



A LEVEL BUSINESS

FLYING START Revision Workshop



Student Name:

Note the resource download link for this workshop:

A LEVEL BUSINESS FLYING START

REVISION WORKSHOP

Welcome to our exam coaching workshop. Today's event consists of 4 sessions which are designed to help reinforce core Year 1 teaching content and assessment skills.

1 Marketing

2 Operations/ Resource Management

3 Finance

4 Human Resources

Each session has a real focus on exam skills and exam technique. At the end of each session, a range of extension activities have been provided which you can use as part of your revision, at home or at school/college.

The Key Exam Skills

A01

Demonstrate **knowledge** of key terms, concepts, theories, methods and models

A02

Apply **your knowledge** and understanding to different business contexts and situations

A03

Analyse issues within the business and construct logical chains of reasoning

A04

Evaluate quantitative and qualitative information to make informed judgements



Session 1

Marketing

In this session, we will be looking at some key marketing concepts, such as branding, price elasticity, niche markets and the marketing mix. The exam skills focus introduces the idea of 'small steps' to a perfect contextualised paragraph.



Activity 1: Brand Boulevard

Can you spot and identify the 9 brands associated with the logos hidden along Brand Boulevard?



Activity 2: True or False

True False

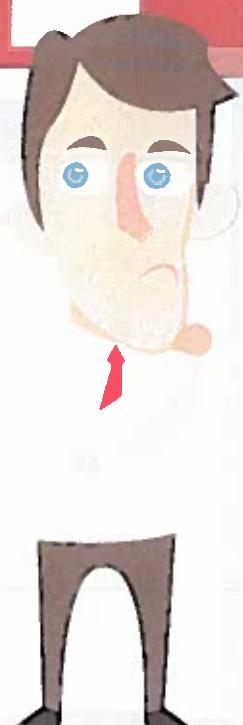
According to the Boston Matrix, a product which has high market growth and high market share is a cash cow.

A potential benefit of successfully targeting a niche market is that competition may be less intense.

Market segmentation involves dividing the market based on the price customers are prepared to pay.

A product that is experiencing rapid sales growth is likely to be in the maturity stage of the product life cycle.

Price elasticity of demand measures the responsiveness of demand to a change in price.



Activity 3: Ladies v Gents

2 benefits and 2 drawbacks of targeting a niche market

Ladies - Benefits	Gents - Drawbacks/Limitations



Activity 4: Elasticity

Quickfire questions

What measures the change in demand for a product following a change in income?

A good is said to be price inelastic if its price elasticity of demand is?

If PED is -1.6 and price increases by 10%, what would happen to total revenue?



'EXPLAIN' QUESTIONS

For AQA the question 'Explain one...' for 4 marks requires you to demonstrate KNOWLEDGE & UNDERSTANDING and APPLICATION (context). However the 'Explain how...' style question, for 5 or 6 marks, also requires well-developed ANALYSIS.

For Edexcel the 4 mark explain question also requires CONTEXTUALISED ANALYSIS.

Think! reason, cause or consequence.

WHAT IS ANALYSIS?

Analysis is so much more than just identifying or listing an advantage or disadvantage. You need to develop a reason, cause or consequence. This can be achieved by using connectives in your response, for example 'therefore', 'as a result', 'consequently'.

HIUT: MADE IN BRITAIN AND MADE TO LAST

Hiut claims to be the only British brand making its own jeans in its own factory. Its mission is to "Do one thing well". For now, that one thing is men's jeans, in a choice of just two cuts – regular and slim fit – sewn from a choice of two denims: 12oz Turkish organic or 14oz selvedge from Japan's esteemed Kuroki mill. A pair of organic Hiuts costs £130, relatively modest by designer denim standards. A selvedge pair is a more ambitious £230. "I don't want to be in the fashion game," says Hieatt. "I just want to make a great pair of classic jeans. Well-made jeans get better with age and they're the uniform of the creative man."

Each pair produced will have a code sewn into them and at each stage of production Hieatt's Grand Masters will photograph the jeans for the History Tag app - 'so when you buy a pair of jeans you will not only get a receipt, you will get pictures of your jeans being born. As you go through your life with your jeans, you will be able to upload all your pictures of where you go and what you did wearing them,' he says. 'Then when those jeans are handed down or end up in a second-hand store, their history will go along with them too. This idea will become a badge of honour for companies who make products that last and the longer you make something last the more stories it has to tell.' Hieatt and his company are also relying on a resurgence in demand for lasting, quality products with "Made in Britain" on the label.



The price elasticity of demand for Hiut Denim Co. has been estimated to be -0.6. Explain what this value means.

Explain how the introduction of the 'History Tag app' may help Hiut Denim Co. to market their product.



**HIUT
DENIM
CO.**



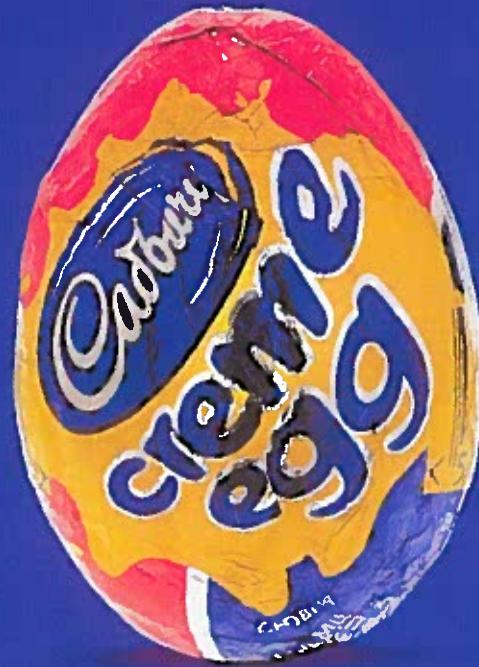
Activity 5: An Eggcellent idea?

Cadbury launches hidden white chocolate Creme Eggs with cash prizes

In big chocolate news, Cadbury is launching a limited supply of white chocolate Creme Eggs. If that wasn't exciting enough, if you find one, you could win up to £2,000.

White chocolate Creme Eggs have never been made before - they'll feature the same fondant centre as regular milk chocolate eggs, simply in a white shell. The new Creme Eggs are in shops including Co-op, Sainsbury's Local, Tesco Express and local newsagents from now until April 1.

The chances of finding one, however, are slim - there are thought to be only 371 in total. What's more, they'll look just like normal Creme Eggs. However, if you find one of the white eggs, not only will you have a delicious and rare treat on your hands, but you could also win a financial prize. Any white egg will win you at least £100, 34 eggs are worth £1,000 and one egg could win you an impressive £2,000.



APPLY, APPLY, APPLY!

It is essential that you keep referring to the specific context of the business in your response to allow you to reach the higher levels of the mark scheme.

For AQA, 9 mark questions that ask you to 'Analyse' or 'Explain why/how' require you to demonstrate knowledge & understanding, application and analysis to access the top marks.

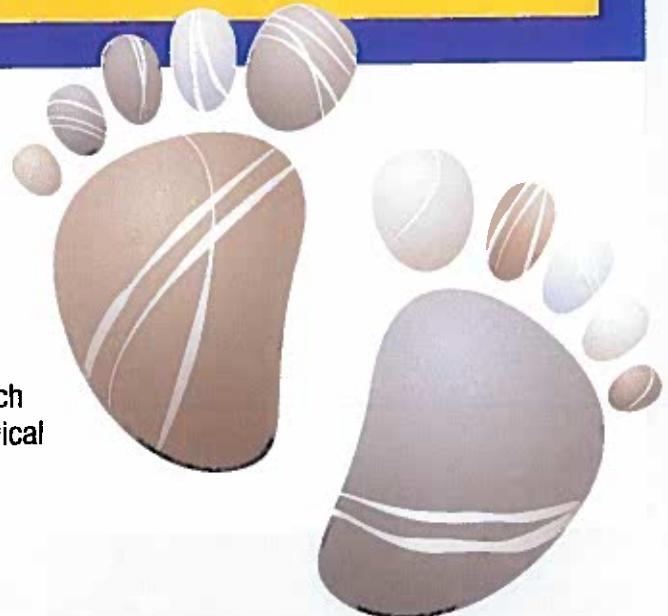
*For Edexcel, 8 mark questions that ask you to 'Assess two benefits.....' require you to provide a **counter balance** to both of the points you are making to secure the marks for evaluation. Try to use a connective like 'however' to introduce this to your answer. It is only on the 10 mark 'Assess' questions that you will need to add a **final judgement** to your answer.*

Small steps to a perfect paragraph

A useful analytical tool is called 'stepping stones'.

