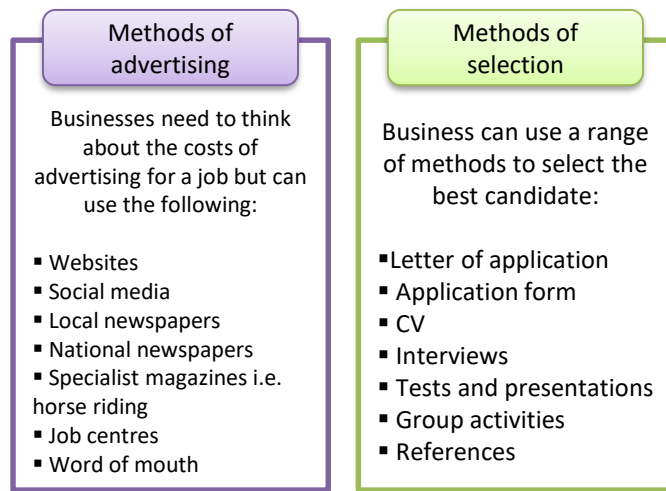
**Informal communication**  
Communication outside the official channels within business

### 3:3 Communication in Business

	Pros	Cons
Verbal	<ul style="list-style-type: none"> <li>Can check for understanding</li> <li>Can emphasise points through tone and body language</li> <li>Can use diagrams and pictures to help explain</li> </ul>	<ul style="list-style-type: none"> <li>If lots of people not all may understand</li> <li>Receiver may disrupt the message if they don't like it</li> <li>No permanent record of the message</li> <li>Some forms can be expensive</li> </ul>
Written	<ul style="list-style-type: none"> <li>There is a record of the message</li> <li>Receiver can re-read the message multiple times</li> <li>Can be sent to multiple people at the same time</li> <li>Can avoid confrontation</li> </ul>	<ul style="list-style-type: none"> <li>Cant check immediately if the message was understood</li> <li>The success depends on the clarity of the message</li> <li>Risk of computer viruses</li> <li>Emails could go to spam</li> </ul>
Social media	<ul style="list-style-type: none"> <li>Huge numbers of users</li> <li>Info can be updated regularly</li> <li>Visual images can help explain</li> <li>Can be cheaper to advertise</li> <li>Customers can be involved by allowing feedback</li> </ul>	<ul style="list-style-type: none"> <li>There is a cost in managing and updating the information</li> <li>Can be difficult to measure the effectiveness of the business' use of social media</li> </ul>

### 3:4 Recruitment and Selection

Businesses can recruit internally (from within the business i.e. promote an existing employee) or externally (someone from outside the business)



**Selection**  
The process of choosing between applicants for a job

**Job description**  
Lists the main duties, tasks and responsibilities of a worker

**Person specification**  
Lists the qualities, qualifications and knowledge that a person should have

**Interviews**  
Sessions where the people making the appointment ask questions of the applicants

### 3:5 Motivation and Retention

**Motivation is:**  
how workers are encouraged to work hard

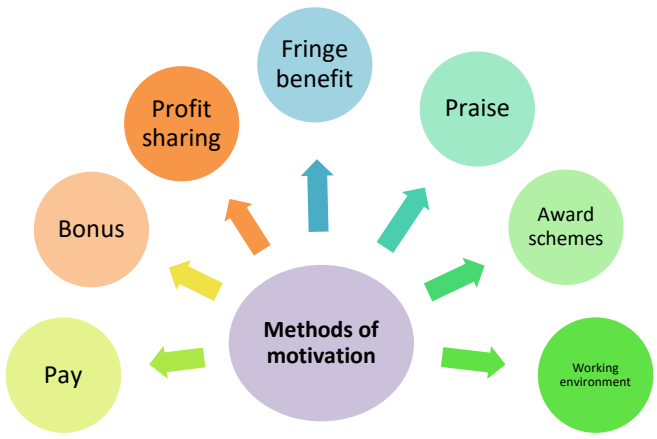
If employees are motivated then workers will be efficient in what they do, there will be a low turnover of workers, it will be easier to recruit new workers, less need for supervision and low absenteeism

