

# GCE

Edexcel Advanced Subsidiary  
GCE in Applied Business (Single  
Award) (8721)

Edexcel Advanced Subsidiary  
GCE in Applied Business (Double  
Award) (8722)

Edexcel Advanced GCE in  
Applied Business (Single Award)  
(9721)

Edexcel Advanced GCE in  
Applied Business (Double Award)  
(9722)

May 2005

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Teacher's guide

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# Introduction

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This teacher's guide accompanies the Edexcel AS GCE and GCE specifications for Applied Business. It has been designed to help teachers prepare for first teaching in 2005.

This guide should be used in conjunction with the specification. It helps with planning teaching programmes and managing assessment requirements.

Units 2 and 11 include assessed items of learner work. This will give further guidance on the application of the mark bands in the assessment grids and provide a first indication of the standards expected.

# Specification summary

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## Edexcel Applied GCEs

This suite of nine qualifications comprises General Certificates of Education in:

- Applied Art and Design
- Applied Business
- Applied ICT
- Engineering
- Health and Social Care
- Leisure Studies
- Media
- Performing Arts
- Travel and Tourism.

The qualifications are designed to provide a broad introduction to a vocational area in an applied context. They are available for first teaching as two-year courses from September 2005 and one-year courses from September 2006. First awarding of Advanced Subsidiary qualifications is in summer 2006 and Advanced GCE qualifications in summer 2007.



## Structure of the AS GCE and GCE in Applied Business (Single and Double Awards)

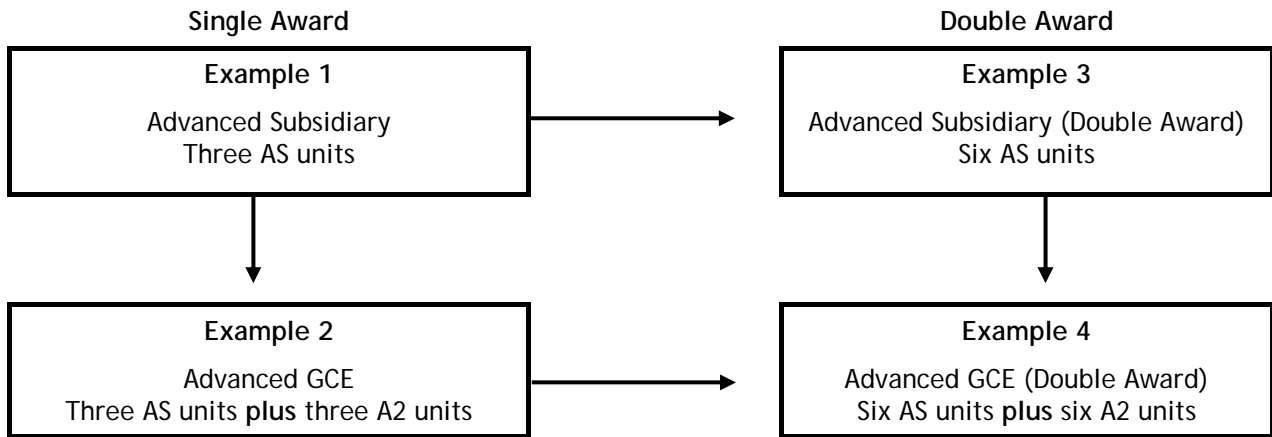
Word	Code
Optional	O
Compulsory	C
Internal	I
External	E

Unit	Code	Title	Level	AS	AS (Double)	GCE	GCE (Double)	Assessment mode	Assessment availability
1	6916	Investigating People at Work	AS	C	C	C	C	E (Written examination)	January/June
2	6917	Investigating Business	AS	C	C	C	C	I	January/June
3	6918	Investigating Marketing	AS	C	C	C	C	I	January/June
4	6919	Investigating Electronic Business	AS	N/A	O	N/A	O	I	January/June
5	6920	Investigating Customer Service	AS	N/A	O	N/A	O	I	January/June
6	6921	Investigating Promotion	AS	N/A	C	N/A	C	E (Written examination)	January/June
7	6922	Investigating Enterprise	AS	N/A	O	N/A	O	I	January/June
8	6923	Business Development	A2	N/A	N/A	C	C	E (Externally set assignment)	June
9	6924	Managing and Developing People	A2	N/A	N/A	O	O	I	January/June
10	6925	Marketing Decisions	A2	N/A	N/A	O	C	E (Written examination)	January/June
11	6926	Impact of Finance on Business Decisions	A2	N/A	N/A	O	O	I	January/June
12	6927	International Dimensions of Business	A2	N/A	N/A	O	O	I	January/June
13	6928	Organising an Event	A2	N/A	N/A	O	O	I	January/June
14	6929	External Influences on Business	A2	N/A	N/A	O	O	I	January/June

# Planning a teaching programme

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These diagrams show you the possible ways the programme can be delivered.



## Example 1: Advanced Subsidiary GCE (Single Award)

Three AS units (all the units are compulsory)

Unit title	Type of assessment	Date
Unit 1: Investigating People at Work	External	January/June
Unit 2: Investigating Business	Internal	January/June
Unit 3: Investigating Marketing	Internal	January/June

This can be taught as a one-year programme with an externally assessed unit available in January or June.

## Example 2: Advanced GCE (Single Award)

Three AS units plus three A2 units

Unit title: AS units	Type of assessment	Date
<b>Units 1, 2, 3 and 8 are compulsory</b>		
Unit 1: Investigating People at Work	External	January/June
Unit 2: Investigating Business	Internal	January/June
Unit 3: Investigating Marketing	Internal	January/June
Unit title: A2 units	Type of assessment	Date
Unit 8: Business Development	External	June
<b>Then two more units from a choice of:</b>		
Unit 9: Managing and Developing People	Internal	January/June
Unit 10: Marketing Decisions	External	January/June
Unit 11: Impact of Finance on Business Decisions	Internal	January/June
Unit 12: International Dimensions of Business	Internal	January/June
Unit 13: Organising an Event	Internal	January/June
Unit 14: External Influences on Business	Internal	January/June

This can be taught as a fast track one-year programme or, more commonly, a two-year programme. The AS units are taught in the first year and the A2 units in the second year.

## Example 3: Advanced Subsidiary GCE (Double Award)

Six AS units

Unit title	Type of assessment	Date
<b>Units 1, 2, 3 and 6 are compulsory</b>		
Unit 1: Investigating People at Work	External	January/June
Unit 2: Investigating Business	Internal	January/June
Unit 3: Investigating Marketing	Internal	January/June
Unit 6: Investigating Promotion	External	January/June
<b>And two more units from a choice of the following:</b>		
Unit 4: Investigating Electronic Business	Internal	January/June
Unit 5: Investigating Customer Service	Internal	January/June
Unit 7: Investigating Enterprise	Internal	January/June

This can be taught as a fast track one-year programme or a two-year programme. There is no order of delivery, but some units make suggestions for prior learning.

## Example 4: Advanced GCE (Double Award)

Six AS units plus six A2 units

AS Units: Unit title	Type of assessment	Date
<b>Units 1, 2, 3 and 6 are compulsory</b>		
Unit 1: Investigating People at Work	External	January/June
Unit 2: Investigating Business	Internal	January/June
Unit 3: Investigating Marketing	Internal	January/June
Unit 6: Investigating Promotion	External	January/June
<b>And two more units from a choice of the following:</b>		
Unit 4: Investigating Electronic Business	Internal	January/June
Unit 5: Investigating Customer Service	Internal	January/June
Unit 7: Investigating Enterprise	Internal	January/June
A2 Units: Unit title	Type of assessment	Date
<b>Units 8 and 10 are compulsory</b>		
Unit 8: Business Development	External	June
Unit 10: Marketing Decisions	External	January/June
<b>And four more units from a choice of:</b>		
Unit 9: Managing and Developing People	Internal	January/June
Unit 11: Impact of Finance on Business Decisions	Internal	January/June
Unit 12: International Dimensions of Business	Internal	January/June
Unit 13: Organising an Event	Internal	January/June
Unit 14: External Influences on Business	Internal	January/June

This is double teaching and takes the same time as two A-level courses. You should normally teach AS units before the A2 units because Unit 8 is synoptic to AS units.

# Delivery of units and internal assessment

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## Planning

Learners must submit a portfolio of work for each internally assessed unit. Teachers are expected to guide and advise learners in the production of their portfolios. Teachers should monitor progress to ensure that the work is appropriate for the requirements of the specification. The GCSE, GCE and GNVQ Code of Practice requires that assessors record full details of the nature of any assistance given to individual learners that is beyond that of the teaching group as a whole, but within the parameters laid down in this specification. The level of assistance should be taken into account when assessing learners' work; this is indicated in the *Assessment guidance* section that accompanies each internally assessed unit in the specification. In addition sufficient work must take place under direct supervision to allow the teacher marking the work to authenticate each learner's work with confidence.

If learners' practical skills are being assessed it is important that witness statements/checklists are completed by assessors to authenticate learner work and provide evidence that learners have achieved the level of performance required in the assessment criteria grid.

All learners should be given a copy of the assessment evidence requirements and assessment criteria grid. This should help with the planning and make learners aware of the need to work as independently as possible to achieve the higher grades. The specifications lend themselves to producing a concise series of tasks for learners to use to complete a portfolio. The tutor needs to ensure that the tasks match all the assessment evidence.

## Assessing

Mark record sheets and tracking sheets can be found in *Appendices 1 and 6*

One suggestion for the final format of the portfolio for a unit could be a front page, contents page, assessment evidence in appropriate sections, a conclusion/analysis and a bibliography. For ease of marking and moderation, the portfolios should not be sleeved in plastic wallets nor should draft work be included. There is *A Guide to Report Writing* in *Appendix 7*.

Learners should be given clear deadlines for submission of tasks. This should be followed by prompt feedback and if necessary a chance for learners to improve their work before final marking.

Work should be marked strictly to the assessment evidence grid. Teacher annotation of where and how marks have been awarded is good practice, and an example can be found in *Appendix 8*.

Learners can be awarded marks in different bands for each assessment criterion.

# Units

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These sections look at the units in more detail, giving information on the following:

- mode of assessment
- information tutors need to be familiar with (details of the specification, assessment evidence and grids)
- key areas to cover
- a suggested delivery plan and schedule of activities.

## Index of units

Unit 1: Investigating People at Work

Unit 2: Investigating Business

Unit 3: Investigating Marketing

Unit 4: Investigating Electronic Business

Unit 5: Investigating Customer Service

Unit 6: Investigating Promotion

Unit 7: Investigating Enterprise

Unit 8: Business Development

Unit 9: Managing and Developing People

Unit 10: Marketing Decisions

Unit 11: Impact of Finance on Business Decisions

Unit 12: International Dimensions of Business

Unit 13: Organising an Event

Unit 14: External Influences on Business

# Unit 1: Investigating People at Work

## Unit aims

The main aim of this unit is to introduce learners to the world of business and to the world of work. It focuses on how and why people work in all forms of business; public and private sector, primary secondary and tertiary, profit and not-for-profit. The unit aims to help learners appreciate the nature and variety of what we call 'business' in the UK economy and how this variety has been created and extended as a result of the many different aims and objectives that businesses have in practice. The unit also seeks to encourage learners to explore the business world as represented by the range of local, national and international businesses with which learners come into contact.

Many learners will already have some experience of employment and will therefore be partly aware of the procedures involved in obtaining work and in developing their work-related skills. The unit aims to explore the relationship between and the interdependence of, people and businesses. It examines how businesses obtain appropriate staff and how they motivate these staff. The unit, by recognising that there are other influences on people at work, aims to explore these other issues.

The unit is assessed externally. Candidates will be assessed using an unseen graded test. Learning will clearly be planned to ensure that candidates' needs regarding the external assessment are met. Here, centres must recognise that the test paper will be constructed using real businesses and business situations and will include substantial assessment of candidates' knowledge and understanding of real businesses which they have studied. The unit has the aim of encouraging learners to experience in various ways 'real business' and this therefore needs to be recognised and incorporated fully into the learning and teaching process.

## Unit topics

- 1.1 Business aims, objectives and organisation
- 1.2 How businesses obtain employees
- 1.3 How businesses motivate employees
- 1.4 How people are influenced at work

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit is likely to be around 60 hours including tutorial guidance and time for resource-based investigation.

### Section 1.1: Business aims, objectives and organisation

Topic	Suggested delivery plan	Resources
Businesses' aims – how these vary from business to business and the ways that these aims influence business objectives.	Learners identify and outline the products and activities of known businesses – local, national and multinational; private and public sector; primary, secondary, and tertiary. Discuss common features and differences and from this research state and/or derive likely aims. Learners then consider how these influence objectives.	Activity sheet 1: Types of business Activity sheet 2: Business aims and objectives
Why objectives apply to certain businesses, eg surviving, making a profit or a surplus, non-profit objectives, eg caring for the environment.	Through using the full range of examples above (eg local farmer, local manufacturer [Ltd], school/college, council, retailer [plc], leisure centre, franchise 'fast food' outlet), research, compare and contrast the known or anticipated profit and non-profit objectives.	Activity sheet 2: Business aims and objectives
How the way a business operates is influenced by its ownership, control and financing, eg sole traders, partnerships, private and public limited companies and the public sector.	Similarities and differences between 'ownership' and 'control'. Main methods of financing different business types.  Learners use the businesses selected earlier in order to classify them according to ownership, control and financing. Comparison of differences in ownership, control and financing.	Activity sheet 3: Business operation
The range of functions carried out by different businesses – how these functions work with each other and the contribution of each to a successful business.	How business functions contribute to overall success and to the business' aims/objectives.  Learners can use the selected businesses to research their functions – eg, marketing, legal, information services, financial and insurance, medical and distribution and examine the extent to which these functions are dependent and the ways in which they are interdependent.	Activity sheet 4: Business functions
Organisation structures, the roles and responsibilities of managers, supervisors and employees in different businesses.	Types of organisation structure, organisation charts. Learners use the selected businesses to examine structures and study the nature and role of key personnel groupings, relating these roles and responsibilities to the functional organisation of the business.	Activity sheet 4: Business functions



## Section 1.2: How businesses obtain employees

Topic	Suggested delivery plan	Resources
The different qualities that business people look for in their employees.	Learners use own experience of work (including school/college attendance) to explore what employers look for in their staff.	Activity sheet 5: Obtaining employees
Reasons for recruiting staff, such as the growth of the business, changing job roles, filling vacancies caused by leavers and internal promotion.	Labour turnover: reasons for it, how it is measured. Identification of the main reasons for recruiting staff, how these vary from business to business and within the same business over a period of time.	Activity sheet 5: Obtaining employees
The role and preparation of job descriptions and person specifications, and where businesses advertise for staff.	Job analysis. Purpose, examples and construction of job descriptions and person specifications. How and why their contents differ from business to business. Identification of where businesses advertise for staff.	Activity sheet 5: Obtaining employees
The strengths and weaknesses of job applications, curricula vitae and letters of application.	Purpose and examples of CVs. Construction and review of learner CVs. Ways to apply for a job, including constructing a letter of application.	Activity sheet 5: Obtaining employees
The main legal and ethical responsibilities relating to discrimination and equal opportunities.	Review of the main legislation, including sex discrimination, race relations, equal pay, disability discrimination, employment rights, human rights; also EU regulations such as the Employment Equality (Religion or Belief) and Employment Equality (Sexual Orientation) Regulations. How these affect a range of businesses and employees.	Activity sheet 6: Interviewing and appointing employees
The range of interviews, such as job, appraisal and exit interviews.	Role of interviewing from perspective of interviewer and interviewee. The differences between job, appraisal and exit interviews.	Activity sheet 6: Interviewing and appointing employees
Short-listing procedures, planning and carrying out job interviews using appropriate interview techniques and assessment methods eg psychometric and aptitude testing.	The purpose, value and methods of short-listing candidates. The practice of conducting an interview, eg planning and writing questions, asking questions, inviting and handling questions, observing reactions. Recording interview performance. Supporting techniques of psychometric and aptitude testing, with examples. Role of and how to give, feedback.	Activity sheet 6: Interviewing and appointing employees
Evaluating the recruitment and selection process in different businesses.	The effect on businesses if poor appointments are made. Research into how different businesses can evaluate their recruitment and selection processes: eg measuring labour turnover, appraisal and exit interviews.	Activity sheet 6: Interviewing and appointing employees

Topic	Suggested delivery plan	Resources
Reasons for, and approaches to, training staff, including examples of induction training, mentoring, coaching, apprenticeships, in-house/on-the-job training and external/off-the-job training.	The reasons why businesses offer different types of training, eg cost, availability, nature of work. Why people need to be trained. Training and re-training, learners' own experiences of being trained. Different types of training, their purpose and value: induction, apprenticeships, mentors, coaching, other in-house and on-the-job training, off-the-job. How businesses can measure the success of their training schemes.	Activity sheet 7: Training employees
The influence on businesses of nationally recognised training structures, such as Investors in People and Individual Learning Accounts.	Relevant organisations and structures and their purpose: eg Investors in People, Learning & Skills Council and Apprenticeships, the DfES and Individual Learning Accounts. (Now Skills Strategy)	Activity sheet 7: Training employees

### Section 1.3: How businesses motivate employees

Topic	Suggested delivery plan	Resources
The legislation that protects the well-being of employees, such as the maximum number of hours they can work in a week, regulations governing leave arrangements (including maternity and paternity leave) and minimum wage rates.	Nature and purpose of major UK and EU legal protection of employees: eg Human Rights Act, Employment Relations Acts (1999/2004), the National Minimum Wage, Working Time Regulations, contracts of employment legislation, maternity rights, parental leave rights, flexible working rights.	Activity sheet 8: The Human Resource Function
The ways in which businesses seek to retain employees, including pay and non-financial incentives, conditions of work and internal promotion.	Methods of calculating pay: eg hourly rate, overtime rate, salary, output- and performance-related, commission, bonus, profit-sharing. Non-financial rewards: types, why they are offered. How conditions of work vary, and how and why businesses seek to improve these conditions. How the chance of promotion may act as an incentive.	Activity sheet 9: Motivating staff
The importance of motivating individuals.	What is 'motivation'? The extent to which pay and non-financial rewards can motivate. The typical effects on a business if the staff are not well motivated.	Activity sheet 9: Motivating staff
The influence (in outline) of motivation theories/ideas on the way in which different businesses manage their employees.	The work of Maslow, Herzberg and McGregor. The extent to which their ideas/theories explain how employees are motivated and/or how managers should act. Business examples of putting these ideas into practice.	Activity sheet 9: Motivating staff

## Section 1.4: How people are influenced at work

Topic	Suggested delivery plan	Resources
Environmental issues such as pollution, recycling and global warming.	How environmental issues influence different businesses. Examples of relevant current environmental issues, eg global warming, pollution, recycling, agreements such as the Rio Treaty 1992 and the Kyoto Protocol. Associated costs, benefits of having an environmentally-friendly policy, business opportunities linked to environmental awareness (eg recycling businesses).	Activity sheet 10: External influences
Social and ethical issues such as ethical behaviour and codes of practice, stakeholders and pressure groups.	How social and ethical issues influence different businesses. Examples of relevant current social and ethical issues, eg corporate social responsibility, codes of ethical practice. Influence of stakeholders and pressure groups: examples of pressure group activity and how this affects business activity.	Activity sheet 10: External influences
Legal and self-regulatory constraints and issues, including competition law, consumer protection, the work of trade unions, employment protection and health and safety.	How legal and self-regulatory issues influence different businesses. Examples of relevant current legal and self-regulatory issues, eg legislation on competition, consumer and employment protection, health and safety. Research into the work of trade unions: why they exist, how they support members and the benefits they bring to business.	Activity sheet 10: External influences



## Activity sheet 2: Business aims and objectives

In small groups, select businesses from the tables you have constructed. The businesses that you select must include (at least):

- one from the private sector and one from the public sector
- one from each manufacturing sector (primary, secondary and tertiary)
- one from the profit sector and one from the not-for-profit sector
- one that is a sole trader, one that is a partnership, one that is a private limited company, one that is a public limited company and one that operates as a franchise.

For each business, research and identify the key aims that this business has, or which it is likely to have. For many of these businesses you can obtain this information from their websites.

For example:

Name Blockbuster Inc (Blockbuster Video)

Type Private sector company: tertiary (profit sector).

Aims 'We're dedicated to providing our customers with the very best in home entertainment through our stores and our online rental service.'

Name Shed City Ltd

Type Private sector company: secondary (profit sector)

Aims To manufacture and deliver quality concrete garages and sheds.

Name Cats Protection

Type Private sector charity: tertiary (not-for-profit sector)

Aims 'Cats Protection rescues and re-homes unwanted and abandoned cats, and promotes responsible cat ownership.'

Compare the aims for each of your businesses listed. What are the similarities? What are the differences? How do these aims help the business meet the needs of its key stakeholders?

In your groups, select **four** businesses that have different aims. For each business, identify at least **one** likely key objective that the business will have as a result of its main aim. For example:

Name Blockbuster Inc (Blockbuster Video)

Objective '. . . to ensure that by 2005, everyone in Britain has experienced the Blockbuster 'great night in' and come back for more.'

Name Shed City Ltd

Objectives To increase sales in 2005 by 10%, and still make at least the same return on capital.

### Activity sheet 3: Business operation

In small groups, interview a manager or other representative from a local private or public limited company. (If an interview cannot be arranged, use a large plc's website.)

Obtain details of the company name, aims and objectives, products and main customers. Discover the answers to the following questions:

- Who are the owners of the company?
- Who makes the major long-term decisions about the company's future?
- How is the company controlled on a day-to-day basis?
- How is the company financed:
  - in terms of its long-term capital?
  - on a day-to-day basis?

Now interview a senior member of staff at your school or college. Ask questions relating to:

- aims and objectives
- products (services)
- main customers
- owners
- decision-makers (long-term and day-to-day)
- financing (long-term and short-term).

Compare the answers you have for these two different business organisations. Are any answers the same? How do they differ? Why do they differ?

Topic	School/college	Company
Aims and objectives		
Products		
Customers		
Owners		
Long-term decision-makers		
Day-to-day decision-makers		
Long-term financing		
Short-term financing		





## Activity sheet 5: Obtaining employees

### Resources

Guidance on job descriptions, person specifications and CVs can be found in textbooks or on the internet, for example:

- [www.connexionscard.com/x/c/cxc.jsp%3FP1%3DCAZN](http://www.connexionscard.com/x/c/cxc.jsp%3FP1%3DCAZN) or
- [www.connexionscard.com/x/c/cxc.jsp?p1-CVHM](http://www.connexionscard.com/x/c/cxc.jsp?p1-CVHM) – a Connexions card – free to learners – is needed, see [www.connexions.gov.uk](http://www.connexions.gov.uk)

Also see the following websites for examples of job descriptions and advice on writing job descriptions:

- [www.alec.co.uk/cvtips/index.htm](http://www.alec.co.uk/cvtips/index.htm)
- [www.businessballs.com/jobdescription.htm](http://www.businessballs.com/jobdescription.htm)
- [www.businessbureau-uk.co.uk/personnel/recruitment/job\\_description.htm](http://www.businessbureau-uk.co.uk/personnel/recruitment/job_description.htm)
- [www.clearlybusiness.com/perople\\_management/rm\\_write\\_a\\_job\\_description.jsp](http://www.clearlybusiness.com/perople_management/rm_write_a_job_description.jsp)
- [www.nottingham.ac.uk/sedu/recruitment/jobdesc/index.php](http://www.nottingham.ac.uk/sedu/recruitment/jobdesc/index.php)
- [www.teachernet.gov.uk/management/staffingandprofessionaldevelopment/jobdescriptions/headofyear/](http://www.teachernet.gov.uk/management/staffingandprofessionaldevelopment/jobdescriptions/headofyear/)

### Activity

- a) Use job advertisements from your local paper(s) to discover the different qualities that each employer is looking for in a potential new employee. In small groups, identify key words or phrases that are commonly used to describe these qualities.

Select any three businesses identified for Activity sheet 1. For each business:

- choose a job role
- state the key qualities the employer business will look for if a new member of staff is needed to fill this role.

- b) In small groups, select any three businesses identified for Activity sheet 1 that have grown and/or changed substantially in the last few years. What new jobs have been created in the last few years and what qualities do people need to undertake these new jobs? For example:

<u>Business</u>	Iceland
<u>New job role</u>	Web page designers and delivery drivers to support 'Shop online'
<u>Qualities</u>	PC literate; familiar with web writing packages . . .

<u>Business</u>	Hoo Farm
<u>New job role</u>	Tour demonstrator to handle school visits
<u>Qualities</u>	Communication skills – excellent telephone manner . . .

c) Obtain copies of actual job descriptions and person specifications. These are available either from your school/college (they will be created for new members of staff), businesses that are advertising for new staff, or on the internet, for example:

- [www.army.mod.uk/careers/officer/jd\\_engineer\\_troop\\_cmdr.html](http://www.army.mod.uk/careers/officer/jd_engineer_troop_cmdr.html)

Using the job adverts collected for a) above, write a job description and a person specification for three different jobs.

Arrange to visit a local JobCentre. If a visit cannot be arranged, use the JobCentre website information:

- [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk)
- [www.jobcentreonline.com/](http://www.jobcentreonline.com/)

What jobs are on offer? What technology is used to help the jobseeker? How detailed is the information about each job?

d) Using either a job advertisement selected a), or job details obtained from another source (for example, visiting the JobCentre), construct a CV and a letter of application for this job. Save your CV and letter of application and note where you will need to change them when applying for a different job.

## Activity sheet 6: Interviewing and appointing employees

### Resources

The Equal Opportunities Commission website, [www.eoc.org.uk](http://www.eoc.org.uk), contains useful summaries of the main laws relating to equality of opportunity and summaries of cases won.

Information on, and examples of, psychometric and related testing can be found on the internet, for example:

- <http://archive.graduatecareersonline.com/advice/employability/testing-links.asp>
- [www.topjobs.co.uk/ase/samplone.htm](http://www.topjobs.co.uk/ase/samplone.htm)
- [www.topjobs.co.uk/ase/sampltwo.htm](http://www.topjobs.co.uk/ase/sampltwo.htm)

### Activity

- a) In teams, you are to create a job description, person specification and job advertisement for a post. This post can be one related to your work on tasks in Activity sheet 5, but must be one that you can apply for.
- b) Apply for this post through constructing/amending your CV and letter of application used for Activity sheet 5.
- c) Shortlist people for interview.
- d) Carry out interviews for the post, taking appropriate interviewer and interviewee roles. Include, as part of the interview, a written test. If possible, record the interviews.
- e) Give feedback to the unsuccessful applicant(s).

For tasks c) and d) all members of the team should apply and there should be a rotation of roles.

## Activity sheet 7: Training employees

### Resources

Relevant websites providing important information include:

- [www.apprenticeships.org.uk/](http://www.apprenticeships.org.uk/)
- [www.dfes.gov.uk/ila/](http://www.dfes.gov.uk/ila/)
- [www.iipuk.co.uk](http://www.iipuk.co.uk)

### Activity

- a) Arrange a visit to a local business that trains its staff. Interview the training manager to discover:
  - the types of training offered
  - how the business trains its staff
  - why the business trains its staff
  - what benefits the staff receive from being trained
  - the extent to which the business has to pay for this training
  - the extent to which it uses other training providers (such as the local college).
- b) Carry out some research into the training offered by your local college. Obtain information about the range of different courses available to people who wish to obtain a qualification in business or a related field such as law or accounting.
- c) Interview a member of staff at your school or college who has a responsibility for health and safety. Discover:
  - the type of training the member of staff has received
  - how the college arranged the training
  - why the college trains its staff for health and safety
  - how often the member of staff receives further training
  - what benefits the member of staff receives from being trained
  - the extent to which the college has to pay for this training.

## Activity sheet 8: The human resource function

### Resources

Up-to-date information on employment and related rights can be found on the internet: for example:

- [www.emplaw.co.uk/emplaw/employeehome/employee.aspx](http://www.emplaw.co.uk/emplaw/employeehome/employee.aspx)
- [www.tiger.gov.uk/](http://www.tiger.gov.uk/)

### Activity

a) Use the internet to research the following protection offered to employees.

Type of protection	Who is protected	Protection offered
Receiving a minimum wage.		
Being entitled to a contract of employment.		
Maternity rights.		
The right to parental leave.		
The right to flexible working.		

- b) Construct a leaflet that the HR function, in a business you know, can use. The leaflet should contain the following:
- templates for – job description, person specification, interview checklist
  - a series of bullet points that summarise good practice when interviewing people
  - a summary of the main legal requirements when interviewing, appointing and employing people
  - protecting the well-being of employees.

## Activity sheet 9: Motivating staff

- a) Identify a range of jobs being advertised (the job advertisements used in Activity sheet 5 could act as one source), where all of the jobs state the pay being offered.
- b) Try to find an example of at least one job offering each reward shown in the table, and complete the table.  
Why is it easy to find examples of some rewards and much harder to find examples of others in the table?

	Salary	Hourly pay	Overtime	Commission or bonus	Output/performance related pay	Profit-sharing Scheme	Help with housing and relocation	Private medical insurance	Sports or leisure facilities	Non-contributory pension	Company product discounts
Job 1 Name:  Type:											
Job 2 Name:  Type:											

c) Relate each level in Maslow's hierarchy of needs to some aspect of your everyday, work or school/college life.

**Need      Activity**

Basic      Getting dressed for college. Having breakfast.

Security      \_\_\_\_\_

Social (group) \_\_\_\_\_

Self-esteem      \_\_\_\_\_

Self-fulfilment \_\_\_\_\_

d) Using the jobs in the grid below, relate them to:

- Maslow's needs
- Herzberg's satisfiers/dissatisfiers

Job	Maslow's needs	Herzberg's satisfiers/dissatisfiers
Coal miner working underground shifts.		
Accounts clerk in a busy office block.		
Checkout operator at a large retail store.		
Supervisor/Manager.		

## Activity sheet 10: External influences

Select **one** large plc that has a Corporate Social Responsibility (CSR) policy, for example, Tesco. ([www.tesco.com/everylittlehelps](http://www.tesco.com/everylittlehelps)).

a) Do research into the following features of the policy:

- How does it explain the importance of having a CSR policy?
- How wide-ranging is its policy – for example, does it cover environmental and/or economic issues as well as social issues?
- What are the key elements in its policy?
- How does it publicise its activities – for example, does it use press releases or pay for advertisements?

How does its CSR policy compare with that of two other businesses in the same industry (eg Sainsbury, Asda)?

- [www.jsainsbury.co.uk/csr](http://www.jsainsbury.co.uk/csr)
- [www.asda.co.uk](http://www.asda.co.uk)

b) Identify one pressure group concerned with environmental issues related to business (for example Friends of the Earth).

- [www.foe.co.uk](http://www.foe.co.uk)

Research the following features of this pressure group:

- How large is this pressure group – for example, is it local, national or international?
- How is it organised – for example, does it have charitable status?
- How does it finance its activities – does it publish its accounts?
- What are its stated aims and/or objectives?
- How does it seek to achieve these?

What reference does it make to any business-related issues – for example, campaigns to change the law, or direct contacts with individual or certain types of businesses?

c) Identify one trade union – for example, Unison ([www.unison.org.uk](http://www.unison.org.uk))

Research the following features of this trade union:

- How large is this union – what membership does it have?
- What are its stated policies – how does it support its members?
- How is it organised – locally, regionally and nationally?
- With which campaigns is it currently concerned?
- What information does it offer its members – eg on health and safety, employment protection, pay and conditions, pensions?



## Definition of key terms

Aims	The long-term intentions that provide a focus for setting <i>objectives</i> . They are usually expressed qualitatively, sometimes in the form of a <i>mission statement</i> . A typical corporate aim might be 'to produce the finest chocolate in Europe'. From this starting point a firm can build a series of quantifiable targets, such as to increase its consumer quality rating from fourth in Europe to first within five years.
Appraisal	The procedure of assessing the effectiveness of a process or an employee. It is usually conducted by comparing goals with outcomes. An employee appraisal might be conducted through a questionnaire but is more commonly a one-to-one discussion between employee and manager. The conversation will focus on the employee's performance, perhaps in relation to pre-set indicators such as timekeeping, customer sales levels, and contribution to teamwork. The appraisal interview may take place annually or more frequently; it will usually end with discussion of career prospects and training needs.
Apprenticeships	<p>An apprentice is someone who works for a skilled person for a fixed period of time in order to learn a trade.</p> <p>A Modern Apprenticeship combines work based, on-the-job training (National Vocational Qualifications) with key skills to enable a learner to gain recognised qualifications while working at the same time.</p>
Aptitude testing	Measures the ability to acquire the knowledge or skills, which the employer feels are necessary to do the job well. These skills should have been identified as part of the job analysis process before the vacancy was advertised. The tests are not to measure what you already know and are especially designed so that questions do not rely on specific prior knowledge.
Coaching	Training or instructing the employee to achieve defined goals.
Code of practice	A form of regulation, normally self-regulation devised and run by an employers' organisation that lays down appropriate standards for firms operating within the industry. It is a way of improving the industry's public image and of avoiding government legislation and regulation. Although codes of practice are most obvious within industries with poor reputations such as time-share holidays, many conventional sectors also have them.
Curriculum vitae	The itemisation of a job applicant's qualifications, experience and interests. It should provide sufficient detail to enable a recruiter to build a picture of the applicant's suitability, to provide references that can be taken up, and to give starting points for discussion at interview.
Discrimination	The practice of preferring a job applicant or an employee because of some physical or other identifiable characteristics. Discrimination on the grounds of sex, race and disability is illegal.
Employment protection	Refers to legislation protecting the rights of the employee: eg Employment Protection Act 1978, which covers the individual employee's statutory rights to employment protection, including the statement of terms and conditions, maternity rights, notice periods, unfair dismissal protection and redundancy pay, and the Employment Act 2002, which covers issues such as work and maternity/paternity leave and pay.

Ethical decisions	<p>Pertains to the moral principles that should underpin decision-making. A decision made on ethical grounds might reject the most profitable solution in favour of one of greater benefit to society as well as the firm. Typical ethical dilemmas in business include:</p> <ul style="list-style-type: none"> <li>• should a producer of chemicals sell to an overseas buyer it suspects will be using the goods to produce chemical weapons?</li> </ul> <p>If public opinion and media pressures force firms to take the publicity impact of their decisions into account, this may change the decisions made. This would not mean, however, that the firm was becoming more ethically-minded. An ethical decision means doing what is morally right, it is not a matter of scientific calculation of costs and benefits.</p>
Equal opportunities	<p>A situation where employees and potential recruits have equal chances of being employed or promoted, whatever their sex, race, colour, nationality or national origin, religion or disability. The Equal Opportunities Commission seeks to promote sex equality. The Commission for Racial Equality seeks to overcome discrimination on grounds of race.</p> <p>Many large firms employ an equal opportunities officer whose job is to monitor procedures attitudes and outcomes regarding discrimination within the organisation including ensuring that:</p> <ul style="list-style-type: none"> <li>• job descriptions, advertisements and application forms have no inherent bias</li> <li>• shortlisting of candidates is based on objective criteria</li> <li>• interviews are conducted fairly</li> <li>• the statistics of those appointed suggest that minority groups have been given equal opportunities</li> <li>• the proportion of disabled employees meets the government target of three per cent.</li> </ul>
Exit	<p>The procedure by which an employee leaves a job position and/or employer.</p>
Functions	<p>The content and focus of an individual's job role. Businesses structured on a functional basis separate these job functions into different function-based departments such as Finance, Human Resources, Production and Marketing.</p>
Goods	<p>Physical objects; tangible products in contrast to services.</p>
Health and safety	<p>The duty of employers to ensure the health, safety and welfare at work of all staff, according to the Health and Safety at Work Act 1974. Employers must provide a safe working environment, firms must provide all necessary safety equipment and clothing free of charge, firms with five or more employees must have a written safety policy on display, union-appointed safety representatives have the right to investigate and inspect the workplace and causes of any accidents. The Health and Safety Commission and Health and Safety Executive are responsible for the regulation of risks relating to health and safety.</p>
Individual Learning Accounts	<p>Government backed financial incentives to encourage certain individuals eg those with few qualifications or on low incomes, to manage, plan and invest in own learning, helping them to improve their work prospects, earning power and quality of life. Incentives can take the form of money off the price of courses. (Now see Skills Strategy)</p>

Incentives	Financial or equivalent rewards (such as free holidays) to stimulate action from staff or customers. On a wider level, the term may be used to refer to groups of people who, for example, lack the incentive to work because they are in the poverty trap. Incentives can be vital in ensuring that the allocation of resources reflects the pattern of consumer demand. People may need an incentive to move from one kind of production to another.
Induction	The introductory training programme designed to familiarise new recruits with the layout, health and safety, and security systems within the firm. The new employees might also be introduced to key personnel.
Investors in People	Investors in People UK is a company that sets a standard for employee consultation and training, designed to advance the performance of a business through the management and development of its people. The IiP framework is based on the business planning cycle of 'plan, do, review'
Job description	A detailed statement of the nature of the job, identifying the precise tasks and responsibilities involved. It is likely to form part of the individual's employment contract.
Legal	Legal matters affecting businesses usually come from Acts of Parliament, case law, delegated legislation and European regulations.
Legislation	Laws passed by Acts of Parliament
Mentoring	Acting as trusted advisor to a new recruit. Ensures that all recruits have a senior figure they can turn to for advice. The mentor will keep any comments or complaints confidential, and could therefore be a more effective advisor than the recruit's boss.
Motivation theories	<p>Herzberg – formulated a two-factor theory that acknowledges motivation is the will to work due to enjoyment of the work itself. This should be distinguished from doing a job in return for material goods eg houses, cars.</p> <p>McGregor – formulated an alternative theory (on management as much as on motivation) to the idea that everyone has an inherent dislike of work and that managers are in charge of people who have to be controlled. His 'theory X' authoritarian management style is based on the idea that the average person dislikes, and will try to avoid, work. The 'theory Y' manager ('participative management') argues that people will apply self-control and self-direction in pursuing organisational objectives, without external control or the threat of punishment.</p> <p>Maslow – suggested that it is possible to develop a hierarchical picture of needs, split into five broad categories – basic needs, security needs, group needs, self-esteem needs and self-fulfilment needs. He placed self-fulfilment needs, which are concerned with full personal development and individual creativity, at the top of the hierarchy. In order to meet this need, it is important for individuals to be able to use their talents and abilities fully. Self fulfilment at work creates the 'complete employee', someone who enjoys work and feels a direct involvement in it.</p>

Objectives	<p>The medium- to long-term targets that can give a sense of direction to a manager, team, department, whole organisation or government. For example, objectives can give a team a sense of common purpose, which makes it much easier to coordinate actions and to create a team spirit. Objectives are often linked to the SMART approach: for example, to achieve maximum effect objectives should be measurable and have an explicit timescale (eg 'to increase market share from 8 per cent to 10 per cent within the next three years'). They must also be realistic, as an objective that is unattainable can be demotivating. Consequently it is desirable for objectives to be agreed rather than imposed.</p> <p>Objectives form the basis for decisions on strategy, ie the plan for the achievement of organisational goals.</p>
Organisational structures	<p>A diagram showing the lines of authority and layers of hierarchy within an organisation. To be effective, the chain of command should be clear, with no one answerable to two people. An organisational chart should show:</p> <ul style="list-style-type: none"> <li>• the different business functions and divisions</li> <li>• who is answerable to whom</li> <li>• the span of control in each function/division</li> <li>• the official channels of communication.</li> </ul>
Partnership	<p>A legal form of business organisation where two or more people trade together under the Partnership Act of 1890. It is usual for partnerships to have unlimited liability, which means each partner is liable for the debts of the other partners. Because this requires a high degree of trust, partnerships are most common in the professions, such as in medicine and the law. Forming a partnership allows more capital to be used in the business than is the case with a sole trader, and some of the strain of decision-making is taken off the shoulders of individuals. It also allows partners more personal freedom, for example, they can take holidays when they like, but unlike private or public companies, they retain major responsibilities for the success for the organisation, and their ability to raise finance remains somewhat limited.</p>
Person specification	<p>Attributes required in an employee, usually divided into essential and desired. The person specification play a particularly important role when shortlisting candidates for interview.</p>
Pressure group	<p>An organisation formed by people with a common interest who get together in order to further that interest: eg Greenpeace fights for environmental issues, and trade unions look after the interests of their members.</p>
Private limited company	<p>A small- to medium-sized business that is often run by the family that owns it. Within such a firm, the family can determine objectives without the pressures to make short-term profits that are common amongst public limited companies. The main characteristics of a private limited company include:</p> <ul style="list-style-type: none"> <li>• must have 'Ltd' after the company name</li> <li>• must have less than £50,000 of share capital</li> <li>• is not allowed to gain a listing on the stock market.</li> </ul>
Profit	<p>What is left from revenue after costs have been deducted. Profit is also a return on capital invested: it compensates the owner of the capital for risk and for not being able to invest or use the capital elsewhere.</p>

Psychometric test	A selection test designed to reveal the personality of a candidate for recruitment or promotion. It is usually done through multiple-choice questions which may use word association to look for candidates' sense of teamwork, their honesty or their sense of commitment.
Public limited company	A company with limited liability that has over £50,000 of share capital and a wide spread of shareholders. PLCs are the only type of company allowed to be quoted on the Stock Exchange.
Public sector	The organisations and activities that are owned and/or funded by national or local government. These include public corporations (nationalised industries), public services (such as the National Health Service) and municipal services (such as local council-run leisure centres).
Regulations	Laws made by delegated powers or by European law.
Self-regulatory	Occurs when an employers' organisation decides to issue codes of behaviour to encourage the firms in an industry to act more responsibly. Traditionally such organisations have been founded when pressure for regulation from the public or parliament has become too great to ignore. The employers hope that the agreement to regulate themselves will preempt the need for government intervention.
Services	Something intangible product offered by a firm, as opposed to a physical 'good', eg insurance, offering advice, delivery of goods, training.
Shortlisting	The procedure by which candidates are selected for job interviews.
Skills Strategy	Individual Learning Accounts have been withdrawn because of potential fraud and abuse. The Government have decided not to introduce a successor scheme as part of the Skills Strategy. This can be downloaded at <a href="http://www.dfes.gov.uk/skillsstrategy">www.dfes.gov.uk/skillsstrategy</a>
Sole trader	An individual who may or may not employ other people, but who owns and operates the business. Sole traders generally have little capital for expansion, and are heavily reliant on their own personal commitment to make the business a success. Should the business be unsuccessful, there is no cushion from limited liability as a sole trader is unincorporated; in other words, the firm's finances are inseparable from the proprietor's.
Stakeholder	An individual or group with a direct interest in an organisation's performance. Typical main stakeholders are: employees, shareholders, customers, suppliers, financiers and the local community. Stakeholders may not hold any formal authority over the organisation, but a firm's best long-term interests are served by paying close attention to the needs of each of these groups.
Surplus	Any excess of revenue over costs earned by non-profit-making organisations. The excess of costs over revenues for these organisations is normally referred to as a deficit rather than a loss.
Trade unions	An organisation representing the interests and goals of working people, involving the payment of subscriptions for membership. Unions can represent people with a particular skill or in a particular industry, or can represent a wide range of employees. Trade unions can provide collective bargaining on behalf of members, help in case of unsafe or unfair practices or access to free legal advice and support, as well as acting as a communication link between management and workforce.