Imagine there are stepping stones across a river. One way to get across is to take a giant leap – but this has its risks! Alternatively, you could use the stepping stones to take a number of small steps...

Many students make leaps in their answer whereas, a much better approach is to take a series of smaller and more logical steps.



Constructing a contextualised paragraph

Context

Assess two benefits to Cadbury of this type of promotional campaign

Analyse the benefits to Cadbury of this type of promotional campaign

	Benefit 1	Benefit 2
Step 1	One benefit to Cadbury is	Another benefit to Cadbury is
Step 2	This is important to Cadbury because	This is important to Cadbury because
Step 3		
Step 4		

Counterbalance (Edexcel only)

Activity 6: Lidl

Lidl remains UK's fastest-growing supermarket

Supermarkets have clocked 17 months of consecutive sales growth, with Lidl still being Britain's fastest-growing supermarket. Lidl sales grew by 16 per cent compared to the same period last year, while Aldi's sales were up 13.4 per cent.



Market share increased to 5.2 per cent of the market for Lidl and 6.8 per cent for Aldi and collectively they added an additional £390m in sales, which accounted for half of the entire market's overall growth in that period.

Morrisons was the fastest-growing among the four big supermarkets – which include Tesco, Sainsbury's, Asda – with sales growing by 2.8 per cent. However, is this growth set to continue?

The discount supermarkets Aldi and Lidl are pressing ahead with rapid expansion, despite fears over shifting shopping habits that are forcing Britain's "Big Four" grocers to shake up their store estates. The pair have filed 90 planning applications for new supermarkets in comparison with just 11 for Tesco, Sainsbury's, Asda and Morrisons collectively.

The Big Four are already grappling with too much store space and property costs at a time when customers are increasingly preferring to shop online or make more frequent trips to local convenience stores.

Tesco and Sainsbury's are continuing to open smaller convenience stores to match demand. Meanwhile, they are filling their larger stores with concessions, cafes and other services in an attempt to entice more shoppers. Yet Aldi and Lidl have both set ambitious targets for large store growth as they look to seize more market share.

**Time to consider
Lidl's decision
to open new
stores**



Arguments for Lidl opening new stores

Arguments against Lidl opening new store

Suggested examination style questions

AQA – 16 mark question or 20 mark question

Do you agree with Lidl's decision to continue opening new stores despite the market research to suggest a change in consumer spending habits? Justify your view.

Edexcel – 20 mark question

Market research indicates that consumer shopping habits are changing. Lidl is considering whether to continue with its plan to open new stores or to spend more on advertising and promotion.

Evaluate these two options and recommend which one Lidl should choose to increase market share.

EXTENSION ACTIVITIES

CALCULATION TIME!

1 The UK supermarket industry was valued at £86 billion in 2017, an increase of 1.6% from the previous year

Calculate the market size by value of this market in 2016

2 Retail analysts have calculated that consumers spent £1.5 billion on the Friday and Saturday before Christmas 2017

Calculate this as a percentage of the total supermarket industry value for 2017

3 Market research analysts expect the supermarket industry to grow by 5.9% each year between 2018 and 2021

Calculate the size of the supermarket industry by value in 2021



4 Changing trends in consumer shopping habits have seen many households 'ditch' the large weekly shop at their supermarket of choice in favour of more regular and smaller purchases at local convenience stores. The Co-op, amongst others, have witnessed an increase in demand as a result

Explain how Tesco and Sainsbury's may benefit from opening smaller convenience stores

5 Despite the growth in popularity, discount retailers are struggling to build a loyal returning customer base. Often customers 'pop in-store' to purchase a specific product that is on offer rather than use the retailer for their regular weekly shopping

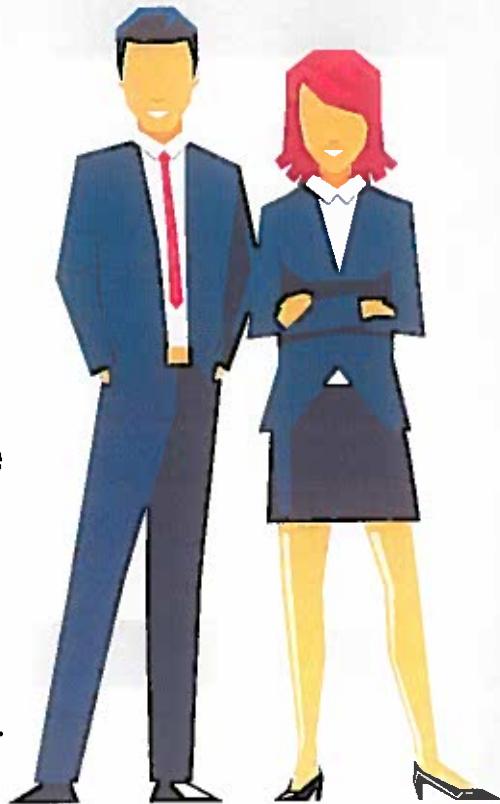
Explain one way in which discount supermarkets, like Aldi and Lidl, could use promotion to build customer loyalty in the long term



Session 2

Operations/ Resource Management

In this session, we will be looking at key operations/resource management topics including: Just in Time, technology, capacity utilisation, stock and quality control. The exam skills focus examines the concept of a PeCAn paragraph.



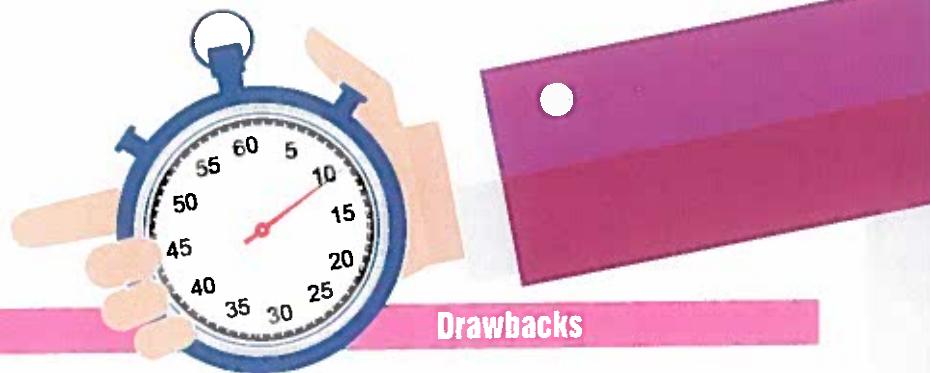
Activity 1: Key Word Countdown

You will be shown 4 operations/resource management key word conundrums. Can you work them out before the music stops?

- 1
- 2
- 3
- 4

Activity 2: Give me three

Just In Time Stock Control



Benefits

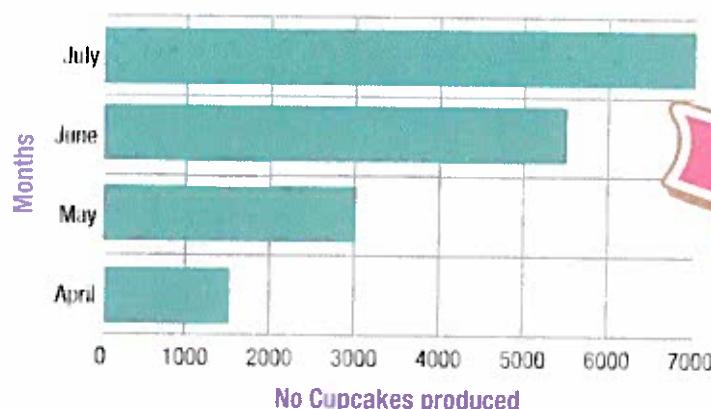
Drawbacks

- 1
- 2
- 3

Activity 3: Quick Calculations

Below is a chart that shows the number of cupcakes a baker produces between the months of April and July.

The monthly fixed costs for the 'Cupcake Cavern' are £2,250 and the variable costs of producing one cupcake is £0.75.