**Retention**  
When workers choose to stay in a firm rather than move elsewhere

**Productivity**  
A measure of output per working

**Financial motivation methods**  
Methods that involve paying workers money

**Non-financial motivation methods**  
Methods that do not involve paying money



**Training is:**  
short term and is focused on helping a worker do his job well

**Development**  
Long term training focused on helping a worker realise their potential

**On-the-job**  
Training while working

**Off-the-job**  
Training away from the job

**Induction training**  
Training to introduce the worker to the business

### 3:6 Training and Development

	Advantages	Disadvantages
Induction	<ul style="list-style-type: none"> <li>Helps workers to settle quickly - get to know colleagues</li> <li>Worker will be more productive quicker</li> <li>Health and safety issues reduced</li> </ul>	<ul style="list-style-type: none"> <li>A lot of information to take in in one day</li> <li>Costs involved - worker is paid but not producing anything</li> <li>Costs involved - someone needs to provide the training</li> </ul>
On-the-job	<ul style="list-style-type: none"> <li>Training is individualised to help each worker improve</li> <li>Cheaper – no travel costs</li> <li>Still producing products while training</li> </ul>	<ul style="list-style-type: none"> <li>Trainer may need to stop working to help trainee</li> <li>Quality might be poor</li> <li>Quality of training depends on the trainer</li> <li>No qualifications gained</li> </ul>
Off-the-job	<ul style="list-style-type: none"> <li>Experts can provide training</li> <li>Workers enjoy the change of environment</li> <li>Workers feel valued</li> </ul>	<ul style="list-style-type: none"> <li>More expensive - fees, travel etc</li> <li>Worker is not producing products when training</li> <li>Risk of employee leaving once trained</li> </ul>

### 3:7 Employment Law

**Employment law is:**  
designed to protect workers from employers who may treat them unfairly

The **Equality Act 2010** brought together 116 pieces of legislation into one single Act which is designed to protect the rights of workers.

**Discrimination**  
When one worker is treated differently from another for no acceptable reason

**Contract of employment**  
A legal agreement between an employer and an employee

**Holiday entitlement**  
The amount of paid holiday a worker can have in one year

**Discrimination**

- Equal pay
- Race
- Sex
- Disability
- Sexual orientation
- Religion or belief

All workers are entitled to have 5.6 weeks holiday each year paid.

No. days worked per week x 5.6 = holiday entitlement

**Working Time Directive:**

Controls how many hours a worker can work each week.

Over a 17-week period a worker cannot work more than 48 hours on average.

Number of hours worked  
17

= average number of hours per week

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Time allowed: 50 minutes

Answer **ALL** of the questions

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

- Possible questions**
- State one item contained in a job description.
  - Explain two ways a business could motivate its employees.
  - Analyse one method of training a business could use.
  - Recommend one type of training a business could use for a new employee.
  - Evaluate the most effective method of selection.

## 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*

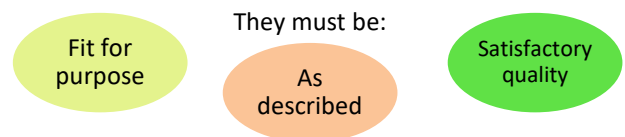


**Consumer law is:**  
the area of law which protects customers.

**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.



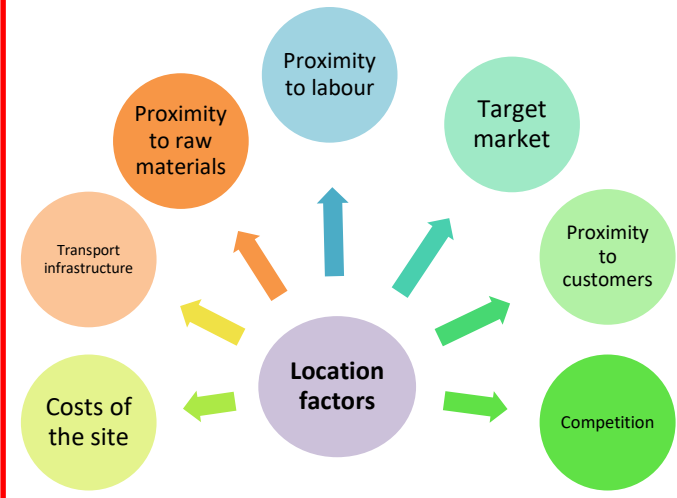
Impact of consumer law on business	
Production	A business must make sure that the quality of the goods is up to standard. They must not be faulty or damaged when bought. If they are not customer could return products and this will affect their reputation.
Safety of goods	If goods are produced in a defective 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