## Resources

### Books

Blanch S and Denby N – *Vocational A Level Business* (Hodder, 2000) ISBN 0340779969

Cooke G – *Business Studies Update 2002* (Hodcote Press, 2002) ISBN 1898837503

Dransfield R and Needham D – *Advanced Business* (Heinemann, 2000) ISBN 0435453165

Evans-Pritchard J et al – *Vocational A Level Business* (Longman, 2000) ISBN 0582406358

Fardon M et al – *Advanced Business* (Osborne, 2002) ISBN 1872962041

Gennard J and Judge G – *Employee Relations: People and Organisations* Chartered Institute of Personnel and Development, 2002) ISBN 0852928181

Gillespie A – *Business in Action* (Hodder & Stoughton, 2002) ISBN 0340848200

Nicholson T – *52 Ways to Motivate your Staff* (Management Books, 2000) ISBN 1852523786

Rose E – *Employment Relations* (Prentice Hall, 2000) ISBN 0201342995

Salamon M – *Industrial Relations: Theory and Practice* (Prentice Hall, 2001) ISBN 027364646X

Surridge M – *Business for Vocational A Level* (Collins, 2000) ISBN 0003291049

Tailby S/Hollinshead G and Nicholls P – *Employee Relations: A Contemporary Perspective* (Prentice Hall, 1998) ISBN 027362525X

Harper Collins, Heinemann and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

Major companies and other businesses operate their own websites. They provide useful information such as their mission statements and details of their employment policies.

<a href="http://www.aloa.co.uk">www.aloa.co.uk</a>	This site for the National Grid for Learning provides vocational business resources such as case studies and interactive tests
<a href="http://www.bized.ac.uk">www.bized.ac.uk</a>	Provides interactive and online models and simulations for teachers and learners, and provides a valuable direct access to company reports in the UK and around the world
<a href="http://www.dti.gov.uk">www.dti.gov.uk</a>	The Department of Trade and Industry site is a useful source of information on business support, consumer issues, employment relations, equal opportunities and enterprise
<a href="http://www.eoc.org.uk">www.eoc.org.uk</a>	The Equal Opportunities Commission site contains case studies and other material on areas such as employment practice, equal pay and discrimination.
<a href="http://www.ft.com">www.ft.com</a>	<i>The Financial Times</i> website will help keep learners up to date with business matters, and contains an excellent archive
<a href="http://www.iipuk.co.uk">www.iipuk.co.uk</a>	The Investors in People site provides a library of case studies, and has statistics and recent research materials
<a href="http://www.lstda.org.uk">www.lstda.org.uk</a>	The Learning and Skills Development Agency (LSDA) is a national resource for the development of policy and practice in post-16 education, and has produced many packs and made a number of work-based documents available as part of its remit to support the work-related curriculum
<a href="http://www.thetimes100.co.uk">www.thetimes100.co.uk</a>	<i>The Times</i> site is a free educational resource for teachers and learners, providing 100 case studies of companies and business issues

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## Unit 2: Investigating Business

### Unit aims

The main aim of this unit is for learners, individually and in groups, to explore how businesses plan their activities and manage their resources. The unit is designed to help learners develop a clear understanding of how and why businesses operate in different ways and how effective these businesses are in using their financial, ICT and other resources to achieve their aims and objectives.

The unit is assessed through learners investigating the setting up of a small business. Through undertaking this assessment task, learners will be able to demonstrate their knowledge and understanding of the unit topics of business planning, managing and resourcing. They will link and integrate these topics and will also have the opportunity to reflect on and assess their own (individual and/or team) performances.

### Unit topics

- 2.1 Business planning
- 2.2 Managing business activities
- 2.3 Financial management in business
- 2.4 The use of software to aid decision-making.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit is likely to be around 60 hours including tutorial guidance and time for resource-based investigation.

### Section 2.1: Business planning

Topic	Suggested delivery plan	Resources
The importance of enterprise and innovation to business.	Learners identify known entrepreneurs and their business activities/contribution. Discuss common characteristics, derive definitions of 'enterprise' and 'innovation' and establish their importance to UK business.	Activity sheet 1: Researching enterprise and innovation
The legal implications of starting in business.	Through using a local limited company, explore the following legal implications – choice of name, role of Memorandum and Articles, legislation (equal opportunities, health and safety, employment and consumer protection, compulsory insurance).	Activity sheet 2: Setting up in business
Sources of advice for different businesses.	Learners to research the sources of advice for four different businesses.	Activity sheet 3: Sources of advice
Why planning is important in gaining resources and in monitoring performance.	Learners to research why business planning is important, what is contained in a business plan and how it is structured.	Activity sheet 4: Business planning
How the business' objectives influence its planning.	Learners to produce a business plan based on the objectives of a chosen business.	Activity sheet 5: Producing a business plan
Key elements in business planning, eg marketing, finance and production, with particular emphasis on the central role of obtaining finance and forecasting future cash flows and profits.	Learners to structure the business plan, establishing plans for producing, financing and marketing the relevant product(s).	Activity sheet 5: Producing a business plan



## Section 2.2: Managing business activities

Topic	Suggested delivery plan	Resources
The type of resources used by businesses and the need to manage these resources effectively – human resources – the need to obtain suitably skilled staff.	Learners to research local demand for labour in order to analyse the needs of local businesses and the importance of the human resource function to business.	Activity sheet 6: Obtaining suitably skilled staff
The type of resources used by businesses and the need to manage these resources effectively – physical resources – including premises, machinery and equipment, materials and other stocks.	Identify the physical resources owned and/or used by the school or college. How these physical resources are obtained, stored, maintained, kept secure, replaced. How the possession of such resources influences the school/college staff activities, eg training requirements, appointment of keyholders, carrying out ordering procedures, health and safety.	Activity sheet 7: Physical resources
The type of resources used by businesses and the need to manage these resources effectively – financial resources – capital and other sources of finance.	Sources of finance, eg share and other owners' capital, venture capital, retained profits, borrowing, credit sale/hire purchase, leasing/sale and leaseback, factoring, using suppliers.  Classifying finance by time period – short-term, medium-term and long-term.	Activity sheet 8: Financial resources
The role of quality control, quality assurance and total quality management (TQM).	What is 'Quality'? The difference between quality control, quality assurance and TQM and the role each plays in making a business successful.	Activity sheet 9: Quality
The importance of monitoring and reviewing business performance, eg solvency, measuring profits, complying with laws, identifying areas for improvement.	The roles of review and control in the planning process. Standards against which businesses are monitored – financial (profitability and liquidity), legal. Monitoring in order to improve business performance.	Activity sheet 10: Business performance

## Section 2.3: Financial management in business

Topic	Suggested delivery plan	Resources
The importance of profitability and liquidity (solvency) to businesses.	The difference between profit and profitability. Solvency and liquidity. The importance of profitability and liquidity.	Activity sheet 10: Business performance
The difference between assets, liabilities, expenses and revenues.	The Accounting Equation. Assets and liabilities as 'owned' and 'owed'. Revenues and expenses, relationship to profit.	Activity sheet 11: Financial statements
Constructing financial statements: profit and loss account – sales and cost of sales, gross and net profit, their meaning and calculation.	The difference between and calculation of gross and net profit. Comparison with company expressions of profit (eg operating profit, retained profit). Layout of unincorporated and (simplified) company profit and loss accounts.	Activity sheet 11: Financial statements
Constructing financial statements: a simple balance sheet – structure and meaning of fixed and current assets, current liabilities (displayed to show net current assets [working capital], long-term liabilities, share capital and shareholders' funds and the difference between share and loan capital).	Assets – fixed and current, examples. Liabilities – long-term and current, examples. Working capital (net current assets), its display and importance. Types of capital – share and loan (including debentures). Balance sheet construction (including simplified company layout, to show share capital, reserves and total shareholders' funds).	Activity sheet 11: Financial statements
The purpose, construction, benefits and limitations of cash flow forecasting.	Explanation of the purpose of cash flow forecasts using learners' understanding of liquidity/solvency, and benefits thereof. Exercises on constructing forecasts. Discussion of the limitations of forecasting.	Activity sheet 12: Cash flow forecasts
Interpreting cash flow forecasts and suggesting appropriate action to take.	Review of constructed forecasts, creating questions through changing the figures/dates. Linking negative balances and the need for additional cash to sources of finance.	Activity sheet 12: Cash flow forecasts
How budgeting provides financial targets and the purpose of the main budgets – sales, production, purchases, labour, capital expenditure, cash, profit and loss.	Explanation of the purposes and distinction between budgeting (planning focus) and budgetary control (control focus). Research into the main budgets used by a range of typical private and public sector businesses.	Activity sheet 13: Budgeting and budgetary control
Using budgetary control variances – sales, materials, labour and fixed overheads – to monitor performance.	Review of why budgetary control is important. Calculation of sales, materials, labour and fixed overhead variances, and comment on the results.	Activity sheet 13: Budgeting and budgetary control

Topic	Suggested delivery plan	Resources
How break-even analysis helps monitor business performance.	Classifying costs by activity: fixed, variable and semi-variable.	Activity sheet 14: Break-even analysis
Calculating and interpreting break-even charts.	Calculating break-even and contribution. Constructing break-even charts.	Activity sheet 14: Break-even analysis
How changes in variables such as fixed costs affect break-even.	Exploring how a change in one variable affects the break-even position and the margin of safety.	Activity sheet 14: Break-even analysis
The limitations of using break-even analysis to monitor performance.	Assessing how useful break-even is for different businesses (eg a single product business compared with a multi-product business)	Activity sheet 14: Break-even analysis

## Section 2.4: The use of software to aid decision-making

Topic	Suggested delivery plan	Resources
How spreadsheets are used for record-keeping and other financial purposes, including cash flow and profit forecasting, budgeting and break-even analysis.	Review of the value of using spreadsheets in business: how they are used, examples. Incorporation into and integration with topic areas 2.2 and 2.3, particularly with the topics of financial statements, cash flow forecasting and break-even analysis.	Activity sheet 15: Software and business efficiency, see also Activity Sheets 11, 12, 13 and 14
How word processing and database software can lead to improved business efficiency.	Word processing and databases; research learner, school/college and business use. Research how these packages help businesses to become more efficient/competitive.	Activity sheet 15: Software and business efficiency
Being aware of how businesses use specialist software, such as accounting software, the internet as a source of information, email as a means of communicating (internally and externally) e-commerce as a method of trading.	A brief introduction to Sage Line 50 or other appropriate accounting software; its range of functions, how it helps business efficiency. internet and email: learner, school/college and business use, research into how website design and content supports business activity, and how using email can lead to efficient communication and increased profits.	Activity sheet 16: Using ICT in a business environment
Appreciating the main legal and corporate issues associated with using ICT in a business environment – the influence of data protection and health and safety factors, the importance of confidentiality when dealing with client information.	Overview of the major legal issues associated with using ICT, eg Data Protection, health and safety of users. Research into individual business use of the internet/ICT, and how this supports the corporate aims of the business. Exploration of related issues, notably the need for confidentiality.	Activity sheet 16: Using ICT in a business environment

## Activity sheet 1: Enterprise and Innovation

In small groups, review your knowledge of and research into, the well-known British entrepreneurs Richard Branson (Virgin Group), Anita Roddick (Body Shop) and James Dyson (Dyson vacuum cleaners). What contribution has each made to the UK economy and why are these people so well-known?

- a) Use the internet to research *The Queen's Award for Enterprise*. The main website is [www.queensawards.org.uk](http://www.queensawards.org.uk)
- b) Use this website and/or Google to discover examples of awards given 'for Enterprise' and 'for Enterprise for Innovation'. Examples of relevant websites are:
  - [www.itwales.com/998762.htm](http://www.itwales.com/998762.htm)
  - [www.oxinst.com/SCNNWP674.htm](http://www.oxinst.com/SCNNWP674.htm)
  - [www.nuaire.co.uk/queens.shtml](http://www.nuaire.co.uk/queens.shtml)
  - [www.procheckup.com/news/Press%20Release\\_04/pressrel\\_04.html](http://www.procheckup.com/news/Press%20Release_04/pressrel_04.html)
- c) Identify two businesses that have received such awards and describe why each business received the award.
- d) Search to discover a business in the same county or region as your school or college that has received such an award.

Compare these examples with other ones identified and described by other learners. In small groups, compare what these businesses have done that has led to them being rewarded for their 'enterprise' and 'innovation'.

- e) Use your examples to define what 'enterprise' and 'innovation' are and why it is important for the UK economy to contain enterprising and innovative businesses.
- f) Now return to your earlier work on Richard Branson, Anita Roddick and James Dyson. In what ways have these business people been entrepreneurial and innovative?

## Activity sheet 2: Setting up in business

- a) In small groups, interview a manager or other representative from a local limited company (private or public). If an interview cannot be arranged, use the company's website to obtain the following details:
- What is the company name?
  - Is it a private limited company or a PLC?
  - What are its main objectives?
  - How is it organised (structured)?
  - What products – goods and/or services – does it provide?
  - Who are its main customers (eg the general public, other businesses)?
  - How would the choice and registration of a business name be different if this business had been set up as (a) a sole trader or (b) a partnership, rather than as a limited company?
- b) Research *Memoranda of Association* and *Articles of Association*. Examples of websites that illustrate these include:
- [www.clickdocs.co.uk/starting-a-business.htm](http://www.clickdocs.co.uk/starting-a-business.htm)
  - [www.companiesoffice.co.uk/infor/company-emeorandum-&-articles.htm](http://www.companiesoffice.co.uk/infor/company-emeorandum-&-articles.htm)
  - [www.iqa.org./about/emeo.shtml](http://www.iqa.org./about/emeo.shtml)
  - [www.mensa.org.uk/mensa/articles.html](http://www.mensa.org.uk/mensa/articles.html)
  - [www.vegansociety.cm/html/about\\_us/memorandum.php](http://www.vegansociety.cm/html/about_us/memorandum.php)
- c) Suggest two items that would appear in your chosen company's Memorandum of Association and two items that would appear in its Articles of Association.
- d) In small groups, select one of the following key areas of legislation that affect how your company operates and present to the whole group an explanation of how it influences the company's activities:
- equal opportunities
  - health and safety
  - employment protection
  - consumer protection
  - compulsory insurance.

### Activity sheet 3: Sources of advice

Your teacher/tutor will separate the class into four groups. Each group is to select one of the following businesses:

- a local clothes retailer
- a local business based on animals (eg a farmer, a pet shop)
- a manufacturing or construction business
- a local leisure centre or cinema.

Complete the diagram on the following page and summarise your findings to the other three groups.

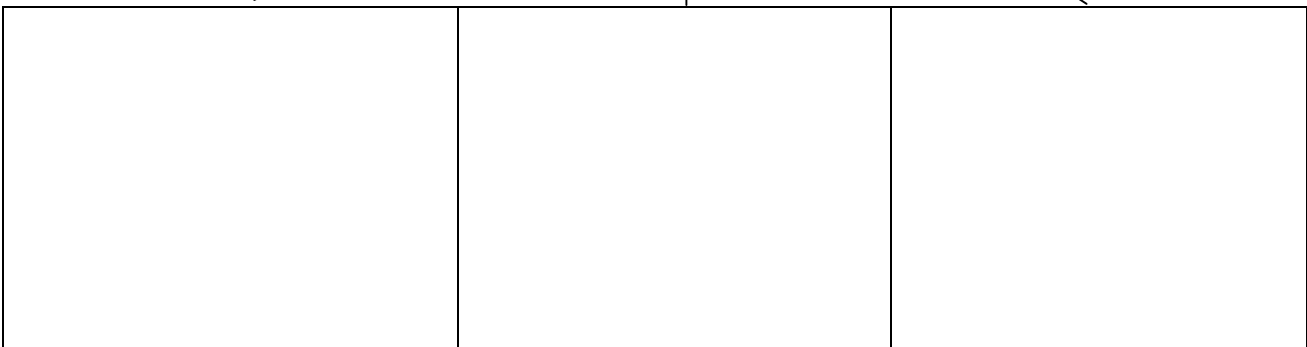
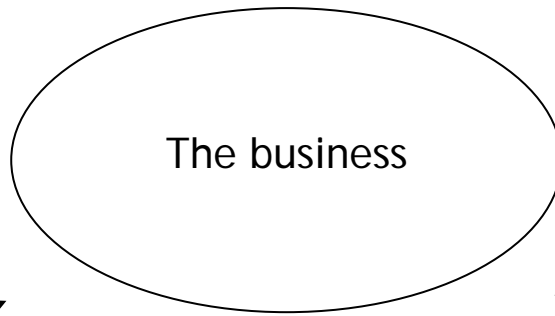
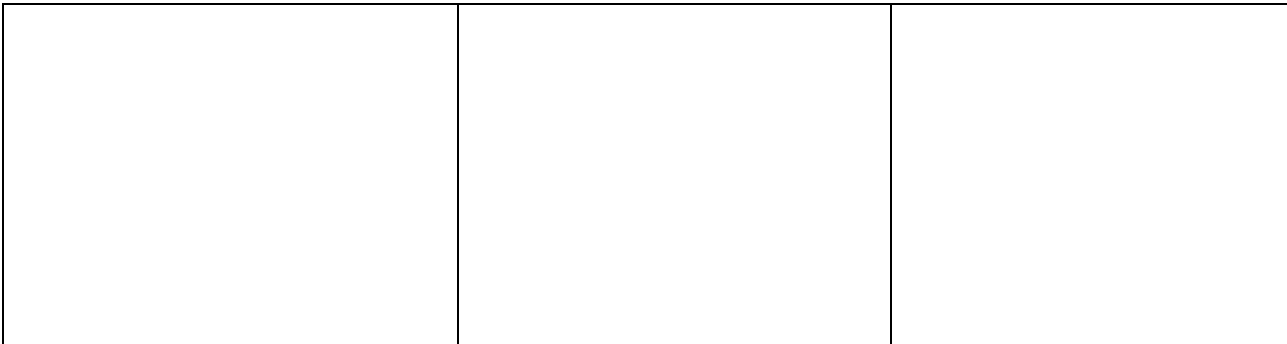
Activity sheet 3: Sources of advice – diagram

Private sector sources of advice

Banks

Solicitors and accountants

Other sources



The DTI grants and loans

Regional and other support

Public sector sources of advice



## Activity sheet 4: Business planning

- a) Identify different plans you have helped construct or with which you have been involved. Examples include planning:
- a holiday or other trip
  - a school or college production of a play
  - how to get to and from a Saturday job.
- b) Identify what these plans have in common and compare this with the business planning cycle of:
- constructing the plan
  - carrying out the plan
  - monitoring the plan
  - changing the plan (if necessary).
- c) Study your local paper(s), and the business section of broadsheet newspapers (eg *The Times*, *The Telegraph* or *The Guardian*) for a week. Identify, cut out and analyse any articles about plans that will affect local people and businesses. Examples include plans to:
- build new houses
  - extend a shop
  - close down a factory
  - increase the number of buses.
- d) Explain fully how these plans will affect key stakeholders and why the stakeholders will want to see clear and detailed planning. For example:
- building new houses – affects construction businesses, their suppliers, their bank
  - extending a shop – affects local plumbers, builders
  - closing down a factory – affects employees, suppliers, the local council
  - increasing the number of buses – affects the bus company, customers.

## Activity sheet 5: Producing a business plan

### Resources

A very useful website is [www.businesslink.gov.uk](http://www.businesslink.gov.uk) which includes a step-by-step guide on how to prepare a business plan. There is information on what the plan should include, the business, its markets and competitors, financial forecasts and presenting the plan.

The Microsoft Office website, which can be accessed through [businesslink.gov](http://businesslink.gov), contains a library of business plan templates. [www.bcentral.co.uk](http://www.bcentral.co.uk) is an example of another relevant website, offering advice on writing business plans.

### Activity

Select a business that you know. This could be a business where you work part-time, one where a friend or relative works, one that you will be visiting (eg on work experience), or it could be your school/college.

Research or create the mission statement of your chosen business. If possible, interview a senior member of staff and ask about how the mission statement influences her/his work.

Study the [businesslink.gov](http://businesslink.gov) website and use the information it contains to help you write a short plan for your chosen business, to help it achieve its mission statement.

Present this plan to the others in your class.

## Activity sheet 6: Obtaining suitably skilled staff

- a) Complete the following table for a range of local businesses that advertise for staff in a local paper and/or use other sources for staff.

Business name	Products/activity	Post(s) advertised	Skills required	Qualifications/ other information

- b) Identify ways, other than pay, in which each of the businesses named above could motivate the new member(s) of staff.

The work you did in Activity sheet 5 for Unit 1 may help you with this activity.

## Activity sheet 7: Physical resources

You are to work in groups, researching the type and nature of the physical resources owned and/or used by your school or college. These resources are likely to include:

- transport, eg vehicles used by staff to take learners on trips
- staff support, eg photocopiers, computers
- learner support, eg computers, filing cabinets, sets of books, sports hall equipment
- buildings, eg classrooms, Learning Centre, Refectory
- materials, eg wipeboard markers, computer discs, cleaning materials.

Complete the following table.

Resource name	Where it is obtained from?	How is it stored and/or kept secure?	How is it maintained and/or replaced?	How does it influence staff work, eg training, health and safety, ordering?	How does it contribute to the school or college objectives?

Share your findings with the other groups.

## Activity sheet 8: Financial resources

Select three different businesses, at least one of which should be in your local area and known to you. (You can use your school or college for this activity).

- a) For each business, identify three appropriate sources of finance that the business uses, or which it could use. One should be a long-term source, one a medium-term source and one a short-term source of finance.
- b) For each source of finance:
  - indicate whether it is short-term, medium-term or long-term
  - describe how it is obtained by the business
  - state any costs associated with this source of finance
  - explain why it is appropriate for the chosen business
  - give reasons why the business is likely to have selected the source of finance rather than any alternative source(s) of finance available to it.

Business One name: \_\_\_\_\_

	Short-term	Medium-term	Long-term
Source			
How obtained			
Costs			
Why appropriate?			
Why this source rather than another?			

Business Two name: \_\_\_\_\_

	Short-term	Medium-term	Long-term
Source			
How obtained			
Costs			
Why appropriate?			
Why this source rather than another?			

Business Three name: \_\_\_\_\_

	Short-term	Medium-term	Long-term
Source			
How obtained			
Costs			
Why appropriate?			
Why this source rather than another?			

## Activity sheet 9: Quality

### Resources

The internet contains several websites devoted to issues of quality, in particular, to Total Quality Management (TQM). For example, the Department of Trade and Industry's (DTI) pages on TQM can be found at [www.dti.gov.uk/quality/6i.htm](http://www.dti.gov.uk/quality/6i.htm) and can be used for background study.

### Activity

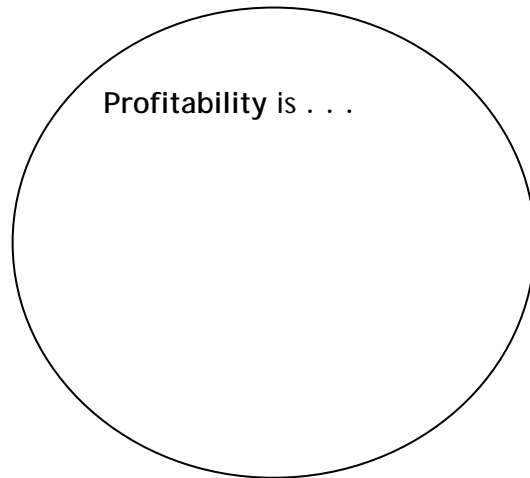
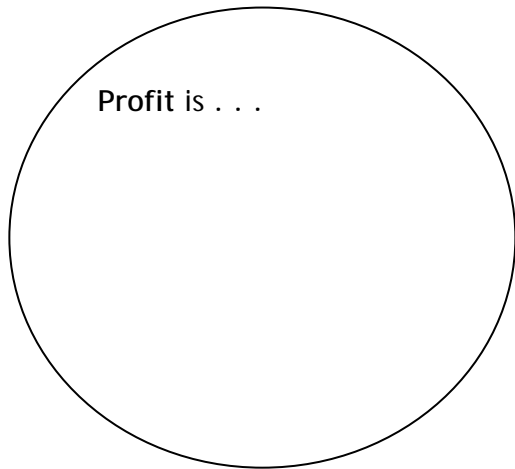
a) What is the difference between:

Quality control	
Quality assurance	
Total Quality Management (TQM)	

- b) Using your own experience, identify situations where you have not been happy with the quality of a product and/or a service. Did this have any effect on your future buying habits?
- c) Research the quality policy of a local business, or one that outlines its quality policy on the internet, for example:
- [www.bt.com/quality/](http://www.bt.com/quality/)
  - [www.tesco.com/customerservices/questionsMainFrame.htm#q2](http://www.tesco.com/customerservices/questionsMainFrame.htm#q2)
- d) Select one of these business areas and identify reasons why a quality product is necessary to ensure the survival and profitability of a business operating in the area:
- air or sea travel
  - restaurant or hotel
  - electrical goods.

## Activity sheet 10: Business performance

- a) Explain how the following are different.



- b) Using the internet or another source to find financial information about a company, state its profit and examine how it measures its profitability.  
How is this company's solvency shown and why is it important for it to remain solvent?
- c) Identify one company that has recently taken action to improve its profitability. How has it gone about improving profitability?
- d) Identify ways in which specific local businesses are affected by EU or UK laws. For example:
- the use of CE marking (see for example the [businesslink.gov.uk](http://businesslink.gov.uk) or DTI websites)
  - EU product directives (also see these websites)
  - obeying the law of contract.
- e) If a company resorted to breaking the law in order to boost profits and profitability, for example, by making and selling products that were not safe, or by imposing unsafe working practices, what would be the likely effect on its future?
- f) By referring to your work in Activity sheet 2 d), identify one recent change in the law that will affect the work of a business that you know. Explain the likely effect of this change on the business.



## Activity sheet 11: Financial statements

### Resources

An example of a PowerPoint presentation on final accounts available on the internet is:

- [www.ferl.becta.org.uk/content\\_files/resources/organisations/rsc\\_scotland/profit\\_and\\_loss.ppt](http://www.ferl.becta.org.uk/content_files/resources/organisations/rsc_scotland/profit_and_loss.ppt)

Examples of other sites containing useful information on financial statements (and other finance-based topics such as cash flow forecasts) include:

- [www.bized.ac.uk](http://www.bized.ac.uk)
- [www.bized.ac.uk/stafsup/options/cashflow4b.htm](http://www.bized.ac.uk/stafsup/options/cashflow4b.htm)
- [www.bizhelp24.com/accounting](http://www.bizhelp24.com/accounting)
- [www.bizhelp24.com/accounting/cash\\_flow\\_forecast.shtml](http://www.bizhelp24.com/accounting/cash_flow_forecast.shtml)
- [www.businesslink.gov.uk](http://www.businesslink.gov.uk)
- [www.here4business.co.uk/blyny/finance/finsys/profit\\_loss.asp](http://www.here4business.co.uk/blyny/finance/finsys/profit_loss.asp)
- [www.here4business.co.uk/blyny/finance/finsys/cashflow.asp](http://www.here4business.co.uk/blyny/finance/finsys/cashflow.asp)
- [www.bbc.co.uk/schools/gcsebiteize/business/finance/accountsrev2.shtml](http://www.bbc.co.uk/schools/gcsebiteize/business/finance/accountsrev2.shtml)
- [www.mindtools.com/pages/article/newTMC\\_06.htm](http://www.mindtools.com/pages/article/newTMC_06.htm)
- [www.ngfl-cymru.org.uk/vtc/ngfl/bus\\_studies/gcse\\_m\\_smidman/unit4/cash\\_flow\\_forecasts.htm](http://www.ngfl-cymru.org.uk/vtc/ngfl/bus_studies/gcse_m_smidman/unit4/cash_flow_forecasts.htm)
- [ww.thetimes100.co.uk/theory/theory.php?tID-116](http://ww.thetimes100.co.uk/theory/theory.php?tID-116)

### Activity A

List all the assets that your school or college owns. (Use your work for Activity sheet 7 to help you).

Classify them as either fixed assets or current assets.

Using a different business with which you are familiar and that is in the private sector with making a profit as a key objective, create a list of its fixed assets and current assets.

Use the following table to identify the fixed and current assets that the two businesses share and the fixed and current assets that are unique to each business.

	School/college	Chosen business
Fixed assets (the same)		
Fixed assets (different)		
Current assets (the same)		
Current assets (different)		

## Activity B

Identify likely current liabilities for each of the following businesses:

- a 'low-cost' airline
- a clothing manufacturer
- a farmer.

Identify likely long-term liabilities for each of the following businesses:

- an estate agents
- a chain of hotels
- a house building company.

## Activity C

Make a list of the expenses for the two businesses used in Activity A. Identify those expenses that the two businesses share, and those expenses that are unique to each business.

	School/college	Chosen business
Expenses (shared)		
Expenses (unique)		

Compare your list with those produced by others in the group. How do the lists differ?

For each business in Activity B, identify its main source of revenue. Do these sources of revenue differ?

## Activity D

For the business that you selected for Activity A, construct an outline profit and loss account and balance sheet using the revenues, expenses, assets and liabilities that you have identified.

Using Excel or a similar spreadsheet:

- a) Enter the main headings from your profit and loss account and balance sheet.
- b) Enter formulae that will calculate:
  - gross profit
  - total expenses
  - net profit
  - total fixed assets
  - net current assets (working capital)
  - net assets
  - the balancing total of the remaining liabilities.

## Activity E

The published accounts for many public limited companies are available on the internet. Full published accounts are extremely complex, and take us beyond what is required in your studies, so you must work closely with your teacher to find suitable examples of published accounts.

Examples for 2004 include:

### Sainsbury:

- [www.j-sainsbury.co.uk/ar\\_2004/index.asp?pageid=17](http://www.j-sainsbury.co.uk/ar_2004/index.asp?pageid=17)
- [www.j-sainsbury.co.uk/ar\\_2004/indix.asp?pageid=20](http://www.j-sainsbury.co.uk/ar_2004/indix.asp?pageid=20)

### Associated British Foods:

- [www.abf.co.uk/investors/reports/2004\\_report/accounts/pal.asp](http://www.abf.co.uk/investors/reports/2004_report/accounts/pal.asp)
- [www.abf.co.uk/investors/reports/2004\\_report/accounts/balance.asp](http://www.abf.co.uk/investors/reports/2004_report/accounts/balance.asp)

### Tasks:

Using the internet, select an example of published accounts. Working with your teacher, identify the headings with which you are familiar from your study of financial statements.

Identify the main terms and headings that are new to you. These might include:

- profit and loss
- continuing operations
- operating profit
- profit on ordinary activities before tax
- profit on ordinary activities after tax
- retained profit for the financial year.

balance sheet

- creditors: amounts falling due within one year
- creditors: amounts falling due after more than one year
- capital and reserves
- total capital employed.

Describe the meaning of each of these terms.

## Activity sheet 12: Cash flow forecasts

### Activity A

For each of the following businesses, identify at least two typical monthly cash inflows and at least four typical monthly cash outflows.

Business	Typical monthly cash inflows	Typical monthly cash outflows
Local newsagent		
Hotel		
Airline		
Estate agents		
Clothing manufacturer		

Compare your classifications with the ones completed by your friends. Do they differ and if so, why?

Using the information from Activity A, list those cash inflows and outflows that are likely to be received or paid in the same month and those cash inflows and outflows that are likely to be received or paid in later months.

## Activity B

Select a business with which you are familiar and which is seasonal. Examples could include:

- a farming business
- the manufacturer of seasonal goods such as certain foodstuffs or clothes
- a garage that sells new cars.

Explain, using examples, how your chosen business' cash flows will be affected by the seasonal nature of its work.

## Activity C

Select a cash flow forecast that you have produced manually.

Individually, construct the same forecast using Excel or a similar spreadsheet. The spreadsheet should be constructed to show and/or calculate:

- individual cash inflows and the total cash inflow for the periods
- individual cash outflows and the total cash outflow for the periods
- the net cash flow for each period
- the opening and closing balances for each period.

Compare the formulae that you have used with those used in a friend's spreadsheet. Are they the same and if not, how do they differ?

## Activity D

Check the newspapers and other media reports for a business that appears to have cash flow problems.

Identify from the report likely reasons that have caused this problem.

Suggest appropriate ways for the business to try to overcome its cash flow problems:

- in the short term
- in the longer term.

## Activity sheet 13: Budgeting and budgetary control

### Activity A

In small groups, discuss and list the ways that people in your group budget and why all of you have to budget.

Compare the results of your discussion with the 'textbook' reasons why businesses budget. Which of these apply to your personal situations?

Reasons for budgeting	Relevance to personal situations
To study alternative courses of action	
To predict what will happen in the future	
To help monitor and control performance	
To set targets	
To motivate people	
To communicate information to people	

## Activity B

Research the budgeting process in your school or college by completing the table.

What budgets are set?	
When are budgets set?	
What is the purpose of each budget?	
How are these budgets created?	
Who is the budget holder for each budget?	
How is overspending prevented?	
What happens if a budget surplus occurs?	

Compare the budgets set by your school or college with those set by a typical manufacturing business. These include:

- sales
- production
- purchases
- labour
- capital expenditure
- cash
- profit and loss.

Does your school/college set different budgets and if so, why?

### Activity C

For Activity sheet 12 (Activity C), you constructed a cash flow forecast (a type of cash budget).

Use Excel or a similar spreadsheet and enter formulae to calculate for a business with which you are familiar:

- a sales budget
- a production of finished goods budget

Enter actual figures in the spreadsheet, and explore the effect that changing individual figures may have on the budgets.

### Activity D

Calculate the variances in these two situations.

A product has a budgeted labour cost of £14 per unit. During one month, 450 units were made at a total labour cost of £7900. What is the total direct labour cost variance?

The cost of materials in this product is £10 per unit. During one month, 600 units were made at a total materials cost of £6400. What is the total materials cost variance?

For each variance above, use the following table to describe ways in which the variance may have arisen.

Type of variance	Possible reasons
Materials	The price:
	----- The quantity:
Labour	The time:
	----- The cost:

Research a situation in your school or college: if any of its budgets shows either a favourable or an adverse variance, what action is taken?



## Activity sheet 14: Break-even analysis

### Resources

Many textbooks give this topic thorough coverage. Examples of website support include:

- [www.bbc.co.uk/schools/gcsebitesize/business/production/breakevenanalysisrev1.shtml](http://www.bbc.co.uk/schools/gcsebitesize/business/production/breakevenanalysisrev1.shtml)
- [www.bizhelp24.com/accounting/breakeven\\_accounts.shtml](http://www.bizhelp24.com/accounting/breakeven_accounts.shtml)
- [www.clearlybusiness.com/marketing\\_sales/pd\\_breakeven\\_analysis.jsp](http://www.clearlybusiness.com/marketing_sales/pd_breakeven_analysis.jsp)

### Activity A

Review your research into costs for particular businesses (for example see Activity sheet 11, Activity C). Classify each of these costs as either fixed, variable or semi-variable by ticking the relevant box.

#### Business One

Name of cost	Fixed	Variable	Semi-variable

#### Business Two

Name of cost	Fixed	Variable	Semi-variable

#### Business Three

Name of cost	Fixed	Variable	Semi-variable

## Activity B

Match the following terms used in break-even analysis with the correct description:

A Term	1 Description
B Margin of safety	2 The difference between selling price and variable cost
C Contribution	3 A display of the break-even position
D Break-even point	4 Stays the same regardless of output
E Break-even chart	5 Where total revenues equal total costs
F Fixed costs	6 The difference between the break-even point and the level of activity
F Variable costs	7 Changes as output changes

## Activity D

A manufacturer of china mugs has produced the following data.

- Selling price per mug      £3.00
- Contribution per mug      £1.60
- Fixed costs                  £64,000

Calculate the unit variable cost per mug.

How many mugs need to be sold in order to break even?

What is the new break-even position if:

- fixed costs increase by 10 per cent
- fixed costs stay the same but variable costs change to £1.80 per mug?

In Excel or a similar spreadsheet, create a break-even chart using the original figures above.

## Activity E

For each business listed below, explain the extent to which a break-even analysis is likely to be a helpful decision-making tool for managers:

- Tesco
- easyJet
- an NHS hospital
- a teddy bear manufacturer
- a house builder.

## Activity sheet 15: Software and business efficiency

### Activity A

Review how you have used spreadsheets to construct:

- Financial statements (Activity sheet 11 Task D)
- Cash flow forecasts (Activity sheet 12 Task C)
- Budgeting (Activity sheet 13 Task C)
- Break-even charts (Activity sheet 14 Task D).

In a non-teaching situation, and using a business with which you are familiar (for example, your school or college), identify how and why it uses spreadsheets.

### Activity B

Give one example of how each of the following uses word processing and databases, to support its work

Business	Example of <u>word processing use</u>	Example of <u>database use</u>
RyanAir		
Travelodge		
Tesco		
Vodafone		
Lloyds TSB		

For what reasons does your school/college use word processing and databases?

**Word processing:** for

**Databases:** for

What costs and activities are associated with each?

Given that these software items add to costs, what benefits does your school/college gain from using them?

**Word processing benefits:**

**Database benefits:**

## Activity sheet 16: Using ICT in a business environment

### Activity A

Identify a business that uses accounting software. Interview one of the staff involved with entering financial information. Plan a series of questions to ask about the software, such as:

- a) Does the software make the flow of funds into and out of the business more efficient? If so, how?
- b) Does it create reports automatically? What type of reports and who receives them?
- c) Does the software:
  - update customer and supplier accounts?
  - print invoices and other documents?
  - adjust accounts and other records automatically?

### Activity B

Give two examples of how each of the following uses the internet to support its work.

Business	Example One of internet use	Example Two of internet use
RyanAir		
Travelodge		
Tesco		
Vodafone		
Lloyds TSB		

Examine your school or college website and answer the following questions:

- What does it contain?
- How is it structured?
- Who is the person responsible for it?
- Why is it important to your school/college?

In small groups, select and study the website of an internet retailer. Each group is to select a different retailer. (Examples include Amazon, Napster, Tesco, Iceland.)

Assess the strengths and weaknesses of the website. Does it fulfil its function of interesting the readers and enabling them to buy the business' goods? Report your findings to the other groups.

## Activity C

In small groups, identify the personal records that businesses keep of individuals, for example:

- staff
- customers
- suppliers
- shareholders
- lenders.

In your groups, research the Data Protection Act 1998. Relevant sources of information include these websites:

- [www.informationcommissioner.gov.uk/](http://www.informationcommissioner.gov.uk/)
- [www.school-resources.co.uk/DataPrivacyandSecurity.htm](http://www.school-resources.co.uk/DataPrivacyandSecurity.htm)
- [www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemid+1074414116](http://www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemid+1074414116)

How do the provisions of the Data Protection Act 1998 affect information that is held about you by:

- your school or college?
- your work experience business?
- a part-time employer?