Question 1 Calculate the total cost of producing one cupcake in May and June

May

July



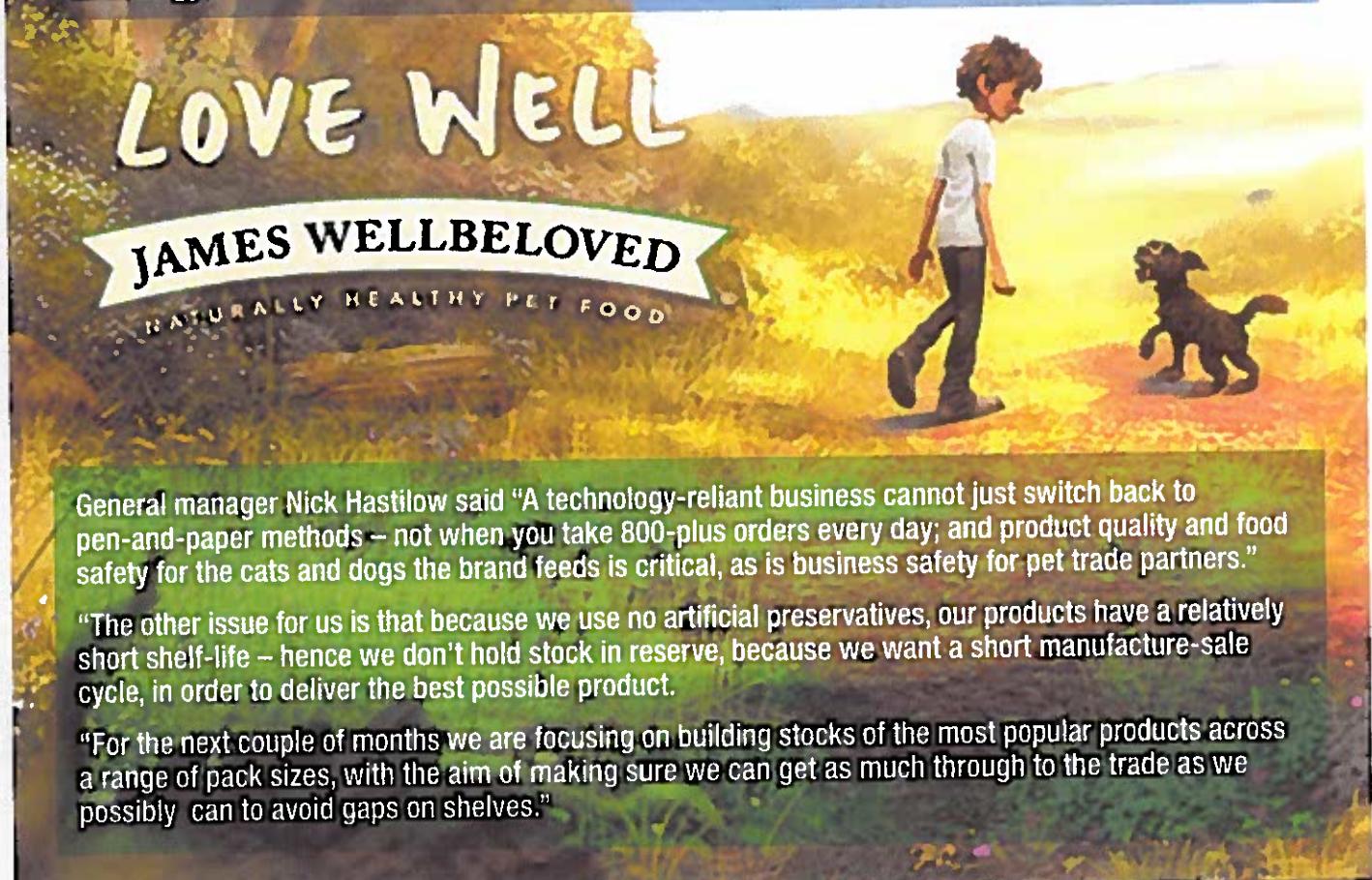
Remember when answering numerical questions, **always** show your method and working out. That way even if your final answer is incorrect you **may** be awarded some marks for part of your working out.

Question 2 Cupcake Cavern reached 65% capacity utilisation with its output in July. Calculate Cupcake Cavern's total capacity.



Activity 4: The trauma of technology!

The James Wellbeloved production facility in Castle Cary, Somerset, has three production lines producing 180 different items of dry dog and cat food for the UK and Ireland. The cyber attack on June 27, 2017 had a significant impact on this big, automated business which is heavily reliant on technology.



General manager Nick Hastilow said "A technology-reliant business cannot just switch back to pen-and-paper methods – not when you take 800-plus orders every day; and product quality and food safety for the cats and dogs the brand feeds is critical, as is business safety for pet trade partners."

"The other issue for us is that because we use no artificial preservatives, our products have a relatively short shelf-life – hence we don't hold stock in reserve, because we want a short manufacture-sale cycle, in order to deliver the best possible product."

"For the next couple of months we are focusing on building stocks of the most popular products across a range of pack sizes, with the aim of making sure we can get as much through to the trade as we possibly can to avoid gaps on shelves."

Explain one benefit to James Wellbeloved of operating as a 'technology reliant business'.

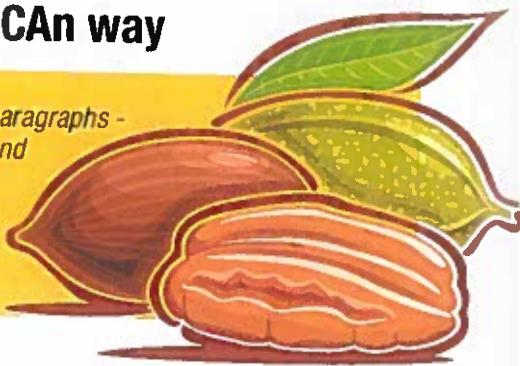
Explain one drawback to James Wellbeloved of operating as a 'technology reliant business'.

Activity 5: Writing a winning paragraph the PeCAN way



It is essential that you produce an answer with well structured paragraphs - this makes it easier for the examiner to follow your arguments and ensure that the core assessment skills are demonstrated.

A good strategy to use when developing paragraphs is PeCAN.



Pe

Pe stands for POINT explained

Signpost every paragraph! Check that each paragraph starts with a sentence that *uses the words of the question* to state a **relevant point** that will be developed using the skills of knowledge and understanding, analysis and application.

Can

Can stands for CONTEXTUALISED ANALYSIS

For A Level Business **CONTEXT** is vital. The arguments that are to be developed (**ANALYSIS**) must be **APPLIED** to the **CONTEXT**.

*We do this by interweaving the context into the analysis using **CONTEXTUAL ANALYSIS (CAN)**.*

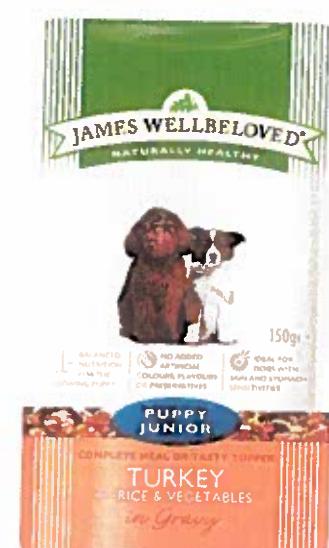
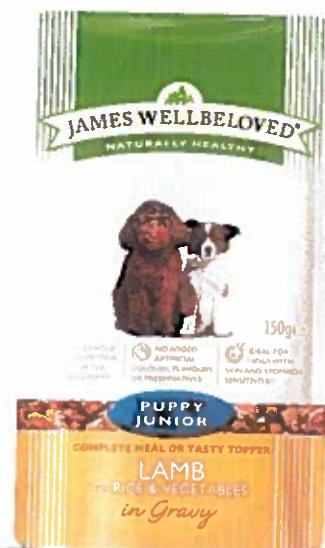
So what is CONTEXT?

CONTEXT is applied to the analysis by explaining in the point how individuals and businesses are affected by and respond to the business issues. The context might come from the scenario provided to you, a case study or possibly data which can be used for calculations.

So what is ANALYSIS?

This is not simply listing 'textbook' style advantages and disadvantages. Each one must be **APPLIED** to the **CONTEXT** but that is only the start. You need to develop a reason, cause or consequence to show **depth** and **linkages** between points. Connectives can help - therefore, as a result, this may lead to, consequently.

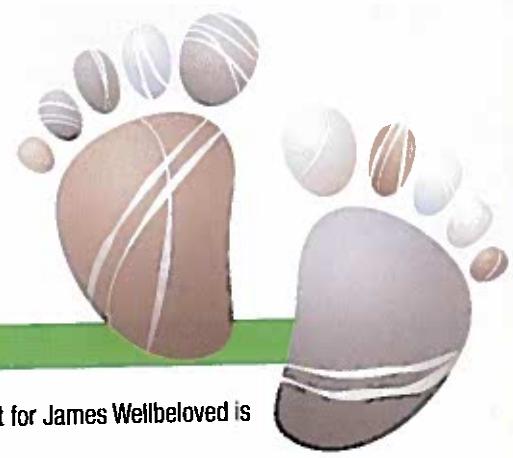
Your analysis for each point needs to have **DEPTH** which is achieved by developing a **LOGICAL CHAIN OF REASONING** that is relevant to the question. The analysis might also include a relevant model or theory to add credibility to an argument.