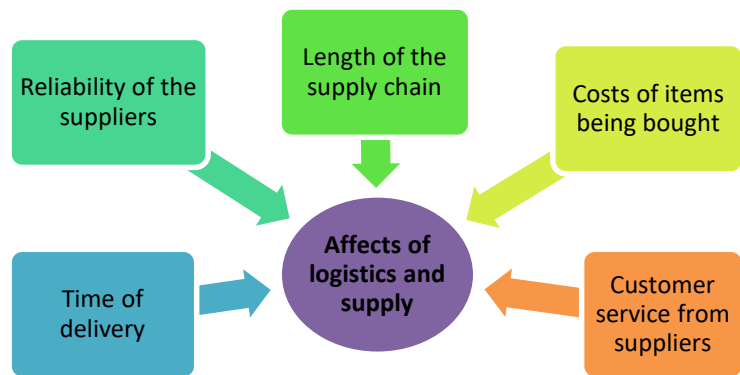


**Logistics**  
The management of the transportation and storage of goods  
**Procurement**  
The management of purchasing within a business  
**Suppliers**  
Parties who supply goods and/or services to a business

**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**

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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?

<b>When a business decides to become more environmentally friendly</b>	There may be increased costs to monitor, it may need extra finance - finance function will provide this
<b>When the business is thinking about changing production methods</b>	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
<b>When the business wants to change the way it markets its products</b>	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
<b>Revenue</b>	Quantity sold x selling price
<b>Variable costs</b>	Quantity sold x variable cost per unit
<b>Total costs</b>	Fixed costs + variable costs
<b>Gross profit</b>	Revenue - cost of sales
<b>Net profit</b>	Gross profit - expenses
<b>Gross profit margin</b>	Gross profit ÷ revenue x 100
<b>Net profit margin</b>	Net profit ÷ revenue x 100
<b>Profit</b>	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		Retained profit		Loan		Issuing shares	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	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>	<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>	<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>	<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*