## Activity D

In small groups, research health and safety issues related to using ICT. Relevant sources of information include these websites:

- [www.bbc.co.uk/schools/gcsebitesize/ict/implications/3healthandsafetyrev1.shtml](http://www.bbc.co.uk/schools/gcsebitesize/ict/implications/3healthandsafetyrev1.shtml)
- [www.businesslink.gov.uk/bdotg/action/;layer?topicId=1074185088](http://www.businesslink.gov.uk/bdotg/action/;layer?topicId=1074185088)
- [www.hse.gov.uk/pubns/indg36.pdf](http://www.hse.gov.uk/pubns/indg36.pdf)
- [www.lasa.org.uk/knowledgebase/pages/mngcomphealthsafety.shtml](http://www.lasa.org.uk/knowledgebase/pages/mngcomphealthsafety.shtml)
- [www.mda.org.uk/health.htm](http://www.mda.org.uk/health.htm)

Create a checklist for use by businesses that summarises the important principles of how computers and other ICT equipment and software should be used safely to ensure staff using them stay healthy.

## Case studies

### Unit 2 assessment

You are required to investigate the setting up of a small business in the Welshpool area. This business will provide a product (goods or services) to people or businesses in Welshpool or its surrounding area.

You will consider and include the following:

**Assessment evidence a)** A business plan.

This plan will outline factors such as:

- the business's name, aim and objectives
- its stakeholders
- the market within which it will operate
- its proposed legal form (sole trader, partnership etc).

**Assessment evidence b)** The proposed structure.

In this part of your investigation you will explain the business structure, including:

- financial resources
- human resources
- other resources required by your business
- how and from where these resources will be obtained
- how they determine the organisational structure of the business.

**Assessment evidence c)** Expected costs and revenues.

You will explain:

- the expected nature and amount of both costs and revenues
- how the business's financial performance is to be monitored.

**Assessment evidence d)** ICT support.

You will:

- identify and justify the potential use of relevant business software in and by your business.

Note – you:

- will be assessed using the assessment criteria in your Unit 2 Information Pack
- must discuss and agree the choice of business with your tutor
- may work as part of a small group (maximum three learners). If so, you must
- produce individual evidence for a)-d) above
- will submit your investigation as written work in four sections
- will summarise and present the results of your investigation, using ICT to help you do so, to the rest of the class

## Case study – Student work and marking commentary

Student submission (extracts: Assessment evidence a) and d) only)

Student: Nat Merchant

I have decided to investigate the setting up of a dog care service, including offering a dog grooming service, and offering a dog walking service.

Assessment evidence a)

MY BUSINESS PLAN

Here is a summary of my business plan.

1 a	Name of the business.	<i>Welshpool Dogcare.</i>
1 b	Services offered.	Taking care of dogs when owners are on holiday. Dog grooming. Dog walking.
1 c	Aim of the business.	To provide an efficient and caring service for dog owners.
1 d	Business objectives.	To have satisfied customers. To make a profit. To increase sales of services.
1 e	Business stakeholders.	Nat Merchant.                      Lloyds TSB Ltd. Customers in Welshpool.      The government.
1 f	Legal form.	A sole trader.
1 g	Business market.	Welshpool and the surrounding area.

### Commentary: Summary of business plan

This is an acceptable summary, which includes all elements mentioned in the assignment brief. By structuring it in this form, Natalie has given herself the opportunity of providing an analysis and justification for each section in the plan.

## Analysis of My Business Plan

1 a. Why have I chosen the business name *Welshpool Dogcare*?

I am obviously going to use 'Welshpool' in the name, since the business is based in Welshpool. My first choice was *Welshpool Walkies*. However, my research in the Yellow Pages showed there were other businesses called 'Walkies', for example:

Walkies  
2, Holland Rd  
Maidstone Kent  
ME14 1UH

Walkies  
4, Troopers Drive  
Romford Essex  
RM3 9DE

These are businesses to do with pets, and so I thought it would be better to miss out the word 'Walkies' to avoid any confusion.

There are at least 37 businesses with names starting with 'Welshpool' (source: *Yellow Pages*, 2004). Examples are:

Welshpool County Court

Welshpool Cricket & Rugby Union Football Club

Welshpool High School

Welshpool Livestock Sales

Welshpool Jewellers Ltd

Welshpool Partnership

Welshpool Post Office

Welshpool Wholesale Fruit & Veg

Welshpool Workingmen's Club

None of these sounds anything like *Welshpool Dogcare*, and they are not the same type of business, so there will not be a problem here. The only pet business I have found through research and my knowledge of Welshpool is *Welshpool Pets (Pets Corner)*, 8 Hall Street, Welshpool. Although this is a pet shop, it is quite a different business name to the one I have chosen. I am using the word 'dog' in my business name to state the type of pet I am concentrating on.

I have backed up my research into business names by using the internet. I have searched using Google (see Appendix 1), and cannot find a business named *Welshpool Dogcare*. I have also used (see Appendix 1).

- [www.anewbusiness.co.uk](http://www.anewbusiness.co.uk)
- [www.bizhelp24.com](http://www.bizhelp24.com)

The Business Names Act 1985 allows the Secretary of State to control business names. Some words and expressions are controlled by other laws. These rules protect the rights which persons may have in relation to names or words. (In law, 'person' includes individuals and companies.) It costs at least £34.99 to do a proper search at Companies House, but since there isn't a website using this name, and I know Welshpool really well, I'm fairly sure no-one else has registered it.



## 1 b. Why am I offering these services?

I have decided to offer three different but linked services. These are:

Taking care of dogs when their owners go on holiday. Some people don't like to leave their dogs in kennels when they go away for holiday (and don't take their dogs with them). The dogs prefer to be in surroundings they know, so they can be left at home. However, they will need to be exercised, and this is where my 'taking care' service comes in. I can visit the home, feed and water the dogs, take them for a walk, and then drop them back at home and lock up.

Dog grooming. Dogs need to be groomed, ie shampooed, claws cut, maybe treated for fleas or ticks from sheep and cattle. There is a demand for this service according to my research (see section 1g).

Dog walking. Dogs also need to be walked even when their owners are at home. Sometimes people are too busy, or may be too old, to take their dogs for walks. My research also shows there could be a demand for this service.

By offering three different services, this means that, if one of them isn't worth continuing, I will still have two other services to offer the people of Welshpool.

## 1 c/d. How will I measure if I have achieved my aim and objectives?

My business aim is 'To provide an efficient and caring service for dog owners'. The main way I will know whether I am meeting this aim if I can retain customers, ie how many of them come back to me again and again.

### Satisfied customers

My test here is if I have at least 90% of customers select 'very satisfied' or 'excellent' when they complete my customer survey on the services (see Section 3).

### Profit

My plan is to at least break even in the first six months; make a profit of £5 for each hour worked after six months; make a profit of £7.50 for each hour worked after the first year.

### Sales of services

My target is to double sales revenue in the second six months compared to the first; then to increase this by another 50% in the second year.

### 1 e. Who are the stakeholders of *Welshpool Dogcare*?

I have listed the main stakeholders as:

- *Nat Merchant*, the owner.
- *Lloyds TSB plc*, the bank that will provide finance and an account.
- Customers in Welshpool.
- The government, because of tax and laws to be followed.

#### *Nat Merchant*

As the owner, and sole trader, I obviously have to be an important stakeholder. This is because I will be investing my money and time into *Welshpool Dogcare*, and will want it to make a profit for me. Not only that, but there is the local reputation of the business to consider, especially because I am living in Welshpool where the business is based.

#### *Lloyds TSB*

Lloyds TSB Bank plc is a public limited company (plc) having branches in the UK, with one based at 40 Broad Street, Welshpool. There are other banks in Welshpool, including:

- *Barclays* (20 Broad Street)
- *Halifax* (25 Severn Street)
- *HSBC* (23 Broad Street)
- *NatWest* (30 Broad Street)

There are also some building societies in Welshpool that offer financial services, many similar to a bank. These include:

- *Birmingham Midshires* (37 Broad Street)
- *Nationwide* (44 High Street)
- West Bromwich Building Society (31A Severn Street)

I therefore have a wide choice of businesses where I could borrow money and pay money into an account. So why have I chosen *Lloyds TSB* as the stakeholder?

First, it is not in a more convenient location than the rest. As we can see, most of the banks are in Broad Street, and the building societies are also close by. The reasons I have chosen *Lloyds TSB* are:

I know *Lloyds TSB* because I already have a savings account with them. This means they also know me, and should regard me as a reliable existing customer. This means that I am more likely to be able to get money from them if I need to, as well as open accounts such as a current account.

*Lloyds TSB* has good services for businesses. These include:

- Success4business.com, which is an online resource to help business people make the right decisions about marketing, finance and managing the business. It is a free service, which is important because I will not have a lot of money to spend.

There is a business start-up package which includes:

- free banking in the first year of the business
- a free Small Business guide (see Appendix 2)
- a free book-keeping system
- monthly interest on credit balances in the business account.

*Lloyds TSB* has competitive rates for loans. At present, it is offering loans at between 6.7% and 6.9%, which is competitive with the other banks (*Barclays* is about the same, and although *Halifax* is currently 6.6% the rates can go up to 8.8%). I realise that these rates can change but then I could get a loan that has a fixed rate of interest, so I can budget.

## Customers

My customers are important stakeholders. It is the customers who will keep *Welshpool Dogcare* in business, or who will force it to go out of business. The customers are dog owners in Welshpool, who are the type of dog owners who take good care of their dogs. In section 1g I have worked out the likely demand from these customers (see 1g).

## The government

The government is another important stakeholder. There are two main reasons for this.

As a sole trader, the profit I make from *Welshpool Dogcare* is going to be taxed as Income Tax. This is different to company (corporation) tax, but it still has to be paid to the government. As a result, the government is interested in the accounts and profits of *Welshpool Dogcare*.

The government sets a wide range of laws to do with dogs. There is now a Dogs (Fouling of Land) Act 1996, This Act has the backing of Powys Council because it simplifies existing bye-laws in relation to dog fouling and extends the methods by which local authorities such as Powys can enforce 'poop scooping'. The maximum penalty for failing to clean up after the dog, in an area designated by the council, is £1000. As an example, 'The Council has to date successfully prosecuted over 25 offenders for failing to clean up after their dogs have fouled public footpaths or playing areas, and we will continue to target irresponsible dog owners.' (source, Powys Communications Unit, July 2002).

Are there any other stakeholders? Yes, although the ones I have explained above will be the main ones for the business. Other stakeholders include:

The local newspaper. The *County Times and Express* is published by North Wales Newspapers Ltd at the Broad Street (Welshpool) office. It is a weekly paper with a circulation of between 18,000 and 19,000 in 2004. Although the circulation is not that big compared to eg the 'Shropshire Star', in Welshpool there is a 46% readership (about 2600 copies sold, about 5600 readers: source, The Newspaper Society Ltd 2004). Other local towns such as Montgomery, Newtown and Llanidloes receive the paper but their readers are not likely to be interested in my business because of its location. Advertising costs are very expensive for a business like *Welshpool Dogcare* because a full-page advert cost over £1700 in 2003. However, the main reason the *County Times and Express* is a stakeholder is because it will report on the performance and progress of *Welshpool Dogcare*, and can provide good publicity for the business. I am also aware that any problems with the business may get reported as well.

Suppliers. The main supplier will be *Welshpool Pets (Pets Corner)* in Welshpool. I will not be buying leads, dog treats, flea powder and so on like other dog owners. This is because I will be supplied with the main things I need (food, leads etc) by the owners. However, for dog grooming, I will need to buy the following:

- dog shampoo
- special claw clippers (with a back guard so the dog's claw isn't cut too short into the quick)
- a dog brush.

Since these will be bought for cash and not on credit, *Welshpool Pets* is not an important stakeholder like a creditor, because I will not owe the company any money. I will be using its products, so it has some interest in the business.

1 f. Why should *Welshpool Dogcare* be a sole trader business?

I have five main options for *Welshpool Dogcare*. I could set up business as a:

- sole trader
- partnership
- private limited company
- public limited company
- franchise.

I want to be a sole trader because I want to run it myself. This is an important advantage of being a sole trader. However, I realise that I will need to make all business decisions, such as: How do I advertise? How much do I charge? Do I use my mobile number or my house telephone? I realise there are many problems of being a sole trader. These include:

- unlimited liability – I can lose all my investment and more, though I won't have much invested and I won't owe a lot of money to people (eg no big creditors)
- nobody to share the work with – so if I am sick there will be nobody to help me, and I may lose customers
- nobody for advice – although Lloyds TSB (see 1e) provides free advice here to help me

A partnership is a possibility for me. I know that partners can specialise in various bits of the business, and also they share the risk of losing money. However, I would need to find a partner who is interested in this. I talked to Sian Roberts about working together on this, but Sian has decided to look at caring for horses, so she is not as interested in dogs. So although Sian and I would have shared costs (good for me) and profits (bad for me), it is not on.

I cannot become a limited company. Although I would have limited liability so would not lose any of my own money, it would take a lot of money to set up such a business, and there are many complicated forms for me to fill in. I would also have to pay dividends to all the shareholders, which is not going to be possible because of the size of my business and the size of my profit. I would also need at least two directors, of which I would be one but I am not sure who the other would be. However, we could specialise.

There are some franchises to do with dogs. Examples are:

*Bugsie Ltd* (source: [www.Bugsie.co.uk](http://www.Bugsie.co.uk)) – this is a mobile dog washing service. However, I would need to drive, which I cannot, and it could cost £400 a month to lease the special van (which is what it is charging in Surrey for a territory with 175 dogs). This is not possible for me. Also, it doesn't offer the range of services I want to offer.

*Petpals Ltd* – this offers similar services, eg

'A Petpals franchise owner has two tried and tested income streams generated by the following services:

- Stream 1 – primary services
- At home pet visits
- Dog walking
- Home sitting
- Stream 2 – secondary services
- Pet to vet
- Pet to trainer or groomer
- Pet taxi or relocation'

(source: [www.petpals.com](http://www.petpals.com)). The problem here for me is that it is much too large-scale. The franchise is based on 50,000 people in an area, and in one case they would want £9,900 plus VAT (= £9,900 + £1,732.50 = £11,632.50) to set up a franchise. This is not possible.

1 g. What is the business market for *Welshpool Dogcare*?

There is not a dog walking service in Welshpool. [www.ukpetsitter.co.uk](http://www.ukpetsitter.co.uk) is the closest one (see Appendix 3). This service is offered in Shropshire, to the east, but does not cover Welshpool or Powys. I am not planning to offer a pet sitting service, where I would live at the home while the people were on holiday, so we have slightly different objectives. However, I would be offering the same basic service of looking after the dogs. I would therefore have a local monopoly for this service.

There is also not a local dog grooming service. It is an area of work that might grow. For example, my research shows there may be a grooming service called [www.topdogs.biz](http://www.topdogs.biz) starting in North Wales (see Appendix 4). I cannot find any more about this service because there was nothing on the website when I visited it. However, it does show that things change in business, so I will need to be aware of these changes in my competition.

There is no official dog walking service in Welshpool, according to my research. There is nothing on the internet, although there may be local arrangements where people do this type of work for their neighbours. I would therefore also have a local monopoly for this service.

There are businesses to do with pets in and around Welshpool, but I cannot find any that are in full competition with me. The one pet shop in Welshpool is:

- *Welshpool Pets (Pets Corner)*  
8 Hall St, Welshpool.

This pet shop deals with pets and pet supplies, selling to pet owners, but it is quite a different business to mine.

There are a number of kennels in the Welshpool area. Three examples are:

- Brooklyn Boarding Kennels and Cattery (Leighton)
- Elendale Kennels & Cattery (Cyfronydd)
- Kelb Tab Fenek Boarding Kennels and Cattery

There is some evidence that these kennels offer grooming services: for example, *Brooklyn* offers a grooming service. However, my research shows that these services are only for people who are leaving their dogs in the kennels. Many dog owners who want to go on holiday without their dogs do not want to put them in kennels.

## Possible demand

According to the 2001 census (source: Census, 2001), relevant statistics are:

- There were 21,660,475 households in Wales and England.
- About 38% of households in Wales own dogs (more than in England).
- 3% of the population in Welshpool was unemployed.
- 7.2% of the population in Welshpool were permanently sick or disabled.

The JICREG data for Welshpool (source: [jjab.jicreg.co.uk](http://jjab.jicreg.co.uk)) for May 2004 shows a population of 10,731 people who are over 15, who are in 5,581 households.

In 2002, dog ownership has shown a gradual decrease over recent years (source [www.pfma.com](http://www.pfma.com)). Reasons for this include more people living alone, and more couples going out to work. However, the dog population of the UK was still about 12 million. This is against a population of 59.2 million in 2002 (source: National Statistics). This suggests that there is one dog owned for every 5 people. If this is the case in Welshpool, using these figures it suggests that there are at least 2,000 dogs in Welshpool (based on the number of people). Using the households figure, 38% of Welshpool households comes to 2,120 dogs, which seems to prove my calculations.

The number of sick and disabled people is also important because they may need help with their pets, and *Welshpool Dogcare* can offer that help. However, some long-term sick and disabled people may be on low incomes (eg benefits), so I will have to review my pricing strategy to make sure I get their business.

## My survey of the demand

I have conducted a survey into whether people in Welshpool would be interested in any of these services. I designed a survey questionnaire form (see Appendix 4) which I have used. I used this over two weekends (Saturdays) and three separate weekdays. The weekdays I chose were:

- Monday, market day (like Saturday), so a lot of people would be about. Also, the Farmers market was being held in the Town Hall in Broad Street, so there would be many people in Welshpool.
- Wednesday, although the town can be quiet in the afternoon, I have seen quite a few people walking their dogs because it is quiet.
- Friday, it is often busy in the morning and I think that people who don't like shopping on Saturday would come to town to do their weekend shopping on Friday.

On Wednesday and Friday I stood outside *Kwik Save* in Brook Street, and asked people going into the shop if they would help me. I thought this was better than waiting until they came out because they would have all their shopping and want to get home with it (eg frozen food). On Saturday and Monday I was by the market because a lot of people were doing their shopping there.



I asked all those who said they had a dog and also would be willing to answer the questions. My target was 10 people each day, making 50 people in all. I reached this target on each day. Here is a summary of my results.

Do you take your dog on holiday with you? Yes 23 /No 27

If 'No'

- a) is it looked after at home? 4
  - b) do you put it in kennels? 22
  - c) does a friend look after it? 1
- 

Would you consider paying someone to visit your home every day and see to your dog when you are on holiday? Yes 6 / No 21

If 'Yes', what is the most you would you be prepared to pay each day?

0 people £2          2 people £4          3 person £6          0 people £8          1 person £10

---

Would you be interested in a dog grooming service? Yes 8/ No 42

If 'Yes', how much would you be prepared to pay for a shampoo and claws cut?

1 person £1          1 person £2.50          4 people £5          1 person £7.50

---

Would you be interested in a dog walking service? Yes 14/No 36

If 'Yes', how much would you be prepared to pay for a 30-minute walk?


1 person £1          5 people £2          3 people £3          1 person £4          1 person £5

---

My survey suggests that there is a demand for my service in Welshpool, especially since there are many more dog owners than the ones I interviewed. It has also given me important information about my pricing policy for each service (see *Section 3*).

# APPENDIX 1


Copies of web pages relevant to my research into business names  
[www.bizhelp.com/business\\_start\\_up/business\\_names.shtml](http://www.bizhelp.com/business_start_up/business_names.shtml)



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Home > Start a New Business > Business Names

## Start a New Business

### Business Names

(not limited companies)

For Information on Limited **Company Names**  
[Click here](#)

Business names are no longer registered with any government departments. But there are laws about using certain names and disclosing certain details of ownership.

Before 1982 many business names had to be registered under the Registration of Business Names Act 1916.

This Act was repealed on 26 February 1982 when new rules on business names came into force in the Companies Act 1981. This law was replaced by the Business Names Act 1985. This allows the Secretary of State to have certain controls over the name you choose for your business and what you must tell others about the ownership of the business.

Some words and expressions are controlled by other laws. These rules protect the rights which persons may have in relation to names or words. (In law, 'person' includes individuals and companies.)

The following link will direct you to a booklet on the Company House web site. It is a guide to the rules in the Business Names Act 1985. It is not a complete statement of the law. If you are unsure about any of the details, you should read the law yourself or consult a solicitor.

Any business names shown in this booklet for the sake of example are intended to be fictitious.

[Click here to view the Business Names booklet \(will open in a new window\)](#)

The contents of the document are as follows:

- Introduction
- 1. Business Names
- 2. Disclosure rules
- 3. Further information

*This is a guide only and should be read with the relevant legislation.*

[Click here to view the Business Names booklet \(will open in a new window\)](#)

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Welshpool Engineering	WELSHPOOL	Maintenance and repair of motor vehicles
Welshpool Enterprise Centre	WELSHPOOL	Activities of business and employers organisations
Welshpool Garden Centre	WELSHPOOL	Other retail sale in specialised stores not elsewhere classified
Welshpool Golf Club	WELSHPOOL	Other sporting activities
Welshpool Hardware DIY	WELSHPOOL	Retail of sale of hardware, paints and glass
Welshpool High School	WELSHPOOL	General secondary education
Welshpool Kebab House	WELSHPOOL	Take-away food shops
Welshpool Learners	NEWTOWN	Driving school activities
Welshpool Library	WELSHPOOL	Library and archives activities
Welshpool Livestock Sales	WELSHPOOL	Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods
Welshpool Metalcraft	WELSHPOOL	Casting of iron
Welshpool P.O	WELSHPOOL	National post activities
Welshpool Partnership	WELSHPOOL	Social work activities without accomodation
Welshpool Pets	WELSHPOOL	Other retail sale in specialised stores not elsewhere classified
Welshpool Pets	WELSHPOOL	Other retail sale in specialised stores not elsewhere classified
Welshpool Sewing Machine Repairs	SHREWSBURY	Retail sale of furniture, lighting equipment and household articles not elsewhere classified
Welshpool Social Club	WELSHPOOL	Activities of other membership organisations not elsewhere classified
Welshpool Tourist Information Centre	WELSHPOOL	Other tourist assistance activities not elsewhere classified
Welshpool Town Bowling Club	WELSHPOOL	Other sporting activities
Welshpool Youth Centre	WELSHPOOL	Activities,of religious organisations
Welshslim	PORT TALBOT	Physical well-being activities
Welshwood Manor	COLCHESTER	Hospital activities
Welslot Fencing	MANCHESTER	Manufacture of builders' carpentry and joinery
Welsman Freight Services	NORTHAMPTON	Activities of other transport agencies Manufacture of lifting and handling

[http://www.anewbusiness.co.uk/business\\_names/namesearch.php?search\\_string=Welshp...](http://www.anewbusiness.co.uk/business_names/namesearch.php?search_string=Welshp...) 22/09/2004

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## Web

Tip: Try removing quotes from your search to get more results.

Your search - **"Welshpool dog care"** - did not match any documents.

### Suggestions:

- Make sure all words are spelled correctly.
- Try different keywords.
- Try more general keywords.

Also, you can try [Google Answers](#) for expert help with your search.

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**Pet care** information from The Blue Cross - Britain's pet charity  
[www.allaboutpets.org.uk](http://www.allaboutpets.org.uk)

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## APPENDIX 2

### Lloyds TSB 'Small Business' guide

SARA WILLIAMS



Lloyds TSB

# Small Business Guide

2003 EDITION

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12. The right name 135
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PRESS VITASSE



## APPENDIX 3

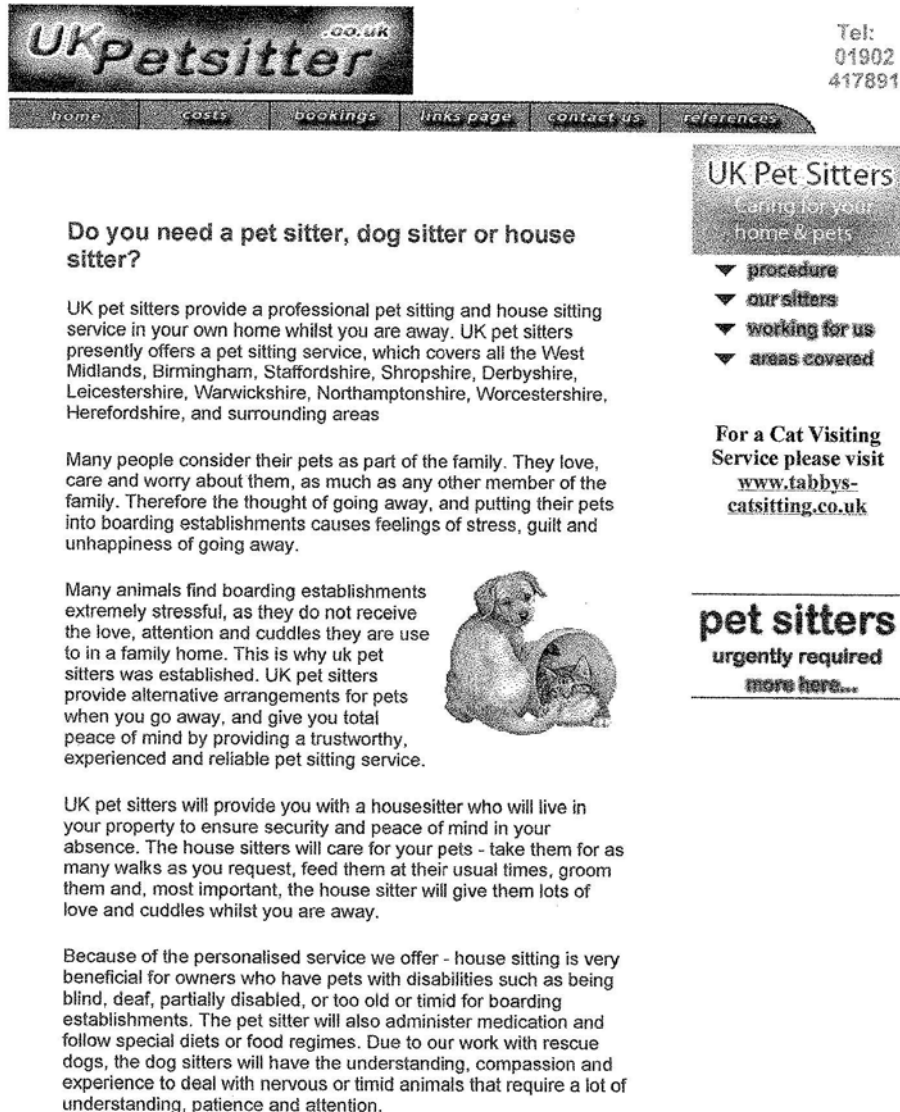
Examples of other businesses to do with pet (dog) care

[www.ukpetsitter.com/](http://www.ukpetsitter.com/)

[www.freeweb.telco4u.net/topdogs/html/body\\_about\\_us.html](http://www.freeweb.telco4u.net/topdogs/html/body_about_us.html)

uk pet sitting service - Do you need a pet sitter, dog sitter or house sitter?

Page 1 of 2



The screenshot shows the UK Petsitter website. At the top left is the logo 'UKpetsitter .GO.UK'. Below it is a navigation menu with links: 'home', 'costs', 'bookings', 'links page', 'contact us', and 'references'. On the right side, there is contact information: 'Tel: 01902 417891'. The main content area features a heading 'Do you need a pet sitter, dog sitter or house sitter?' followed by a paragraph describing the service. To the right of this text is a sidebar with a box titled 'UK Pet Sitters' containing a list of links: 'procedure', 'our sitters', 'working for us', and 'areas covered'. Below this is another box for 'Cat Visiting Service' with the website 'www.tabbys-catsitting.co.uk'. Further down, there is an image of a dog and a cat, and another box titled 'pet sitters urgently required more here...'. The bottom of the page shows the URL 'http://www.ukpetsitter.com/' and the date '22/09/2004'.

**UKpetsitter .GO.UK**

home costs bookings links page contact us references

Tel:  
01902  
417891

**UK Pet Sitters**  
Caring for your  
home & pets


- ▼ procedure
- ▼ our sitters
- ▼ working for us
- ▼ areas covered

**Do you need a pet sitter, dog sitter or house sitter?**

UK pet sitters provide a professional pet sitting and house sitting service in your own home whilst you are away. UK pet sitters presently offers a pet sitting service, which covers all the West Midlands, Birmingham, Staffordshire, Shropshire, Derbyshire, Leicestershire, Warwickshire, Northamptonshire, Worcestershire, Herefordshire, and surrounding areas

Many people consider their pets as part of the family. They love, care and worry about them, as much as any other member of the family. Therefore the thought of going away, and putting their pets into boarding establishments causes feelings of stress, guilt and unhappiness of going away.

Many animals find boarding establishments extremely stressful, as they do not receive the love, attention and cuddles they are use to in a family home. This is why uk pet sitters was established. UK pet sitters provide alternative arrangements for pets when you go away, and give you total peace of mind by providing a trustworthy, experienced and reliable pet sitting service.



**pet sitters**  
urgently required  
more here...

**For a Cat Visiting Service please visit**  
[www.tabbys-catsitting.co.uk](http://www.tabbys-catsitting.co.uk)

UK pet sitters will provide you with a housesitter who will live in your property to ensure security and peace of mind in your absence. The house sitters will care for your pets - take them for as many walks as you request, feed them at their usual times, groom them and, most important, the house sitter will give them lots of love and cuddles whilst you are away.

Because of the personalised service we offer - house sitting is very beneficial for owners who have pets with disabilities such as being blind, deaf, partially disabled, or too old or timid for boarding establishments. The pet sitter will also administer medication and follow special diets or food regimes. Due to our work with rescue dogs, the dog sitters will have the understanding, compassion and experience to deal with nervous or timid animals that require a lot of understanding, patience and attention.

<http://www.ukpetsitter.com/>

22/09/2004



Tel:  
01902  
417891

- [home](#)
- [costs](#)
- [bookings](#)
- [links page](#)
- [contact us](#)
- [references](#)

### Areas we work

UK pet sitters presently offers a pet sitting service, which covers all the West Midlands, Birmingham, Staffordshire, Shropshire, Derbyshire, Nottinghamshire, Leicestershire, Warwickshire, Northamptonshire, Worcestershire, Herefordshire, Cheshire, and surrounding areas: These include:



**UK Pet Sitters**  
Caring for your home & pets

- ▼ [procedure](#)
- ▼ [our sitters](#)
- ▼ [working for us](#)
- ▼ [areas covered](#)

Ashbourne Aylesbury Banbury Birmingham Bridgnorth Bromsgrove Brownhills Burton upon Trent Cannock Corby Coventry Derby Dudley Evesham Hereford Hinckley Kettering Kidderminster	Leek Leicester Leominster Lichfield Loughborough Mansfield Market Harborough Matlock Melton Mowbray Milton Keynes Nantwich Newark on Trent Newcastle under Lyme Nottingham Northampton Nuneaton Redditch Ross on Wye Royal Leamington Spa	Rugby Rugeley Shrewsbury Solihull Stafford Stoke on Trent Stourbridge Stratford upon Avon Sutton Coldfield Tamworth Telford Uttoxeter Walsall Warwick Wellingborough West Bromwich Whitchurch Wolverhampton Worcester  + MANY MORE
--	--	--

**If you are interested in our service but your area is not listed please contact us**

<http://www.ukpetsitter.com/areas.htm>

22/09/2004

## APPENDIX 4

Survey questionnaire – over page



My name is Nat Merchant. For my course I am seeing whether it is worthwhile setting up a business to do with walking, looking after and grooming dogs. Would you please help me by answering some questions if you are a dog owner? Thank you.

(Do you own a dog?      Yes)

### Holidays

Do you take your dog on holiday with you? Yes / No

If 'No'

- a. is it looked after at home?
- b. do you put it in kennels?
- c. does a friend look after it?


Would you consider paying someone to visit your home every day and see to your dog when you are on holiday? Yes / No

If 'Yes', what is the most you would you be prepared to pay each day?

- a. £2                      b. £4                      c. £6                      d. £8                      e. £10

### Grooming

Would you be interested in a dog grooming service? Yes / No

If 'Yes', how much would you be prepared to pay for a shampoo and claws cut?

£ \_\_\_\_\_

### Walking

Would you be interested in a dog walking service? Yes / No

If 'Yes', how much would you be prepared to pay for a 30-minute walk?

£ \_\_\_\_\_

## Commentary: analysis of the business plan (Assessment evidence a)

### Part 1a

This is a thorough explanation and analysis, illustrating appropriate research at both local and national level. Natalie has provided satisfactory evidence of this research and has presented a sound argument for the final choice of name.

### Part 1b

Natalie has identified an appropriate range of services for her chosen business. The section is essentially descriptive, although there is some explanation and analysis, particularly for the first service (taking care of dogs) and a relevant link is provided to later work.

### Parts 1c and 1d

This section is satisfactory in that it identifies and comments on three relevant measures of success. Natalie could have provided more information: for example

- the difference between business aims and business objectives in this context
- a basic justification for the figures selected (though Natalie has the opportunity to develop this in *Section 3* of the assignment).

### Part 1e

Natalie has selected four important stakeholders. Her own relationship to the business is identified, described and explained. Her analysis of the choice of Lloyds TSB is detailed and relevant, with satisfactory reasons given for selecting this particular bank. Although the information on customer stakeholders is less detailed, Natalie provides a link with other sections of her assignment (which forms one illustration of what is a well organised and structured piece of work). Information concerning the government is accurate, and the consideration of legal issues is particularly relevant to her business. This indicates sound research and selection of relevant information by Natalie.

The identification of and information about the local newspaper and suppliers is again relevant, well researched and applied to the local situation and well explained.

### Part 1f

Again, there is evidence of much relevant research into the topic. Natalie's answer is detailed, well organised and relevant. Her reasons for operating as a sole trader are well explained, although she could have provided more positive reasons for selecting this legal form (though these are hinted at elsewhere, such as the indirect reference to not sharing profits in Natalie's section on partnerships). Her information about franchises is evidence of satisfactory research, although the information here on specific costs could have been followed up elsewhere (eg some likely costs of operating as a sole trader).

### Part 1g

This is an extremely thorough and well-argued consideration of the market situation. In terms of research, there is a good balance between secondary (using the internet and existing local knowledge) and primary (the survey). The internet searches are supported by illustrative material and, more importantly, analytical comment. Natalie also describes and explains the nature of possible local competition.

There is a sound numerical analysis using a number of different sources, with an impressive reconciliation of the figures to identify what appears to be a reasonably accurate estimate of the number of dog owners in the locality. The assessment of effective demand, for example by considering the ability to meet set prices, is also relevant.

The survey itself is based on a suitably structured and quite comprehensive questionnaire. This aspect of the assignment is strengthened by Natalie's explanation of the reasons where, when and why she interviewed people. Although its results are summarised only briefly at this point, note Natalie's statement that they are developed and analysed in *Section 3*.

### Overall performance: Assessment evidence a)

Natalie has worked independently (here and elsewhere), so a mark in Mark Band 3 can be considered. Natalie has structured and described her business plan very clearly. She has shown a comprehensive knowledge and understanding of the key planning factors – aim/objectives, services offered, stakeholders, legal form, market – associated with starting her business. Natalie has used her own words and her standard of communication is very good. There is much evidence of analysis and Natalie has integrated and interrelated her business knowledge in an effective way. There are some parts – for example, the work on aims and objectives lacks some rigour when analysing the relevance of the selected aims/objectives – that might have been developed further, but this is a clear Mark Band 3 performance overall.

In the view of the assessor, Natalie has reached Mark Band 3 and should receive 13 marks out of the 15 available for this section.

NB: this is an unmoderated judgement.

### Microsoft Word

MS Word is going to be an important software package for my business.

An example of its use is the questionnaire. I am pleased with the layout of my questionnaire. I used Comic Sans MS font size 11, plus the Drawing toolbar for the option boxes in question 1. I also decided to write down the introduction I said to each person so I would not forget, and also treat everyone the same. The questionnaire is on one side of A4 only so it was easy for me to show people it wouldn't take long and for me to complete.

To improve my questionnaire, what I should have done was to check if each person had more than one dog, so designing my questionnaire again, I would include that question. Other than that, the questionnaire worked well because the questions were clear and people were prepared to stand for about two minutes, which is what it took to complete. I was considering whether to give people a range of prices to choose from for grooming and walking, but I wanted them to choose without any suggestions from me so all I said was 'to the nearest £' and this worked well.

Where else I will use MS Word is:

- Correspondence – I will need to write to eg the government about my profits so will need to write letters. MS Word is ideal for this because letters can be saved and then easily recalled and changed. This will save me a lot of time, which makes the business more efficient.

An example of MS Word letterhead is in Appendix 14. If I get stuck with the letters, MS Word has a Letter Wizard to help me.

### Microsoft Excel

MS Excel is also an important package. The reason is that it can save me doing a lot of financial calculations by using formulas for this job. I see it as being of use in three main areas:

- keeping a running total of costs eg budgets
- calculating my profit or loss
- forecasting my cash flow.

In section c) I produced a cash flow for the business (see Assessment evidence c)). This will be useful because the spreadsheet will do all the additions and subtractions for me. I can use it to judge whether I have enough cash for the business and, if not, I can plan ahead with Lloyds TSB to borrow money. This, however, will add to my costs and reduce my profit, so doing the cash flow forecast is valuable because I can also see when I have surplus cash to help me (see Assessment Evidence c). The cash flow forecast structure with formulas is shown in Appendix 15a.

In section c) I also produced a profit and loss account (see Assessment evidence c)). I used formulas to get total sales, costs, gross and net profit. I have printed out these formulas (see Appendix 15b).

Where else I will use MS Excel is:

- Break-even calculations – At present I am offering three different services so break-even is a problem to work out. If I only offered one service it would be easy. However, I have analysed my costs as fixed and variable (see Assessment Evidence c), and these can be used when I need to work out my break-even point.

## Microsoft Publisher

I hadn't used MS Publisher before doing this work, although I had seen Sian use it. I now think Publisher is going to be excellent for me because the only real cost I have for printing flyers is the cost of the paper and ink. I don't have to pay a printer to design a flyer or other advertising materials because Publisher has a range of suitable templates.

I have used Publisher to produce the flyer (see Appendix 16) to promote my business. I think the basic idea is good, though there is room for more information on it, such as my address, or perhaps the charges (although when these change due to eg inflation or costs increasing, I would have to change and reprint a lot of the flyer, which would take time and could be expensive and waste resources).

The downside of including more information is that it may become overcrowded with words. As it stands, it is nicely spaced and quite clear as to what I am offering: dog grooming, dog walking and looking after dogs when people go away. Also, the image of a dog on the flyer helps people see quickly what the business is all about. I think I should have included my mobile number rather than the house number, but this is easy to change.

Where else I will use MS Publisher is:

- Invoices — I will charge people for my services, and may need to give them a record of payment. Publisher contains a lot of invoice forms, although it doesn't contain receipt forms so I would complete the invoice and take it with me on the job, then hand it to the customer when receiving my money.

## Microsoft Access

This database will be useful to *Welshpool Dogcare* because I will need to keep a record of each customer:

- their names
- where they live
- their telephone number
- details of their dog or dogs.

I have shown in Appendix 17 how this record could be created. If necessary, I could add more details to the record eg:

- dog feeding requirements
- dog grooming requirements
- dog walking requirements.

I could use MS Access to record sales and income, but I would rather record this using Excel because it will be easier for me to calculate totals.

## Email and the internet

This could be a big help to *Welshpool Dogcare*. Although I have an email college address, I couldn't use this for my business so I would need to get email at home and use my email home address. This would be handy for communicating with customers who were on email.

The internet could be used to design a website to advertise the business, and give information about what I offer, my prices, etc. This would then be included in my letterheads and on all other correspondence, with the email address.

## APPENDIX 14

Letterhead using MS Word

# WELSHPOOL DOGCARE

44 Maybush Hill

Welshpool

Powys

SY16 3RF

01928 735 355

Mobile: 09706 924361

## APPENDIX 15

Profit and Loss Account and Cash Flow Forecast using MS Word

Welshpool Dogcare	Profit & Loss Account
Holiday looking after	
Number of visits	
Price per visit	
Holiday income	=B6*B7
Dog grooming	
Number groomed	
Price per grooming	
Grooming income	=B10*B11
Dog walking	
Number walked	
Price per walk	
Walking income	=B14*B15
Total income	=B8+B12+B16
Dog costs	
Shampoo	
Flea powder	
Claw clippers	
Dog treats	
Total	=SUM(B20:B23)
Gross profit	=B17-B24
Flyer	
Other advertising	
Telephone	
Total	=SUM(B27:B29)
NET PROFIT	=B25-B30

## Welshpool Dogcare

### Cash Flow Forecast

	Month 1	Month 2	Month 3
<b>Receipts</b>			
Cash from looking after dogs			
Cash from grooming dogs			
Cash from walking dogs			
Total Receipts	=SUM(B8:B10)	=SUM(C8:C10)	=SUM(D8:D10)
<b>Payments</b>			
Dog products			
Paper and printing			
Advertising			
Telephone			
Other payments			
Total Payments	=SUM(B15:B19)	=SUM(C15:C19)	=SUM(D15:D19)
Opening Balance		=B24	=C24
Closing Balance	=B22+B11-B20	=C22+C11-C20	=D22+D11-D20



## APPENDIX 16

Flyer using MS Publisher

# WELSHPOOL DOGCARE

## Dogs and Puppies

- Dog walking
- Grooming service
- Looking after your dogs



Do you need a friendly, efficient and caring service for your dog?