Now over to you...

Create a PeCAN paragraph to the following question?

James Wellbeloved is currently operating at full capacity in order to successfully meet customer shortfalls of stock. Analyse/Assess the effects/impact for James Wellbeloved of customers experiencing delays in receiving these orders.



Benefit 1

Benefit 2

Step 1

One effect for James Wellbeloved is

Another effect for James Wellbeloved is

Step 2

This means that

This means that

Step 3

Step 4

Counterbalance (Edexcel only)

Activity 6: A quality checking scandal

NISSAN HALTS JAPANESE PRODUCTION

Nissan has halted production at all its Japan plants after it emerged vehicles rolling off the lines were being checked for quality by uncertified staff.

Technicians, who were not correctly registered to carry out the checks, were discovered to still be carrying them out at some plants despite the issue coming to light weeks ago. The company decided to suspend production for about a fortnight at six plants in Japan as a result of the crisis. The plants make an average of 1,000 vehicles a day.

Hiroto Saikawa, the chief executive said: *"If I see any mistakes I'd like to take drastic measures. This is my job and I'm the one to lead it."*

In a statement, the company said it *"regards the recurrence of this issue at domestic plants — despite the corrective measures taken — as critical. The investigation team will continue to thoroughly investigate the issue and determine measures to prevent recurrence."*

Nissan has already said it is recalling more than 1 million cars for quality checks because of the discovery, which is likely to generate a hit to profits of hundreds of millions of pounds.

Shares in Nissan fell almost 3% as the company announced the production halt, and Renault, which has a 43% stake in Nissan, dropped 2%.

Explain the importance of quality to a company like Nissan.





Time to consider the arguments for and against Nissan stopping their production line

Argument for

Argument against

Decision/recommendation



In the longer mark questions, spend a minute or two planning your answer. This will help you to write a more focused response.

Suggested examination style questions

AQA – 16 mark question or 20 mark question

Do you agree with the Chief Executive's decision to immediately stop production in order to increase quality? Justify your view.

Edexcel – 20 mark question

Nissans Chief Executive had the option to immediately stop production or to remove the uncertified quality checkers from the production process.

Evaluate these two options and recommend which one is the best way to improve quality at Nissan.

NOTES

EXTENSION ACTIVITIES

1 Explain the problems of low capacity utilisation for the Cupcake Cavern

2 Analyse/Assess the benefits to the Cupcake Cavern of moving to a system of just in time stock control



3 Explain the importance of quality to a pet food manufacturer like James Wellbeloved

4 Analyse/Assess the consequences to James Wellbeloved of not carrying/holding stock in reserve



Session 3

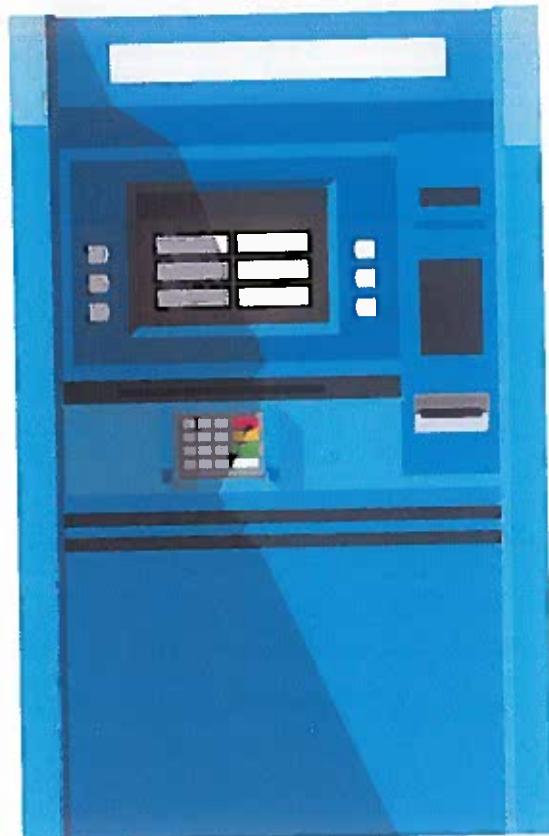
Finance

In this session, we will be looking at some key financial concepts including contribution, budgets, variance analysis, break-even and profit. The exam skills focus will increase confidence in cracking the calculations.

Activity 1: Cash Machine Calculation!

You will be shown 4 calculations on the screen.

You have 30 seconds to complete each of the calculations shown on the Cash Machine screen.



- 1
- 2
- 3
- 4

Activity 2: True or False

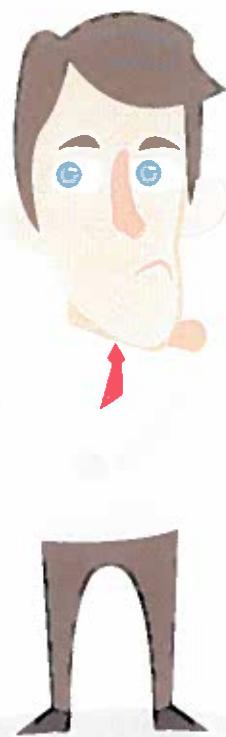
True False

A fixed cost never changes

Gross profit = Sales revenue – cost of sales

Contribution per unit = Selling Price per unit – Fixed Costs per unit

Profit for the year margin = $\frac{\text{Profit for the year} \times 100}{\text{Sales Revenue}}$



Activity 3: Ladies v Gents

2 methods of improving cash flow and 2 methods of improving profitability

Ladies – Cash Flow

Gents - Profitability



Activity 4: 3 - 2 – 1... it's a question of finance

Give me **three** methods a business could use to raise finance

1

2

3

Give me **two** advantages of each source identified

1

2

3

Give me **one** disadvantage of each source identified

1

2

3



Activity 5: Budgeting

The following budgeting data has been taken from the Mobile Phone Hut Ltd, a small business based in Manchester, that sells and repairs mobile phones. Although online sales are generating significant income for the business, their plan is to open 2 new stores in major city centres.

	June		July	
	Budget (£)	Actual (£)	Budget (£)	Actual (£)
Revenue				
In store	2000	3500	3250	4000
Online	1200	2100	2000	2800
Total	3200	5600	5250	6800
	June		July	
	Budget (£)	Actual (£)	Budget (£)	Actual (£)
Costs				
Stock	800	1450	1500	2200
Wages	1000	1200	1200	1800
Rent & Rates	500	500	500	500
Other	100	600	300	1000
Total expenditure	2400	3750	3500	5500



Calculate the total profit variance for June and July stating whether it is adverse or favourable.

What percentage of total revenue (actual) in July was via online sales?

Total revenue in June (actual) was 10% higher than actual total revenue in the previous month, May. Calculate the actual total revenue in May.

In order to raise the £100,000 finance required to open the planned new stores, Mobile Phone Hut Ltd are looking at two options.

Loan Finance

Share Capital

Argument for

Argument for

Decision

Activity 6: Contribution, break-even and profit.

BISCUITS WILL BE UP TO 33% MORE EXPENSIVE THIS YEAR AS SUPERMARKET OWN-BRANDS ARE HIT BY THE RISING COST OF BUTTER

Prices of own-label biscuits sold in supermarkets have sky-rocketed up to a third according to research by The Grocer - with the cost of butter partly to blame.

Over the past six months, the butter price soared to levels more than twice that of 2016. There is nowhere to hide for suppliers of 'buttery' cookies. An example of the impact can be seen on the simple, yet popular, traditional gingerbread man that is now almost double the cost to manufacture.

Morrisons Gingerbread Man will now cost a consumer 23% more at 80p because of the rising costs. It is estimated that this increase in price will see a decline in sales by approximately 15% per month.

An extract from financial data

	2017	2016
Selling Price per unit	80p	?
Variable Cost per unit	58p	32p
Fixed Costs per month	£3,300	£3,300
Current units sold (per month)	?	15,000



Calculate the selling price for the biscuits prior to the price increase

Calculate the difference in Contribution per unit between 2016 and 2017

Calculate the break-even point for 2017

Calculate the profit/loss per month based on the forecasted sales decline in 2017



Activity 7: Coffee costs are rising

COSTA PROFITS FALL AS IT IS HIT BY THE RISING COST OF COFFEE IMPORTS

Profits at coffee chain Costa slumped 10 per cent during the first half of the company's financial year, caused, in part, by a dramatic tumble in the value of the pound pushing up the cost of importing coffee beans.

Britain's largest coffee chain also cited higher staff costs and business rates as reasons for its profit slipping to £59m.

Customers have expressed their anger too, as Costa has added 20p to the cost of popular choices, such as Americanos and flat whites bought in its 2,000-plus cafes. In addition, drinks purchased using Costa Express machines - there are more than 6,000 found on forecourts, train stations and corner shops - have risen by 10p.

