GCE Applied Business

Unit F242: Understanding the business environment

Frequently Asked Questions

Q: How are levels of response questions marked?

A: Candidates are given credit for the highest level they attain in a question. There are four levels: Level 1, the lowest level, gives credit for knowledge and understanding. Level 2 gives credit for application. Level 3 gives credit for analysis. Level 4, the highest level, gives credit for evaluation. In order to achieve Levels 2 – 4 a candidate must write their answers in the context of the pre-issued case study, it is therefore important to give them plenty of practice at doing this before they sit the examination.

Q: The key word ‘evaluate’ appears on many of the high mark questions. What exactly does evaluation mean on this specification?

A: Evaluation is the skill of making a judgement. After analysing a particular situation or problem a candidate should go on to make a decision or recommendation which they fully back up with specific justified argument relating to the organisation under consideration.

Q: Which economic indicators should be taught and how should I teach them?

A: Inflation, unemployment, exchange rates and interest rates are the key economic indicators to teach. How they are taught is entirely the choice of the teacher but consideration should be given to practical application of these indicators rather than a pure theoretical knowledge. Candidates should be made aware that all of these indicators have a two-pronged effect – an effect on supply and an effect on demand, for example, from a supply perspective high unemployment is favourable to a business, generally leading to low wages, high geographical mobility and availability and a low labour turnover rate but from a demand perspective it means lower disposable income and lower sales in all but the most essential/low budget markets. The overall effects of changes in exchange rates will generally depend on whether the business is a net importer or exporter.

Q: Why should candidates not use references to positive and negative when analysing variances?

A: Variance analysis can be done in monetary terms or in percentage terms but whichever is used the difference between the target and the actual is either favourable or adverse depending on the type of budget under consideration. For example, a negative variance (ie one where the actual is lower than the target) would be favourable for cost variance analysis but adverse for sales variance analysis. Likewise a positive variance (ie one where the actual is higher than the target) would be adverse for cost variance analysis but favourable for sales variance analysis. Candidates should be encouraged to work out whether the variance is good or bad for the business rather than learn the relationship and use the terms ‘favourable’ and ‘adverse’ in the examination.