Are you going on holiday and don't want to put your dog in a kennels?

Contact: Nat, on 01938 735 355

## APPENDIX 17

Database example using MS Access

### Customers

Customer ID	First name	Last name	Billing address	Town	Phone number	Notes
1	Arthur	Lee	18 Hampton Avenue	Welshpool	01938 735 553	'Lucky', fox terrier, male
2	Gerry	Lloyd	44 Orchard Drive	Welshpool	01938 744610	'Patch', border terrier, male
3	Zella	Heard	3a Bridge Road	Welshpool	01938 775691	'Cleo', Labrador, female

## Commentary: analysis of the use of ICT (Assessment Evidence d)

### MS Word

Natalie has adopted a sensible approach here, identifying her use of MS Word in the assignment and the expected use of MS Word in the business. The example provided (the questionnaire) is suitable, having clear business relevance. Natalie gives a good explanation and appropriate justification of font, content and layout, although her comments on improving the questionnaire are not specifically relevant here (though they are valid and indicate critical thinking by Natalie). The choice of correspondence in business, although an obvious one, is backed up by some explanation and Natalie shows an awareness of how problems when using MS Word may be overcome.

### MS Excel

Here Natalie has identified relevant uses – budgeting, cash flow, profit calculations, break even – and has linked her comments to direct evidence of spreadsheet use (in Assessment Evidence c) Natalie used a spreadsheet to construct a cash flow forecast and a profit and loss account). However, Natalie could have provided more information about the value in business of using a spreadsheet such as MS Excel, for example by:

- making relevant statements concerning the package's functions and versatility
- commenting further on the use of formulae, once set up correctly
- outlining the benefits from being able to save and copy files
- acknowledging potential problems such as inaccuracies resulting from incorrect formulae.

### MS Publisher

The potential use of MS Publisher is well described, and Natalie has produced a suitable flyer. Although this is a relatively simple illustration, she shows some knowledge of how it can be developed and improved and of the dangers of over-complexity. Although Natalie is aware that MS Publisher can be used in different business situations, she could have explored further how it, or another package such as MS Word, might be used to create relevant business documents such as trading forms.

### MS Access

Again, Natalie has selected suitable uses for the software in the context of running a dog care business. She has constructed a basic database and shows some knowledge of how it might be developed and improved. Natalie could have explored other possible uses of MS Access in her business, for example in creating and storing supplier and other records.

### Email and the internet

This section contains some relevant description and explanation, although it lacks a rigorous analysis of issues such as timing and cost. Natalie could have provided further information concerning the use of email and should have cross-referenced to her effective use of the internet elsewhere: see, for example, Section 1 where she used it effectively to search and provide information for her decision-making.

#### Overall performance: Assessment Evidence d)

Natalie has displayed a sound knowledge and understanding of business software, explaining clearly and effectively how the software – the selection being wholly relevant – might be used effectively by her business. Natalie does not focus just on a single area of software such as spreadsheets, and explains satisfactorily how much of the selected ICT may help the business improve its efficiency. There is, however, no real consideration of issues such as appropriate hardware and its cost, training and other implications and Natalie does not provide a full analysis of how business efficiency could be improved.

NB: Much of Natalie's work is contained in Assessment Evidence c), although the appendices in Assessment Evidence d) provide evidence of her appropriate and successful use of ICT. Natalie's use of ICT was also partly assessed when she gave a MS PowerPoint presentation on her work to the rest of the group, justifying her choice of MS PowerPoint as a presentational package in this context.

In the view of the assessor, Natalie has reached the top of Mark Band 2 and should therefore receive 9 marks out of the 12 available for this section.

NB: This is an unmoderated judgement.

## Applied GCE Business

### Unit 2 Assessment

You are required to investigate the setting up of a small business in the Welshpool area. This business will provide a product (goods or services) to people or businesses in Welshpool or its surrounding area.

You will consider and include the following:

Section	Content
---------	---------

**Assessment evidence a)** A business plan.

This plan will outline factors such as:

- the business's name, aim and objectives
- its stakeholders
- the market within which it will operate
- its proposed legal form (sole trader, partnership etc).

**Assessment evidence b)** The proposed structure.

In this part of your investigation you will explain the business structure, including:

- financial resources
- human resources
- other resources required by your business
- how and from where these resources will be obtained
- how they determine the organisational structure of the business.

**Assessment evidence c)** Expected costs and revenues.

You will explain:

- the expected nature and amount of both costs and revenues
- how the business's financial performance is to be monitored.

**Assessment evidence d)** ICT support.

You will:

- identify and justify the potential use of relevant business software in and by your business.

**Note – You:**

- will be assessed on using the assessment criteria in your Unit 2 Information Pack.
- must discuss and agree the choice of business with your tutor.
- may work as part of a small group (maximum three learners). If so, you must
- indicate clearly which parts of the work are your own, and which are a group effort.
- will submit your investigation as written work in four sections.
- will summarise and present the results of your investigation, using ICT to help you do so, to the rest of the class .

## Student submission (extracts: Assessment evidence b) and c) only)

Context (extracts from Assessment evidence a) business plan, to set the scene for extracts b) and c)

Student Liv Hardy, who is working with Arthur Jefferson.

We will set up a cleaning business in Llanfair Caereinion called *Caereinion Cleaning*.

Our aim is to keep our customers happy so they will continue to employ us.

Our objective is to make a profit after six months and to be able to employ other people to clean after a year.

Our stakeholders are:

- Liv Hardy and Arthur Jefferson, Partners in *Caereinion Cleaning*.

Our customers:

- Owners of holiday homes near Welshpool and Llanfair. There are many holiday homes near Llanfair, such as *Coed Y Cwm* at Castle Caereinion, *Derwen House* in Guilsfield, and *Dolrhyd Mill* just outside Llanfair. We expect these owners to need their places cleaning and some ironing done, and so we can bid to do this.
- People who live in Llanfair. Some residents may need their places cleaning, eg if they are disabled or can't cope with all their work and cleaning as well.

Our legal form will be a Partnership, because there is two of us working together.



Our financial resources will be as follows. We will need the following capital.

Capital contributions:

Arthur Jefferson £50

Liv Hardy £50

We will need £100 cash to start the business by buying capital expenditure fixed assets, and cleaning materials and other costs.

Where will we get this? With our current part-time jobs, I work Saturdays at *Cefyn Hyfryd* near Newtown, and Arthur helps at the *Canal Wharf* in Welshpool, so we can get the money to start the business. This will save us paying bank interest on a loan, so we will be better off using our own money than the bank's.

Our budgeting is as follows for other resources for *Caereinion Cleaning*.

Cleaning materials (revenue expenditure). We will need materials such as 'Pledge' cleaning liquid, 'Domestos' for sinks, and 'Windolene' for windows. Also dusters and other cleaning cloths. Much of this we can get cheap, either from *Kwik Save* in Welshpool or the *Co-op* or *Safeway* in Newtown. We have budgeted £20 for these items.

Cleaning equipment (capital expenditure). We will need the following:

A cleaner. *Argos* in Newtown sells cleaners, and it is the cheapest place we can find in the area. We plan to buy the following:

The 'Our lowest price' *Argos* cleaner which is an 'LG' 1500 watt upright cleaner. We want this one because it is quite lightweight (6.8 kg only) so it will be easy to carry to houses and not heavy to use, and it has its own bag so we don't need to bother getting replacement bags. It is on sale for £38.95 so it is the one for us, being within our budget.

An iron and ironing board. We also plan to use *Argos* to buy the iron and ironing board we need. We plan to get:

The 'Moulinex Ocealys 2' iron. Our reasons are it is only £19.95 ('great value'), but with lots of functions such as self-cleaning so it saves labour, vertical steam so ironing clothes is easy, and a stainless steel soleplate to make work easier.

The 'First Size' ironing board, for £9.99 only. It is big enough (95 x 30 cm) and has a 5-year guarantee so it will do for us for a very low price (it is *Argos's* lowest priced ironing board).

Other revenue expenditure. See our Profit & Loss Account for these items, which include advertising, transport, calling cards, telephone calls. We have budgeted £10 for these.



## Commentary: the proposed structure (Assessment evidence b)

Although Liv does not resort to using non-applied 'textbook theory', the information that is here tends to lack development.

The section starts with some relevant statements about the partnership, such as the equal share of profits and the equal contribution of capital. However, Liv fails to consider important issues such as:

Will the arrangement be formalised by a written Partnership Agreement?

What other information do the partners need to consider, such as how disputes are to be resolved, or the need to clarify specific business responsibilities?

What are the potential difficulties of operating as a partnership (eg unlimited liability, ending of partnership)?

Liv addresses the issue of human resources in terms of employing additional staff if and when the business grows. This is a rather simplistic approach, which should have been developed to include consideration of issues such as the sources for obtaining cleaning staff, training required, employment records, and the major financial and legal implications of becoming employers. There is a lack of understanding shown here, for example in the statement that 'part-time should make it easier for us to sort out the paperwork for the staff'.

The financial resources are described and partly justified. There is the start of a relevant argument relating to source of funds – the reference to saving bank interest costs – but Liv has missed the opportunity to substantially develop these and related points.

The issue of physical resources is reasonably well addressed, with an identification of relevant materials and equipment. This fits logically here, although it should be extended by, for example, categorising costs as Start-up or Running, and developed further in Section 3 (there is in fact some later analysis of the costs stated here). Again, however, this is rather simplistic in approach, with cost considerations tending to dominate to the exclusion of other arguments such as quality. Liv has also omitted the issue of premises, because the partnership – like all businesses – will need some official address/base. There is no effective development of the 'Other revenue expenditure', commentary expenses are mentioned, without any clarification or further explanation.

Liv should also have examined further areas in this section, for example:

- the issue of quality (quality control and assurance, TQM) and its relevance to a cleaning business
- the importance of monitoring and how the partnership's business performance will be monitored.

### Overall performance: Assessment Evidence b)

Liv has structured this section satisfactorily and provided some basic description of key resources for *Caereinion Cleaning*. There is some knowledge and understanding of how business activities are managed and Liv has made simple statements in suitable language, relating these to the chosen business. The main resources are identified and described. There is not, however, a clear and full consideration of all relevant factors associated with the proposed business structure and there is no critical consideration of the comparative importance of these factors.

In the view of the assessor, this Section of Liv's assignment reaches Mark Band 1 and should receive 6 marks out of the 15 available.

NB: this is an unmoderated judgement.

## Assessment evidence c): The expected costs and revenues for *Caereinion Cleaning*

### Our costs

In Assessment Evidence b), we identified the various costs we will have.

Total costs:		<u>Revenue</u>	<u>Capital</u>
Materials	£20	3	
Cleaner	£38.95		3
Iron	£19.95		3
Ironing board	£9.99		3
Other items	<u>£10</u>	3	
Total	£98.89		

By classifying the costs as Revenue or Capital expenditure, this helps us do our final accounts so we can work out the profit, and what our assets are.

Obviously these figures will change depending on how much work we get. We could work out a revenue cost per job, ie how much cleaning material we use up, but this is difficult because we may use more in some places than others. By doing so, we can work out a break-even point which is useful.

We also must show depreciation in our accounts, because our fixed assets will have lots of wear and tear, so they will go down in value. We therefore need to depreciate them so we can replace them.

### Revenues for *Caereinion Cleaning*

In Assessment Evidence a) we explained that *Belle Casa*, the franchise cleaners, are now starting to operate in Shropshire to the east, and *Smart Cleaners* are in Telford, about 35 miles away, but there isn't really any local competition for domestic cleaning. However, that doesn't mean we can charge what we want because people won't pay too much.

Our research in Assessment Evidence a) showed that *Belle Casa* charge £7.25 for every hour worked as cleaners. We cannot find out what *Smart Cleaners* charge, but I expect it is similar. We have decided to set the following prices:

- House cleaning £6 per hour.
- Ironing £6 per hour.
- Special discounts for senior citizens 25%.

This should mean our prices are OK with most people, and those who may be less likely to have lots of money (OAPs) can employ us for a reduced figure.

## Our accounts

### *Caereinion Cleaning*

#### Profit & Loss Account: first six months

	£	£
Sales		1,560
Cost of sales		130
Gross profit		1,430
Expenses:		
Depreciation	30	
Travel	200	
Advertising	150	
Telephone	50	
		430
Net Profit		1,000

This net profit is split 50-50 so I would receive £500 and so would Arthur.

### Workings

#### Sales (full price)

2 houses cleaned a week x 2 hours each x £6 x 26 weeks = £624

3 houses ironing a week x 1 hour each x £6 x 26 weeks = £468

#### Sales (reduced price)

1 house cleaned a week x 2 hours each x £4.50 x 26 weeks = £234

2 houses ironing a week x 1 hour each x £4.50 x 26 weeks = £234

#### Cost of sales

Materials £1 for each house cleaned for each hour = £1 x 130 hours

The Balance Sheet for *Caereinion Cleaning* would contain these items:

- Cash
- Stock
- Fixed Assets (cleaner, iron and board) less Depreciation
- Capital £100.

Our **cash flow** forecast is shown here. Since we won't have any debtors (credit customers) and any creditors (credit suppliers), all our income is in cash, and all our expenses are cash. So the cash flow will be the same as the Profit & Loss Account.

Inflow of cash	Cash spending
£	£
Sales 1,560	Cost of sales 130
	Expenses total 430

Balance of cash £1,000 less spending on fixed assets.

Our budgets will be:

- cash budget – so we can control our spending
- capital expenditure budget – so we can make sure we don't overspend.

## Monitoring

We will monitor our costs and financial performance by comparing our actual spending with our budgeted spending. This will be easy, because we know the *Argos* prices, and we have fixed our selling prices per hour.

We will use accounting ratios like profit margin and ROCE (Return on Capital Employed). These are calculated by:

$$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1} \quad \frac{\text{Net profit}}{\text{Capital}} \times \frac{100}{1}$$

In our case we have:

$$\frac{1,000}{1,560} \times \frac{100}{1} = 64\% \quad \frac{1,000}{100} \times \frac{100}{1} = 1,000\%$$

These figures are both very high, meaning that *Caereinion Cleaning* is very profitable.

## Commentary: expected costs and revenues (Assessment evidence c)

Liv has shown some knowledge of the difference between assets, liabilities, expenses and revenues and also of the importance of making these classifications. There is an accurate breakdown of expenditure into Revenue and Capital, although Liv could have extended this discussion by, for example, defining and giving examples in context of Start-up and Running costs.

The 'Our costs' section also contains a brief comment about the possible value of using break-even analysis and the importance of depreciating fixed assets. Break-even is an area that Liv could have explored in much greater detail and the comments on depreciation also do not suggest that Liv understands this topic (for example, the statement that 'We therefore need to depreciate them so we can replace them' is rather vague and arguably incorrect).

The section on expected revenues restates Liv's basic understanding of the importance of a suitable pricing strategy, which was first explained in Assessment Evidence a). There was also some relevant research in Assessment Evidence a) that is commented on here. However, the hourly figures stated are not supported by any real justification other than the statement that some market segments may require discounted prices.

The profit and loss account is a suitable basic summary and accurate based on the workings shown. However, Liv has not used a spreadsheet for these calculations and therefore loses the opportunity to include here (and/or in Assessment Evidence d) points concerning the value of using spreadsheets for such tasks. There is only a very limited statement concerning the distribution of profit, although Liv does consider the issue of profitability later in this Section. Liv acknowledges that the balance sheet is incomplete. Whilst it may not be easy for learners to produce forecast final accounts for unestablished businesses at this point in their studies, the opportunity to construct a fuller, more meaningful balance sheet here and to use its content (for example, its Capital Employed figure) as the basis of further monitoring has been lost.

The section on the cash flow forecast is again rather patchy. It starts well, with Liv applying this topic to the given situation. The forecast itself, however, is too simplistic. Although the fact that there are no credit transactions should make the forecast relatively straightforward, Liv has simply grouped all inflows and outflows together for the full six months, rather than providing an analysis month by month. The initial opening balance of £100 capital and the outflows on fixed assets are ignored in the calculations and the concluding statement that there will in effect be a substantial cash balance ignores the need to explain what could or should be done with such a balance. There is also an error in the cash flow forecast because, by simply taking the total expenses from the profit and loss account, Liv has incorrectly treated depreciation as a cash outflow.

Budgeting is an important element in this part of the Unit. Liv has only shown a very basic awareness of budgeting in the two bullet points and also in the following statements in the monitoring section that refer to comparison of actual against budget.

The comments on monitoring are brief and incomplete. The statement that comparing actual budgeted spending '... will be easy, because we know the *Argos* prices, and we have fixed our selling prices per hour' is over-simplistic and ignores important features of budgetary control. In addition, Liv has not fully considered the relevance of both profitability and liquidity. Although there is an attempt to calculate the net profit margin and ROCE, Liv fails to provide adequate analysis of the results, or to critically appraise what has (and has not) been calculated, for example

- there is no reference to the six month period
- the ROCE calculation is based on capital invested rather than capital employed
- the lack of comparison with similar businesses
- Liv fails to acknowledge, and apply, the limitations associated with ratio analysis
- there is no identification of ratios such as debtor days that are less relevant in this context and no explanation why they are less relevant
- the current and acid test ratios have been ignored and therefore there is no assessment of business liquidity.

### Overall performance: Assessment Evidence c)

Liv has also structured this section satisfactorily and has provided some basic description and explanation of the expected costs and revenues for *Caereinion Cleaning*. There is some knowledge and understanding shown of relevant financial matters and Liv has made simple statements in context, using suitable language. However, the section as a whole lacks depth and analysis and issues relating to financial performance are not critically considered.

The lower level of Mark Band 2 is awarded to those learners who show a sound knowledge and understanding of financial management issues. This section of Liv's assignment does not meet this criterion. Liv has done more than show some generalised knowledge of the nature of financial management topics such as cash flow forecasts or break-even charts. There are some relevant simple descriptive statements, with an attempt at producing relevant financial information.

In the view of the assessor, this section reaches the upper area of Mark Band 1 and should receive 8 marks out of the 18 available.

NB: This is an unmoderated judgement.

## Definition of key terms

<b>Accounting Software</b>	Software programs such as Sage Line 50 that are dedicated to maintaining and updating the financial accounts of a business. This software normally produces financial statements (final accounts), VAT and other returns, and generates financial reports that are used in decision-making.
<b>Assets</b>	Anything providing a flow of benefits to an organisation over a certain time period. Those reported as assets on a balance sheet are the ones which can be given a monetary value, usually because they have been bought and a value thus obtained. Assets show how an organisation has deployed the funding available. Assets represent what is owned by an organisation or what is owed to it (rather than by it).
<b>Balance Sheet</b>	A statement of an organisation's assets and liabilities at a precise point in time, usually the last day of the financial year. Liabilities must equal assets thanks to the accounting convention of double-entry bookkeeping. An alternative way of interpreting a balance sheet is that capital employed shows where the capital came from, and net assets shows how and where the capital is employed.
<b>Break Even Analysis</b>	A method associated with marginal costing and contribution analysis. An organisation's costs are separated into their fixed and variable elements, and the unit contribution (unit revenue less unit variable cost) is divided into the total fixed costs to calculate the break-even point for a product. This occurs where the organisation is making neither a profit nor a loss from the product because — at this point — total revenue equals total costs. This is often displayed using a break-even chart. Break-even analysis is more use in straightforward situations (eg single-product businesses), and can provide information such as by how many units sales can fall before a loss starts to be made (ie the margin of safety).
<b>Budget</b>	A financial plan of income and/or expenditure. The budget is a kind of map that should be set in the light of the organisation's objectives for the period. Budgets are used to plan, control and motivate. For example, divergences from a budget figure can be analysed by variance analysis (the control element). Budgets can be used as a discipline, a co-ordinator, a motivator, a monitoring and control device and a trigger for remedial action, as well as a test of forecasting ability.
<b>Budgetary Control (variances)</b>	Progress throughout an accounting period can be checked by regularly comparing actual with budgeted figures for revenues and expenses. Variances can then be investigated. Regular monitoring may correct divergences to allow reallocations within the budget to cope with the unexpected.
<b>Business Software</b>	Computer software programs that focus specifically on one or more business functions: for example, accounting software, payroll software, specialist employee databases, communications software, translation packages. 'General' software such as Microsoft Word or Excel can also be considered as 'business' software when dedicated to business tasks — eg Word for external communications, Excel for taxation calculations.



<b>Capital Expenditure</b>	Is spending on new (or improving existing) fixed assets such as machinery or buildings. This affects the balance sheet: for example, a cash purchase would cause cash to fall while the fixed asset total rises. Capital spending does not, however, have any direct effect on the profit and loss account. This is because the cost of capital expenditure is charged to the profit and loss account through depreciation, ie the cost of the asset is spread over its useful life.
<b>Cash Flow</b>	The cash inflows to and outflows from the organisation: the sum of inflows less the sum of outflows shows the net cash flow. Inflows arise from (eg) cash sales, debtors paying, interest received or sale of assets. Outflows can be caused by cash purchases, settling creditors or asset purchases. As not all these items pass through the profit and loss account, net cash flow and profit figures are different, because cash/liquidity and profit/profitability are different concepts. Profit may be affected by non-cash items such as credit given and taken, depreciation and stock valuation. Cash may be affected by non-profit items such as the purchase of a new machine.
<b>Cash Flow Forecast</b>	A detailed estimate of an organisation's future cash inflows and outflows, normally per month. From this can be derived the monthly net cash flow and, by adding together each month's figures, the expected cumulative cash position.
<b>Current Assets</b>	Anything owned by the organisation which is likely to be turned into cash before the next balance sheet date, usually within one year. Typical current assets are stock, debtors and cash. The excess of current assets over current liabilities is called working capital and, in essence, finances the organisation's day-to-day running.
<b>Current Liabilities</b>	Anything owed by the organisation which is likely to be paid in cash before the next balance sheet date, usually within one year. Typical current liabilities are creditors, overdrafts, dividends and unpaid tax.
<b>Enterprise</b>	How factors of production – land, labour and capital – are organised in such a way that profits will accrue. The entrepreneur is the key decision-maker, who plans to use these factors of production in their most economical combination to make profit (reward for taking risk).
<b>Expenses</b>	Costs of the business. Examples include advertising and promotion, salaries and wages, raw materials. Expenses are deducted from revenues to calculate profit.
<b>Finances</b>	A term covering sources of funds which may be borrowed to pay for investment or consumption.
<b>Fixed Costs</b>	Are the expenses that do not alter in relation to changes in demand or output (in the short term). They have to be paid whether the business trades or not. Examples are rent, depreciation and interest charges. Part of the wage and salary bill may be fixed when the people concerned are not directly involved in the production process.

<b>Fixed Assets</b>	Items of a monetary value which have a long-term function and can be used repeatedly. These determine the scale of the firm's operations. Examples are land, buildings, equipment and machinery. Fixed assets are not only useful in the running of the firm, but can also provide collateral for securing additional loan capital.
<b>Gross Profit</b>	Sales revenue minus cost of sales in the accounting period under review. Gross profit has not yet had certain overheads, interest and depreciation deducted from it and must not, therefore, be confused with net profit.
<b>Innovation</b>	<p>Bringing a new idea into being within the market-place (product innovation) or workplace (process innovation).</p> <p>Product innovation is of major competitive significance because consumers tend to fall into patterns of purchasing behaviour that change little over time. Therefore the market shares of the rival products may be quite static. Product innovation can change that, to the advantage of the innovator. The sources of the innovation may be based on new technology, new design or a wholly new invention. Product innovation can often play a major part in improving standards of living. The telephone is not a new product, but today's instrument is very much cheaper and more efficient than its predecessors.</p> <p>Process innovation – for example, making the same product more cheaply – is also of great significance as it can lead to major cost advantages over competitors. Process innovation leads to the growth of productivity, and ultimately to long-term economic growth..</p>
<b>Liabilities</b>	A debt that may have to be paid within 12 months (current liability), after 12 months (long-term liability), or at no specified time (shareholders' funds). The balance sheet confirms that liabilities are sources of finance, the means by which the assets have been acquired. For example, an overdraft (current liability) is a source of short-term finance for the firm.
<b>Loan Capital</b>	Medium- to long-term finance, either from banks or from debenture holders. Loan capital plus shareholder's funds represent a firm's capital employed. When raising extra loan capital, a firm should consider its gearing level, ie the extent to which it is reliant on borrowed money. If loans represent more than 50 per cent of capital employed, the firm is considered highly-g geared.
<b>Long Term Liabilities</b>	Debts (creditors) falling due after more than one year. These include medium- and long-term loans, debentures and (possibly) provisions for tax payments or other long-term debts.
<b>Net Profit</b>	Gross profit minus expenses other than cost of sales items: ie, sales revenue minus all the operating costs of the business. Net profit in certain cases can also be termed operating profit.

<b>Objectives</b>	<p>The medium- to long-term targets that can give a sense of direction to a manager, team, department, whole organisation or government. For example, objectives can give a team a sense of common purpose, which makes it much easier to coordinate actions and to create a team spirit. Objectives are often linked to the SMART approach: for example, to achieve maximum effect objectives should be measurable and have an explicit timescale (eg 'to increase market share from 8 per cent to 10 per cent within the next three years'). They must also be realistic, as an objective that is unattainable can be demotivating. Consequently it is desirable for objectives to be agreed rather than imposed.</p> <p>Objectives form the basis for decisions on strategy, ie the plan for the achievement of organisational goals.</p>
<b>Profit</b>	<p>A simple definition of profit is what is left from revenue (income) after costs (expenses) have been deducted. Profit is also a return on capital invested: it compensates the owner of the capital for the loss of the capital for any other potential use.</p>
<b>Profit &amp; Loss a/c</b>	<p>A financial statement recording all a firm's revenues and costs within a past trading period. Firms have a degree of leeway about how they present their 'P&amp;L account', although PLCs in particular have to follow set regulations.</p>
<b>Profitability</b>	<p>Measuring profit against some other figure, normally turnover (net sales) or capital employed. Profit is a statement of amount – eg 'last year we made £30 500 profit' – whereas profitability is a more informative measure that takes into account factors such as the amount of value (capital employed) used in creating that amount of profit.</p>
<b>Quality Control</b>	<p>The process of checking the accuracy of work bought-in or completed. This is usually carried out by quality inspectors, though some modern factories encourage employees to check their own quality. This conforms to Herzberg's view of the importance of personal responsibility and self-checking.</p>
<b>Quality Assurance</b>	<p>The attempt to ensure that quality standards are agreed and met throughout the organisation, to ensure customer satisfaction. Among the key factors that must be considered are:</p> <ul style="list-style-type: none"> <li>the time, effort and technology input into product design</li> <li>the quality of supplied of materials and components</li> <li>the commitment of the workforce</li> <li>the system of quality monitoring and control</li> <li>the ability to deliver on time</li> <li>the quality of advice and after-sales service provided</li> </ul>
<b>Resources</b>	<p>Sources of inputs needed for production processes.</p>
<b>Revenues</b>	<p>Also known as income, these arise mainly from the firm's trading activities. An excess of revenues over expenses leads to a profit/surplus being made.</p>

<b>Share Capital</b>	The value of the sum authorised for the company to issue (Authorised capital) or the amount issued and invested into the company by ordinary and preference shareholders. As these investors cannot get their money back from the firm, the managers know that they can rely on these funds permanently into the future. Investors in PLCs can of course sell their holdings to other investors through the Stock Exchange.
<b>Shareholders Funds</b>	The part of a company's long-term finance it owes to its (ordinary) shareholders. It comprises the share capital invested by the shareholders plus the accumulated profits made by the firm over its years of trading (the reserves) that have not been distributed as dividends.
<b>Solvency</b>	Is when an organisation's assets exceed its external debts. Therefore it has the financial stability that comes from positive asset backing. If external debts are greater than the asset values, a state of insolvency exists. The term 'liquidity' is often used when indicating a firm's ability to meet its short-term debts.
<b>Spreadsheets</b>	A set of numerical data inputted and displayed on a computer which is connected, via formulae, so that changing one figure will automatically update others. In business, spreadsheets are often used to predict events, because it is simple to ask 'what if...?' questions and immediately see a result. For instance, if it was suggested that sales might rise by 10 per cent next year, the firm could see at a glance what the implications for sales revenue, costs and profits would be.
<b>Total Quality Management</b>	<p>The attempt to establish a culture of quality affecting the attitudes and actions of every employee. This is usually attempted by trying to get every workgroup (or department) to think of those they work for as customers, even if they are fellow employees. An example would be for the maintenance engineer to treat a shop-floor worker with a defective machine as a valued customer, rather than as a nuisance. Other main features of TQM include:</p> <ul style="list-style-type: none"> <li>the use of quality circles</li> <li>emphasis upon service and after-sales service quality as well as quality manufacture</li> <li>the idea that high quality (and low cost) stem from getting things right first time</li> </ul>
<b>Working Capital</b>	<p>The day-to-day finance for running a business.</p> <p>FORMULA:</p> $\text{current assets} - \text{current liabilities} = \text{working capital}$ <p>Working capital is used to pay for raw materials and running costs, and also funds the credit offered to customers (debtors) when making a sale. If a firm has too little working capital available, it may struggle to finance increased production without straining its liquidity position.</p>

## Resources

### Books

Blanch S and Denby N – *Vocational A Level Business* (Hodder, 2000) ISBN 0340779969

Cooke G – *Business Studies Update 2002* (Hodcote Press, 2002) ISBN 1898837503

Dransfield R and Needham D – *Advanced Business* (Heinemann, 2000) ISBN 0435453165

Evans-Pritchard et al – *Vocational A Level Business* (Longman, 2000) ISBN 0582406358

Fardon M et al – *Advanced Business* (Osborne, 2002) ISBN 1872962041

Gillespie A – *Business in Action* (Hodder & Stoughton, 2002) ISBN 0340848200

Surridge M – *Business for Vocational A Level* (Collins, 2000) ISBN 0003291049

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

Major companies and other businesses operate their own websites. They provide useful information such as their mission statements and financial status.

Although company reports are not written with education in mind, they may contain suitable examples of how software is used in business, and occasionally, simplified financial summaries. These can be obtained easily, for example direct from public limited companies, or by email request.

[www.aloa.co.uk](http://www.aloa.co.uk) The site for the National Grid for Learning provides vocational business resources such as case studies and interactive tests.

[www.bized.ac.uk](http://www.bized.ac.uk) Provides interactive and online models and simulations for teachers and learners, and provides a valuable direct access to company reports in the UK and around the world.

[www.dti.gov.uk](http://www.dti.gov.uk) The Department of Trade and Industry site is a useful source of information on setting up business, and enterprise.

[www.ft.com](http://www.ft.com) *The Financial Times* website will help keep learners up to date with business matters, and contains an excellent archive.

[www.iipuk.co.uk](http://www.iipuk.co.uk) The Investors in People site provides a library of case studies, and has statistics and recent research materials.

[www.lstda.org.uk](http://www.lstda.org.uk) The Learning and Skills Development Agency (LSDA) is a national resource for the development of policy and practice in post-16 education, and has produced many packs and made a number of work-based documents available as part of its remit to support the work-related curriculum.

[www.thetimes100.co.uk](http://www.thetimes100.co.uk) *The Times* site is a free educational resource for teachers and learners, providing 100 case studies of companies and business issues.



## Unit 3: Investigating Marketing

### Unit aims

The main aim of this unit is for learners to understand the importance of marketing in the success of modern organisations. The unit will cover the basic established theoretical concepts underpinning marketing management. It will look at how theory is applied in practice, focusing on the commercial (private) sector. The unit will also look at the role of marketing theory in planning and methods of collecting marketing research data.

At the end of this unit, the learner should be able to analyse a given market situation and apply that analysis to an assessment of the effectiveness or otherwise of particular marketing campaigns.

### Unit topics

- 3.1 Identifying marketing aims and objectives
- 3.2 Using appropriate methods of market research
- 3.3 Choosing an appropriate marketing mix
- 3.4 Other factors influencing the marketing mix.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit is likely to be around 60 hours, including tutorial guidance and time for resource-based investigation.

### 3.1 Identifying marketing aims and objectives

Topic	Suggested delivery plan	Resources
What marketing is about: aims and objectives, the marketing mix, external and internal environment.	<p>Learners to discuss their perceptions and experiences of marketing and to explore how marketing mix elements work together.</p> <p>What are customer needs and wants and how do these relate to the setting of marketing aims and objectives?</p> <p>Learners to identify key external factors that have had an impact on an organisation's marketing decisions.</p> <p>Learners to discuss the exchange process and how it informs marketing decisions.</p>	Activity sheet 1 – Defining the marketing mix
Segmentation, targeting and positioning	<p>Examination of different methods and bases of segmenting markets and the importance of positioning. What are the criteria for viability of segments (size, sustainability, access, profitability)</p> <p>Discussion on targeting and positioning using perceptual mapping.</p>	Activity sheet 2 – Market Targeting
Integrating the marketing mix and the extended mix.	<p>Discussion of how the elements of the traditional marketing mix work together in meeting the target customer's needs and wants.</p> <p>Brief introduction to the concept of the extended marketing mix in service industries.</p>	



### 3.2 – Using appropriate methods of market research

Topic	Suggested delivery plan	Resources
Marketing information: Marketing research.	<p>Examination of reasons and methods of collecting marketing information.</p> <p>Learners to identify sources of secondary data and assess the relative values of those sources.</p> <p>Discussion of methods of obtaining primary data and what is the appropriate mix of methods (qualitative and quantitative) for different purposes.</p> <p>Exploration of interpretation of marketing research data. How is information used in making decisions? What are the implications of attributing 'cause and effect' interpretations?</p>	Activity sheet 3 – The purpose of marketing research

### 3.3 – Choosing an appropriate marketing mix

Topic	Suggested delivery plan	Resources
Product decisions	<p>Introduction of key marketing models: product life cycle, Boston Matrix, new product development and innovation, layered product model.</p> <p>Examination of an organisation's product mix and application of models to it.</p>	Activity sheet 4 – Product mix
Price decisions	<p>Introduction of the role of pricing in the marketing mix.</p> <p>Explanation of pricing methods and policies and discussion of appropriateness to different situations. To include: skimming, penetration and mixed pricing, contribution pricing, discriminatory pricing and promotional pricing.</p>	
Promotion decisions	<p>Discussion of the range of tools in the marketing communications mix and how a recent promotional campaign might have used these together.</p> <p>Exploration of the mix of promotional tools – advertising, publicity, personal sales, sales promotions, exhibitions, sponsorships and direct marketing, including internet-based methods.</p> <p>Discussion on how the mix works at different levels within a consumer response hierarchy (eg AIDA) and buyer behaviour models.</p>	<p>Activity sheet 5 – Promotion</p> <p>Tutors could bring in a range of materials used in promotion of a particular company's product or product range.</p> <p>Leaflets, brochures, magazines and the internet are all good sources of these</p>
Place decisions	<p>Examination of the distribution methods used by companies.</p> <p>Discussion of criteria for using particular channels of distribution, including extent of coverage, cash and revenue flows, control, storage and transport and logistics considerations.</p>	<p>Activity sheet 6 – Distribution</p> <p>Direct marketing materials and internet</p>

### 3.4 – Other factors influencing the marketing mix

Topic	Suggested delivery plan	Resources
Marketing planning	<p>Investigation of the planning process and how different analytical tools, SLEPT and SWOT, Boston Matrix are used to inform planning.</p> <p>Goals and SMART objectives.</p> <p>A brief discussion of what would be contained in a marketing plan and how performance might be measured, including the cost implications of different marketing decisions.</p>	Case Study: Green Days Organic Breakfast Cereals

### Activity sheet 1: Defining the marketing mix

- Choose a branded product with which you are familiar and discuss how you would define the marketing mix for that product.
- Who might the target customer be?
- You can identify this by thinking about:
  - 1 Where the product is sold and where it is not sold.
  - 2 How and where the product is advertised.
  - 3 What the price is compared with similar competitor's products.
  - 4 The external factors that have had an impact on the company's marketing decisions.  
(Carry out a SLEPT analysis for the company.)

Factor category	Description	Impact
Social		
Legal		
Economic		
Political		
Technological		

Feed back your answers to the whole class and discuss any issues.

## Activity sheet 2: Market Targeting

Compare the way that two different products are targeted at different customers.

- 1 How have you arrived at these conclusions?
- 2 What does this tell you about segmentation?

Draw a positioning (perceptual) map for each product and feedback to the whole class for discussion. To do this, choose two features of the product that are used to differentiate between it and its competitors' products. Give each producer a rating from one to ten based on the group's perceptions. Then plot the position on a map. Typically, the variables are price and quality but they could be anything relevant (eg for cars they could be safety and design).

### Positioning features

Brand	Quality (1 to 5) – low	Quality (6 to 10) – high	Price (1 to 5) – low	Price (6 to 10) – high
Eg Brand One	4		3	
Brand Two		8		7
Brand Three		9		9
Etc	2		2	

Plot your products in the appropriate place in each quadrant

Low Price High Quality	High Price High Quality
Low Price Low Quality	High Price Low Quality

*(Tutors should guide learners in their choice of products and try to make sure they pick those with a clear image (such as clothing brands, cosmetics, particular models of car, etc.))*

### Activity sheet 3: The purpose of market research

Imagine you are employed to research a product or service of your choice. Discuss how you might go about doing this.

You will need to identify what the information will be needed for and what methods you will use to collect the appropriate marketing information.

What difficulties might you encounter and/or compromises might you have to make in carrying out your research?

Method of collection	Qualitative/quantitative	Purpose
Eg survey questionnaire		
Eg focus group		

### Activity sheet 4: Product mix

Choose a clearly differentiated branded product with potential for after-sales service or other add-ons.

1 Can you identify the core, actual and augmented product aspects of your chosen subject?

<b>Core product</b>	<b>What are the features of the core product?</b>
<b>Actual product</b>	<b>Why is this the actual product?</b>
<b>Augmented product</b>	<b>What is the function of the augmented product?</b>

2 Identify where it might be in its Product Life Cycle – why do you think this?

3 Where is the product within its producer's Boston Matrix – why do you think this?

Star	Problem child
Cash Cow	Dog

## Activity sheet 5: Promotion

Collect a range of marketing promotional materials relating to a current promotional campaign with which you are familiar. These could be from magazines and newspapers, leaflets and brochures, internet print-offs, packaging or notes on advertisements on TV, radio, posters, cinema.

Discuss how these different tools are used to achieve particular objectives within the whole campaign.

How successful do you think the campaign has been?

What were the good and bad aspects of it?

If you were working for the company, how might you measure the performance of the campaign?

Promotional tool	Objective	Message	Method	Target audience	Measurement

## Activity sheet 6: Distribution

Bring to class a range of direct mail items, possibly delivered by post to your parents or tutor.

In groups discuss the following:

- 1 What sorts of companies do they come from?
- 2 Would you describe them as junk mail or as direct marketing and what do you think is the difference?
- 3 Which of these companies seems to only use this method and which have other methods of promoting and distribution?
- 4 What are the advantages and drawbacks of using direct marketing?

Feed back your findings for discussion with the whole class.



## Case study

*(Tutor guidance: it is anticipated that this case study will give learners the opportunity to investigate a real market with an invented product. You should encourage learners to attempt to produce examples of advertisements and/or storyboards as part of the marketing plan.)*

### Green Days Organic Breakfast Cereals

Green Days is a medium-sized company that has been manufacturing organic breakfast cereals since 1985. It employs 250 people directly in its factory in Norfolk.

Their range includes:

- cornflakes
- mixed grain flakes
- porridge oats
- Muesli
- crunchy muesli.

Their sales have been growing steadily since the mid 1990s and they are now looking to update their range with a breakfast cereal which will appeal specifically to children.

Their best-selling product to date has been their Crunchy Muesli which was introduced in 1988 to add to their cornflakes, porridge oats and muesli products. The revenue from the Crunchy Muesli has enabled the business to expand. The newest product, Mixed Grain Flakes, has shown encouraging market growth and it is this one that they feel could be adapted to make a new product aimed at children.

Their feeling is that there is potential demand for this product but, until now, they have concentrated on the adult market because these are their traditional customers. Their cereals are priced at a premium and their target group is mainly socio-economic groups A, B and C1.

At the moment their products are sold through delicatessens and health food shops. They have noticed, however, that the big supermarkets are becoming increasingly involved in selling organic produce and wonder whether they should look at trying to supply one of them directly.

#### Task 1

Investigate the market for breakfast cereals generally and explain where Green Days' brands might be positioned.

#### Task 2

Design a marketing research programme that could help them to make a decision about their suggested children's product.

#### Task 3

Outline the possibilities of supplying one of the big supermarkets – what would be the opportunities and threats and how might you respond to them?