The firm announced in September 2015, it would pay its baristas more than the Government's new £7.20 "national living wage" that came into force in April 2016 – but has this pushed costs just a step too far?

At the time, Costa boss Chris Rogers said that the firm's prices would not automatically rise in tandem with the chain's new wage policy.

But last night the firm confirmed it had now hiked prices due to these increased costs.

Calculate the profit earned by Costa in the first half of the previous financial year



Explain how Costa could increase their profit, without increasing their prices.

Time to consider the plan Costa has to open more 'drive through' outlets



Arguments for

Arguments against

Decision/recommendation



**When evaluating, think of the W's of evaluation – What is your decision?
Why did you make that decision? What was the most significant reason for making that decision?
Why did you reject the alternative? What does your decision depend on?**

Suggested examination style questions

AQA – 16 mark question or 20 mark question

Do you think that the best way for Costa to increase profit is to open more 'drive through' outlets?
Justify your view.

Edexcel – 20 mark question

To increase profit, Costa are considering whether to focus on reducing their costs in existing stores or opening more 'drive through' outlets.

Evaluate these two options and recommend which one is the best way to increase profit for Costa.

NOTES

EXTENSION ACTIVITIES

- 1 Using the budgeting information from the Mobile Phone Hut Ltd, calculate the percentage of total income (actual) that came from in store sales across June and July
- 2 Calculate the stock variance for June and July, stating whether each month has an adverse or favourable variance
- 3 Calculate the percentage increase in wages between the budgeted figure in June and the actual wage figure in July

Write a full answer for the following question relating to the Mobile Phone Hut Ltd.

4 Should the Mobile Phone Hut Ltd use loan finance or share capital to raise the £100,000 needed to open their new stores?



Session 4

Human Resources

In this session, we will be looking at some of the key concepts relating to managing people. In addition, we will explore some of the key HR themes of centralisation/decentralisation, motivation, organisational design and training. The exam skills focus addresses the theme of effective evaluation.



A B C D

Activity 1: 'Think'

- 1 Passing authority to a subordinate
- 2 All decisions are made by senior staff
- 3 The lines of communication from the top of the organisation to the bottom
- 4 The number of subordinates a manager directly supervises
- 5 Leadership style where employees are involved in decision making
- 6 The number of different layers within an organisation

Activity 2: It's all about balance... Tug of war challenge!

We are going to consider the arguments for and against two different HR concepts.

	Advantages	Disadvantages
Training		
Decentralisation		

Activity 3: Give me 3

Non-financial methods of motivation

1

2

3

Motivational Theorists

1

2

3



Activity 4: What's the difference?

Can you identify the key difference between the following terms?

Key Term 1

Key Term 2

Difference

Autocratic
Leadership

Democratic
Leadership

Chain of
command

Span of control

Centralisation

Decentralisation

Activity 5: Context, context, context – Team Challenge!

THOUSANDS OF Sainsbury's JOBS AT RISK IN RESTRUCTURE OF MANAGEMENT

Sainsbury's is slimming down its management roles in store and those affected will be given the choice of applying for the new roles, accept a more junior position or redundancy. Simon Roberts, retail and operations director of Sainsbury's, said: 'We're proposing a store management structure that will deliver best in class leadership and, in many cases, will offer an improved reward package for new management roles. The proposals will introduce a more efficient and effective structure, designed to meet the challenges of today's retail environment.'

'They will deliver cost savings to be invested in our customer offer and in our colleagues as they continue to provide the very best service for our customers.' He added: 'Our intention is not to reduce overall headcount as a result of these proposals.'



Analyse/Assess the consequences of the planned restructure to Sainsbury's.



For Edexcel: To answer this question in a balanced way, you need to consider the positive and negative impact of the restructure.

For AQA: there is no need to write with balance - two positives or two negatives can still achieve top marks.

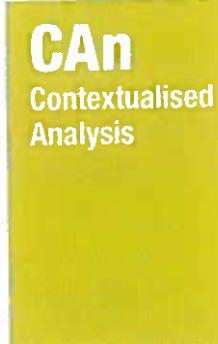
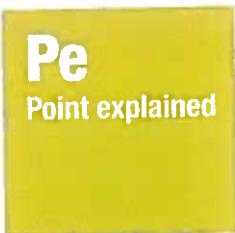
Remember... each point made and developed must be written fully in context.

Knowledge/Content/Key terms:

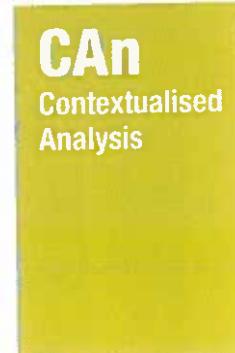
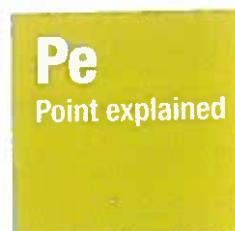
Contextual information we might use:

Session 2 introduced you to the concept of the PeCAN paragraph. You have now planned the knowledge and the context required. Using the grids below produce 2 PeCAN paragraphs to answer this 'Analyse/Assess' question.

Team 1 - Positive



Team 2 - Negative



Activity 6: Be the examiner!

The following paragraph is taken from a student answer to the question in activity 5. Using your knowledge of exam technique, how would you improve this response. Annotate the answer with your suggestions and make recommendations on how to improve in the table below.

Student A

'One reason why the restructure may benefit Sainsbury's is because it will help them to reduce their costs. Sainsbury's wants to be more efficient and so by restructuring the business the costs will reduce, and they will achieve this. One reason why Sainsbury's will not benefit is because it will make their employees unhappy. This will result in a loss of customers for the business.'

Recommendations

1

2

3

Now rewrite the paragraph based on your recommendations



Activity 7: Effective Evaluation

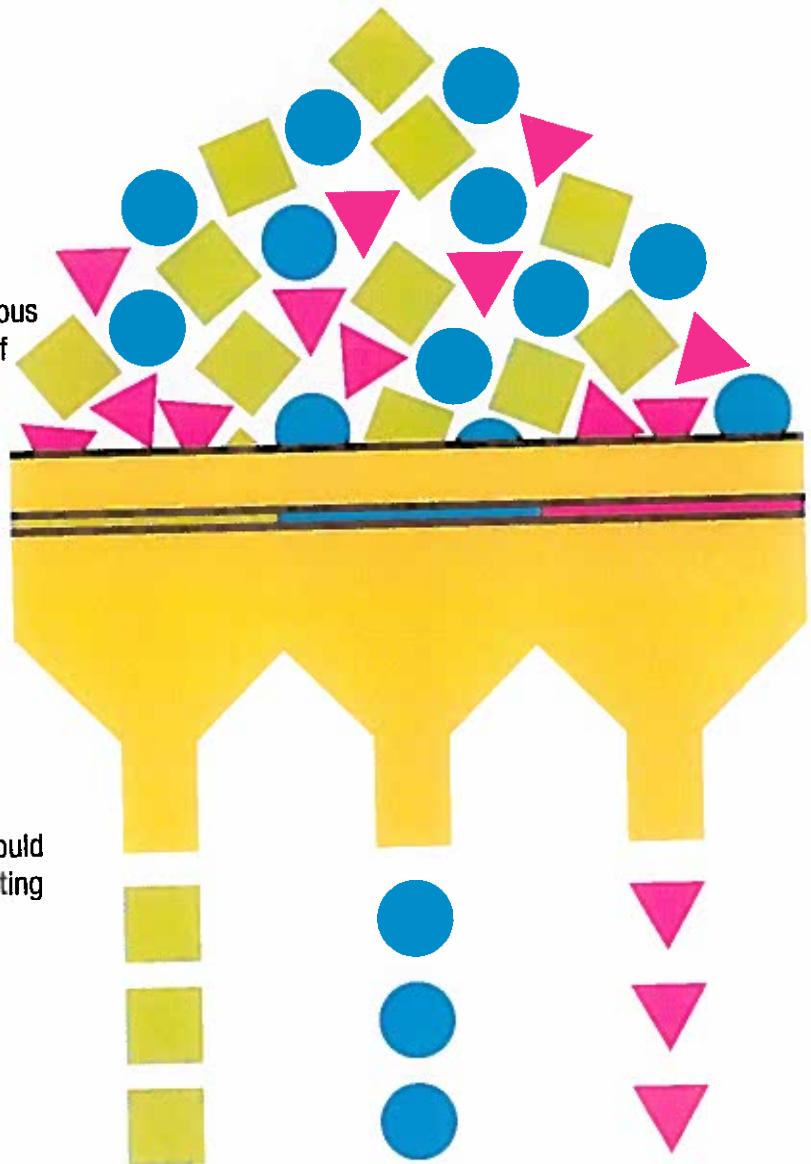
Evaluation is all about making decisions, judgements and/or recommendations.