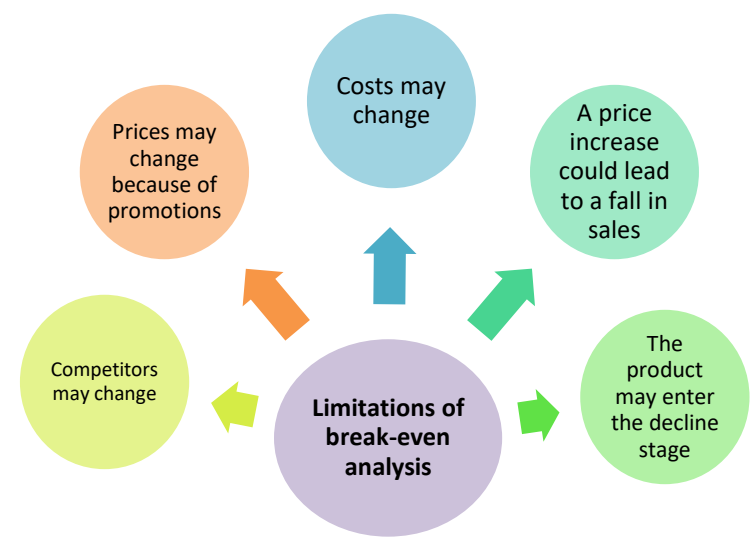
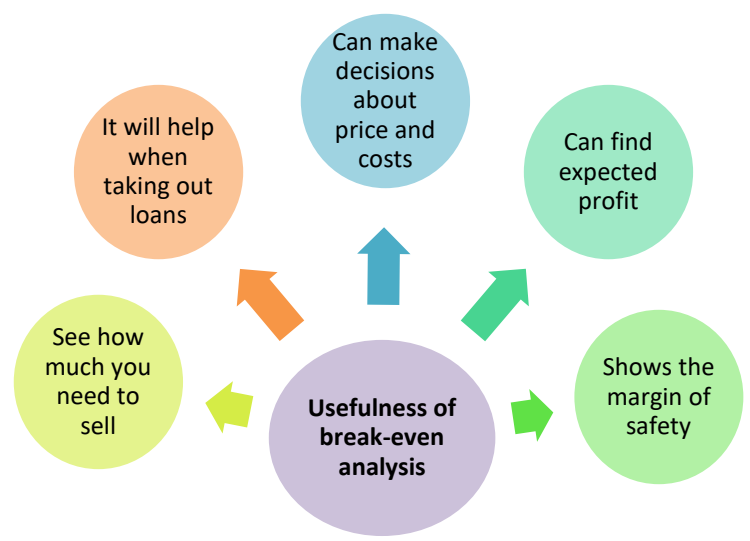
**Break-even quantity**  
*The amount a business must sell to earn enough revenue to cover its costs*

**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

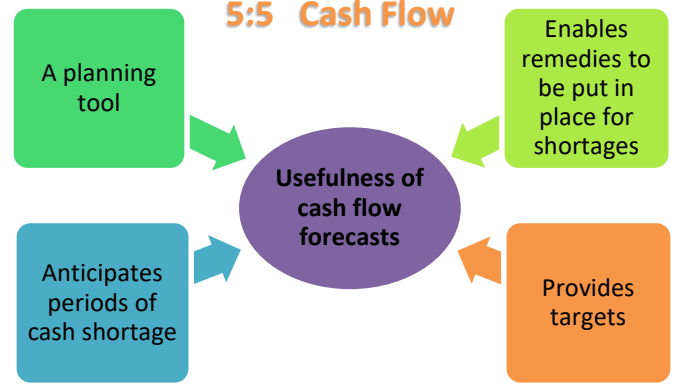
**5:4 Breakeven**

**Calculating break even**  
 Total fixed costs ÷ (price - 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

**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 one function of the finance department.
  - Calculate the profit a business would make in 4 weeks.
  - Analyse one benefit of owners' savings.
  - Recommend one source of finance for a business to use.
  - 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

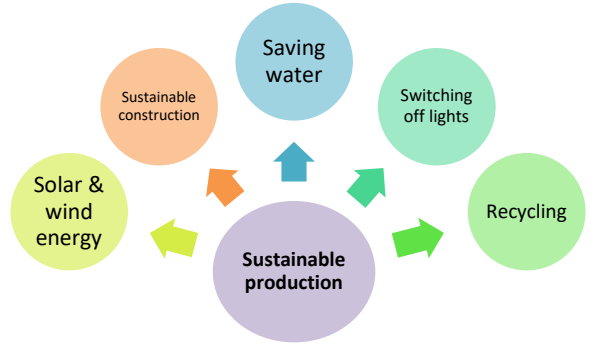
Ethics involves treating workers, suppliers and customers right however what is right and wrong changes over time so it can be hard for businesses to keep up.

**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

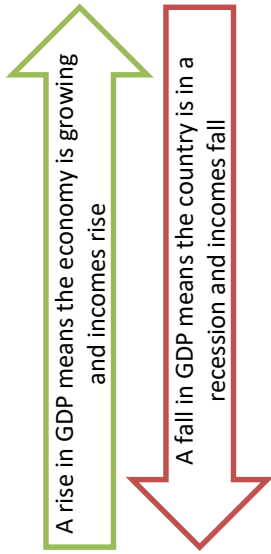
### 6:2 The Economic Climate

**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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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**
- 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.