#### Task 4

Design a potential marketing plan for development and launch of the new product.

## Definition of key terms

Brand Awareness (branding)	Establishing an identity for your product that distinguishes it from the competition. Marketing managers often talk about the personality of their brands as if referring to people. Successful branding adds value to an item and can ensure brand loyalty.
Goods	Are tangible products, in contrast to services. Goods are physical objects.
Marketing	The all-embracing function that links the company with customer tastes to get the right product to the right place at the right time. Marketing decisions are made through the marketing model, based on the findings of market research, and carried out through the marketing mix. At all stages in the marketing process, the firm needs to work closely with the production department and research and development, to ensure that what is promised is delivered.
Market Research	The process of gathering primary and secondary data on the buying habits, lifestyle, usage and attitudes of actual and potential customers. The intention is to gather evidence that can enable marketing and production decisions to be made in a more scientific way than would otherwise be possible. Most large consumer goods firms would agree with Sherlock Holmes (in Scandal in Bohemia), 'it is a capital mistake to theorise before one has data'.
Marketing Mix	<p>The main variables through which a firm carries out its marketing strategy, often known as the four Ps:</p> <ul style="list-style-type: none"><li>• product (including range of pack sizes and/or flavours or colours)</li><li>• price (long-term pricing strategy and pricing method)</li><li>• promotion (branding, advertising, packing and sales promotions)</li><li>• place (choosing distribution channels and seeking shop distribution).</li></ul> <p>Textbooks tend to treat each of the elements of the mix with equal importance. Few marketing companies would agree. The most important element of the mix is the product, which needs to be designed to meet the requirements of those within the target market. If this process has been achieved successfully (probably through extensive market research) the other three elements of the mix become clear. The price must be suited to the pockets of the target Market and to the image of the product. The promotion will be through the media that they watch or read, while the place should be the shops visited by those types of people.</p> <p>The only one of these elements that is outside the company's control is place, for obtaining shop distribution is a very difficult task in crowded modern market-places.</p>
Market Share	The percentage of all the sales within a market that are held by one brand or company. This can be measured by volume (units sold) or by value (the revenue generated). Analysing trends in market share is important for a firm because it shows its position in relation to the market as a whole.

Market Segmentation	<p>Analysing a market to identify the different types of consumer. By matching the consumer categories to the types of product on offer, unfilled market niches may emerge. The potential profitability of filling these gaps can then be assessed. The main ways in which a market can be segmented are:</p> <ul style="list-style-type: none"> <li>• demographically, eg by area, social class or sex</li> <li>• psychographically (by attitudes and tastes), eg trendy versus staid, or home-loving versus adventurous</li> <li>• geographically, by region</li> </ul>
Niche Marketing	<p>A corporate strategy based on identifying and filling relatively small market segments. This can enable small firms to operate profitably in markets dominated by large corporations. It can also be a strategy pursued by a large firm that prefers to have five brands selling 50 000 units in each of five niches, rather than one brand selling 250 000 in the mass market.</p> <p>Pros:</p> <ul style="list-style-type: none"> <li>• the first company to identify a niche market can often secure a solid market position as consumers see the original product as superior</li> <li>• consumers are willing to pay a price premium for a more exclusive product</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>• lack of economies of scale may make costs too high to achieve satisfactory profit margins</li> <li>• the firm's production system must be flexible enough to cope with relatively small quantities of several products (see flexible specialisation).</li> </ul>
Objectives	<p>The medium- to long-term targets that can give a sense of direction to a manager, department, whole organisation or government. If a team can be given a sense of common purpose, it becomes much easier to co-ordinate actions and to create a team spirit. For maximum effect objectives should be measurable and have an explicit timescale, for example to boost market share from 8 per cent to 10 per cent within the next three years. They must also be realistic, as an objective that seem unattainable can be demotivating. Consequently it is desirable for objectives to be agreed rather than set.</p> <p>Objectives form the basis for decisions on strategy, ie the plan for the achievement of your goals. Therefore questions about business strategy should not be answered until the individual or company's objectives have been considered fully.</p>
Primary Research	<p>The gathering of first-hand data that is tailor-made to a firm's own products, customers or markets. This is carried out by fieldwork, whereas secondary (second-hand) data is gathered by desk research.</p>

## Qualitative Research

Is in-depth research into the motivations behind consumer behaviour or attitudes. It is usually conducted by psychologists among small groups of people within the target market for the product (these are called group discussions or focus groups).

The idea behind qualitative research is that when people are asked direct questions (as in questionnaire) they may give answers that make them sound sensible or rational. Yet many purchasing decisions are based on emotion, not logic, eg consumers pay £20 extra for the 'right' pair of jeans. Qualitative researchers aim to find out consumers' real thought process during a relaxed discussion that has no pre-set questions. It can therefore lead wherever the psychologist feels the truth lies.

Pros:

- can reveal the motivations behind consumer decisions
- as discussion can range freely, it can discover the unexpected (whereas questionnaires can only consist of questions that were known beforehand to be significant)
- group discussion can provide ideas about how to solve a marketing problem from the most important people of all: the customers.

Cons:

- each interview or discussion is expensive, therefore few firms can afford to conduct many; this leads to possible concerns about whether the sample is representative
- the unstructured nature of the responses means that the data cannot be quantified.

## Quantitative Research

Means research using pre-set questions among a large enough sample size to provide statistically valid data. In practical terms that means using a questionnaire to poll at least 200 consumers within each segment of a market. It is a way of discovering data such as:

- a product's consumer profile
- the way a market can be segmented
- probable sales at a given price level
- estimated sales of a new product
- the results of a blind product test.

Large firms tend to use group discussions to help understand customer views and then write a questionnaire based upon them. Interviews can then be employed to conduct the survey upon a representative sample of the population. The three main ways of drawing a sample are: random, quota and stratified.

## Secondary Research

secondary (second-hand) data is gathered by desk research, eg from tables of data specifically compiled by external agencies for this purpose.

Services

Something not physical or intangible offered by an organisation, eg training, or delivery of goods.

Target Market

The precise profile of the customers a firm wishes to sell to. For a new magazine, the target market may be working women aged 18-30; for an iced lolly it might be children aged 8-12. A firm will decide on its target market after conducting extensive market research including, perhaps, a market segmentation analysis. The choice of the target market will then affect every section of the marketing mix, including:

- distribution outlets: supermarkets or sweet shops?
- pricing
- style of advertising and choice of advertising media
- product characteristics such as sweetness or colour.

## Resources

### Reading

Hill E and O'Sullivan T – *Marketing* (FT Prentice Hall, 1999) ISBN 0582369371

Hill E and O'Sullivan T – *Foundations of Marketing* (FT Prentice Hall, 2003) ISBN 0273655329

Kotler P and Armstrong G – *Principles of Marketing, Ninth Edition* (Prentice Hall 2003) ISBN 0131212761

Jobber D – *Principles and Practices of Marketing, Third Edition* (McGraw-Hill 2001) ISBN 007710708X

Lancaster G and Reynolds P – *Marketing made Simple* (Butterworth-Heinemann, 2002) ISBN 075064771x

Needham D and Dransfield R – *Marketing Everybody's Business* (Heinemann, 1995) ISBN 04350255

Needham D and Dransfield R – *Marketing for Higher Awards* (Heinemann, 1999) ISBN 043545529X

Proctor T – *Essentials of Marketing Research* (FT Prentice Hall, 2002) ISBN 0273674005

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business specification

### Journals/publications

Learners are advised to keep up to date by reading the current business press publications such as Marketing Business (Chartered Institute of Marketing) and Campaign which reports on promotional campaigns.

### Websites

<a href="http://www.adassoc.org.uk">www.adassoc.org.uk</a>	The Advertising Association
<a href="http://www.cim.co.uk">www.cim.co.uk</a>	Chartered Institute of Marketing
<a href="http://www.marketingteacher.com">www.marketingteacher.com</a>	Resources for marketing learners
<a href="http://www.the-dma.org">www.the-dma.org</a>	Direct Marketing association

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## Unit 4: Investigating Electronic Business

### Unit aims

Increasingly, businesses are establishing their own websites and are using the internet to advertise, promote and sell their products and services. This unit provides you with opportunities to investigate businesses with a web presence, to consider the aims and objectives of an online presence and to allow you to make your own judgement on what makes a good website.

### Unit topics

- 4.1 Understand the purpose of an online presence for business
- 4.2 Understand the impact that having a website has on a business
- 4.3 Factors influencing the establishment of an online presence
- 4.4 Understand the requirements of the planning/establishment of a new website.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit is likely to be around 60 hours including tutorial guidance and time for resource-based investigation.

### Section 4.1: Understand the purpose of an online presence for business

Topic	Suggested delivery plan	Resources
Supporting the achievement of business aims and objectives eg increasing sales, profit maximisation, attracting new staff, improving customer service, cost cutting, increasing efficiency, appealing to a global market.	Learners need to explore the use of information technology by businesses and organisations to support company aims and objectives.  Identify where information technology is used, specifically in providing an online presence.	Activity sheet 1: Find two companies where information technology is used and identify good/bad practice of an online presence
Providing effective communication, eg global business, 24-hour, visual factors.  Providing flexibility of location.	In small groups learners need to identify why any business/organisation should have a global presence and 24 hour access.	
Being user friendly and responsive.	Learners should visit a range of company and government websites and comment on the ease of use, responsiveness and information provided.  Giving information about the business in terms of legal format, type, target market, sector and product range.	Activity sheet 2: Identify differences between various websites.



**Section 4.2: Understand the impact that having a website has on a business**

Topic	Suggested delivery plan	Resources
The impact of the website presence on customers, competitors, suppliers, the business itself.	Learners will need to look at the key business drivers that influence the development of an online presence, eg, improve productivity, communicate more effectively, boost company profile, sell offline and/or online, internal systems integration.	Activity sheet 3: Identify the key components of having an online presence
The immediate short-term effects of the website (positive and negative).	The learner will be required to thought-shower possible factors relating to short-term and long-term issues affecting the use of a business website.	
What a business should include on its website and why.	The teacher should explain the differences between business to business (B2B), business to consumer (B2C), Government to citizen (G2C), and Government to business (G2B) websites.	Activity sheet 4: Look at a range of different websites
The impact on a business of having a website.  What the long-term effects could be if the website is not updated.	The learner should in groups reflect on the advantages/disadvantages of a business online presence.	Activity sheet 5: Look at a range of business characteristics for B2B and B2C websites

### Section 4.3: Factors influencing the establishment of an online presence

Topic	Suggested delivery plan	Resources
Relevant up-to-date legislation and selling regulations as they apply to online business.	The learner needs to identify key regulations applicable to trading online eg data protection, EU directives, intellectual property rights.  Others, eg, client confidentiality, data security, access rights, computer fraud and misuse, computer hackers.	Activity sheet 6:  Examine the regulatory framework appropriate to e-business and online operations.
The cost implications of an online presence.	Learners in groups should identify the hardware/software requirements and provide an estimate of potential costs in the setting up of an online presence, eg, web design, consultancy, employing relevant staff, hardware and software cost implications, training, ongoing support.	Activity sheet 7:  Identify software and hardware requirements, including cost analysis
The opportunities created by the existence of electronic business.	Teachers should provide input on the key aspects of establishing an online presence eg increased efficiency for online order, secure payment site development, personalised marketing, direct 'dialogue' with customers, global audience, corporate image.  The dangers that exist alongside the opportunities for business, eg potential for hacking, impact of viruses, competitors having access to your business information, bad design alienating the target customer.	Activity sheet 8:  Find examples of key aspects using a range of information sources, eg, <ul style="list-style-type: none"> <li>• texts</li> <li>• journals</li> <li>• newspapers</li> <li>• websites</li> </ul> related to these issues..
What makes an effective website and the visual criteria/site design, including factors such as navigation, timings, ease of use, effort, user satisfaction, media rich versus functionally able, how well it reaches the 'target' customer.	Learners to explore specific websites and evaluate for effectiveness.	Activity sheet 9:  Look at number of websites to compare and contrast the effectiveness of web design related to customer usage.

**Section 4.4: Understand the requirements for the planning/establishment of a new website**

Topic	Suggested delivery plan	Resources
<p>The use of appropriate web-authoring tools.</p> <p>Industry standards with respect to web presence, domain name creation, registration services, maintenance and listing with internet Service Providers (ISPs).</p> <p>Simple security measures, eg anti-virus software, firewalls, secure payment.</p> <p>Appropriate use of design – colour, image, font, media mix (advertisements, promotions, sound, videos, graphics).</p> <p>Who your target customer is.</p> <p>Purpose of the site, eg:</p> <ul style="list-style-type: none"> <li>- educational</li> <li>- promotional</li> <li>- informative</li> <li>- commercial</li> <li>- recreational.</li> </ul> <p>How to promote your business on the internet by:</p> <ul style="list-style-type: none"> <li>• liaison with stakeholders</li> <li>• banner advertisements</li> <li>• sponsoring trade events.</li> </ul> <p>The Data Protection Act 1998 and customer-confidentiality.</p> <p>Costs, consultants and ways to create the site.</p>	<p>Teacher to identify/explain how to produce a web presence based on identified good design principles:</p> <ul style="list-style-type: none"> <li>• industry standards</li> <li>• specific measures</li> <li>• registration.</li> </ul> <p>Look at a range of websites in an area of interest that the learner would wish to build their website.</p>	<p>Activity sheet 10:</p> <p>Develop a proposal for your own website based upon good design principles and good practice identified from your analysis of similar websites.</p>

### Activity sheet 1: Good and Bad Practice of an Online Presence

(a) Find two companies where information technology is used.

Using the grid below:

- (i) Identify the type of technology used, eg, hardware and software requirements to create an online presence.
- (ii) Identify how this technology is applied to enable the business to function and achieve its business objectives including internal (company structure and managing resources) and external (marketing, sales, customers, suppliers).

	Business 1	Business 2
Type of Technology		
Hardware		
Software		
How Technology Helps meet Business Objectives		
Internal Objectives		
External Objectives		

(c) Learners should provide a list of the advantages and disadvantages of a business having an online presence.

## Activity sheet 2: Differences between websites

- (a) Using a web search engine (eg Google) find a variety of websites (business and government) on a similar product or service.
- (b) From this list choose four appropriate websites (at least one business and one government based) and examine the similarities and differences in presentation of information access, usage and ease of navigation. Use the table below to help you.

<b>Website One:</b>	<b>Comments</b>
Presentation of Information	
Usage	
Ease of navigation	
<b>Website Two:</b>	<b>Comments</b>
Presentation of information	
Usage	
Ease of navigation	
<b>Website Three:</b>	<b>Comments</b>
Presentation of information	
Usage	
Ease of navigation	
<b>Website Four:</b>	<b>Comments</b>
Presentation of information	
Usage	
Ease of navigation	

### Activity sheet 3 – The key components of an online presence

- (a) Referring back to unit 2, you should describe the key business drivers that are essential for a traditional business to function effectively.
- (b) You should then compare and contrast traditional business drivers with those for an online presence. You can use the table to help you.

Business drivers	
Traditional	Online
Aims and objectives:	
Resources:	
Sources of finance:	

### Activity sheet 4: Different websites

(a) Explain the purpose for the following types of websites:

- business to business (B2B)
- business to consumer (B2C)
- government to business (G2B).

(b) Now find examples of these websites, naming at least two for each example.

(c) Say which of the two examples of each website – B2B, B2C and G2B you consider the better and why.

	B2B	B2C	G2B
Purpose			
Examples			
Comments			

### Activity sheet 5: Business characteristics of B2B or B2C websites

(a) In groups, reflect on the advantages and disadvantages of running a business with an online presence, either B2B or B2C.

You should aim to think of at least three advantages and three disadvantages.

(b) Identify and explain the main functional differences between B2B, B2C, B2G websites.

(c) Choose one website as an example and undertake a SWOT analysis to identify areas to be addressed in maintaining a website over time.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Treats</b>



### Activity sheet 6 – The regulatory framework

- (a) Identify the key legal regulatory frameworks that need to be considered by a business that wishes to operate online.
- (b) You should now identify other business issues that a business would have to consider in operating online.

<b>Key legal regulatory frameworks</b>	1
	2
	3
<b>Other business issues</b>	1
	2
	3
	4

### **Activity sheet 7: Software and hardware requirements**

- (a) Identify the key requirements for developing an online presence for a small business.
- (b) Now identify a range of information sources that would indicate realistic costs of the key requirements in setting-up an online presence for a small business.
- (c) Select a variety of possible solutions that allow an online presence for the business.
- (d) Based upon (b) and (c), you should now undertake a cost-benefit analysis exercise to recommend a particular implementation for an online presence.

**Activity sheet 8: Examples of key aspects**

Using a range of information sources relating to the creation and establishment of an online presence perform a SWOT analysis and prioritise the key opportunities and threats.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Treats</b>

## Activity sheet 9: Effective website design

Using the checklist provided to compare/contrast the effectiveness of a number of online business website designs. Identify the key characteristics for an ideal website design.

Standard	Characteristics	Comments
Site structure	<ul style="list-style-type: none"> <li>Loading time</li> <li>General layout of home page</li> <li>General navigation provided</li> <li>Logical page linkage</li> <li>Multi-lingual facility.</li> </ul>	
Navigation	<ul style="list-style-type: none"> <li>Menus</li> <li>Scrolling</li> <li>Selecting pages</li> <li>Buttons</li> <li>Home link</li> <li>Drop down menus</li> <li>Printing options</li> <li>Links to external websites provided</li> <li>Password site access available.</li> </ul>	
Copy style	<ul style="list-style-type: none"> <li>Individual page layouts</li> <li>Background colour and design</li> <li>Text colouring and style</li> <li>Pictures</li> <li>Banners</li> <li>Animation.</li> </ul>	
Corporate branding and image	<ul style="list-style-type: none"> <li>House style and overall site continuity</li> <li>Logos</li> <li>Product identifications</li> <li>Communication facilities provided.</li> </ul>	
Performance	<ul style="list-style-type: none"> <li>Initial loading of pages/page content</li> <li>Response time in typing information</li> <li>Downloading</li> <li>Printing.</li> </ul>	

### **Activity sheet 10: Proposal for website:**

Develop a proposal for your own website based upon good design principles and good practice identified from your analysis of similar websites.

Look at a range of websites in an area of interest that the learner would wish to build their website.

The proposal should include a rationale for:

- the development of the website, including type of website, aims and objectives of website
- design
- content
- user accessibility.

## Definition of key terms

Corporate Image	The view of a company held by its customers, employees, and the public at large. For a bank, the ideal image might be: large, reputable, long-established yet innovative and approachable. Market research would aim to find the image characteristics desired by the customers, which would in turn influence decisions on corporate advertising and corporate identity.
Firewall	A software application that acts as a filter between a company's private network and the internet itself.
Global Audience	Refers to the internet audience which can access the internet from across the whole globe, not just the UK. This has implications for what is acceptable in different cultures, what services can be offered globally and for international law..
Hacking	A hacker is an individual who intends to gain unauthorised access to a computer system.
Hardware	The underlying computing equipment that the system needs to function
internet	An interconnected network of thousands of networks and millions of computers linking businesses, educational institutions, government agencies and individuals together.
Legal Format	Legal format of business eg:  Sole trader – an individual who may or may not employ other people, but who owns and operates the business.  Partnership – where two or more people trade together under the Partnership Act 1890  Public Limited Company (PLC) – a company with limited liability that has over £50 000 of share capital and a wide spread of shareholders.  Private Limited Company – a small to medium sized business that is usually run by the family that own it.
Legislation	Laws passed by Acts of Parliament
Personalised Marketing	The targeting of marketing messages to specific individuals by adjusting the message to a person's name, interests and past purchases.
Target Market	The precise profile of the customers a firm wishes to sell to. For a new perfume, the target market may be working women aged 18-30; for an iced lolly it might be children aged 8-12. A firm will decide on its target market after conducting extensive market research including, perhaps, a market segmentation analysis. The choice of the target market will then affect every section of the marketing mix, including: <ul style="list-style-type: none"><li>• distribution outlets: supermarkets or sweet shops?</li><li>• pricing</li><li>• style of advertising and choice of advertising media</li><li>• product characteristics such as sweetness or colour.</li></ul>

Regulations	<p>Power to make laws delegated to bodies other than Parliament.</p> <p>One of the objectives of privatisation was the removal of excessive restrictions, but it was necessary to introduce regulators such as OFGAS, OFTEL and OFWAT to limit the activities of British Gas, British Telecom and the water companies and so avoid their exploitation of powerful market positions.</p>
Secure Payment Site	A secure web page where customers can place credit card details for payment, without other customers being able to access their card details. The internet is a public network which anyone can access, therefore some people are nervous about giving their credit card details over the internet. Most modern browsers have security built in so that unauthorised persons cannot read, forge or intercept an online transaction.
Sector	The economy can be divided up into sectors, each of which consists of a group of decision-takers with features in common. For example one distinction is between the private sector, the public sector and the overseas sector. The economy can also be divided up into the personal sector, the corporate sector and the government sector. The personal sector consists of all individuals, the corporate sector of all businesses.
Software	The programs used with a computer.
Spam	Unsolicited commercial email
Stakeholders	An individual or group with a direct interest in an organisation's performance. The main stakeholders are: employees, shareholders, customers, suppliers, financiers and the local community. Stakeholders may not hold any formal authority over the organisation, but theorists such as Professor Handy believe that a firm's best long-term interests are served by paying close attention to the needs of each of these groups.
Viruses	A software program that latches on to other programs with the purpose of disrupting them. This might cause the loss of valuable or even vital data.
Web Authoring Tools	Software used for designing and publishing web pages
Web Design	Design of website to meet business objectives and target market, which should include consideration of issues such as company branding, ease of use, security etc.
Website	A collection of web pages housed on a single computer and addressed by similar URLs (uniform resource locator which can be used to uniquely locate the web address of each page on the website, eg <a href="http://www.edexcel.org.uk/qualifications/GCE">www.edexcel.org.uk/qualifications/GCE</a> ).

## Resources

While one of the main aims of the activity sheets is for learners to research their own websites, tutors may find the following websites useful suggestions.

### Activity 2: Differences between websites

The following three websites sell sportswear direct to the consumer:

<a href="http://www.prodirectsoccer.com">www.prodirectsoccer.com</a>	Pro direct soccer
<a href="http://www.sportshoes.com">www.sportshoes.com</a>	Sportshoes unlimited
<a href="http://www.sportyshop.co.uk">www.sportyshop.co.uk</a>	Sportyshop online

The following websites offer information to the consumer on train timetables and travel information:

<a href="http://www.nationalrail.co.uk">www.nationalrail.co.uk</a>	National Rail Enquiries
<a href="http://www.thetrainline.co.uk">www.thetrainline.co.uk</a>	The trainline
<a href="http://www.virgintrains.co.uk">www.virgintrains.co.uk</a>	Virgin trains

### Activity 4: Different websites and Activity 5: Business Characteristics of B2B or B2C Websites

#### Business to Business

<a href="http://www.bbi.co.uk/">www.bbi.co.uk/</a>	BBI – provider of internet and e-business solutions
<a href="http://www.b2bm.biz">www.b2bm.biz</a>	B2B Marketing Magazine online
<a href="http://www.ec21.com">www.ec21.com</a>	EC21 – Online B2B magazine
<a href="http://www.mintel.co.uk/">www.mintel.co.uk/</a>	Provides media, product and consumer intelligence
<a href="http://www.tarsus-martex.com">www.tarsus-martex.com</a>	Provides services for businesses including website design, domain name registration.
<a href="http://www.ugccinemas.co.uk/AffichePage.jgi?ALIAS=groupeugc/11a.3">www.ugccinemas.co.uk/AffichePage.jgi?ALIAS=groupeugc/11a.3</a>	UGC Cinemas, offers services to businesses such as venue hire for conferences and advertising.

#### Government to Business

<a href="http://www.businesslink.gov.uk">www.businesslink.gov.uk</a>	Government advice for businesses.
See also local Business Link sites such as:	
<a href="http://www.somerset-businesslink.co.uk">www.somerset-businesslink.co.uk</a>	Somerset Business Link
<a href="http://www.cw-busiesslink.co.uk">www.cw-busiesslink.co.uk</a>	Coventry and Warwickshire Business Link.
<a href="http://www.business.gov.au">www.business.gov.au</a>	Business Entry Point, an Australian Government initiative
<a href="http://www.nsw.gov.au/business.asp">www.nsw.gov.au/business.asp</a>	New South Wales Government Business
<a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>	National statistics online

#### Business to Consumer

<a href="http://www.boots.co.uk">www.boots.co.uk</a>	Boots Group PLC
<a href="http://www.tesco.com">www.tesco.com</a>	Tesco PLC



## Activity 9: Effective Website Design, as above, including

www.nufc.com	Newcastle United's Unofficial Fans' Collaboration
www.food.gov.uk	Food Standards Agency
www.expedia.com	Expedia. Offers flights, hotel bookings
www.dhl.co.uk	DHL UK, delivery service.

## Resources

### Books

It is important to remember that this unit supports the development of a new type of business practice and, therefore, there is no definitive textbook that will guide the teacher through this unit. However, there are many excellent textbooks covering the range of topics within electronic business. Fortunately, these are often written by vocational specialists and will provide the deliverer with useful teaching strategies. Most business textbooks will be useful for the initial areas of the unit, but specialist textbooks will need to be referred to for the unit.

Amor Daniel – *The E-business Revolution* (Prentice Hall PTR, 2002) ISBN 0130670391

Haig Matt – *E-Business Essentials* (Kogan Page, 2001) ISBN 0749435275

Howell Dave – *Successful E-Commerce in a Week* (Hodder & Stoughton, 2002) ISBN 0340849479

Langford-Wood and Salter – *eCommerce Without Tears* (Prentice Hall, 2000) ISBN 0130897329

Langford-Wood and Salter – *The Complete Idiot's Guide to e-Commerce UK* (Prentice Hall, 2000) ISBN 0130904023

Yuill Veronica – *Successful internet Marketing* (David Grant Publishing, 1999) ISBN 1901306208

New textbooks for the study of business, as well as e-commerce and e-marketing books will be useful to keep abreast of changes in this sector and keep the subject matter vocational.

Harper Collins, Heinemann and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.



## Unit 5: Investigating Customer Service

### Unit aims

The main aim of this unit is for the learners to understand the importance of customer service in the modern business environment. Business organisations are increasingly looking to add value to their business whether they are selling goods or providing services.

Good customer service is a key element in the building of long-term relationships between companies and their customers. Furthermore, as consumers become more and more demanding, good customer service signals an attention to quality and can give the modern business a competitive edge.

In this unit learners will examine aspects of customer service and investigate how customer service is implemented in the real world.

### Unit topics

- 5.1 The organisation and its customers
- 5.2 Effective customer service
- 5.3 Maintaining and improving customer service and keeping customers
- 5.4 Customer service legislation.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### 5.1: The organisation and its customers

Topic	Suggested delivery plan	Resources
The organisation and its customers.	Discussion of the impact of customers old and new to an organisation and how this fits in with current emphasis on concepts such as total quality management and relationship marketing.	Examples of customer service statements and other material brought In by tutor.
Internal and external customers.	Exploration of the concept and recognition of internal customers and their role in delivering good customer service.  Discussion on the relationship with external customers and the role of customer service as a key operations issue.	Activity sheet 1 – Types of customer
Different customer needs.	An investigation into the needs of different customers based on age, sex, socio-economic factors, disabilities, language and culture.  Discussion of the potential pitfalls of stereotyping.	Activity sheet 2 – Customer needs
Customer expectations in different contexts.	An exploration of the different expectations of customers at different stages of the buying process: pre-transactional, transactional and post-transactional expectations.  Discussion on how expectations affect the level of customer service and how they might be managed.	Activity sheet 3 – Customer expectations

## 5.2: Effective customer service

Topic	Suggested delivery plan	Resources
Elements of effective customer service.	<p>An exploration of the various factors that have an impact on the effectiveness of customer service:</p> <ul style="list-style-type: none"> <li>• physical environment, eg- premises, access, etc</li> <li>• staff, eg appearance, manners, promptness of service, helpfulness, training, team work</li> <li>• added value and quality of products and services, eg after care service</li> <li>• processes.</li> </ul>	Activity sheet 3 – Customer expectations
Effective customer service.	<p>An in-depth investigation of communication and an assessment of different methods of communicating; spoken, written, emails, face-to-face and remote.</p> <p>An assessment of the interpersonal skills needed to be effective in delivering good customer service – including body language, attitude, conversational skills.</p> <p>A look at the importance of product knowledge and knowledge of the organisation and why these are important.</p>	Activity sheet 4 – Role play
Organisational needs versus customer needs.	Discussion on the need to achieve organisational objectives at the same time as meeting customer needs. Where are the conflicts and how are these managed.	Activity sheet 5 – Group activity

## 5.3: Maintaining and improving customer service and keeping customers

Topic	Suggested delivery plan	Resources
Managing the customer service process.	<p>Investigation of the key elements of good customer service policies, systems and procedures, recording and responding.</p> <p>Examination of ways to deal with complaints.</p> <p>Researching customer perceptions and informing future policy and practice (including staff appraisals and training and development issues).</p>	Activity sheet 5 – group activity

#### 5.4: Customer service legislation

Topic	Suggested delivery plan	Resources
Customer service legislation	Examination and discussion of current key UK and EU legislation affecting customer service.  Discussion on what happens in cases of non-compliance.	Examples of current legislation including consumer protection, data protection, health and safety, financial security and any relevant new legislation.

Depending on individual schools and colleges preferred mode of delivery, these sessions may be taught over several sessions. The schedule above allows for assessed work to be completed at different stages throughout the course, rather than at the end.

## Activity sheet 1: Types of Customer

In small groups and using your college or school as an example, identify as many of the internal and external customers that you can think of. Now try to rank them in order of importance to the organisation.

Choosing the three main customers from each group, discuss what they expect from the college or school in terms of customer service. Are there any customer groups that you found difficult to categorise?

Present your findings to the class and discuss.

Now think of a private sector company and repeat the exercise.

Which activity did you find it easier to do? What does this tell you about customer service in the two sectors?

You may record this activity as evidence for your portfolio.

## Activity sheet 2: Customer Needs

In small groups, identify the needs of customers of a high street bank:

Product	Customer	Needs	Features of service design which meet customer needs
Financial advice			
Mortgage products			
Counter services			
Stock broking services			
Telephone banking			
internet banking			
Savings accounts			
Learner account			
Automatic telling points (ATP)			
Credit cards			
Shares in the bank itself			
Careers			

Using the table, explain why you have come to these conclusions.

Have you used any stereotypes in this activity?

Discuss how stereotypes may affect the way that customers are dealt with. For example are assumptions made on the basis of age, sex, disability, language, appearance, etc?

Discuss how you might avoid such stereotyping.

Feed back your findings to the whole class for discussion.



### Activity sheet 3: Customer Expectations

(This activity could be based on learners own experiences of visiting one or more service-based organisations, for example, a supermarket and a college. This activity can be used as a basis for all sessions in managing customer service effectiveness.)

In groups and based on your own experiences, identify the factors which influenced opinion of the level of customer service at a particular organisation or organisations.

Aspect of service	Importance within customer service context	Assessment of effectiveness
Staff appearance		
Staff attitude		
Staff training		
Team working		
Communication		
Promptness of service		
Physical environment		
Processes		
After sales service		
Any others?		

Now, in your groups, discuss the weaknesses in effectiveness in any areas identified and suggest ways in which these might be improved.

What might be the resource implications of these changes?

#### **Activity sheet 4: Role play (may be recorded for portfolio evidence)**

In small groups of at least four, take it in turns to play the manager of a café-bar and a difficult customer (you can decide what the complaint is – perhaps the food is not to their taste or they have been kept waiting).

Each pair will play out the scene in different ways; one in which the manager is not helpful and one in which he/she is.

Afterwards, compare your feelings as customer and manager in each situation. Discuss and record the personal skills that you think are important in dealing with customers.

## Activity sheet 5: Group activity

This activity is designed to assess your group working, problem solving and analytical skills (including simple financial assessments). In it you will examine the way in which organisational and customer needs are balanced.

### Scenario

You work for Robert Cook holidays and you have a group of 200 clients heading off for a luxury cruise in the Caribbean. You and the customers are at Heathrow airport and you have just heard that the plane has been delayed in North America due to a terrorist scare.

Your problem is:

there is no plane and you don't know when one will become available.

Your options are:

- get another plane from a Middle Eastern company at additional cost
- delay the flight for 12 hours hoping that the threat will be over and planes will be flying again
- cancel the holiday and refund the clients' money.
- offer them alternative holiday cruising in the Mediterranean which will use immediately available local transport.

Your customers are becoming extremely concerned as time goes on and are threatening legal action unless something is sorted out soon. The passengers have elected a spokesperson, who has some knowledge of the law, to act on their behalf.

Head Office cannot be contacted as they are in the middle of relocating offices over the weekend. Senior management have not left contact details.

In small groups you are required to come up with a solution to this problem.

### Additional information:

The representatives have the authority to put passengers into overnight accommodation at a cost of £150 per person maximum.

A substantial part of the representatives' salary is made up from client satisfaction bonuses.

The cost of a return flight to the Caribbean is £175,000 for a 350 seater plane.

Delays for passengers are estimated to cost £500 per day in compensation .

The cost of the holiday average was £3800 per person.

The cost of the Mediterranean cruise is an average of £2500 per person

The company's policy is to offer refunds plus a free holiday if the holiday is cancelled by them, but they try to avoid this where possible as this is the most costly option for the company and for the holiday representatives' salary.

The group gets together to offer possible solutions (brainstorming) in 10 minutes maximum.

Individually, you should take time on your own to devise an action plan, summarise it, present this to the team then hold an open discussion with the team.

The group then gets together to find a solution that balances the needs of the company and the customer, in 30 minutes.

The team must then agree what their optimum solution is.

**The process:**

To carry out a risk analysis for all possible options. These should include:

- financial risk; immediate and long term
- marketing risk
- operation issues; easiest option, most likely to succeed?
- to identify optimum solution and justify your decision.

Present the findings to the whole class.

Review the process as a whole class and compare solutions.

What conflicts arose and how were these dealt with?

What have you learnt from this exercise?

## Case study

### Body-n-Soul

Body-n-Soul health club has been operating successfully for 10 years in the fairly affluent town of Grimston (population: circa 50,000). It is a private company. The company name was 'updated' three years ago when major refurbishments were made to the premises, which are in a convenient location not far from the town centre.

There is a total of five gyms in the area (20 mile radius).

The club has 500 members, mainly in the age range of 35 to 55 years, evenly split between male and female.

The club has the following facilities:

- cardio-vascular equipment
- weight training equipment
- swimming pool
- sauna and steam room.

### Activities

#### Task One

Identify Body-n-Soul's external and internal customers.

What expectations would the target customer be likely to have of this kind of business?

#### Task Two

Following on from your suggestions, the management has asked you to devise a customer service survey to analyse customers' perceptions of Body-n-Soul.

In order to do this you are to design a questionnaire to be sent to all current members to find out what they think of the club.

#### Task Three

The results of your survey are in and the key features of the results are as follows:

- you have a good range of good quality up-to-date equipment
- the facilities generally are good; safe and well-maintained
- you offer good value for money
- most staff are attentive.

You are asked by management to devise a new mission statement for Body-n-Soul.

You are also asked to design a customer service policy for Body-n-Soul and this should include a complaints procedure.

#### Task Four:

The management have been to a national seminar on relationship marketing.

They have asked you to prepare a paper on how your new customer service policy fits into this approach to marketing.

You are to present your findings to the management. This will be recorded for training purposes.

### **Task Five Some time later....**

The local authority sports centre has recently opened a fitness room within the area and a small but seemingly steady decline in numbers of members renewing their memberships with Body-n-Soul has been noticed.

You are asked to compare the operating environments of the two different types of organisation (public and private sectors).

How do their internal and external customers differ?

What does a typical local authority centre offer that a private one doesn't?

### **Task Six**

Your investigations have revealed that the sports centre is offering not only financial inducements (undercutting Body-n-Soul's fees by a small amount) but also no joining fee and exercise classes at no extra cost.

Suggest ways in which you might meet the challenges of this competition without adversely affecting profitability.

### **Task Seven**

There has been a review of the customer service policy and in view of the competitive pressures, it has been decided that there is a need to monitor customer service more closely.

You are asked to develop the policy further to advise how systems (including IT) and processes could be used to measure performance, including the use of benchmarking. You are also expected to draw up appropriate criteria/outcomes to be used to measure and monitor performance.

You can present your findings orally or as a written report.

### **Portfolio opportunities**

Work on each task can be assessed separately and they allow for the work to be planned over a number of sessions with feedback and opportunities for improvement.

Work may be submitted in the portfolio in a variety of forms, observation records and witness testimonies must be submitted as necessary.

### **Practical activities**

This unit lends itself to live activities such as simulations and role playing to help candidates review their own performance in dealing with customers.

The above scenario can be used to identify, improve and assess behaviours and attitudes, particularly in dealing with complaints or difficult situations.

## Definition of key terms

Customer Service	That part of the business activity which involves direct contact with the customer, either during the sale process, during after-sales service or during the complaints procedure.
Quality Circle	<p>A discussion group that meets regularly to identify quality problems, consider alternative solutions, and recommend a suitable outcome to management. The members are usually drawn from the factory floor, but may include an engineer, a quality inspector and a member of the sales team (to provide the customer angle). This method was first devised at the Toyota Motor Company in Japan in the 1950s. Its success as a form of consultation and job enrichment led to its wider adoption in Japan and then, in the 1980s, in the West. The two principles behind the quality circle are that:</p> <ul style="list-style-type: none"><li>• no manager or engineer can understand production problems as fully as the shop-floor workers, therefore their knowledge is a huge untapped asset for the firm</li><li>• workers appreciate the opportunity to show their knowledge and talents in a problem-solving environment.</li></ul>

## Resources

### Books

Bee F and Bee R – *Customer Care* (Chartered Institute of Personnel and Development, 1999) ISBN 0852927762

Blanchard K and Bowles S – *Raving Fans* (Harper Collins, 1998) ISBN 0006530699

Blohowiak D and Karr R – *The Complete Idiot's Guide to Customer Service* (Macmillan Publishing Company, 1997) ISBN 0028619536

Bray T – *The Customer Care Pack* (Fenman Ltd, 1991) ISBN 187248302X

Clutterbuck D – *Making Customers Count* (Management Books 2000 Ltd, 1994) ISBN 1852521090

Decker B – *The Art of Communicating* (Flex Training Ltd, 1997) ISBN 0931961459

Hayes J and Dredge F – *Managing Customer Service* (Gower Publishing Limited, 1998) ISBN 0566080052

Johns T – *Perfect Customer Care* (Arrow Business Books, 1999) ISBN 0099406217

Smith I – *Meeting Customer Needs* (Butterworth-Heinemann, 1997) ISBN 0750633913

Tjosvold D – *Teamwork for Customers* (John Wiley and Sons Ltd, 1993) ISBN 1555424910

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

Office of Data Protection

[www.dataprotection.gov.uk](http://www.dataprotection.gov.uk)

Institute of Customer Service

[www.instituteofcustomerservice.com](http://www.instituteofcustomerservice.com)

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## Unit 6: Investigating Promotion

### Unit aims

This unit aims to introduce learners to exciting world of marketing communications and the process and application of promotion in business. This includes helping learners to understand how promotional tools can be used to help achieve business or organisational objectives.

This unit encourages learners to look at as many and as wide a range of promotions, advertising and marketing campaigns as possible and to interpret and assess them based on what they will be learning from this unit. The unit is structured to give learners the opportunity to learn about important promotional tools and important media used in promotion. This unit should also make learners aware that there are constraints on promotion that need to be taken into account when developing promotional plans. This unit aims to provide learners with the ability to assess the different elements of promotional campaigns and to be able to evaluate media campaigns based on a range of different criteria.

This unit should encourage learners to make contact with real businesses engaged in promotions and promotional activities. By doing this, learners should be able to see how the principles and processes they have learned from this unit are applied to the real world.

(The main aim of this unit is to prepare learners for the external assessment which will relate directly to what they should have learned as a result of the activities they have carried out as part of their work for this unit.)