However, it is not just about repeating your previous arguments when making a decision at the end of your answer.

Effective evaluation is about weighing up your arguments, deciding which arguments are stronger, more important or more significant given the specific circumstances of that particular business and then making a fully supported judgement based on evidence.

In summary, evaluation:

- Is about making a well-supported, logical judgement that is focused on (and fully answers) the question
- Needs to be based on prior analysis and should show the significance/weighing up of competing arguments as well as the limitations of arguments
- Should show balance and be supported by quantitative and/or qualitative information



The 'W's' of Evaluation

A useful framework to consider when evaluating is the 'W's' of Evaluation'

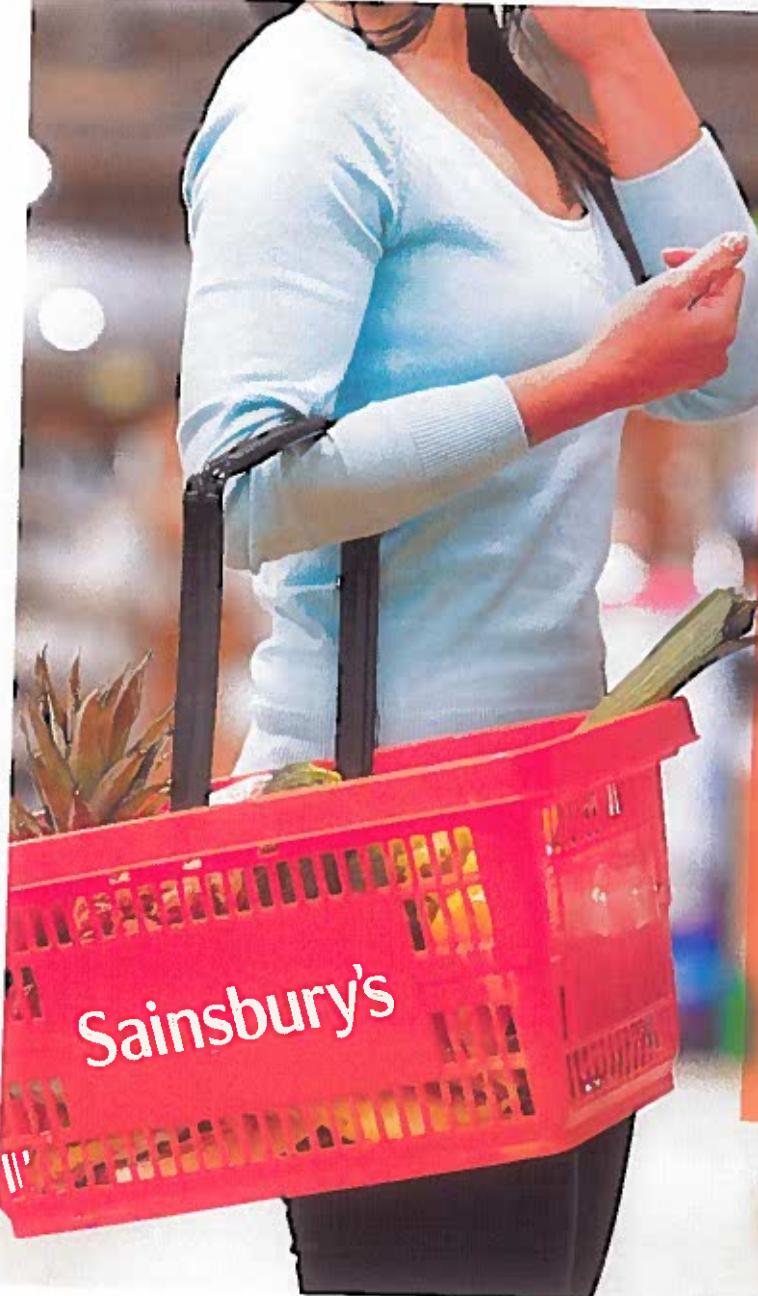
What is your **decision**? - Which option/ course of action have you chosen?

Why have you made that decision? - **Justify**

What was the most **significant** reason/ What **influenced** your decision?

Why did you reject the **alternative**?

What does your decision **depend on**?



Sainsbury's

CAN LOWERING COSTS AUTOMATICALLY IMPROVE EFFICIENCY AND EFFECTIVENESS?

Many of the Sainsbury's management team will be faced with a tough decision - do they accept a junior role within the company for a lower salary or face compulsory redundancy? The danger is that a wider middle management layer will be created, which although may reduce overall staffing costs, it will do very little to help improve the overall efficiency of the business.

Sainsbury's retail and operations director maintains that there is no intention to reduce the 'headcount'. Do you think that reducing the headcount would have been a better option for Sainsbury's in the long term?

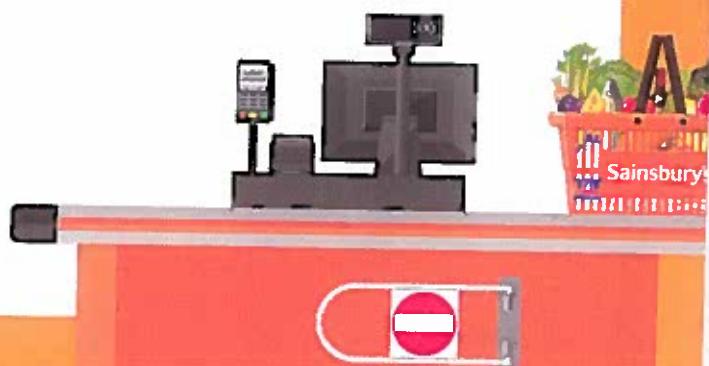
Using the 'W's' of evaluation, justify which option you would choose and why.

EXTENSION ACTIVITIES

- 1 Explain the benefits to Sainsbury's of offering an 'improved reward package for new management roles'.
- 2 Analyse/Assess the importance of continued investment in employee training in organisations, like Sainsbury's, that are going through a period of restructuring.

3 Explain the benefits to Sainsbury's as a result of introducing a more efficient and effective structure.

4 Analyse/Assess the effect of Sainsbury's changing organisational structure on its store staff.



NOTES



AQA AS KEY TERM GLOSSARY

Adverse variance	A difference between actual and budgeted amounts which is bad news – e.g. higher than budgeted costs
Autocratic	Management/ leadership style whereby the manager makes all of the decisions
Bank Overdraft	Borrowings from a bank on a current account which are payable on demand
Blake Mouton Grid	A model which examines a managers behaviour based on their concern for people and concern for production
Boston Matrix	A model which analyses the product portfolio of a business into four categories (stars, cash cows, problem children and dogs)
Branding	The use of a trade name, symbol, logo or other device to differentiate a product or service
Break-even	The point at which the total sales of a business equal total costs -i.e. the business is making neither a profit nor a loss
Budget	A detailed plan of income and expenses expected over a certain period of time
Buffer inventory	Minimum level of inventory required by a business
Capacity utilisation	The proportion of total capacity that is used (expressed as a percentage)
Cash flow	The movements of cash into ("inflows") and out of ("outflows") a business
Cash flow forecast	A projection, usually by week or month, of the likely cash inflows and outflows in a business
Competition	The businesses that compete for a share of a market
Competitiveness	The ability of a business to offer a better product than competitors (as measured by customers)
Contribution (total)	The difference between total sales and total variable costs
Correlation	A relationship between two variables
Delegation	Where responsibility for carrying out a task or role is passed onto someone else in the business
Demand	The amount of a product or service that customers are willing and able to pay for at a given time
Democratic	Management leadership style whereby the manager involves employees in the decision making process
Distribution channel	How a business gets its products to the end consumer (with or without the use of intermediaries)
Dividend	A payment that is made by a company to its shareholders from the profit earned
Elasticity of demand	The responsiveness of demand to a change in price or income
Extrapolation	Using previous data to predict future values
Favourable variance	A difference between actual and budgeted results which is good news. E.g. higher than budgeted revenue
Fixed costs	Costs that do not vary with the level of output
Gross profit	Revenue minus cost of sales
Hierarchy	The structure and number of layers of management and supervision in an organisation
Income elasticity of demand	The responsiveness of demand to a change in income
Inventory control	The processes and controls used by a business to ensure that it has sufficient (but not too much) inventory for its purposes
Job design	The way in which tasks are combined to form a job
Just-in-time	A method of inventory control whereby inventory arrives just at the time that it is needed
Labour productivity	The output produced per employee over a given time period
Lean production	A method of production that aims to reduce waste
Limited liability	Shareholders are only liable for the money they have invested - not for the overall debts and liabilities of their company
Margin of safety	The difference between the actual level of output and the break even output
Market capitalisation	Number of shares x the current share price of those shares on the stock market
Market growth	The percentage growth in the size of the market, measured over a specific period
Market research	The process of planning, collecting, and analysing data relevant to help make marketing decisions
Market segmentation	The process of dividing a market into smaller sections (segments) which contain customers with similar needs and wants

Market share	The share of the total market that is owned by a particular business, product or brand
Marketing mix	The set of marketing tools that the firm uses to pursue its marketing objectives. Also known as the 7p's
Mass customisation	The ability to offer products designed for the individual on a large scale
Mass market	Describes the largest group of customers with specific needs and wants in an industry
Niche market	A niche market is a focused segment of a larger market sector which is possible to target
Operating profit	Gross profit - overheads
Opportunity cost	The cost of a decision as measured by the benefits foregone of the next best alternative
Organisational structure	The way that the roles and responsibilities within an organisation are structured
Outsourcing	The delegation of business processes to a third party
Penetration pricing	Pricing strategy that involves the setting of lower, rather than higher prices in order to achieve a large market share
Price elasticity of demand	The responsiveness of demand to a change in the price of a product
Price skimming	Pricing strategy where a higher price is charged for a new product to take advantage of customers prepared to pay for innovation
Primary research	The market research that involves the collection of data that does not yet exist
Private Limited Company	A business owned and controlled by shareholders whose shares cannot be publicly traded
Product life cycle	A theory which predicts the stages a product goes through from introduction to withdrawal from a market
Product portfolio	The collection of products and brands owned and operated by a firm
Profit for the year	Profit that takes into account all income and expenditure including any one-off items and financing costs
Profitability	The ability of a business to generate profits from its activities
Public Limited Company	A business whose shares can be traded and sold to the public
Qualitative research	Market research concerned with collecting data on attitudes, opinions, beliefs, intentions etc
Quality	Where a product meets a customer's requirements
Quality assurance	Organising every process to get the product 'right first time' and prevent mistakes ever happening
Quantitative research	Market research concerned with collecting data that can be quantified - e.g. sales statistics
Sample	In market research, a sample is a subset of a population
Sole trader	A one-person business with unlimited liability for the debts of that business
Span of control	The number of employees who are directly supervised by a manager
Spare capacity	When a business is able to produce more with existing resources (also known as excess capacity)
Stakeholder	A person or group with an interest in a business
Tannenbaum & Schmidt Continuum	A model of leadership that examines the relationship between how much freedom a manager gives the workers and how much authority is retained
Total costs	The total of variable and fixed costs in a business
Trade union	An organisation made up of employees who work together to improve working conditions
Unit cost	The average production cost per unit
Unlimited liability	Unlimited liability describes the potential risk that sole traders face. They are liable for the debts of the business
Variable costs	Costs that vary directly in proportion to output
Variance	The difference between the budgeted amount and what actually happens. A variance can be "positive" (favourable) or "negative" (adverse)
Venture capital	Investment made by specialist funds to finance the launch, early development or expansion of a private company
Waste	A cost of production. Sub-standard completed output or raw materials which are not retained in the production process
Working capital	The amount of money that a business has available
Works council	A group of employees and managers who meet to discuss work related issues

EDEXCEL AS KEY TERM GLOSSARY

Adding value	The process of increasing the worth of a product or service
Adverse variance	A difference between actual and budgeted amounts which is bad news – e.g. higher than budgeted costs
Autocratic	Management/ leadership style whereby the manager makes all of the decisions
Bank Overdraft	Borrowings from a bank on a current account which are payable on demand
Batch production	Method of production whereby a number of identical products are produced
Boston Matrix	A model which analyses the product portfolio of a business into four categories (stars, cash cows, problem children and dogs)
Branding	The use of a trade name, symbol, logo or other device to differentiate a product or service
Break-even	The point at which the total sales of a business equal total costs -i.e. the business is making neither a profit nor a loss
Budget	A detailed plan of income and expenses expected over a certain period of time
Business cycle	The changes and fluctuations in economic activity that the economy undergoes over a period of time
Capacity utilisation	The proportion of total capacity that is used (expressed as a percentage)
Cash flow	The movements of cash into ("inflows") and out of ("outflows") a business
Cash flow forecast	A projection, usually by week or month, of the likely cash inflows and outflows in a business
Cell production	Method of production whereby production is split up into self-contained units
Centralisation	Organisational structure where all decision making is made at the top of the hierarchy
Competition	The businesses that compete for a share of a market
Competitiveness	The ability of a business to offer a better product than competitors (as measured by customers)
Contribution	The difference between total sales and total variable costs
Demand	The amount of a product or service that customers are willing and able to pay for at a given time
Decentralisation	Organisational structure where decision making is passed down the hierarchy
Democratic	Management leadership style whereby the manager involves employees in the decision making process
Distribution channel	How a business gets its products to the end consumer (with or without the use of intermediaries)
Dividend	A payment that is made by a company to its shareholders from the profit earned
Elasticity of demand	The responsiveness of demand to a change in price or income
Entrepreneur	A person who sets up a business and assumes all the risks and rewards
Exchange rates	The rate at which one currency can be converted into another currency
Favourable variance	A difference between actual and budgeted results which is good news. E.g. higher than budgeted revenue
Franchise	Form of business whereby one business allows another business to sell their products and services in return for a fee
Fixed costs	Costs that do not vary with the level of output
Flow production	Method of production whereby there is a continuous movement of items through the production process
Gross profit	Revenue minus cost of sales
Income elasticity of demand	The responsiveness of demand to a change in income
Inflation	An increase in the general price of goods and services over a period of time
Interest rates	The cost of borrowing money or the return for investing money
Job production	Method of production whereby one off items are produced to specific requirements
Just-in-time	A method of inventory control whereby inventory arrives just at the time that it is needed
Kaizen	The process of continuous improvement
Laissez-faire	A hands-off approach to management
Lean production	A method of production that aims to reduce waste
Legislation	The act of making and enacting laws
Limited liability	Shareholders are only liable for the money they have invested - not for the overall debts and liabilities of their company

Liquidity	The ability of a business to pay its debts
Market share	The share of the total market that is owned by a particular business, product or brand
Market segmentation	The process of dividing a market into smaller sections (segments) which contain customers with similar needs and wants
Margin of safety	The difference between the actual level of output and the break even output
Market research	The process of planning, collecting, and analysing data relevant to help make marketing decisions
Marketing mix	The set of marketing tools that the firm uses to pursue its marketing objectives
Mass market	Describes the largest group of customers with specific needs and wants in an industry
Niche market	A niche market is a focused segment of a larger market sector which is possible to target
Operating profit	Gross profit - other operating expenses
Organisational structure	The way that the roles and responsibilities within an organisation are structured
Outsourcing	The delegation of business processes to a third party
Partnership	A business owned and controlled by between 2 and 20 people
Paternalistic	Method of leadership whereby the leader decides what is best for the employees
Penetration pricing	Pricing strategy that involves the setting of lower, rather than higher prices in order to achieve a large market share
Price skimming	Pricing strategy where a higher price is charged for a new product to take advantage of customers prepared to pay for innovation
Price elasticity of demand	The responsiveness of demand to a change in the price of a product
Primary research	The market research that involves the collection of data that does not yet exist
Private Limited Company	A business owned and controlled by shareholders whose shares cannot be publicly traded
Product differentiation	Making a product different from its competitors
Product life cycle	A theory which predicts the stages a product goes through from introduction to withdrawal from a market
Product portfolio	The collection of products and brands owned and operated by a firm
Productivity	Measures of output per worker over a given time period
Profitability	The ability of a business to generate profits from its activities.
Public Limited Company	A business whose shares can be traded and sold to the public
Qualitative research	Market research concerned with collecting data on attitudes, opinions, beliefs, intentions etc.
Quality	Where a product meets a customer's requirements
Quality assurance	Organising every process to get the product 'right first time' and prevent mistakes ever happening
Quantitative research	Market research concerned with collecting data that can be quantified - e.g. sales statistics
Sales forecasting	The process of estimating future sales
Sample	In market research, a sample is a subset of a population
Sole trader	A one-person business with unlimited liability for the debts of that business
Span of control	The number of employees who are directly supervised by a manager
Spare capacity	When a business is able to produce more with existing resources (also known as excess capacity)
Stock control	The processes and controls used by a business to ensure that it has sufficient (but not too much) stock for its purposes
Supply	The amount of goods and services that are available to customers
Total costs	The total of variable and fixed costs in a business
Unit cost	The average production cost per unit
Unlimited liability	Unlimited liability describes the potential risk that sole traders face. They are liable for the debts of the business
Variable costs	Costs that vary directly in proportion to output
Variance	The difference between the budgeted amount and what actually happens. A variance can be "positive" (favourable) or "negative" (adverse)
Venture capital	Investment made by specialist funds to finance the launch, early development or expansion of a private company
Waste	A cost of production. Sub-standard completed output or raw materials which are not retained in the production process
Working capital	The amount of money that a business has available

AQA AS EVALUATION GUIDED REVISION QUESTIONS

What is business?