### Unit topics

- 6.1 Promotional tools and how they are used to affect buyer behaviour
- 6.2 Investigating promotional media
- 6.3 Constraints on promotion
- 6.4 Assessing a promotional campaign.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 6.1: Promotional tools and how they are used to affect buyer behaviour

Topic	Suggested delivery plan	Resources
<p>What is promotion?</p> <p>Why do it?</p>	<p>Initial input to outline scope of unit.</p> <p>Class discussion:</p> <p>about promotion, what it is and how it is used to meet the needs of industry and customers' needs, relating this to the learners as customers.</p> <p>Explore learner's exposure to promotion through discussion, asking for personal examples and experiences.</p> <p>Learners to consider why organisations decide to use promotion.</p>	<p>Activity sheet 1 – Promotion and advertising</p> <p>Videoclips of advertising and promotion.</p> <p>Magazines and newspapers.</p> <p>Leaflets and mailers.</p> <p>Trade literature from advertising and promotions industry.</p>
Focus on advertising.	<p>Initial input to outline definition and general understanding of advertising.</p> <p>Learners to work in small groups to investigate examples of advertising, looking for common factors, similarities and differences. Look at the same product or company advertising in different media. Present findings to class for discussion.</p> <p>Learners to identify what advertiser is trying to achieve by advertising.</p> <p>Learners to describe how they/consumers are affected by advertising.</p>	<p>Activity sheet 1 – Promotion and advertising</p> <p>(Various examples of advertising:</p> <ul style="list-style-type: none"> <li>• video clips of television and cinema advertisements</li> <li>• magazine advertisements</li> <li>• posters</li> <li>• recordings of radio advertisements</li> <li>• literature from shops and mail-outs</li> <li>• advertisements that appear on the world wide web.)</li> </ul>
Focus on sales promotion.	<p>Initial input to outline definition and general understanding of promotion/sales promotion.</p> <p>Learners to work in small groups to investigate examples of promotion, looking for common factors, similarities, differences. Look at how some organisations use a range of different promotions for the same product. Present findings to class for discussion.</p> <p>Look at how the same type of promotion can be found across a wide range of different products.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify what organisation is trying to achieve by promotion.</p> <p>Learners to describe how they are affected by promotion.</p>	<p>Various examples of promotion:</p> <ul style="list-style-type: none"> <li>• (collect examples from a shopping centre</li> <li>• look in magazines for examples</li> <li>• video clips of television or cinema advertisements that feature promotions</li> <li>• recordings of radio advertisements that feature promotions</li> <li>• leaflets/mailers that have been delivered to consumers' homes door-to-door, featuring promotions</li> <li>• websites using promotion.)</li> </ul>

Topic	Suggested delivery plan	Resources
Focus on public relations.	<p>Initial input to outline definition and general understanding of public relations.</p> <p>Learners to work in small groups to investigate examples of public relations, looking for range of different examples in different media. Present findings to class for discussion.</p> <p>Learners to identify what organisation is trying to achieve through the use of public relations.</p> <p>Learners to write a press release for a new product.</p>	<p>Various examples of public relations:</p> <ul style="list-style-type: none"> <li>• examples of various press releases</li> <li>• examples of press releases/public relation activity in magazines</li> <li>• examples of press releases/public relation activity on radio</li> <li>• examples of press releases/public relation activity on television.</li> </ul>
Focus on direct marketing.	<p>Initial input to outline definition and general understanding of direct marketing activities.</p> <p>Learners to work in small groups to investigate examples of direct marketing, considering why direct marketing has been chosen by organisation.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify advantages and disadvantages of direct marketing.</p> <p>Learners to describe how they are affected by direct marketing.</p>	<p>Various examples of direct marketing:</p> <ul style="list-style-type: none"> <li>• video clips</li> <li>• magazine advertisements</li> <li>• recordings of radio advertisements</li> <li>• literature from mail-outs, door-to-door, etc.</li> <li>• websites that promote and sell using direct marketing.</li> </ul>
Focus on sponsorship.	<p>Initial input to outline definition and general understanding of sponsorship.</p> <p>Learners to work in small groups to investigate examples of sponsorship, looking for common factors, similarities, differences. Look at how sponsorship works alongside other advertising for same organisation. Present findings to class for discussion.</p> <p>Learners to identify what advertiser is trying to achieve by sponsorship.</p> <p>Learners to identify advantages and disadvantages of sponsorship for the advertiser.</p> <p>Learners to describe how they are affected by sponsorship.</p>	<p>Various examples of sponsorship:</p> <ul style="list-style-type: none"> <li>• Videoclips of sponsorship of TV programmes</li> <li>• Videoclips of sponsorship appearing within television broadcasts</li> <li>• Videoclips or other communications used to demonstrate sponsorship of an event</li> <li>• Websites that demonstrate sponsorship.</li> </ul>

Topic	Suggested delivery plan	Resources
<p>How promotion affects buying and purchasing decisions; achieving business objectives.</p>	<p>Initial input to consider business objectives and how these can be met through the use of promotion.</p> <p>Learners to investigate and identify (apparent) business objectives behind different promotions, using different media, for different products in different sectors, and consider whether consumer buying and purchasing decisions are affected.</p> <p>Present findings to class for discussion.</p>	<p>Examples of different promotions, using different media, for different products in different sectors.</p>
<p>How promotion affects buying and purchasing decisions – creating/raising awareness.</p>	<p>Initial input to consider why a business may need to create/raise awareness and how this can be achieved through the use of promotion.</p> <p>Learners to investigate examples of an organisation creating/raising awareness through the use of promotion, and consider whether consumer buying and purchasing decisions are affected.</p> <p>Present findings to class for discussion.</p>	<p>Examples of organisations attempting to create/raise awareness through the use of promotion, such as new business ventures, new product launches, etc.</p>
<p>How promotion affects buying and purchasing decisions – providing information.</p>	<p>Initial input to consider why a business may need to provide information and how this can be achieved through the use of promotion.</p> <p>Learners to investigate examples of an organisation providing information through the use of promotion, and consider whether consumer buying and purchasing decisions are affected.</p> <p>Present findings to class for discussion.</p>	<p>Examples of organisations attempting to provide information through the use of promotion, such as new business ventures, new product launches, etc.</p>
<p>How promotion affects buying and purchasing decisions – communicating effectively.</p>	<p>Initial input to consider why a business may need to communicate effectively and how this can be achieved through the use of promotion.</p> <p>Learners to investigate examples of an organisation communicating through the use of promotion, considering which are examples of effective communication and which are examples where the desired communication is not effective. Consider whether consumer buying and purchasing decisions are affected by effective communication.</p> <p>Present findings to class for discussion.</p>	<p>Examples of organisations attempting to communicate effectively through the use of promotion.</p>
<p>How promotion affects buying and purchasing decisions: promoting the business and its products.</p>	<p>Initial input to consider why a business may need to promote the business and its products and how this can be achieved through the use of promotion.</p> <p>Learners to investigate examples of an organisation promoting the business and its products through the use of promotion, and consider whether consumer buying and purchasing decisions are affected.</p> <p>Present findings to class for discussion.</p>	<p>Examples of organisations attempting to promote the business and its products through the use of promotion.</p>

Topic	Suggested delivery plan	Resources
<p>How promotion affects buying and purchasing decisions: creating/enhancing/changing image.</p>	<p>Initial input to consider why a business may need to create/enhance/change its image and how this can be achieved through the use of promotion.</p> <p>Learners to investigate examples of an organisation creating/enhancing/changing image through the use of promotion, and consider whether consumer buying and purchasing decisions are affected.</p> <p>Present findings to class for discussion.</p>	<p>Examples of organisations attempting to create/enhance/change its image through the use of promotion.</p>
<p>investigate the role promotional tools have in affecting buyer behaviour – review of unit so far.</p>	<p>Having investigated the most common forms of promotion used by organisations, learners to consider:</p> <ul style="list-style-type: none"> <li>• anything in common across different promotions</li> <li>• common themes</li> <li>• common aims and objectives</li> <li>• characteristics of different types of promotion/promotional tools</li> <li>• strengths of different promotional tools</li> <li>• weaknesses of different promotional tools.</li> </ul> <p>Work in small groups, share findings with class for discussion.</p>	<p>Notes from previous sessions.</p>
<p>Preparing for external assessment.1</p>	<p>Introduction to External Assessment style of paper, etc.</p> <p>How section 6.1 <i>Promotional tools and how they are used to affect buyer behaviour</i> is covered/questioned in external assessment</p> <p>Learners to consider layout of papers, different styles of question, the use of directive verbs, space for writing answers, mark allocation.</p> <p>Apply study/learning from section 6.1 to external assessment through the use of individual questions. Use questions for individual work or class discussion.</p>	<p>Specimen paper.</p> <p>Past papers</p> <p>Mark schemes</p> <p>Examiners' reports</p> <p>Notes from previous sessions.</p>

## Section 6.2 Investigating promotional media

Topic	Suggested delivery plan	Resources
Media used for promotion.	<p>Initial input to provide overview of different media and its use in promotion.</p> <p>Class discussion: about media, what are they aware of, what have they seen/experienced, and how different media affects them in different ways.</p> <p>Explore learner's exposure to media through discussion, asking for personal examples and experiences.</p> <p>Learners to consider why organisations decide to use different media.</p>	<p>Activity sheet 2 – Media.</p> <p>Examples of different media:</p> <ul style="list-style-type: none"> <li>• television</li> <li>• video</li> <li>• video clips of cinema</li> <li>• magazines</li> <li>• newspapers</li> <li>• posters</li> <li>• radio</li> <li>• internet/websites</li> <li>• any other media.</li> </ul> <p>Could be achieved by visit to an advertising agency.</p>
How to evaluate and compare different media.	<p>Introduction to more formal way of comparing and evaluating different media in terms of:</p> <ul style="list-style-type: none"> <li>• strengths</li> <li>• limitations</li> <li>• cost of production and cost of use</li> <li>• production requirements.</li> </ul> <p>Learners need to understand and be able to use these criteria for their work in sessions 17-21 and the external assessment.</p>	<p>Examples of main types of media:</p> <ul style="list-style-type: none"> <li>• print</li> <li>• audio</li> <li>• moving image</li> <li>• ambient</li> <li>• new media.</li> </ul> <p>Could be achieved by visit to an advertising agency or the marketing department of a major advertiser that uses a range of different media in its marketing campaigns.</p>
Focus on print media.	<p>Initial input to outline definition and general understanding of print media. Need to include: magazines, newspapers, leaflets, posters.</p> <p>Learners to work in small groups to investigate examples of different print media, comparing them in terms of criteria learned in session 16.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify why an advertiser would choose print media.</p> <p>Learners to describe how they/consumers are affected by print media.</p>	<p>Examples of different print media, including:</p> <ul style="list-style-type: none"> <li>• magazines</li> <li>• newspapers</li> <li>• leaflets</li> <li>• posters.</li> </ul> <p>Could be achieved by visit to an advertising agency, the marketing department of a major advertiser that uses a range of different print media in its marketing campaigns or a media owner.</p>

Topic	Suggested delivery plan	Resources
Focus on audio media.	<p>Initial input to outline definition and general understanding of audio media. Need to include – different ways of advertising on radio, public address announcements.</p> <p>Learners to work in small groups to investigate examples of different audio media, comparing them in terms of criteria learned in session 16.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify why an advertiser would choose audio media.</p> <p>Learners to describe how they/consumers are affected by audio media.</p>	<p>Examples of different audio media, including:</p> <ul style="list-style-type: none"> <li>• radio advertisements</li> <li>• radio programme sponsorship</li> <li>• promotion in radio editorial</li> <li>• public address announcements in shopping malls, retailers, clubs etc.</li> </ul> <p>Could be achieved by visit to an advertising agency, the marketing department of a major advertiser that uses an audio media in its marketing campaigns or a media owner.</p>
Focus on moving image media.	<p>Initial input to outline definition and general understanding of moving image media. Need to include: television, video, cinema, moving image media in-home and out-of-home.</p> <p>Learners to work in small groups to investigate examples of different moving image media, comparing them in terms of criteria learned in session 16.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify why an advertiser would choose moving image media.</p> <p>Learners to describe how they/consumers are affected by moving image media.</p>	<p>Examples of different moving image media, including:</p> <ul style="list-style-type: none"> <li>• television commercials</li> <li>• television</li> <li>• programme sponsorship</li> <li>• cinema advertisements</li> <li>• advertisements within videos and DVDs</li> <li>• in-home examples</li> <li>• out-of-home examples.</li> </ul> <p>Could be achieved by visit to an advertising agency, the marketing department of a major advertiser that uses moving image media in its marketing campaigns or a media owner.</p>

Topic	Suggested delivery plan	Resources
Focus on ambient media.	<p>Initial input to outline definition and general understanding of ambient media. Need to include: product placement, stickers, posters.</p> <p>Learners to work in small groups to investigate ambient media, trying to find as many different examples as possible and comparing them in terms of criteria learned in session 16.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify why an advertiser would choose print media.</p> <p>Learners to describe how they/consumers are affected by print media.</p>	<p>Examples of many different examples of ambient media, including:</p> <ul style="list-style-type: none"> <li>• product placement</li> <li>• stickers</li> <li>• posters</li> <li>• drip mats</li> <li>• eggs</li> <li>• football goal nets</li> <li>• litter bins</li> <li>• restaurant serviettes.</li> </ul> <p>Could be achieved by visit to an advertising agency, the marketing department of a major advertiser that uses a range of different ambient media in its marketing campaigns or looking at other media such as television or the internet where ambient media can also be found.</p>
Focus on new media.	<p>Initial input to outline definition and general understanding of new media. Need to include: text advertisements, internet pop-ups, web based advertising, etc.</p> <p>Learners to work in small groups to investigate new media, trying to find as many different examples as possible and comparing them in terms of criteria learned in Session 16.</p> <p>Present findings to class for discussion.</p> <p>Learners to identify why an advertiser would choose new media.</p> <p>Learners to describe how they/consumers are affected by new media.</p>	<p>Examples of new media, including:</p> <ul style="list-style-type: none"> <li>• text advertisements</li> <li>• internet pop-ups and banners</li> <li>• web based advertising</li> <li>• websites</li> <li>• advertising emails</li> <li>• viral advertising.</li> </ul> <p>Could be achieved by visit to an advertising agency, the marketing department of a major advertiser that uses a range of different print new in its marketing campaigns or a media owner.</p>
Preparing for external assessment two.	<p>How section 6.2 <i>Investigating promotional media</i> is covered/questioned in external assessment.</p> <p>Apply study/learning from section 6.2 to external assessment through the use of individual questions. Use questions for individual work or class discussion.</p>	<p>Specimen paper</p> <p>Past papers</p> <p>Mark schemes</p> <p>Examiners' reports</p> <p>Notes from sessions on 6.2.</p>



### Section 6.3 Constraints on promotion

Topic	Suggested delivery plan	Resources
<p>Constraints on promotion: internal constraints and ethical considerations.</p>	<p>Initial input to outline definition and general understanding of constraints on promotion – internal constraints and external constraints.</p> <p>Learners to work in small groups to consider implications of internal constraints on promotions, using real life examples. Learners to investigate how constraints such as:</p> <ul style="list-style-type: none"> <li>• costs</li> <li>• expertise of staff</li> <li>• technical resources available</li> </ul> <p>can affect plans for promotion.</p> <p>Present findings to class for discussion.</p>	<p>Activity sheet 3 – Constraints on Promotion</p> <p>Real life examples of how internal constraints affect promotion.</p> <p>Could be achieved by visit to the marketing department of an organisation that uses promotion in its marketing mix, to study how internal constraints affects its ability to run promotions that meet its marketing aims and objectives.</p> <p>Could also be achieved by investigating the internal constraints that affect the promotion of learners' own centre.</p>
<p>Constraints on promotion: regulation, legislation and voluntary codes.</p>	<p>Initial input to outline definition and general understanding of external constraints.</p> <p>Introduction to main bodies or organisations that are involved in regulation, legislation and voluntary codes that affect promotion, including consumer protection legislation.</p> <p>Learners to investigate the remit of these bodies and organisations and present findings to class for discussion.</p> <p>Learners to find examples of external constraints on promotion based on regulation, legislation and voluntary codes, that have been reported/featured in national media, such as the promotion of gambling, the promotion of high fat foods to children, etc.</p> <p>Present findings to class for discussion.</p>	<p>Use examples of current affairs that demonstrate external constraints on promotion through regulation, legislation and voluntary codes.</p> <p><a href="http://www.ofcom.org.uk">www.ofcom.org.uk</a></p> <p><a href="http://www.asa.org.uk">www.asa.org.uk</a></p> <p><a href="http://www.cap.org.uk">www.cap.org.uk</a></p> <p><a href="http://www.tradingstandards.gov.uk">www.tradingstandards.gov.uk</a></p> <p>Could be achieved by a visit to an advertising agency or the marketing department of an organisation that uses promotion in its marketing mix, to study how external constraints affects its ability to run promotions that meet its marketing aims and objectives.</p> <p>Could also be achieved by investigating the external constraints that affect the promotion of learners' own centre.</p>

Topic	Suggested delivery plan	Resources
<p>Constraints on promotion: organisations involved and EU issues.</p>	<p>Introduction to industry organisations and EU directives that affect promotion.</p> <p>Learners to investigate the remit of these organisations and the EU in respect of promotion. Present findings to class for discussion.</p> <p>Learners to find examples of external constraints on promotion based on industry organisations and EU directives, that have been reported/featured in national media, such as drinks advertising, tobacco advertising, etc.</p> <p>Present findings to class for discussion.</p>	<p>Use examples of current affairs that demonstrate external constraints on promotion through industry organisations and EU directives.</p> <p><a href="http://www.ipa.co.uk">www.ipa.co.uk</a></p> <p><a href="http://www.europa.eu.int">www.europa.eu.int</a></p> <p>Various industry groups such as:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.portman-group.org.uk">www.portman-group.org.uk</a> (the UK drinks industry)</li> <li>• <a href="http://www.dsa.org.uk">www.dsa.org.uk</a> (Direct Selling Association)</li> <li>• <a href="http://www.smmmt.co.uk">www.smmmt.co.uk</a></li> <li>• (The Society of Motor Manufacturers and Traders Limited)</li> </ul> <p>etc.</p> <p>Could be achieved by a visit to an advertising agency or the marketing department of an organisation that uses promotion in its marketing mix, to study how external constraints affects its ability to run promotions that meet its marketing aims and objectives.</p> <p>Could also be achieved by investigating the external constraints that affect the promotion of learners' own centre.</p>
<p>Preparing for external assessment three</p>	<p>How 6.3 <i>Constraints on promotion</i> are covered/questioned in external assessment.</p> <p>Apply study/learning from section 6.3 to external assessment through the use of individual questions. Use questions for individual work or class discussion.</p>	<p>Specimen papers</p> <p>Past papers</p> <p>Mark schemes</p> <p>Examiners' reports</p> <p>Notes from sessions on 6.3.</p>

## Section 6.4: Assessing a promotional campaign

Topic	Suggested delivery plan	Resources
<p>Assessing a promotional campaign.</p>	<p>Initial input to outline the need to assess and evaluate promotional campaigns against the aims and objectives of the organisation that has planned, run and paid for the promotion.</p> <p>Introduction to different measures of assessment, taking into account:</p> <ul style="list-style-type: none"> <li>• objectives</li> <li>• targeting</li> <li>• production</li> <li>• cost</li> <li>• organisation, such as agency versus in-house for producing or running the promotion.</li> </ul> <p>Learners to consider a current promotional campaign or case study and assess the campaign and its outcome in terms of:</p> <ul style="list-style-type: none"> <li>• objectives</li> <li>• targeting</li> <li>• production</li> <li>• organisation.</li> </ul> <p>Present findings to class for discussion.</p>	<p>Activity sheet Four – Assessing a promotional campaign.</p> <p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses that are involved in running advertising and promotional campaigns or case studies from agencies.</p>
<p>Assessing a promotional campaign.</p>	<p>Recap on how to assess and evaluate promotional campaigns against the aims and objectives of the organisation.</p> <p>Learners to consider a current promotional campaign or case study and assess the campaign and its outcome in terms of:</p> <ul style="list-style-type: none"> <li>• objectives</li> <li>• targeting</li> <li>• production</li> <li>• organisation.</li> </ul> <p>Present findings to class for discussion.</p>	<p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses that are involved in running advertising and promotional campaigns or case studies from agencies.</p>

Topic	Suggested delivery plan	Resources
Evaluating a promotional campaign.	<p>Recap on how to evaluate promotional campaigns against the aims and objectives of the organisation, in terms of cost and results</p> <p>and how to best measure its effectiveness.</p> <p>Learners to consider a current promotional campaign or case study and assess the campaign and its outcome in terms of cost and results.</p> <p>Present findings to class for discussion.</p>	<p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses that are involved in running advertising and promotional campaigns, or case studies from agencies.</p>
Revision/External assessment practice	<p>How 6.4 <i>Assessing a promotional campaign</i> is covered/questioned in external assessment.</p> <p>Apply study/learning from section 6.1, 6.2, 6.3 and 6.4 to external assessment through the use of individual questions.</p> <p>Use questions for individual work or class discussion.</p> <p>Consider full mock examination.</p>	<p>Specimen papers</p> <p>Past papers</p> <p>Mark schemes</p> <p>Examiners' reports</p> <p>Notes from sessions on 6.4.</p>

## Activity sheet 1: Promotion and advertising

Name

Date

Exposure to promotion and advertising campaigns			
Three favourite television advertisements			
Product	Description	Why I liked it	What was advertiser trying to achieve?
1			
2			
3			
Three favourite radio advertisements			
Product	Description	Why I liked it	What was advertiser trying to achieve?
1			
2			
3			

Three favourite advertisements in magazines or newspapers			
Product	Description	Why I liked it	What was advertiser trying to achieve?
1			
2			
3			
Three promotions that have attracted me to buy			
Product	Description	Why I liked it	What was advertiser trying to achieve?
1			
2			
3			

Common factors: what do the advertisements and promotions that I have noted have in common?

- 1
- 2
- 3



Activity sheet 2: Media (continued)

Advertisers that use more than one medium.			
Find two examples of organisations promoting themselves or their products across different mediums.			
Organisation 1		Organisation 2	
Medium	Explain why this media has been chosen	Medium	Explain why this media has been chosen

Identify reasons why organisations will use more than one medium as part of a marketing campaign.

- 1
- 2
- 3



## **Activity sheet 3: Constraints on promotion: internal constraints and ethical considerations**

### **Teacher guidance**

Learners should work in small groups to consider implications of internal constraints on promotions, using real life examples.

Learners should investigate how constraints such as:

- costs
- expertise of staff
- technical resources available

can affect plans for promotion. Learners should then present findings to class for discussion.

### **Resource requirements**

Real life examples of how internal constraints affect promotion.

This could be achieved by a visit to the marketing department of an organisation that uses promotion in its marketing mix, to study how internal constraints affect its ability to run promotions that meet its marketing aims and objectives.

This could also be achieved by investigating the internal constraints that affect the promotion of the learners' own centre.

### **Facilitation**

Learners should be encouraged to make their own contacts with local organisations to help develop the work relatedness of their studies.

Guidance may be required as to the type of organisation where learners are most likely to get a positive reception and the right kind of support.

Explore organisations where learners may already have contacts, such as where they have a part-time job, where a parent works, where other friends work, business that already have contact with the centre, eg supplier, governor etc.

### Activity sheet 3: Constraints on promotion: internal constraints and ethical considerations

#### Student Activity

Name

Date

- 1 Decide which local organisation that you want to work with to help you learn about constraints on promotion. Research the name of an appropriate person to contact. This is most likely to be the marketing director or marketing manager.
- 2 Produce a proposal which describes who you are, what course you are studying, the help and support that you need, why you want help and support and when you want the help and support.
- 3 Outline why you think that particular business/organisation will benefit if they help you.
- 4 Tell them when you will be making direct personal contact (telephone call) for a decision.
- 5 Check the proposal with the teacher.
- 6 Mail off the proposal.
- 7 Make the telephone call.
- 8 Before the visit prepare a short questionnaire which covers the main points on which you want information.  
This could include:
  - types of promotion used by organisation
  - internal constraints on promotions perceived and experienced by organisation
  - specific constraints, including; costs, expertise of staff and technical resources available.
- 9 After the visit, prepare a short presentation to feed back to the group.

## Activity sheet 4: Assessing a promotional campaign

### Teacher guidance

Learners to work in small groups to consider a current promotional campaign and assess the campaign and its outcome in terms of:

- objectives
- targeting
- production
- organisation.

This will require some investigation by learners before they can present their findings to the class for discussion.

### Resource requirements

Real-life examples of a current promotional campaign.

This could be achieved by a visit to the marketing department of an organisation that uses promotion in its marketing mix, to study the marketing plans behind the campaign.

This could also be achieved by investigating a current campaign being run by the learners' own centre.

### Facilitation

Learners should be encouraged to make their own contacts with local organisations to help develop the work relatedness of their studies.

Guidance may be required as to the type of organisation where learners are most likely to get a positive reception and the right kind of support.

Explore organisations where the learners may already have contacts, such as: where they have a part-time job, where a parent works, where other friends work, business that already have contact with the centre eg supplier, governor etc.

## Learner Activity sheet 4: Assessing a promotional campaign

### Student Activity

Name

Date

- 1 Decide which local organisation that you want to work with to help you learn about its promotional campaign. Research the name of an appropriate person to contact. This is most likely to be the marketing director or marketing manager.
- 2 Produce a proposal which describes who you are, what course you are studying, the help and support that you need, why you want help and support when you want the help and support.
- 3 Outline why you think that particular business/organisation will benefit if they help you.
- 4 Tell them when you will be making direct personal contact (telephone call) for a decision.
- 5 Check the proposal with the teacher.
- 6 Mail off the proposal.
- 7 Make a telephone call.
- 8 Before the visit, prepare a short questionnaire which covers the main points on which you want information.

This could include: a description of promotional campaign to be studied, including the product featured, the media used, timing, objectives.

Specific information to research includes:

- objectives – why is the campaign being run
  - targeting – what is the target market (who is the product/service aimed at?)
  - production – how has it been produced
  - organisation – how has it been organised and run?
- 9 After the visit, prepare a short presentation to feed back to the group.

## Definition of key terms

Advertising	In the context of Unit 6, this refers to the use of any paid-for media space or communications media that is used to meet the needs of a marketing plan. These marketing plans could include sales promotion, public relations, direct marketing or sponsorship.
Ambient media	Diverse collection of communication media that do not fit into classic advertising media. The main feature of ambient media is that it displays brand names or messages in a continuous yet low-key way. When looked for, examples of ambient media can be found in many places, including: printed bags, beer mats, stickers in shops, on posters, on telephone boxes and other street furniture; the list is as long as the imagination of the advertising industry. Sometimes the use of posters, particularly those that remain in one site for a long time, thus becoming part of the scenery, could be considered within ambient media. Product placement; the location or use of a branded product in a film or television programme could also be considered to be an example of the use of ambient media, as it communicates the brand message in a low-key way.
Audio media	Refers generally to radio advertising, but could also include recorded promotional inserts in CDs, tapes and any other music reproduction media. Public address announcements in shops or shopping centres that promote products, special offers or encourage customers to buy would also be considered to be examples of the use of audio media.
Buyer	Usually refers to consumers but in a different context would refer to decision makers in retail organisations that sources products and suppliers, sets prices, plans promotions etc.
Direct marketing	Communication that addresses the consumer or customer directly from the manufacturer/producer, bypassing traditional distribution channels such as wholesalers and retailers. Examples would include direct mailed leaflets, direct response 'off-the-page' advertisements in magazines or newspapers, manufacturers' websites, direct response television commercials.
Discrimination and Equal Opportunities Acts	Legal protection for the consumer and employee backed-up with legislation.
Ethical considerations	Decisions or ways of conducting business that are based on how an organisation believes that it should be conducting business in the best interests of its customers, employees and society in general. Ethical considerations include personal and corporate integrity, environmental responsibility, social responsibility and a general company policy or code of operating that would be considered to be good behaviour.
Internal constraints	Restriction on marketing activity that applies within an organisation. This could include costs, expertise of staff, technical resources available and company policy.
Legislation	<p>There is a great deal of legislation that affects marketing, including protection for consumers, employees, and employers. Learners are not expected to have a detailed knowledge of all legislation, but they need an awareness of the main pieces of legislation that affecting marketing plans, including: Consumer Protection Act 1987, the Data Protection Act 1998, Sale of Goods Act 1979 and Sale and Supply of Goods 1994 and Sale of Goods (Amendment) Act 1995, Supply of Goods and Services Act 1982.</p> <p>For general guidelines or more in-depth information on consumer legislation contact <a href="http://www.tradingstandards.gov.uk">www.tradingstandards.gov.uk</a></p>

Media	Generic term for the means of communicating or carrying advertising, including print, audio, moving image, ambient and new media.
Moving image media	Usually screen-based and would include television, cinema, DVDs, CD-ROMs and web pages with filmed content.
New media	Refers to the use and exploitation of media opportunities that arise from technological developments and innovation, eg texts, pop-ups on websites, banners and other web-based ideas. This is an area where teachers and learners need to keep up-to-date with current trends and developments.
OFCOM	Ofcom is the UK's communications industry regulator with wide ranging responsibilities across the UK's communications markets. At the end of 2003 Ofcom inherited the duties of the five existing regulators it replaced – the Broadcasting Standards Commission, the Independent Television Commission, Oftel, the Radio Authority and the Radiocommunications Agency.
Organisation; agency versus in-house	In the context of assessing different ways of running a promotional campaign, this refers to the decision that most organisations need to make; whether to buy-in resources or to use own resources.
Print media	Refers mainly to magazines and newspapers. Posters could be included in print media as this is the usual means of production.
Product	Term can be applied to both a manufactured item and/or a service that has been created and developed to sell to customers or a consumer market.
Promotional campaign	Planned activity designed to increase sales, distribution, market share, awareness or any other commercial objective.
Promotional tools	Media and incentive schemes available for use as part of a promotional campaign.
Public relations	Marketing communication that seeks to raise awareness, communicate ideas or stimulate sales through the use of editorial and media opportunities that are not generally paid for directly in the same way that advertising is paid for. PR is not 'free advertising', as is sometimes thought, but an important means of promotion in its own right. Press relations and the use of press release material usually falls within PR campaigns.
Regulation	Standards of operating that are not explicitly based on legislation. Most of OFCOM's remit is based on regulation rather than legislation.
Sales promotion	The use of incentives or other schemes designed to increase sales or market share by stimulating sales or switching consumer purchases from one brand to another.
Sponsorship	The payment of money to create an alliance of a brand name with an event, an organisation or a product. The objective is to use the publicity or goodwill generated by the item being sponsored to promote the product or organisation doing the sponsoring. Examples would include major brands having their name attached to sporting events, major brands paying to have their name associated with certain television programmes, etc.

## Voluntary codes

Terms under which an organisation or industry agrees to operate to reduce the need for legislation or regulation. Examples include: Voluntary Code of Practice for the Fast Food Industry – options for reducing fast food litter and waste in the local environment; the Banking Code is a voluntary code followed by banks and building societies in their relations with personal customers in the United Kingdom.

Definitions of terms based on their context for this unit. Please note that this list is not exhaustive.

## Resources

### Books

- Cave S — *Consumer Behaviour in a Week* (Hodder, 2002) ISBN 0340849711
- Clark A — *Organisations, Competition and the Business Environment* (FT Prentice Hall, 1999) ISBN 0201619083
- Hill E and O'Sullivan T — *Marketing* (Longman, 1999) ISBN 0582369371
- Gilmore F — *Brand Warriors* (HarperCollins, 1999) ISBN 1861975929
- Klein N — *No Logo* (Flamingo, 2000) ISBN 0006530400
- Kotler P and Armstrong G — *Principles of Marketing, Ninth Edition* (Prentice Hall, 2000) ISBN 0130293687
- Jobber D — *Principles and Practices of Marketing, Third Edition* (McGraw-Hill, 2001) ISBN 007796134
- Lewis R and Trevitt R — *Business for Advanced GVNQ* (Stanley Thrones, 2000) ISBN 0784735062
- Needham D and Dransfield R — *Marketing Everybody's Business* (Heinemann, 1995) ISBN 043540255
- Proctor T — *Essentials of Marketing Research* (Pitman, 1997) ISBN 0273625314

### Other reading

*Marketing Week*

### Websites

- |  |  |
|--|--|
| <a href="http://www.adassoc.org.uk">www.adassoc.org.uk</a>                     | The information centre on the Advertising Association website has lots of useful information about the advertising industry.   |
| <a href="http://www.asa.org.uk">www.asa.org.uk</a>                             | The Advertising Standards Authority (ASA) is the independent, self-regulatory body for non-broadcast advertisements, sales promotions and direct marketing in the UK. The ASA administers the British Code of Advertising, Sales Promotion and Direct Marketing (The CAP Code) to ensure that advertisements are legal, decent, honest and truthful. The ASA was founded in 1962 and is independent of both the Government and the advertising industry. |
| <a href="http://www.cap.org.uk">www.cap.org.uk</a>                             | For information on self-regulation in the UK   |
| <a href="http://www.consumereducation.org.uk">www.consumereducation.org.uk</a> | Also has an informative section on advertising   |
| <a href="http://www.ipa.co.uk">www.ipa.co.uk</a>                               | Institute of Practitioners in Advertising (IPA): the IPA is the trade body and professional institute for leading agencies in the UK's advertising, media and marketing communications industry.   |
| <a href="http://www.dandad.org">www.dandad.org</a>                             | The British Design & Art Direction website   |
| <a href="http://www.ofcom.org.uk">www.ofcom.org.uk</a>                         | Ofcom is the UK's communications industry regulator with wide-ranging responsibilities across the UK's communications markets.<br><br>At the end of 2003 Ofcom inherited the duties of the five existing regulators it will replace — the Broadcasting Standards Commission, the Independent Television Commission, Ofjel, the Radio Authority and the Radiocommunications Agency.   |

### Other reading

*Marketing Week*

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.



## Unit 7: Investigating Enterprise

### Unit aims

The main aim of this unit is for the learners, in groups, to participate in the launch, running and monitoring of a new company and a new enterprise. They will, therefore, gain live practical experience of business. The learners will have the opportunity to reflect on and assess their own individual and team performances. They will also participate in the winding up of the company.

### Unit topics

- 7.1 Launching a company and an enterprise
- 7.2 Company officers, roles and responsibilities
- 7.3 Monitoring the performance of a company
- 7.4 Winding up your company.

### Suggestions for timing

A mini-enterprise needs a long time, eg six months, in order for the learners to fully appreciate the benefits and frustrations of their actions and earlier decisions. Ideally this unit needs to be delivered as a long thin unit over the academic year.

Learners should be guided from the start to manage their time effectively throughout the duration of this exercise. There are certain key events during the year where learners can make major sales, eg Christmas, St. Valentine's Day, Easter, college open days, local craft fairs etc. Learners need to be ready to take advantage of these opportunities and therefore should plan their activities and time accordingly.

### Suggestions for outside partners

Well-developed support materials are already available from several providers (see case studies). The advantages of using an enterprise programme provided by an external agency are that:

- 1 learners, teachers and industry advisers are well supported with paper and on-line resources and help lines
- 2 insurance cover is included in the package
- 3 enterprise bank accounts are usually available on very advantageous terms from the main bank sponsoring the programme
- 4 there is usually help provided in finding industry mentors/advisers for the learner group.

If you do not choose to use an external agency to help with the delivery of this module it is vital that you recruit at least one industry mentor/adviser to attend the learners' formal meetings and to work as a 'consultant' to the learners.

### Suggestions for finance

In this unit learners will probably be collecting money, paying contractors and handling cash or credit. It is a good idea to consider setting up a bank account for learners to use before starting the course. This would mean that there would be fewer delays involved in dealing with the bank at the start of the unit and getting cheque books or credit/debit cards issued for learner use.

This unit has links with Unit 2, and if learners have previously completed that unit, they may want to develop the business idea from that unit, into this one, but that is entirely optional.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 7.1: Launching a company and enterprise

Topic	Suggested delivery plan	Resources
Knowledge of company formation and structure – the company name, types, number of shares, shareholders, directors, voting, meetings etc.	Through using a local limited company explore the information that is held about them at Companies House. ( <a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a> )  Explore the information side of the Companies House website.	Activity sheet 1: Finding a small local company to investigate.
To take account of preparation of company documents, eg, memorandum and articles of association.	Obtain a copy of a company's memorandum and articles of association.  In small groups get the learners to identify the contents of these documents.	
Knowledge of choice of product/service; costs, timescales, materials, resources, demand, market research, prototypes and environmental issues.	Learners, in their own time, visit various locations such as craft fairs, department stores and so on, to identify a range of possible products and services that they could offer.  Learners, in class, brainstorm possible projects and produce a short list.  Learners in small groups/pairs investigate one or more possible products.  The new company meets and evaluates all the projects investigated and selects one or more products/services to develop.	Activity sheet 2: Product research worksheet.
To identify and assess the planning processes, eg, business plan, mission statement, health and safety, capital, financial planning and how to make a profit.	The learners should work together to produce their own business plan they should seek advice from their business adviser to check the credibility of their plans.	Activity sheet 3: Business planning resource sheet.  Activity sheet 4: Cash flow forecasting.  Activity sheet 5: Budget income expenses and variance spreadsheets.
To understand and apply wider business issues: types of business, features of enterprise such as opportunities and risks, innovation, creativity and entrepreneurship, factors and limitations on growth and the impact of market forces.	Learners experience a company training session one double lesson.	Activity sheet 6: Training session for the enterprise group.

## Section 7.2: Company officers, roles and responsibilities

Topic	Suggested delivery plan	Resources
A company is a legal entity and not a person and it needs officers to run it.	Teacher briefly revises this concept with the class.	
Roles and responsibilities of the board, chairman, directors, company secretary, accountants and auditors.	Following on from the learners work looking at the Companies House website and other companies, the learners identify the roles they need in their company, then write the job specifications.	Activity sheet 7: Role of company officers.
The skills and qualifications necessary for the various roles.	Learners apply for the key roles in their company justifying why they have the attributes necessary to carry out the functions.	Activity sheet 8: Vacancy in enterprise company.
The importance of team working and communication to the various roles.	The teacher and the business adviser organise a series of management training exercises to build teamwork and communication skills.	<p>Activity sheet 9: Team working and communication training exercises</p> <p>Team building and communication games – try looking at the great egg drop and designing a development project.</p> <p><a href="http://www.wilderdom.com/games/InitiativeGames.html">www.wilderdom.com/games/InitiativeGames.html</a></p> <p>Business Monopoly: variant rules.</p>
The importance of evaluating the individual roles, their interrelationship and contribution to the enterprise as a whole.	Learners to evaluate their own performance and that of the enterprise company throughout the course of the company's life.	Activity sheet 10: Evaluating individual and group performance.

### Section 7.3: Monitoring the performance of a company

Topic	Suggested delivery plan	Resources
Why is monitoring the daily performance of your company and its functional areas essential?	Learners should spend a few minutes writing down notes, then brainstorm their answers.  Present the findings of the brainstorming in a visual way such as a poster.  Directors of individual departments need to identify and state how they will monitor their departments' progress.	Activity sheet 11: Sample monitoring diagram.
Team working, particularly support and motivation of team members.	Learners participate in a series of management training exercises.	Activity sheet 9: Team working and communication training exercises.  Egg-dropping game <a href="http://www.wilderdom.com/games/descriptions/GreatEggDrop.html">www.wilderdom.com/games/descriptions/GreatEggDrop.html</a>
Meetings: efficient and regular dissemination of information.	Learners are required to hold formal weekly meetings with the business adviser and teacher present.	Activity sheet 12: Meetings briefing sheet  Long document about the making of a good meeting includes SMART objectives.
Regular reviews, both personal and company.	Learners to evaluate their own performance and that of the enterprise company throughout the course of the company's life.	Activity sheet 13: Working to targets worksheet.
Production totals and quality control.	Directors of each department review performance at each weekly meeting.	Activity sheet 13: Working to targets worksheet.
Promotion strategies.	Directors of each department review performance at each weekly meeting.	Activity sheet 13: Working to targets worksheet.
Financial performance, particularly cash flow, break-even and bank accounts.	Directors of each department review performance at each weekly meeting.	Activity sheet 13: Working to targets worksheet.  Activity sheet 14: Calculating break-even point.  Activity sheet 4: Cash flow forecasting.  Activity sheet 5: Budget income expenses and variance spreadsheets.
Purchasing. Sales forecasts and targets.	Directors of each department review performance at each weekly meeting.	Activity sheet 13: Working to targets worksheet.

## Section 7.4: Winding up your company

Topic	Suggested delivery plan	Resources
What is winding up?	Brainstorm with the learners why a business might choose to wind up.	<a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>
Effective planning for winding up.	Arrange a meeting of the company to just plan and implement winding up the company.	Activity sheet 15: Winding up worksheet.
All relevant documentation and reporting.	Learners should arrange an Annual General Meeting for the shareholders and at that meeting present to the shareholders the final accounts and report of the company.  At this meeting there should also be a motion to wind up the company.	Activity sheet 16: Suggested format for company report to the shareholders.
Closing down trading activities.	Follow-up plan of action from Activity sheet 15	Activity sheet 15: Winding up worksheet.
Distribution of assets.	Follow-up plan of action from worksheet 15	Activity sheet 15: Winding up worksheet.
Financial implications.	Follow-up plan of action from worksheet 15 Prepare final set of Company Accounts	Activity sheet 15: Winding up worksheet.  Activity sheet 5: Budget income expenses and variance spreadsheets.
Impact of and on external factors.	Identify external factors that might be affected by the wind up of the company	Activity sheet 17: External factor sheet.