Evaluating the extent to which profit is the most important objective for a business

Evaluating the most suitable form of business

Weighing up the relative benefits and drawbacks of becoming a public limited company

Assessing the impact of a change in share price

Evaluating the extent to which the external environment can affect a business

Managers, leadership and decision making

Evaluating the most appropriate management/ leadership style

Advantages/ disadvantages of different leadership styles

Application of scientific decision making to a business

Evaluating the extent to which the external environment is the biggest influence on decision making

Assessing how stakeholders will be affected by business decisions

Decision making to improve marketing performance

Advantages / disadvantages of targeting a niche market segment (compared with alternative of targeting a larger mass market)

Usefulness and limitations of using the Boston Matrix or Product Life Cycle model to make marketing decisions

Evaluating the extent to which one of the 7p's is the most important for a particular business

Application of price and income elasticity of demand to a business decision

Factors that will determine the success or otherwise of a new product

The relative merits and demerits of different promotional decisions for a given marketing problem

Evaluating the effect of a marketing decision (e.g. a price cut to boost demand) on operations (e.g. is capacity sufficient?)

Evaluating the extent to which a business has control over its marketing mix

Evaluating the value of market segmentation in making marketing decisions

Decision making to improve operational performance

The advantages and disadvantages of operating at full capacity / with spare capacity, given the circumstances of the business

Evaluating the relative merits of ways to increase capacity

Assessing the problems of operating at very high capacity utilisation compared with the benefits of lower unit costs

Weighing up the best way to improve labour productivity

Evaluating the relative merits of lean production

The extent to which implementing a system of quality assurance is suitable for all businesses

Discussing whether an improvement in quality will enable a business to become more competitive

Evaluating the extent to which just-in-time is suitable for all manufacturing businesses

Weighing up the most important factor when choosing a supplier

Discussing the link between increased use of technology and improved operational efficiency

Evaluating the best way for a business to match supply with demand

Decision making to improve financial performance

The usefulness of budgets in controlling and allocation resources

The relative significance and implications of budget variances

Whether the benefits of budgeting outweigh the disadvantages

The main causes of cash flow problems

Evaluating the best way to improve cash flow

Weighing up the best way to improve profitability

Discussing the relative merits and demerits of break-even analysis

Evaluating the best source of finance for a business

Evaluating the extent to which poor cash flow or low profit poses the biggest threat to a business

Decision making to improve human resource performance

Judgement of the most appropriate structure of an organisational hierarchy

Assessing the implications of the span of control for decision-making

Weighing up the relative merits and demerits of centralisation

Weighing up the relative merits and demerits of decentralisation

Relative advantages and disadvantages of different methods of motivation

Assessment of the role of delegation as a business grows in size and complexity

Discussing the importance of labour productivity for the competitiveness of a business

EDEXCEL AS EVALUATION GUIDED REVISION QUESTIONS

As part of your revision, ensure you can address the following types of question which ask you to evaluate using your knowledge of the AS specification

Theme 1

Marketing

- Evaluating the impact of moving from a niche market to a mass market
- Assessing the benefits of online retailing
- Assessing the impact of market growth
- Weighing up the relative benefits and drawbacks of primary and secondary market research
- Assessing the value of market mapping
- Evaluating the factors that can influence the demand for a particular business or product
- Assessing the factors that could lead to a change in supply
- Assessing the factors that can influence price/ income elasticity of demand
- Assessing the benefits of ethical sourcing
- Assessing the benefits of different types of promotion
- Evaluating the impact of different pricing strategies

People

- Assessing the importance of a flexible workforce
- Assessing the benefits of internal and external recruitment
- Weighing up the relative benefits and drawbacks of on-the-job and off-the-job training
- Evaluating the impact of moving from a centralised structure to a decentralised structure
- Assessing the importance of a motivated workforce
- Evaluating the best method of motivating the workforce
- Assessing the benefits of different leadership styles
- Assessing the benefits of creating and setting up a business
- Evaluating the importance of business objectives
- Evaluating the impact of moving from one form of business to another
- Evaluating the difficulty of moving from entrepreneur to leader

Theme 2

Managing business activities

- Assessing the benefits of different sources of finance
- Evaluating the value of cash-flow forecasting
- Assessing the importance of sales forecasting
- Evaluating the value of break-even analysis
- Assessing the benefits of budgets
- Evaluating ways to improve profitability
- Assessing the benefits of different methods of production
- Evaluating the impact of moving from one method of production to another
- Assessing the implications of under- and over-utilisation of capacity
- Evaluating methods of improving capacity utilisation
- Evaluating the impact of introducing just-in-time stock management
- Evaluating the impact of lean production
- Assessing the importance of quality
- Assessing the benefits of introducing total quality management
- Assessing the impact of economic variables
- Assessing the impact of changes in legislation
- Evaluating the impact of competition



AQA AS KEY CALCULATIONS AND FORMULAS

What is business?

Revenue = Number of units sold x Unit price

Total costs = Fixed costs + Variable costs

Profit = Total revenue – Total costs or Total contribution – Fixed costs

Market capitalisation = Number of issued shares × Current share price

Managers, leadership and decision making

Expected value = Probability x Outcome

Net gain = Expected value – Cost of decision

Decision making to improve marketing performance

Market growth = (Change in market sales over a period of time/ Original market sales) x 100

Sales growth = (Change in sales over a period of time / Original sales) x 100

Market share = (Sales of a product or business/ Total market sales) x 100

Price elasticity of demand = % Change in quantity demanded/ % Change in price

Income elasticity of demand = % Change in quantity demanded/ % Change in income

Decision making to improve operational performance

Labour productivity = Output per period (units)/ Number of employees

Unit costs = Total production costs/ Number of units produced

Capacity utilisation = (Actual level of output/ Maximum possible output) x 100

Decision making to improve financial performance

Variance = Actual – Budget

Contribution per unit = Selling price per unit – Variable cost per unit

Total contribution = Contribution per unit x Number of units sold

Break-even = Fixed costs/ Contribution per unit

Gross profit margin = (Gross profit / Sales revenue) x 100

Operating profit margin = (Operating profit/ Sales revenue) x 100

Profit for the year margin = (Profit for the year/ Sales revenue) x 100

Net cash flow = Total inflows – Total outflows

Decision making to improve human resource performance

Labour turnover = (Number of employees leaving during period/ Number of employees employed during the period) x 100

Retention rates = (Number of employees during period – number of leavers per period) / Number of employees during period) x 100

Labour productivity = Output per period (units)/ Number of employees

Employee costs as a % of turnover = (Total employee cost/ Total turnover) x 100

Labour cost per unit = Labour cost/ Units produced

EDEXCEL AS KEY CALCULATIONS AND FORMULAS

Theme 1

Market share = (Sales of a product or business/ Total market sales) x 100

Price elasticity of demand = % Change in quantity demanded/ % Change in price

Income elasticity of demand = % Change in quantity demanded/ % Change in income

Theme 2

Net cash flow = Total inflows – Total outflows

Sales volume = total number of units sold over a period of time

Sales revenue = number of units sold x unit price

Total variable costs = number of units sold x variable cost per unit

Total costs = Fixed costs + variable costs

Contribution per unit = Selling price per unit – Variable cost per unit

Total contribution = Contribution per unit x Number of units sold

Break-even = Fixed costs/ Contribution per unit

Variance = Actual – Budget

Gross profit = Sales revenue minus cost of sales

Operating profit = Gross profit minus overheads

Net profit = Operating Profit +/- finance costs

Gross profit margin = (Gross profit / Sales revenue) x 100

Operating profit margin = (Operating profit/ Sales revenue) x 100

Profit for the year (net profit) margin = (Profit for the year / Sales revenue) x 100

Current ratio = Current assets/ current liabilities

Acid test ratio = (Current assets – stock) / current liabilities

Productivity (labour) = Output per period (units)/ Number of employees in that period

Capacity utilisation = (Actual level of output/ Maximum possible output) x 100





NOTES

B



NOTES



D



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