### Activity sheet 1: Finding a small local company to investigate

1. Find local companies in your area by using your telephone directory or other local directory of business. Another good source of local companies is a town website.
2. Choose a company that operates as a limited liability company and therefore only submits very straightforward accounts to Companies House ([www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)), eg Costa Coffee and then use their website to order key documents such as Articles and Memorandum of Association, recent company accounts, details of company directors and so on. It is necessary to pay for most documents which are specific to one company, so this preparation will need to be done in advance in order to be ready in time for the lesson.
3. Spend some lesson time taking the learners around the Companies House website showing where they can access information on specific companies and general company and director information.
4. Ideally ask a local accountant or lawyer to come into the class to talk about the problems of setting up a limited liability company. Your local Education Business Partnership (EBP) should be able to put you in touch with a law or accountancy firm who could provide such a speaker.

## Activity sheet 2: Product research worksheet

Before making a decision about which business enterprise to embark on, learners will need to do some research. This worksheet shows a summary of the research into two quite different possible businesses. The worksheet is not exhaustive.

1. Service-based business: home delivery of shopping to elderly customers, learners go shopping for customers and bring the shopping back to the customers' homes.
2. Manufacturing-based business: producing painted light bulbs for fairs, parties and festivals such as Christmas and Diwali.

	Home delivery	Light bulbs
Material costs.	Small if bicycle or trolley is used.	Purchase paint, light bulbs packaging .
Health and safety issues.	Personal safety: shopping in the evening, robbery.	Low VO <sub>x</sub> paint needed to reduce paint fumes, broken glass, fire hazard, electrical hazard.
Timescales.	Time needed to produce flyers, gather phone numbers.	Time for production, safety testing, continuous burn of light bulb.
Demand pattern.	Demand should be continuous. Customers always need shopping.	Demand is periodic. High before festivals and low at other times of the year.
Stock.	No initial investment needed	Large initial investment in stock.
Prototypes.	None, although dry runs might be performed to find out how long it takes to do a shop and the best times to shop.	Prototypes are needed in order to test equipment and for marketing purposes.
Environmental issues.	Environmentally-sound project, reducing transport costs by learners using bicycles or trolleys or public transport instead of cars.	Uses paint and light bulbs produces waste. This is a luxury item.
Badges – logos.	Learners will need some form of ID.	Company logo.

There is a blank sheet over the page that learners can use when doing their own research.





### Activity sheet 3: Business planning resource sheet

The Government provides excellent advice about writing a business plan on its website: [www.businesslink.gov.uk](http://www.businesslink.gov.uk) . In this website you will find all the key information that a new business starting out would need to consider.

The Business Link's guide contains the following headings and provides a good outline for learners' own business plans:

- Introduction
- The audience for your business plan
- What the plan should include
- The executive summary
- Your business, its products and services
- Your markets and competitors
- Marketing and sales
- Your team's skills
- Your operations
- Financial forecasts.

Learners should use the main headings from the Business Link's guide to create their own business plan for their company. They should also include in their business plan a mission statement. The DTI gives advice on mission statements on its website [www.b2b.absukltd.com](http://www.b2b.absukltd.com) this is a useful starting point for learners.

The business plan will also provide a point for learners to decide on the number of shares they are going to issue, who the directors are and so on.

To support the financial planning examples of budget sheets, cash flow forecasting sheets, basic accounting documents and variance analysis sheets are included.

### Activity sheet 4: Cash flow forecasting

Income	Week number												
Items	1	2	3	4	5	6	7	8	9	10	11	12	13
School donation	50												
Parent loan	20												
Total income	70	0	0	0	0	0	0	0	0	0	0	0	0



Activity sheet 5a: Budget income expenses and variance spreadsheets.

Sample Budget Sheet			
Budget for Company			
Income			
Grants			
Shares			
Loans			
subtotal			£0.00
Direct costs			
Paint			
Pens			
Stationery			
subtotal			£0.00
Overhead Costs			
Lockup garage rent			
subtotal			£0.00
Net Profit/Loss			







## Activity sheet 6: Training session for the enterprise group

Use the concept of the World Trade Game which is obtainable from Christian Aid.  
([www.christainaid.org.uk/learn/schools](http://www.christainaid.org.uk/learn/schools))

Divide the group into three or four sub groups, these groups do not need to be the same size.

Allocate to the groups various resources such as:

- paper
- rulers
- compasses
- scissors
- pencils.

Give only one group all the necessary resources.

Give only one group a large amount of just one resource such as paper

Tell the groups that their objective is to work as competing companies and to maximise their sales of paper triangles with sides measuring 3 cm by 4 cm by 5 cm. Sales will be made to the teacher who acts as a central banker.

There will then follow four production/trading periods lasting five minutes, each with an interval between each period when the sales are made to the teacher and recorded on the board.

Use the industry adviser as an observer.

At the end of the session get the learners to reflect on their performance using the grid on the next page.

As a class thought-shower, with the adviser's input, show how performance in this simulation can improve actual performance in running the company.



## Activity sheet 7: Role of company officers

Learners in the enterprise company should use their work on the Companies House website and contacts with local businesses to identify:

What are the key officers that every business should have?

What other specialist officers do they want to have for their company?

Everyone should ultimately have a role in the company, either as a director or an assistant director. It is very difficult for learners to stay involved if they do not have a clear role to play.

The learners should then identify the roles, responsibilities, skills and qualifications that each post needs.

Individuals should then apply for posts that appeal to them. If the Managing Director and Company Secretary are appointed by the whole group first, then they can interview/appoint the other posts.

Activity sheet 8: Vacancy in enterprise company

Position:	
Role:	
Responsibilities:	
Skills:	
Qualifications:	

## Activity sheet 9: Team working and communication training exercises

All management benefits from time out to reflect on styles of working and to develop the softer skills.

There are a wide range of business games available which give learners a chance to practise their communication skills.

To make these exercises most productive, provision should be made for:

- a) Members of the team to take it in turn to act as observers and lead the evaluation at the end of the exercise
- b) All learners to evaluate their performance and their team performance after the exercise
- c) Learners to reflect on how the lessons learned in training exercises could be transferred to their real mini-enterprise company.

## Activity sheet 10: Evaluating individual and group performance

No one likes criticism, therefore it is important that from the start of this enterprise certain ground rules are established that ensure each individual's dignity and general behaviour. Within those basic ground rules it is essential that individuals are honest with one another in order to overcome constraints and maximise the company's potential.

Each month throughout the company's life, individuals and the team should review their performance and reflect on how approaches to problem solving could be adjusted to improve the company's performance. This should not be a negative exercise, but should be a chance to celebrate all that has gone right and to focus optimistically on opportunities to improve.

Initially, individuals should work on this exercise for five to ten minutes on their own then they should work in a team of three or four learners for 15 minutes consolidating their ideas. Each team should appoint a spokesman to speak to the whole enterprise company group. Finally the whole enterprise company group should pull together a summary for the company reflecting everyone's contribution.

If things are not going well for the company, the Business Adviser and the link teacher may have to plan this activity very carefully; bear in mind that business advisers are not necessarily trained to handle hostile situations.

## Company Review Proforma

In the following areas of business list what you think have been the key success and constraints over the last month and identify what your role has been.

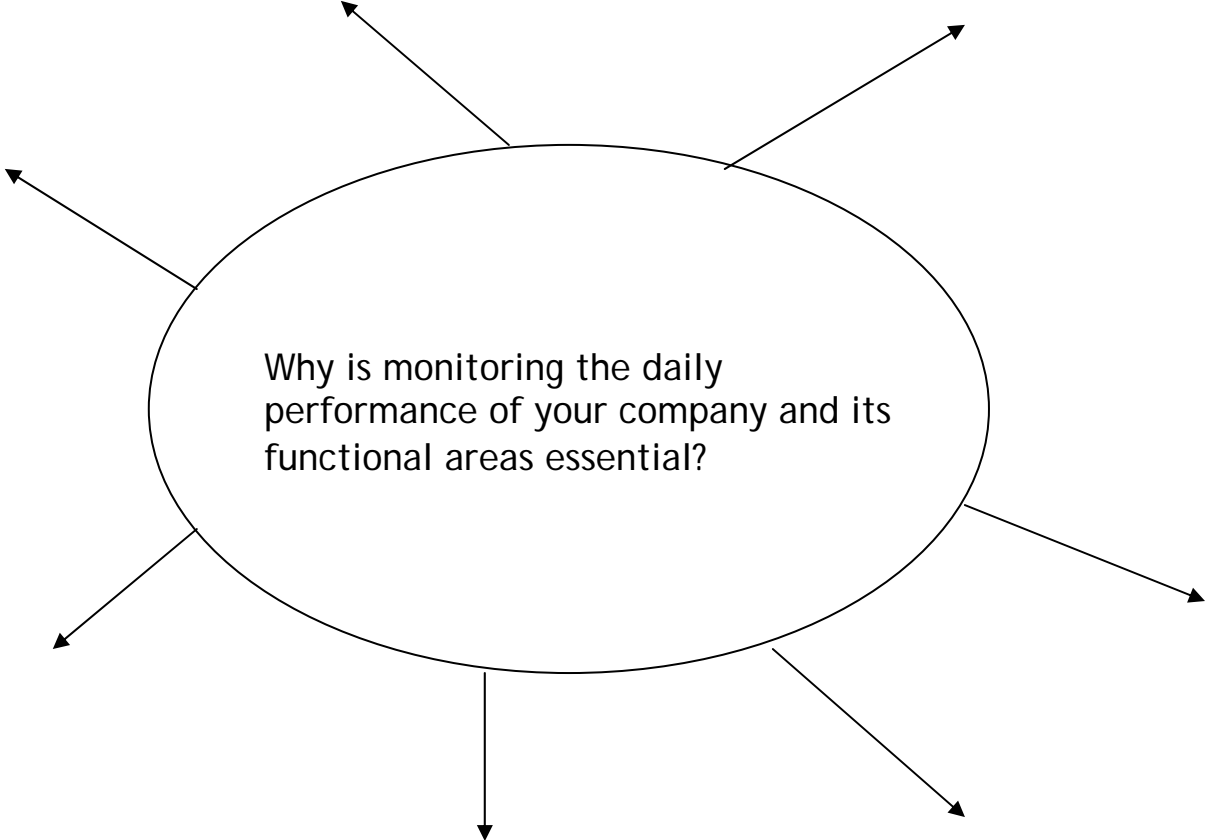
	Successes	Limitations	My role
Marketing			
Finance			
Personnel			
Production			

External factors

Other

Overall company objectives

Activity sheet 11: Sample monitoring diagram



## Activity sheet 12: Meetings briefing sheet

Meetings of enterprise companies are fraught with difficulties. From the start insist on the following, perhaps even make it into a meetings code of conduct:

- learners sit formally on chairs around a large table (group of tables put together)
- learners speak to the chair and do not break down into subgroups
- the agenda is followed for each meeting
- minutes are taken
- learners attend all meetings.

The teacher in charge of the group should step back in the meetings to allow the learners to take ownership of their company. The business adviser is there to act as a mentor/coach/adviser to the company but not to run the company.

Further information on running a good meeting is given as a link in section 7.3.

### Activity sheet 13: Working to targets spreadsheet

When the learners wrote their business plan they should have set targets for all functional areas of the business. As the business develops, those targets will need to be reported on the whole company, updated and revised. At each weekly meeting the functional directors should report on the progress their departments are making on meeting targets. Therefore on the weekly meeting agenda the following items would probably be found:

- managing director's report
- marketing director's report
- production director's report
- personnel director's report
- finance director's report.

The enterprise company as a whole, led by the managing director, needs to agree changes to targets during these weekly meetings (if needed) and ensure that departments targets are synchronised.



Activity sheet 14: Calculating break-even point

Calculating break-even point					
Calculate unit contribution		£			
Selling price per unit			10.00		
Less direct costs			6.00		
= Contribution			4.00		
Only fill in information in pale shaded fields					
B) Break Even =		Fixed Cost/ Contribution			
Fixed Cost			200.00		
Break-even			50		
In this example therefore 50 units must be sold in order to break even. Ie make no profit and no loss.					

## Activity sheet 15: Winding up worksheet

One way of reviewing all the steps that you need to take to wind up is to look at your profit and loss account and balance sheet and ask yourself what needs to be done to close down this company and then allocate these tasks to members of the company.

### Profit and loss account proforma

Item	Question	Signed
Sales.	Have you delivered all your goods to your customers?	
Cost of Goods Sold.	Have you collected and paid for all the goods that you have ordered?	
Gross Profit.		
Expenses.	Have you remembered to include all the expenses incurred in the accounts? Have you paid for all your expenses and if not when will you? Are there any expenses that you've paid for that could be recharged to some one else?	
Net Profit.		

## Balance Sheet Proforma

Item	Question	Signed
Fixed assets.	Have you any fixed assets? What will happen to the fixed assets once the company winds up? Have all the directors formally agreed to the method of disposing of the fixed assets?	
Current assets.		
Stock.	Is there any remaining stock? How can you sell it to get the best price for the shareholders?	
Debtors.	Does anyone owe the business money? How are you going to collect that debt? If you can't collect the debt, then it is a bad debt, which will reduce the value of your profit and your debtors.	
Cash.	When all the other assets have been disposed of, the trade creditors and any tax paid, then the final step in winding up the company is to pay back to shareholders their capital and their share of the profits, if there is any. If the company has made a loss then all the shareholders share the loss and the capital repaid to them is reduced accordingly. What happens if the loss is greater than the amount invested by the shareholders?	
Current liabilities.		
Trade creditors.	Ensure that all trade creditors have been identified and paid off in full, if you have the resources to do so.	
Taxation.	Ensure that all tax and VAT payments are calculated and paid for, before winding up.	
Loans.	Ensure that these are all cleared, if possible.	
Long term capital Shareholders' equity.	Pay off shareholders when absolutely everything else has been collected in or paid off.	
Finally, do not forget to close down the bank account.		

## Activity sheet 16: Suggested format for company report to the shareholders

- 1 Limit the document to 15 pages, including front and back covers.
- 2 Include in the report the company's mission statement, aims and objectives and an assessment of how well those aims and objectives have been met.
- 3 Provide an outline of the financial highlights of the year, including break even calculations, graphs of sales performance, variance analysis, key figures for sales, gross and net profit.
- 4 Provide a report from each director on their contribution to the success of the company. In order to produce this director's report, it is essential that the team work together to evaluate their group and individual performances and then plan how they will present the story of their company.
- 5 Include a concluding section that states how they could do things better next time, both individually and as a company.
- 6 Include a set of company accounts, including profit and loss and balance sheet as at the date of the winding up meeting.

## Activity sheet 17: External factor sheet

As an example we will look at two cases that were considered at the start of the unit in the product research worksheet (see product research worksheet).

One case involved a small business that provided home delivery services to the local community. The second case involved making painted light bulbs for festive events. We shall consider what effects there might be from winding up these two successful companies.

Home delivery	Light bulbs
<p>When the delivery service stops, people in the community who used your services will find themselves at a loss. They may not trust strangers to provide the services that were provided by your company. What, if anything, can be done to help your customers? Should you recommend another delivery service to them, if one exists? Should you inform them that you are closing down in case someone tries to use the trust that has been built up in order to gain access to the customer's house or money.</p>	<p>What will your customers do once you stop making light bulbs and the bulbs that you have made start to fail? Should you inform them that you are going into liquidation and sell them spares?</p> <p>Once you have closed up the company there still remains the problems of disposing of the paint and turpentine products. These products provide an environmental hazard and a fire safety hazard. Turpentine can not be poured down the drain legally and has to be disposed of properly. Paint and turpentine are also a fire hazard unless stored safely.</p>

## Case studies

There are various organisations that you can work with to deliver this unit. When using an agency make sure that their programme links into all aspects of the Edexcel criteria. Running a mini Enterprise company on its own will not ensure that the criteria are met. Learners must collect the relevant evidence for their portfolio as they go along as this process in itself is part of adopting professional management habits.

The following agencies all offer programmes which would support this unit and it is up to the teacher to assess which of these programmes best suits learners needs.

- The Young Enterprise Team and Company programmes ([www.young-enterprise.org.uk](http://www.young-enterprise.org.uk))
- The National Foundation for Teaching Entrepreneurship programme ([www.nfte.org.uk](http://www.nfte.org.uk))
- Achievers International ([www.achieversinternational.co.uk](http://www.achieversinternational.co.uk))

## Definition of key terms

Budget	A plan or estimate of expected income and expense for a period of time.
Cash flow prediction	Cash flow prediction is a simple process where a business keeps track of all kinds of expected payments and income. The process lists income and expenses along with their due dates and other information. It allows the business to forecast future requirements and make provision for them.
Database	A collection of data: part numbers, product codes, customer information, etc. It usually refers to data organised and stored on a computer that can be searched and retrieved by a computer program, however it could refer to a card file.
Gantt chart	A Gantt chart is a graphical representation of the duration of tasks against the progression of time. It is used to help organise the timing and availability of resources and to identify crucial tasks that have to be completed before other tasks can be undertaken.
Mailing list	A collection of email addresses identified by a single name; mailing lists provide a simple way of corresponding with a group of people with a common interest or bond. There are two main types of lists: one you create within an email program like Eudora that contains addresses for two or more individuals you frequently send the same message; and the other is a Listserve type that requires participants to be subscribed (eg, a group of collaborators, a class of students, or often just individuals interested in discussing a particular topic).
SMART	An acronym which lists the desired qualities of a business objective. <b>S</b> pecific, <b>M</b> easurable, <b>A</b> ttainable, <b>R</b> elevant, <b>T</b> ime limited.
Variance	In business terms the difference between the predicted or budgeted expenses/income and the actual expenses/income.

## Resources

### Books

Bridge S — *Understanding Enterprise, Entrepreneurship and Small Business* (Macmillan, 1998)  
ISBN 03368348X

Burch G — *Go it Alone* (Capstone, 2003) ISBN 1841124702

Butler D — *Business Planning; A Guide to Small Business Start-Up* (Butterworth-Heinemann, 2000)  
ISBN 075064706X

Clayton P — *Forming a Limited Company* (Kogan Page, 2001) ISBN 0749436158

Clayton P — *Law for the Small Business* (Kogan Page, 2001) ISBN 074943614X

Impey D — *Running a Limited Company* (Jordans, 2001) ISBN 0853087296

Macmillan D — *Be Your Own Boss* (Kogan Page, 2002) ISBN 0749438843

Stone P — *The Ultimate Business Plan* (How To Books, 2002) ISBN 1857038177

Trout J — *Differentiate or Die* (Wiley, 2001) ISBN 0471028924

Wiersema F — *Customer Intimacy* (Peoplebooks, 1998) ISBN 1861976305

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification

### Websites

[www.fsb.org.uk](http://www.fsb.org.uk) Federation of Small Businesses

[www.garthyfog.co.uk](http://www.garthyfog.co.uk) Garthyfog Farm Log Cabin, Camping and Caravan Site — example of small enterprise

[www.purpleflame.com](http://www.purpleflame.com) Purple Flame — production company specialising in broadcast and media services

### Other reading

Newsletters from the National Federation of Small Businesses and local chambers of commerce, available from:

Federation of Small Businesses  
Sir Frank Whittle Way  
Blackpool Business Park  
Blackpool  
Lancashire FY4 2FE

Telephone: 01253 336000  
Fax: 01253 348046  
Website: [www.fsb.org.uk](http://www.fsb.org.uk)

British Chambers of Commerce  
65 Petty France  
London SW1H 9EU

Telephone: 020 7654 5800  
Fax: 020 7654 5819  
Email: [info@britishchambers.org.uk](mailto:info@britishchambers.org.uk)  
Website: [www.chamberonline.co.uk](http://www.chamberonline.co.uk)

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## Unit 8: Business Development

### Unit aims

The main aim of this unit is for the learners to understand the importance of planned development for continued success. It will allow learners to examine how a business idea can be managed through the various planning and development stages into a workable form with a realistic chance of future growth. It will encourage learners to think carefully about issues such as competition, legal status and quality as well as requiring a full consideration of human resources. Financial considerations underpin the unit and learners will need to demonstrate knowledge and understanding of all aspects from raising initial capital through budgeting to cash flow forecasts, projected profit and loss accounts and start-up balance sheets. A major element concerns the feasibility and realism of the intended development and learners will learn how to evaluate and examine the longer-term prospects for the intended business.

### Unit topics

- 8.1 The business idea
- 8.2 Resource and quality issues
- 8.3 Financial resources
- 8.4 Feasibility and evaluation.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### 8.1: The business idea

Topic	Suggested delivery plan	Resources
The business idea.	Introduction to Business Development Unit with Unit Specification 'What you need to learn' sections 8.1. to 8.4. Class carries out thought-shower session to come up with business ideas. Come up with list of best three with pros and cons considered.	Activity sheet 1: The business idea.
Range of possible ideas, legal status.	Learners refine list of main three business ideas and place in order of preference. Preparation of rationale for each. Lesson on types of organisation to be considered. Learners each make choice between sole trader and partnership.	Activity sheet 1: The business idea.
Research.	Lesson on marketing research. Application of secondary and primary research to chosen project. Learners to compile short relevant questionnaire. Type up and prepare for survey using question sheet, response sheet for recording answers and clipboard. Learners start survey after questionnaire is checked.	Activity sheet 2: Market research. Prepare relevant questionnaire.
Research.	Continuation of market research surveys inside and outside of learning environment. Minimum of 20 respondents interviewed.	Activity sheet 2: Market research. Conduct survey.
Comprehensive Analysis.	Collation and analysis of market research results feeding data into a spreadsheet program. Present research finding using bar charts, graphs function.	Use spreadsheet.
Promotion strategies	Lesson on marketing plans based on the Four 'Ps'. Learners to apply this to their business ideas.	
Promotion strategies.	Expansion of the Four 'Ps' to include, where appropriate, packaging, branding and future development of products/services. Learners required to consider and apply SWOT and PEST analysis to their business ideas.	

Topic	Suggested delivery plan	Resources
Likely competitors.	Fuller investigation into competitors. Attempt to determine potential share of local market.	

## 8.2: Resource and Quality Issues

Topic	Suggested Delivery Plan	Resources
Physical human resources.	Lesson on resource and quality requirements. Learners to list staffing/employment issues, assets required on start up and safety and quality issues. Research costs/prices using internet.	Activity sheet 3: Resources and quality internet research.
Resources and quality.	Resources examined looking at renting/leasing as opposed to buying. Lesson on customer care and after sales service.  Learners devise own plan and policy with suitable statement and procedures for handling complaints. Consideration of guarantees and refunds.	Resource centre.
Constraints – legal and economic.	Lesson on management of businesses describing the issues in relation to planning, organising, co-ordinating, controlling and motivating  Learners to consider issues that might include asset replacement and depreciation policies, insurance cover for all aspects of business operation, systems for control of cash, stock control (if appropriate) and management/staff meetings.	

## 8.3 Financial Resources

Topic	Suggested delivery plan	Resources
Sources of finance.	Lesson on types of finance to meet needs of business to include start-up and long term capital, instalment credit and finance to meet working capital requirements. Learners to research bank websites for types of commercial loan and match results to asset list.	Activity sheet 4: Finance.  Internet research.
Forecasts: cash flow and break-even.	Lesson on basic financial documents for business development. Cash flow budget. Trading/profit and loss forecasts and account. Balance sheet. Supply template with formulae for learners to input to spreadsheet or disk with standard program for consistency of approach or disk with standard program for consistency of approach. Supply template with formulae for learners to input to spreadsheet	Use template and formulae.
Sustaining idea.	Guest speaker from local bank regarding the importance of providing clear financial proposals that should back up the business idea. Learners to compile forecast for year two of the business and revise the break-even forecast.	Guest speaker.

## 8.4 Feasibility and Evaluation

Topic	Suggested Delivery Plan	Resources
Break-even analysis.	Lesson on break-even analysis. Learners to identify fixed and variable costs relating to their business development ideas. Continued input of data to spreadsheet of costs, revenues, other receipts and payments.	Activity sheet 5 – Financial evaluation.  Use template and formulae.
	Apply break-even analysis to completed trading and profit and loss account. Learners to produce manual or computerised break-even chart for the business. Use of spreadsheet or graph paper.	Break-even charts.
Ratio Analysis.	Lesson on tools for evaluating the performance of the business by use of ratio analysis. Include ROCE, gross profit %, net profit %, working capital, acid test, capital gearing. Learners to provide estimate on how profits and business funding may change and how this might affect the ratios studied.	Worked example(s).
	Learners research and write up justification for figures appearing in the cash flow forecast.	
Ratio Analysis	Lesson revisiting the topic of ratio analysis. Learners apply accounting ratios to the accounts produced and comment upon the results calculated and achieved	
	<p>Guest speaker from Inland Revenue to explain issues regarding self-employed tax and the running of P.A.Y.E. systems for tax and national insurance deductions.</p> <p>Learners research and explain why accounting ratios can be distorted and misleading.</p>	<p>Guest speaker</p> <p>Inland Revenue website: <a href="http://www.inlandrevenue.gov.uk">www.inlandrevenue.gov.uk</a></p>
	Learners to complete second year of forecast and then use ratio analysis to compare the results side by side with previous year. Comments required for the reasons why the results have changed.	

Sessions relating to all content areas

All	Controlled session with full access to IT facilities.	
All	Controlled session with full access to IT facilities.	
All	Controlled session with full access to IT facilities.	IT suite
All	Controlled session with full access to IT facilities.	IT suite
	Continuation of work on second year of financial plan.	
All	Controlled session with full access to IT facilities.	IT suite
All	Controlled session with full access to IT facilities.	IT suite

The above programme has been devised to cover 30 weekly sessions of two hours each and has been provided as a suggestion as to how the unit may be delivered and structured to meet the mark bands assessment criteria.

Teachers can use this as a basis for schemes of work and lesson planning. If the programme is delivered on a semester basis the suggested guide can be used on the basis of 15 equal sessions of four hours per week.

## Activity sheet 1: The business idea

Compile a shortlist of a range of business ideas:

- 1.
- 2.
- 3.
- 4.
- 5.

Look at the immediate basic potential advantages and disadvantages of each and then narrow your choice down to three, placing them in order of preference, giving basic reasons for your choice and why you believe they could be viable:

Choice of business	Advantages	Disadvantages
1.		
2.		
3.		
4.		
5.		

Pick your best idea from your choice of three and state the legal type of organisation you are forming.

Identify your aims and objectives:

Aims:

- 1.
- 2.
- 3.
- 4.
- 5.

Objectives:

1.

2.

3.

4.

5.

Having selected from the choices made continue into Activity 2



## Activity sheet 2: Market research

Carry out secondary and primary market research to establish information about your competitors and potential market and present your findings. It might be useful to look at what has been done regarding market surveys in *Unit 3: Investigating Marketing*. Initially, a questionnaire will be needed, a significant number of relevant responses obtained and the results analysed. From this you will find out information that will inform your marketing strategy.

My business idea	Potential competitors	Location/products/services offered

Having established that there is a market for your business you will need to decide on the basis for your marketing strategy.

Promotional methods:

- 1.
- 2.
- 3.
- 4.
- 5.

Price(s) to be charged:

Product/service One

Product/service Two

Product/service Three

Product/service Four

You may now wish to consider a more detailed analysis of the market and your key competitor(s).

Carry out a 'SWOT' and 'PEST' analysis of these to consider all aspects not yet covered:

	My business	Competitor One/Two/Three etc
Strengths		
Weaknesses		
Opportunities		
Threats		

	My business	Competitor One/Two/Three etc
Political		
Economic		
Social		
Technological		

You may wish for this and other activities to keep a record of any internet research you have conducted, eg:

Websites visited	Information obtained

### Activity sheet 3: Resources and quality

Compile a list of resources required for the start-up and continued running of your business with a rationale and estimated cost for each. Obviously these will depend on the nature of the chosen business:

Resource required	Start-up cost	Running cost (weekly/monthly)
1.		
2.		
3.		
4.		
5.		

You will need to decide whether or not to employ anyone else in the running of the business and any legal implications this may bring. If you do intend to employ staff you will need to explain the human resource requirements and the law surrounding safe working practices and employment contracts as they impact upon the business, eg:

Employee One: Paid weekly, full-time

Employee Two: Paid hourly as required

Etc.

You will need to set out the financial options for funding different aspects of the business. To do this you will need to prepare a list of assets from above and decide on the best way of paying for these.

Asset	Buy or lease?
1.	
2.	
3.	
4.	

You will need to explain how the financing decisions for the various types of resources needed for the business were made.

You will need to describe how the resources of the business are to be managed and used to their maximum effect and how the business will ensure that quality is maintained. To do this you may need to produce a daily or weekly schedule of tasks or a rota depending on the nature and type of business chosen.

Day/Time	Activity
8.00 – 10.00	Clean surfaces, prepare salads, receive deliveries etc
10.00 – 12.00	
12.00 – 14.00	
14.00 – 16.00	
16.00 - 18.00	

You will need to produce a statement of customer care that reveals the desire of the business to satisfy customer needs and how complaints will be dealt with. You may be able to link this back to the aims and objectives you determined at the outset:

Customer care goals:

- 1.
- 2.
- 3.
- 4.
- 5.

## Activity sheet 4: Finance

Note to teachers: a problem that is commonly encountered in the delivery of a unit like this is how to set up good basic financial documentation. Schools/colleges are encouraged to use their own templates providing they do actually cover one whole year of budget preparation. It is also essential to show the impact of depreciation charges on the profit and loss account.

Finance is the crucial element for any successful enterprise. This sheet will guide you through a suggested format for handling this in a manageable way.

- a) Initially, you will need to decide upon the likely sources of finance available to your business bearing in mind that the proposition will need to be scrutinised by potential lenders.

Possible sources of finance:

- 1.
- 2.
- 3.
- 4.
- 5.

Explain why you decide on a particular source as suitable for your business.

- b) Week nine of the plan requires these basic financial documents to be produced. The suggested format that follows can be used as basic input documents for a spreadsheet program. The pages shown in the program are as follows:

- cash budget
- trial balance
- trading and profit and loss account
- balance sheet.

These pages are linked by formulae that have been provided in order to drive the program. Once the program template has been correctly installed, the learner can use this to record cash flow. The program then automatically generates the final accounts.

Please note the following:

The program has been written to take account of the fact that the business will be registered for Value Added Tax (VAT) and will have to pay this quarterly. The program works out the amount owing at the end of the year and includes it as a current liability in the balance sheet.

The program also contains a conditional formula (=IF) that will calculate interest at 1 per cent per month, payable to the bank in the event of the business becoming overdrawn, based on the closing balance in the previous month.

Learners should not put in data to any cell that is controlled by formula.

The program assumes that in the first year of business that premises will be rented rather than purchased.

A (ROW 1)	B	C	D	E	F	G	H	I	J	K	L	M	N
CASH FLOW FORECAST									PERIOD:	Year 2005			
(ROW 3)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
RECEIPTS	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Cash Sales													
Credit Sales													
Grants													
Capital Introduced													
Loans													
V A T Output Tax													
TOTAL RECEIPTS (A) (ROW 11)													
EXPENSES													
Drawings + NIC Class 2													
Wages inc. Employers NIC													
Rent													
Rates													
Insurance													
Postage/Excise Duty													
Bank Charges													
Loan Repaid – Capital													
Loan Repaid – Interest													
Bank Overdraft Interest													
V A T Payments													
Opening Stock													
Trade Purchases													
Energy													
Advertising/Promotions													
Equipment													
Motor Vehicles													
Leasing													
Petrol/Oil/Maintenance													
Print/Stationery/Phones													
Professional Fees/Subs													
Repairs and Renewals													
V A T Input Tax													
TOTAL EXPENSES (B)													
Opening Balance													
Cash Flow (A) – (B)													
Closing Balance (ROW 38)													

Column O	Column P	DR	CR	When inserting formula always start with =	
Trial Balance for year	Adjustments	£	£		
Cash Sales			N4		1
Credit Sales + Debtors	X	P4	N5+P4	Insert year end debtors in P4	2
Grants			N6		3
Capital Introduced			N7		4
Loans			N8		5
V A T Output Tax			N9		6
Closing Stock		(N23+N24)/12	Q9		7
Bank Balance		N37			8
Drawings + NIC Class 2		N12			9
Wages inc. Employers NIC		N13			10
Rent		N14			11
Rates		N15			12
Insurance		N16			13
Postage/Excise Duty		N17			14
Bank Charges		N18			15
Loan Repaid – Capital		N19			16
Loan Repaid – Interest		N20			17
Bank Overdraft Interest		N21			18
V A T Payments		N22			19
Opening Stock		N23			20
Trade Purchases + Creditors	X	N24+P23	P23	Insert year end creditors in P23	21
Energy		N25			22
Advertising/Promotions		N26			23
Equipment		N27			24
Motor Vehicles		N28			25
Leasing		N29			26
Petrol/Oil/Maintenance		N30			27
Print/Stationery/Phones		N31			28
Prof. Fees/Subs + Accrual	X	N32+P31	P31	Insert year end Accountancy fees in P31	29
Repairs and Renewals		N33			30
V A T Input Tax		N34			31
Depreciation of Equipment		N27*.2			32
Equipment provision			Q34		33
Depreciation of Motor Vehicle		N28*.25			34
Motor Vehicles provision			Q36		35
Totals		SUM(Q3:Q37)	SUM(R3:R37)		36

O P Q R E F G H I J K L M N

When inserting formula always start with =

**TRADING AND PROFIT AND LOSS ACCOUNT  
FOR YEAR 1 OF BUSINESS**

	<u>£</u>	<u>£</u>
Sales		R3+R4
Less: Cost of Sales		
Opening stock	Q22	
Add: Purchases	Q23	
	<u>C45+C46</u>	
Less: Closing stock	R9	
		<u>C47-C48</u>
Gross Profit		D43-D49
Less: Overheads		
Wages inc. Employers NIC	Q12	
Rent	Q13	
Rates	Q14	
Insurance	Q15	
Postage/Excise Duty	Q16	
Bank Charges	Q17	
Loan Interest	Q19	
Bank Overdraft Interest	Q20	
Energy	Q24	
Advertising/Promotions	Q25	
Leasing	Q28	
Petrol/Oil/Maintenance	Q29	
Print/Stationery/Phones	Q30	
Professional Fees/Subs	Q31	
Repairs and Renewals	Q32	
Depreciation of Equipment	Q34	
Depreciation of Motor Vehicle	Q36	
Total overheads		<u>SUM(C52:C68)</u>
Net Profit for the year		<u>D50-D69</u>

**BALANCE SHEET  
AS AT END OF YEAR 1**

	<u>£</u>	<u>£</u>	<u>£</u>
<u>Fixed Assets</u>	<u>Cost</u>	<u>Deprec'n</u>	<u>Net Value</u>
Equipment	Q26	R35	J44-K44
Motor Vehicles	Q27	R37	J45-K45
	<u>J44+J45</u>	<u>K44+K45</u>	<u>L44+L45</u>
<u>Current Assets</u>			
Stock		Q9	
Debtors		Q4	
Bank		Q10	
		<u>K48+K49+K50</u>	
Less:			
<u>Current Liabilities</u>			
Creditors	R23		
Accruals	R31		
VAT Owing	R8-Q21-Q33		
		<u>J54+J55+J56</u>	
Working Capital			<u>K51-K57</u>
Total Net Assets			<u>L46+L58</u>
Less:			
<u>Long Term Liabilities</u>			
Loan Outstanding			<u>R7-Q18</u>
Total Net Assets – Long Term Liabilities			<u>L59-L62</u>
Funded by: -			
Capital introduced			R6
Add: Grants received			R5
Net Profit for the year			<u>D70</u>
			<u>L66+L67+L68</u>
Less: Drawings + NIC Class 2			<u>Q11</u>
			<u>L69-L70</u>





## Activity sheet 5: Financial evaluation

- a) You will need to evaluate the cash flow of the business with reference to working capital requirements. This can be done by looking at Current assets and current liabilities and how these change over the first year of trading:

Current assets:

- 1.
- 2.
- 3.

Current liabilities:

- 1.
- 2.
- 3.

- b) From the work done in the activities on finances examine the final accounts of the business and using simple ratio analysis describe the performance of the business:

- 1 Gross profit percent margin
- 2 Net profit percent margin
- 3 Return on capital employed ('ROCE')

It may also be useful to examine:

- Acid test ratio.

Capital gearing ratio

(You may need to explain why some of the figures may be distorted or possibly misleading.)

- c) You now need to project what is likely to happen to your business during its second year of trading to allow you to show side by side the ratios relating to the first two years of trading:

- 1 Comment on the differences in terms of cash flow and break-even
- 2 Explain the implications for the business and its ability to raise money in the future for continued operation and possible expansion.
- 3 You may wish to look at the effects of other changes eg in interest rates, level of sales lower than expected or higher than expected or any other changes that might influence the business development.

You will need to make clear the assumptions upon which the projections are done and what may change during subsequent trading periods and why these changes might take place.

## Assessment of Unit 8

The externally set assignment for Unit 8 will be available on the Edexcel website ([www.edexcel.org.uk](http://www.edexcel.org.uk)) from June 2006 for first examination in June 2007. There will be no examination paper for the assessment following the publication of this document.

There are no restrictions on formative research that is undertaken in advance of the controlled conditions. The extent of preliminary research however, must be outlined in the 'Declaration of Assessment Conditions Form' on the following page.

Work must be carried out under controlled conditions which provide an effective way of verifying coursework authenticity. Controlled conditions are defined as follows:

- Work must be done in the classroom and/or at a computer and must be supervised by an invigilator, who can be the usual teacher.
- Candidates may have access to the task stimulus, research notes and dictionary only.
- Candidates must not access the internet under any circumstances while in the controlled environment. Candidates will know the coursework task in advance of the controlled conditions, and may spend time identifying a valid business opportunity in preparation for the controlled task.
- Candidates should spend no more than a total of 15 hours in controlled conditions completing the business plan. Although no minimum number of hours is stated for this exercise, it is envisaged that candidates should be given at least 10 hours to complete the assignment in controlled conditions.
- The 15 hours controlled situation may be spread over a number of days or weeks.
- In the likely event that the work is not completed in a single session the teacher must store it securely until the next controlled session.
- The Business plan created during these controlled conditions should be of a suitable quality to submit to a provider of finance in line with the Assessment Criteria.
- A record must be kept of when and under what conditions the work in the candidate's folder was completed. Please complete form 'Declaration of Assessment conditions' found in Appendix X which must be used for this purpose.
- In order to assess work accurately and measure the degree of candidates' business understanding, centres are required to make a formal declaration of sources and support materials used. Centres must also submit a copy of centre devised worksheets, website pages and copies of relevant pages from text books used with each sample or group of samples.
- Teachers and candidates are required to authenticate the coursework as the candidate's own work on the front of the mark record sheet which should be enclosed with the candidate's work.

## Edexcel GCE in Applied Business

### Unit 8: Business Development

Centre number: \_\_\_\_\_ Centre Name: \_\_\_\_\_

Candidate number: \_\_\_\_\_ Candidate name: \_\_\_\_\_

Time spent under controlled conditions:

Work completed in preparation for controlled assessment:

Work completed under controlled conditions:

I declare that work submitted for assessment and the information above is accurate and acceptable under the scheme of assessment.

Candidate signature: \_\_\_\_\_ Teacher name: \_\_\_\_\_

Teacher signature: \_\_\_\_\_

**Edexcel moderators only**

Number:

Name:

Signature:

## Definition of key terms

Acid test ratio	Current assets – stock divided by current liabilities.
Assets	These include both fixed and variable/current items eg capital equipment and stock.
Break-even	The amount of goods/services that have to be sold in order for the business to make neither a loss nor a profit.
Break-even chart	A diagram showing the total revenue and the total cost (fixed and variable) lines for a business. The break-even production level is also shown.
Budget	Planned expenditure items eg 'cash', 'capital', 'wages' etc.
Capital Employed	Fixed Assets plus Working Capital (Current Assets less Current Liabilities).
Cash flow	A record of a business cash receipts (inflows) and cash payments (outflows) over a given period of time.
Cash flow forecast	A projection of what a business expects its cash receipts and cash payments to be over a given period of time.
Current ratio	Current Assets divided by Current Liabilities.
Deed of Partnership	A legal contract that is drawn up by business partners, stating their rights. It may be important when changes occur to the agreement as in the case of expansion or termination of the business.
Enterprise	The skills and ability to take risks and create profit. 'Entrepreneurship' derives from this.
Forecasting	The attempt to predict the future performance of a business, usually by looking at figures or by undertaking market research.
Gross profit margin	**Gross Profit divided by Sales Revenue x 100 and expressed as a percentage.
Just in time production	A system of production in which materials, parts and finished products are delivered at just the precise time they are needed.
Management	The process of organising, planning, co-ordinating, communicating and motivating in order to achieve efficiency and profit within a business.
Marketing mix	The balance of marketing techniques required for selling the product. Its components are often known as the Four Ps – see below.

Market research	The process of gathering data (using primary and secondary sources) from which a strategy (see below) can be developed.
Marketing strategy	A plan based on the Four Ps (or Seven Ps) to market a product to consumers.
Net profit margin	Net Profit before Interest and taxes divided by Sales Revenue x 100 and expressed as a percentage.
Profit and loss account	A statement covering sales, cost of sales (cost of goods/services sold), expenses and hence, gross and net profit.
Ratio analysis	The use of ratios such as 'ROCE', 'Current Ratio' and 'Acid Test' derived from a business's own figures to give a measure of profitability, liquidity and gearing (proportion of debt to equity) for the business.
Resources	The financial, human (including enterprise) and physical inputs needed to set up and manage the business.
Return on capital employed (ROCE)	Net Profit before Interest and Taxes divided by Total Capital Employed (Fixed Assets plus Working Capital), or Net Profit before Interest and Taxes divided by Average Capital (Opening Capital + Closing Capital divided by two)
SMEs	Small and medium-sized enterprises defined by employment /turnover /capital employed.
Small firms	Companies which employ a relatively low number of workers.
Sole proprietor	The person who owns a private business. Sometimes called a 'sole trader' The sole trader may employ other people, but bears the financial risks of the business alone.
The Four Ps	The 'marketing mix' — Price, Place, Product and Promotion.
The Seven Ps	Product, Price, Place, Promotion, People, Packaging and Process.
Unlimited liability	The owners of a sole trader or partnership business may have to sell off some or all of their personal possessions to meet the debts of the business as they have personal liability for the assets of the business.

## Resources

### Books

Dransfield R and Needham D — *Advanced Business* (Heinemann, 2000) ISBN 0435453165

Fardon M et al — *Advanced Business* (Osborne, 2000) ISBN 1872962041

Glew M and Watts M — *Business for Vocational A Level* (Collins, 2000) ISBN 0003291049

Keenan D and Riches — *Business & Law* (Longman, 2001) ISBN 0582438152

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

[www.aloa.co.uk](http://www.aloa.co.uk)

Site for the National Grid for Learning provides vocational business resources such as case studies and interactive tests.

The [www.bized.ac.uk](http://www.bized.ac.uk)

Site provides interactive and online models and simulations for teachers and learners, and provides a valuable direct access to company reports in the UK and around the world.

[www.hmce.gov.uk/](http://www.hmce.gov.uk/)

Customs and Excise for VAT

[www.hmso.gov.uk/](http://www.hmso.gov.uk/)

Her Majesty's Stationery Office manages and regulates the use and the licensing of the re-use of all information produced by government which is protected by Crown Copyright.

[www.inlandrevenue.gov.uk/](http://www.inlandrevenue.gov.uk/)

Inland Revenue for self-assessment tax and national insurance.

[www.lsda.org.uk](http://www.lsda.org.uk)

The Learning and Skills Development Agency (LSDA) — a national resource for the development of policy and practice in post-16 education, has produced many packs and made a number of work-based documents available as part of its remit to support the work-related curriculum.

[www.sfedl.co.uk](http://www.sfedl.co.uk)

Small Firms Enterprise and Development Initiative.

[www.thetimes100.co.uk](http://www.thetimes100.co.uk)

*The Times* site — a free educational resource for teachers and learners, providing 100 case studies of companies and business issues.

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## Unit 9: Managing and Developing People

### Unit aims

The main aim of this unit is to investigate the management, training, development and motivation of individuals within organisations. A well-managed, trained and motivated workforce is more likely to be effective and ensure the long-term success of a business. Learners will research and comment upon factors that motivate individuals and the appropriateness of different management styles dependent upon the circumstances. The work of relevant motivational theorists will be examined and applied both to case study material and to businesses of which the learner has personal knowledge, either through their own work experience or research. Conflicts of objectives between those of management and those of individuals arise in all aspects of the business process. This has particular impact on motivation, in terms of the conflict between meeting a business objective, such as cutting costs and those of the individual in terms of, for example, job security, status, maintaining favourable working conditions or career progression and this will be addressed. The effectiveness of team and group working in different situations will be looked at. Learners will be encouraged to understand that training and development methods must necessarily vary according to the skills being developed and existing levels of expertise and will be encouraged to apply their knowledge of training methods appropriately. The vocational nature of this unit will be developed through learners' own experiences in the workplace and their career aspirations.

### Unit topics

- 9.1 Motivation
- 9.2 Teams
- 9.3 Managing People
- 9.4 Developing People
- 9.5 Personal Development Plan
- 9.6 Skills Audit.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 9.1: Motivation

Topic	Suggested delivery plan	Resources
What is motivation?	Discuss different definitions of motivation. Learners to produce own definition of motivation.	Activity sheet 1: Motivation.
What motivates people?	Learners identify factors that motivate them in various aspects of their lives.	Activity sheet 2: Questionnaire.
Motivational theorists.	Learners to research the work of relevant theorists (eg Maslow, Herzberg, McGregor).	Textbooks. internet search engines.
Examples of motivation techniques.	Looking at job advertisements, identify features that might attract new staff, or encourage existing staff to stay/work hard eg good salary, pension scheme, well-established company, friendly environment.  Link each of those factors to a theorist and explain.	Recruitment sections of newspapers or internet.
Conflicts.	Identify instances where conflict may arise and suggest reasons.	Case study – Part A; Activity sheet 3, Questions 1-3,
Dealing with conflict	Management strategies to deal with conflict of objectives.	Case study – Part A; Activity sheet 3 Question 4.

## Section 9.2: Teams

Topic	Suggested delivery plan	Resources
Features of teams.	Discuss good and bad points for individuals of working in teams that learners are familiar with.	Activity sheet 4: Teams: good or bad?
Features of teams.	Learners to analyse and evaluate features of team work.	Activity sheet 5.
Different types of groups.	Individual research on formal/informal groups, short/long term.	Textbooks/internet.
Group theorists.	Individual research on Belbin, McGregor, Blake, Mouton and Adair.	Textbooks/internet.
Appropriate leadership styles.	If learners have looked at Section 3, recap on leadership styles. If not, complete Activity sheet 7.	Learners' own notes OR Activity sheet 7: Leadership Styles.
Appropriateness of team work to particular situations.	Learners to identify whether group work appropriate and if so identify an appropriate type of group, the range of skills/qualities needed and an appropriate leadership style.	Activity sheet 6: Types of team.
Extension work/further research.	Learners to research individually, through work experience/placement/part-time job or interview, examples of teamwork in practice and report back to the group on its advantages, disadvantages, problems that were encountered and how they were addressed.	

## Section 9.3: Managing people

Topic	Suggested delivery plan	Resources
Differing styles of leadership.	Individual research on differing management styles, or teacher input.	Textbooks/internet or teacher input.
How management style affects motivation.	Group discussion and presentation to identify features of management styles that lead to motivation in the workplace. Extension activity – link features with management theorist to suggest that feature would reduce motivation.	Activity sheet 7.
Reasons for meetings and differing styles of managing meetings.	Research through work experience /placement/part-time job or interview for different types of meetings and identification of whether they are information giving or consultation. Identification of how the management style of the meeting varies depending upon the purpose of the meeting.	Case study Part B Activity sheet 3, Questions 5 and 6.

## Section 9.4: Developing People

Topic	Suggested delivery plan	Resources
Identifying training needs.	Introduce link between training needs and organisational objectives.  Discussion on conflict between personal and organisational objectives when identifying training needs.	
Determining appropriate training methods and evaluating results.	Discussion on matching methods to the skills being developed and the existing skills and levels of expertise of the trainee.	Activity sheet 8: Training methods.
Constraints affecting planning and delivery.	Research through work experience/placement/part-time job or interview on the problems individual businesses face when planning training. Refer to the specifications when suggesting frameworks to learners.	
Training opportunities.	Survey of friends and family, followed by class discussion, on the training opportunities they have had in the workplace, past two years and the effects, with reasons, on their self-confidence and motivation.	
Training and motivation.	Discussion on the impact that training has on staff motivation.	Case study, Part C.

## Section 9.5: Skills audit and personal development plan

Topic	Suggested delivery plan	Resources
Identifying individual training needs.	Research into tools for identifying training needs.	Textbooks/internet.
Identifying personal training needs.	Conduct personal SWOT analysis.	Activity 9: Personal SWOT Analysis.
Advantages of completing a personal development plan.	Interview with Director or Human Resources Manager of a large company to investigate career progression opportunities methods of assessing levels of skills.	Speaker.

## Teacher notes

The following suggested answers to the activity sheets are intended simply to give support to the teacher who is seeking guidance on how the questions may be tackled, in order to ensure relevant application of the theory to the issues raised. Teachers should be aware that it is by no means the case that alternative answers, or those that are apparently contradictory to these suggested answers, will necessarily be wrong. The objective of these activities is to help learners develop application of theory in a vocational context. It follows, therefore, that learners who do so, even though they may be presenting alternative perspectives but are applying supporting theory correctly, should be rewarded.

Wherever possible, learners should be encouraged to apply the knowledge developed through these activities and their own research to real-life scenarios (either in addition to these resources and in place of).

Learners will need to develop other themes additional to those covered by these activity sheets, and must provide all the assessment evidence required by the unit.

### Activity sheet 1

Class discussion on what motivates. Teachers may find it useful to introduce Maslow's hierarchy of needs and use that as a basis for discussion.

### Activity sheet 2

Classroom or group discussion on the tabular analysis section of this activity should be developed to equate with the world of work, and could lead to further study of Maslow's hierarchy.

This activity could usefully be modified and extended to form the basis of a survey amongst different groups of people – learners, volunteers, paid workers and across the demographic spectrum, to produce their own list of why people work and what motivates them to do well, leading to a comparison across features such as age ranges or family circumstances.

### Activity sheet 3

The questions in Part A give learners the opportunity to apply and evaluate all aspects of Section 1 of these resources (motivation), with particular emphasis on the conflicts that are encountered in the workplace. The conflicts that arise in this case study are likely to focus on the fact that Ed has motives other than pay – convenience of hours, easy workload – and the company is seeking to give workers extra workload and restructuring may affect shifts. Jenny is ambitious and has reached a responsible position yet now the business seems to be encouraging others to take on responsibilities and is restructuring both of which may threaten her position.

Learners should be encouraged to develop their thinking to consider how these potential conflicts could be dealt with by the company.

The questions in Part B develop learners' understanding of why meetings are run and to apply their knowledge of management styles, through evaluating the appropriateness of different management styles to differing circumstances.

Part C seeks to develop learners' analytical and evaluative skills. Successful answers to this type of question, while making a recommendation or conclusion, should always give a counter argument.

### Activity sheet 4

Once this activity sheet has been completed, it should form the basis of a class or group discussion extending the arguments from the individual worker's perspective to the perspective of the organisation, moving onto Activity sheet 5. This should develop evaluative skills with some advantages being seen as advantages to both the individual and the organisation (for example people enjoy working in teams and therefore will work harder), whereas others will be advantages to individuals but may conflict with the organisation's objectives (for example social factors, which make the work more pleasurable, may hinder productivity).

## Activity sheet 6

Any answers to these questions would be acceptable if the learner supports them with good reasoning and application. One model might be:

	Short or long term	Leadership style	Features
1	Short term; the team is likely to be disbanded once the product has been launched.	Democratic – this is an issue which affects all involved in the decision-making and democratic process more likely to result in ‘ownership’ of the product and motivation to make it succeed.	Needs to have representation of all departments as all will be involved, eg finance, production.  Leader needs to have good listening skills – necessary for democratic leadership.
2	Short term; once the programme is established the team would disband.	Proactive – leader needs to identify main issues that need to be addressed and ensure they are introduced into the discussions. Safety issues are an important aspect in the workplace. Team has responsibility towards safety and motivation of staff.	Representation from all levels of workforce – feature of quality circles.  An implementer (Belbin) as important that a safety plan is introduced quickly and effectively.
3	Long term; an assembly line, involved in making the product, is likely to be a permanent feature of the workplace.	Autocratic – safety issues likely to be involved and quality control would be important for consistent standards.	Leader needs to be good at organising people.  Good social interaction – working with the same people all the time (Mayo).
4	Long term; likely to be a permanent feature of an organisation or Short term if group has been formed to address one particular area of concern and will be disbanded once that has been solved.	Reactive – the leader needs to be willing to listen to reports of workers’ grievances in order to ensure that the group is addressing concerns of the whole workforce.	Leader needs good negotiation skills – for dealing with management.  Group members must be willing to arrive at consensus – will be most effective if no apparent conflicts within the team.
5	Long term; significant feature of the work of the organisation and so will be permanent function or Short term; this type of organisation is likely to re-group teams from time to time depending on skills needed for a particular project/account.	Laissez-faire – this style encourages creativity which would bring forward new ideas and concepts.	Leader should create atmosphere where members willing to contribute ideas (McGregor – Theory Y)  Team should have a completer/finisher (Belbin) with laissez faire management style or creative personalities likely to need reminding about deadlines etc

## Activity sheet 7

Any answers to these questions would be acceptable if the learner supports them with good reasoning and application. One model might be learners linking the following issues:

### Autocratic

Workers are quite clear on procedures and systems. There would be less likelihood of breaches of safety procedures. Safety is Maslow's second level of needs.

The manager who has an autocratic style will have a feeling of power – this is one of McClelland's basic needs and so the manager would be particularly motivated.

### Democratic

Workers are consulted on important issues. This makes them feel valued in the workplace which would meet Maslow's esteem needs.

Barriers between management and workers are broken down as consultation has to take place. This would fulfil the social needs identified in Maslow's third level for both workers and the manager.

### Laissez faire

Gives opportunity to take risks. These are features of McClelland's theory which identifies that motivated workers have a need for achievement.

Workers need to make own decisions which makes them organise themselves and take responsibility. This is a theory Y management style and identified by McGregor as leading to good levels of motivation.

### Proactive

Manager takes the opportunity to use initiative in implementing change. This will lead to the manager's own self-fulfilment (Maslow's highest level).

### Reactive

Likely to respond well to grievances from workers. There is less likely to be dissatisfaction through poor working conditions for example as the reactive manager is more likely to deal with them (Herzberg).

The successful reactive manager responds to situations – this necessitates good communication routes and Mayo identified that effective communication and social interaction between management and staff is a good motivator.

## Activity sheet 8

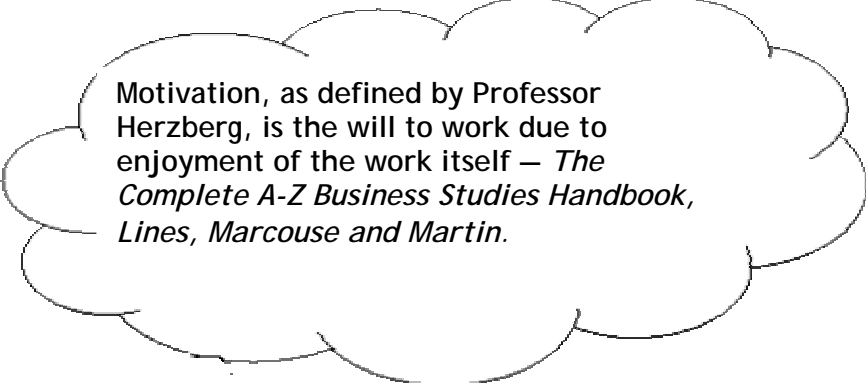
Learners should be encouraged to consider the relevance and appropriateness of the selected training methods for each activity. This activity gives the opportunity for learners to cover a wide range of training methods to include: role play, observing colleagues, computer packages, reading manuals, being observed and trained while on the job, courses. The method of assessment and learners' arguments in support should be relevant to the activity and training method suggested. Learners' skills at supporting their suggestions with relevant reasoning should be developed as well as their evaluative skills by offering a counter argument.

## Activity sheet 9

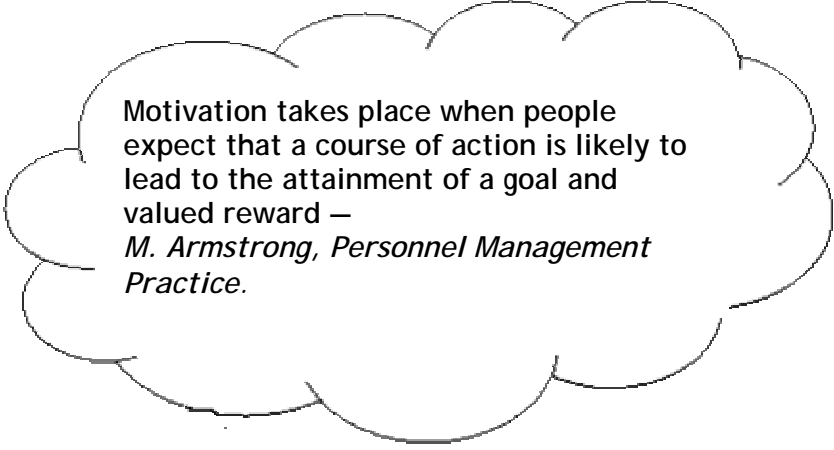
This activity is intended as an introduction to Sections 9.5 and 9.6 in *What you need to learn* leading to assessment evidence (d): producing a personal development plan.

## Activity sheet 1

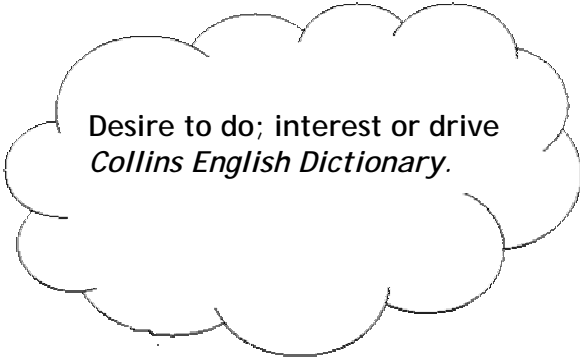
### Motivation



Motivation, as defined by Professor Herzberg, is the will to work due to enjoyment of the work itself – *The Complete A-Z Business Studies Handbook, Lines, Marcouse and Martin.*



Motivation takes place when people expect that a course of action is likely to lead to the attainment of a goal and valued reward –  
*M. Armstrong, Personnel Management Practice.*



Desire to do; interest or drive  
*Collins English Dictionary.*



## Activity sheet 2: Questionnaire

### ANSWER THE QUESTIONNAIRE BELOW

- |    |   |        |
|----|---|--------|
| 1  | Do you do your homework?<br>If yes what motivates you to<br>(a) do it<br>.....<br>(b) try to do your best?<br>.....   | YES/NO |
| 2  | Do you do extra study and research apart from what is set by your tutor?<br>If yes what motivates you to<br>(a) do it<br>.....<br>(b) try to do your best?<br>..... | YES/NO |
| 3  | Do you have a part-time job?<br>If yes<br>(a) why do you work?<br>.....<br>(b) is enjoying your work important to you?<br>.....                                     | YES/NO |
| 4  | Is it important to you to get on well with the people you work with?  | YES/NO |
| 5  | Do you enjoy getting praise?  | YES/NO |
| 6  | Does being told you are doing well make you feel good?  | YES/NO |
| 7  | Would you work harder at college or work if you were given more rewards   | YES/NO |
| 8  | Do you take the initiative when you or your friends have a problem?   | YES/NO |
| 9  | If you were offered a job that paid a lot more money than you get now, but was only for a short time, would you take it?  | YES/NO |
| 10 | Are you ambitious?  | YES/NO |

Now analyse your responses

The headings to each column are some of the incentives used by organisations to improve the performance of their employees.

Questions 1-3 – if you answered YES, put a tick under the category heading that you think MOST CLOSELY fits in with your reasons.

Questions 4-10 – if you answered YES, put a tick under the category heading that you think MOST CLOSELY fits with the question.

If you answered NO to any question leave blank.

Look at the answers that you gave to each question.

In the cases where you have answered YES, put a tick in the category you think most closely relates to the answer you have given.

Question	Money	Praise	Security	Responsibility	Career progression	Social factors
1a						
1b						
2a						
2b						
3a						
3b						
4						
5						
6						
7						
8						
9						
10						

## Activity sheet 3

Questions on Elgin's Car Spares Case Study (see page 265)

### PART A

For Ed and Jenny identify two factors of their work at Elgin's (see case study at the end of this unit) that are likely to motivate each of them.

From the case study, suggest some objectives that Elgin's are likely to have set for the year ahead and explain why they are likely to have set them.

(b) Suggest how these objectives may conflict with Ed's personal objectives in his work at Elgin's.

Suggest and explain how the news about the redundancies may have affected Jenny's motivation.

Jenny doesn't feel that the additional money she has been paid is sufficient for the extra duties she has had to take on, but the management have said they cannot afford to pay any more. What other strategies could management put in place to encourage Jenny to stay at Elgin's?

### PART B

Most meetings fall into one of the following categories:

- consultation
- dissemination of information
- investigation
- decision-making.

Which of the above categories of meeting most closely matches the objectives of each of the four meetings that Jenny and Ed attended?

Taking account of the objectives of each meeting and the way you have categorised each of them, suggest and explain an appropriate management style for running each meeting.

### PART C

Assess to what extent Jenny's motivation would be affected by the manager's response to her request for training.

## Activity sheet 4

### Teams – good or bad?

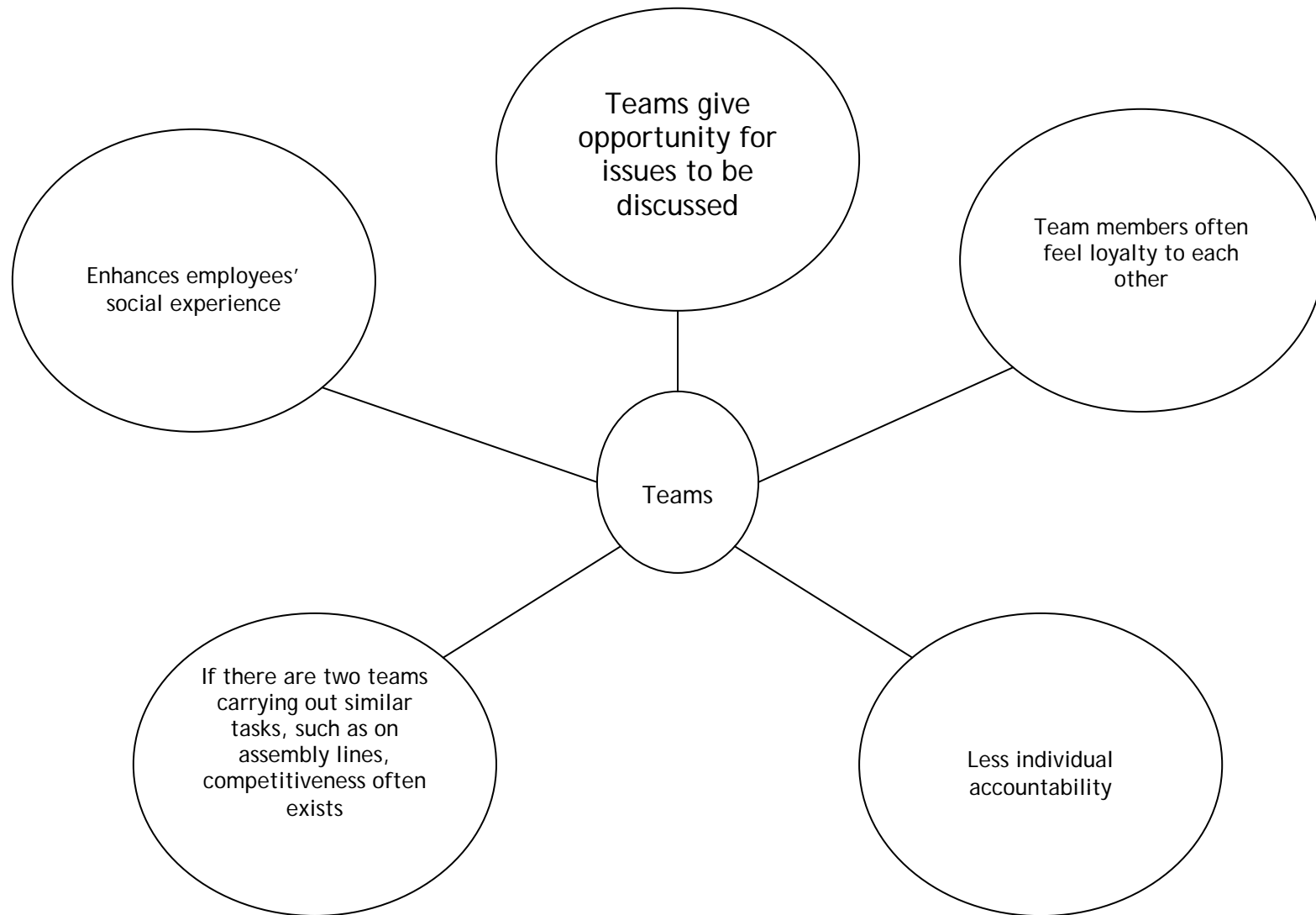
Suggest good and bad points for the INDIVIDUALS of being a member of a team. The first one already has two points filled in to start you off.

Being a member of a sports team, eg football team, relay team	
Good points	Bad points
Social factors Someone else's skills may give you the opportunity to do well.	Important to stick to own role (position) which possibly means less opportunity to be creative Reliant on other people for own success.

Being a member of a homework group	
Good points	Bad points

Being in a team running an event	
Good points	Bad points

Good and bad features of team work for individuals at your workplace/work experience	
Good points	Bad points



## Activity sheet 6 Types of Team

Read the following set of mini-case studies and for each, answer the following questions, giving full explanations for your reasoning.

Which type of group would be formed – long- or short-term?

Which leadership styles would be appropriate?

For each team, suggest two features that would make it particularly effective for the purpose it was formed and explain your reasoning.

1. A company has decided to extend its product range. It needs to investigate which of its ideas is likely to be most profitable.

2. A car plant has had several accidents on its assembly line. It needs to draw up a programme of safety procedures.

3. An assembly line which forms part of a production team.

4. A group representing the workers to negotiate for improved working conditions.

5. Team in an advertising agency developing new slogans and campaigns.

## Activity sheet 7: Leadership styles

You will need to refer to the theories of Maslow, Herzberg and McGregor (in your notes, or research from textbooks). If you have supplemented your notes with other motivational theorists, such as Mayo or McLelland, you should refer to those notes as well.

Making reference to at least one motivational theorist, identify two features of the following management styles that may lead to motivation in the workplace. Two features have been filled in for you as an example.

Management style	Feature One	Feature Two
Autocratic.	Workers are quite clear on procedures and systems. There would be less likelihood of breaches of safety procedures. Safety is Maslow's second level of needs.	
Democratic.		
Laissez-faire.	Gives opportunity to pursue creativity and introduce own ideas and take risks. These are features of McLelland's theory who identified that motivated workers had a need for achievement.	
Proactive.		
Reactive.		

### Activity sheet 8: Training methods

Complete the table below suggesting, with reasoning, an appropriate training method for the skill being developed.

Skill or activity	Training method	Reasoning
Fire escape routes.		
Customer service skills.		
New scanning system in supermarket.		
Chairing a meeting.		
Upgrades to database program.		
First aid..		
Product knowledge.		

- 2 Choose three of the above activities once training has been completed. For each activity suggest one method of assessing whether or not the training method you suggested had been effective.

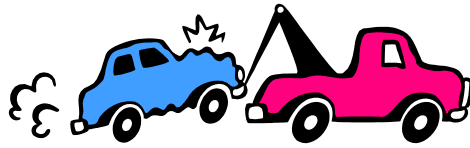


### Activity sheet 9: Personal swot analysis

In order to draw up a personal training plan, it is useful to carry out a SWOT analysis first. Consider the skills, qualities and qualifications you currently have or are working towards. In the relevant boxes below, list your strengths and weaknesses, the opportunities you believe will be presented to you and the threats you may face which could affect your career aspirations.

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<b>OPPORTUNITIES</b>	<b>THREATS</b>

## Case study



### Part A

The despatch department at Elgin's Car Spares employs 25 people who make up the boxes of orders sent in by garages and car repair firms all over the North East. The despatch department has the reputation of being the most friendly in the company and everyone always seems very relaxed.

Ed is 28 and is a 'picker' – he collects all the parts listed in the orders ready for packing up and despatch. Although Elgin's Car Spares don't pay as much as some other companies, the work is easy and he is finding bringing up two small children on his own very hard. He was really pleased when Elgin's let him arrange his work hours to fit in with the children.

Jenny is 35 and is very sociable. She has worked at Elgin's for four years and is now a team leader in the despatch department, overseeing the work of eight other people. She is ambitious and wants to be a department manager one day. She lives with her partner and they enjoy a comfortable life style.

When they arrived at work one morning they were told that 10 of their colleagues had been made redundant. Elgin's Car Spares were going to restructure and the 15 remaining staff would have new job titles and would get a small pay rise in return for taking on some extra responsibilities. They had had to make this change due to a continual drop in orders over the past two years and the need to reach sales targets for the next year. Everyone was going to have to work harder.

### Part B



Jenny and Ed were really relieved when they realised that their jobs at Elgin Car Spares seem fairly secure at the moment, despite the fact that 10 people had been made redundant and that the management had raised concerns at the poor levels of productivity. They also felt good that jobs they did were considered important enough for the company to feel they needed to keep them on. The restructuring, however, meant a lot of changes and several meetings between management and staff were arranged. During this time, Jenny and Ed attended four meetings with the following objectives:

Meeting 1: management needed to tell staff about the new company structure and pay scales.

Meeting 2: staff to be asked to give ideas for improving productivity.

Meeting 3: management to gauge staff reaction to proposed changes in shift patterns.

Meeting 4 was a meeting of the workers' council, of which both Jenny and Ed were members. The council had the objective of voting whether to give full co-operation to the management in the present situation. Despite concerns over increased workload, it voted in favour of giving full co-operation to the management.

## PART C



Jenny was worried about the new responsibilities she had been given as a result of the re-structuring. She went to see her line manager and asked what training was going to take place. The manager was very sympathetic but explained that with all the changes that had taken place, the low productivity and the redundancy payments they had had to pay out, there was no money left to pay for any training.

'I am sure you will manage to work it out yourself' he said 'and you can always ask Ravinder who has been doing those duties for some time now.'

## Definition of key terms

Appraisal	Is the process of assessing the effectiveness of a process of an employee. It is usually conducted by comparing goals with outcomes. An employee appraisal might be conducted through a questionnaire but is more commonly a one-to-one discussion between employee and manager. The conversation will focus on the employee's performance, perhaps in relation to pre-set indicators such as timekeeping, customer sales levels, and contribution to teamwork. The appraisal interview may take place annually or more frequently; it will usually end with discussion of career prospects and training needs.
Autocratic Leadership	Where the leader alone makes decisions. The staff are told decisions and they carry out the tasks.
Democratic Leadership	Means running a business or a department on the basis of decisions agreed among the majority. This might be done formally through a voting system, but it is much more likely to be an informal arrangement in which the leader delegates a great deal, discusses issues, acts upon advice and explains the reasons for decisions. The main difference between democratic and paternalistic leadership lies in the degree of delegation and the willingness to go along with the decisions of the majority.
Laissez-faire Leadership	Is a political and economic philosophy rooted in the work of Adam Smith which believes that governments should avoid interfering in the running of business or any other part of the economy. A laissez-faire economist places faith in the ability of the free market to maximise business efficiency and consumer satisfaction. Interventionists note that the theory of laissez-faire was devised in the eighteenth century when small firms did compete freely. Today, many markets are dominated by a few large firms, so the theory of laissez-faire is less persuasive. However, since the early 1980s there has been a swing back towards less interventionist policies, associated with Thatcherism in the UK and with the transition to market economics in Eastern Europe and the Russian Federation.
Legislation	Laws passed by Acts of Parliament.
Motivation	As defined by Professor Herzberg, is the will to work due to enjoyment of the work itself. He argues that it should be distinguished from 'movement'. According to the Professor, 'If you do a good job because you want to do a good job, that's motivation. If you do it because you want a house or a Jaguar, that's movement' (Jumping for the Jellybeans, BBC Books, 1973). Many other writers and business people use the term motivation differently, to mean anything that causes people to achieve more than they would otherwise do.

Objectives	<p>Are the medium- to long-term targets that can give a sense of direction to a manager, department, whole organisation or government. If a team can be given a sense of common purpose, it becomes much easier to co-ordinate actions and to create a team spirit. For maximum effect objectives should be measurable and have an explicit timescale, for example to boost market share from 8 per cent to 10 per cent within the next three years. They must also be realistic, as an objective that seem unattainable can be demotivating. Consequently it is desirable for objectives to be agreed rather than set.</p> <p>Objectives form the basis for decisions on strategy, ie the plan for the achievement of your goals. Therefore questions about business strategy should not be answered until the individual or company's objectives have been considered fully.</p>
Peer Assessment	<p>Whereby employees of a similar status in an organisation provide feedback on each other's performance.</p>
Performance Review (appraisal)	<p>Is the process of judging the effectiveness of an employee's contribution over a period of time. It might be conducted every quarter, every six months or, most commonly, every year. The appraisal is carried out by a fellow employee, often the immediate superior, though it is usually based more on discussion than inspection. A performance appraisal might follow these stages:</p> <ul style="list-style-type: none"> <li>• at the start of the year, discuss the appraisee's personal objectives, ie hoped-for achievements and developments</li> <li>• towards the end of the period, ask the employee to complete a self-appraisal form</li> <li>• use the latter as the basis for discussion of the employee's achievements, strengths, weaknesses, training needs, career intentions and future objectives.</li> </ul> <p>The process is intended to provide employees with feedback on their performance and therefore be motivating. However it can be stressful if the appraisal is used to judge performance-related pay awards.</p>
Policy	<p>Another term for strategy. In other words, a plan for meeting objectives</p>
Proactive Leadership	<p>Leaders who take the initiative and avoid potential situations before they occur.</p>
Reactive Leadership	<p>Leaders who react to situations as they happen.</p>
Skills Audit	<p>A listing of the skills of either an individual or a team of people, used for appraisal purposes or project planning.</p>

## Resources

### Books

Adair J — *The Effective Supervisor* (Spiro Press, 1988) ISBN 0852904622

Bartol and Martin — *Management* (Irwin/McGraw Hill, 1997) ISBN 0057222

Boydell T and Leary M — *Identifying Training Needs* (CIPD, 1996) ISBN 0852926308

Bee F — *Training Needs Analysis and Evaluation* (CIPD 1994) ISBN 0852925476

Forsyth P — *Before Your Job Appraisal* (Kogan Page, 1999) ISBN 0749429852

Gillespie A — *Business in Action* (Hodder & Stoughton, 2002) ISBN 0340848200

Graham & Bennett — *Human Resource Management* (Prentice Hall, 1998) ISBN 0273637673

Huczynski A and Buchanan D — *Organisational Behaviour* (Prentice Hall, 2003) ISBN 0582843219

Kay F — *Making Management Simple* (How To Books, 2003) ISBN 1857038118

Mayo A — *Creating a Training & Development Strategy* (CIPD 1998) ISBN 0852927320

Nicholson T — *52 Ways to Motivate Your Staff* (Management Books, 2000) ISBN 1852523786

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

Major companies and other businesses operate their own websites. They provide useful information on issues such as mission statements and employment policies.

[www.aloa.co.uk](http://www.aloa.co.uk)

The site for the National Grid for Learning provides vocational business resources such as case studies and interactive tests.

[www.bized.ac.uk](http://www.bized.ac.uk)

Provides interactive and online models and simulations for teachers and learners, and provides valuable direct access to company reports in the UK and around the world.

[www.dti.gov.uk](http://www.dti.gov.uk)

The Department of Trade and Industry site is a useful source of information on business support, consumer issues, employment relations, equal opportunities and enterprise.

[www.eoc.org.uk](http://www.eoc.org.uk)

The Equal Opportunities Commission site contains case studies and other material on areas such as employment practice, equal pay and discrimination.

[www.ft.com](http://www.ft.com)

*The Financial Times* website will help keep learners up to date with business matters, and contains an excellent archive.

[www.iipuk.co.uk](http://www.iipuk.co.uk)

The Investors in People site provides a library of case studies, and has statistics and recent research materials.

[www.lsd.gov.uk](http://www.lsd.gov.uk)

The Learning and Skills Development Agency (LSDA) is a national resource for the development of policy and practice in post-16 education, and has produced many packs and made a number of work-based documents available as part of its remit to support the work-related curriculum.

[www.thetimes100.co.uk](http://www.thetimes100.co.uk)

*The Times* site is a free educational resource for teachers and learners, providing 100 case studies of companies and business issues.

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## Unit 10: Marketing Decisions

### Unit aims

This unit aims to introduce learners to the way that businesses establish their marketing strategy, how they plan and measure marketing activity and to the business decisions that need to be made as part of the planning process.

Learners will learn about the type of decisions that have to be made to bring a product to market and how these decisions contribute to overall marketing plans. In addition to being introduced to a range of different marketing strategies and marketing planning tools, learners will be encouraged to use these tools to investigate real marketing campaigns and draw conclusions about the effectiveness of the underlying marketing decisions.

This unit will provide learners with an understanding of marketing research, how it can inform the decision-making process, how it can be undertaken and how research can provide an objective measure of the effectiveness of marketing activity.

This unit encourages learners to look at as many and as wide a range of real marketing campaigns as possible and to draw conclusions about the effectiveness of the underlying marketing decisions based on what they will be learning from this unit. This unit should encourage learners to make contact with real businesses engaged in marketing activities. By doing this learners should be able to see how the principles and processes they have learned from this unit are applied to the real world.

The main aim of this unit is to prepare learners for the external assessment which will relate directly to what they should have learned as a result of the activities they have carried out as part of their work for this unit.

### Unit topics

- 10.1 Influences on marketing decisions
- 10.2 Marketing decisions and the planning process
- 10.3 Research to inform marketing decisions
- 10.4 Investigating marketing campaigns.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 10.1: Influences on marketing decisions

Topic	Suggested delivery plan	Resources
<p>The influences on an organisation and how they affect marketing decisions.</p>	<p>Initial input to outline scope of unit.</p> <p>Class discussion, part 1: the wide range of influences on an organisation, both internal and external</p> <p>Class discussion, part 2: Learners to consider typical marketing decisions that have to be made relating to these influences in order to keep the organisation moving forward in line with management plans. Guided discussion should include:</p> <ul style="list-style-type: none"> <li>• whether a product should be developed or launched</li> <li>• whether these decisions are strategic or tactical</li> <li>• competitive advantage</li> <li>• whether the timing is right</li> <li>• whether the correct market has been identified.</li> </ul> <p>Explore learner's exposure to marketing campaigns through discussion, asking for personal examples and experiences.</p>	<p>Case study material relating to an organisation with which the learners (or teacher) are familiar.</p> <p>Organisation could be a local business with which the centre has a work-related connection, a national organisation that has made available examples of its marketing materials and trading history eg from their website, or it could be the centre itself. Most centres are likely to have addressed the need to market themselves and are likely to have developed marketing plans.</p> <p>Case study material should include support material and/or: examples of new products, marketing plans, information on competitors and information on the target market (or presumed target market).</p> <p>Learners may have their own examples that could be brought out through facilitated discussion.</p> <p>Activity sheet 1: Promotion and marketing campaigns</p>



Topic	Suggested delivery plan	Resources
Marketing objectives: strategic or tactical.	<p>Initial input to define marketing objectives in terms of being:</p> <ul style="list-style-type: none"> <li>• strategic or tactical.</li> </ul> <p>Provide learners with real-life examples.</p> <p>Input on the range of internal and external influences on a business that affect business planning and marketing planning.</p> <p>Learners to investigate different internal and external influences on business.</p> <p>Learners to carry out independent research to identify different examples of strategic and tactical marketing objectives. Target a specific number of each, depending on time available. Learners to report back findings to group.</p>	<p>Examples of strategic and tactical marketing objectives from case study material, business press and newspapers, videoclips of television news reports or programmes related to examples of marketing objectives.</p> <p>Examples of internal and external influences on business.</p> <p>Access to library and/or internet.</p>
Introduction to SWOT analysis.	<p>Initial input to define SWOT analysis; what it is and when it is used by a business and the advantages and disadvantages of SWOT analysis for strategic decision making.</p> <p>Outline how internal and external influences affect the SWOT analysis.</p> <p>Learners to conduct their own SWOT analysis on themselves to list their own strengths and weaknesses in the context of being a learner who has undertaken the GCE Applied Business course.</p>	

Topic	Suggested delivery plan	Resources
Introduction to PESTLE analysis.	<p>Initial input to define PESTLE analysis; what it is and when it is used by a business and the advantages and disadvantages of PESTLE analysis for strategic decision making.</p> <p>Learners to identify different external influences and discuss how these external influences could affect a business and its marketing plans.</p>	<p>Case study material that contains information on strengths and weaknesses of an organisation.</p> <p>Examples of political, economic, social, technological, legal and ethical issues that could affect an organisation, to illustrate how PESTLE works.</p>
Influences that impact on the marketing planning Process.	<p>Initial input to outline definition and general understanding of different influences that impact on the marketing planning process, including marketing environment, macro and micro competition, social issues, cultural issues, environmental issues and economic issues.</p> <p>Learners to carry out independent research to identify different examples of these influences in different organisations.</p>	<p>Examples of influences that impact on the marketing planning process from case study material, business press and newspapers, videoclips of television news reports or programmes related to business organisations and how they have responded to different influences on their business.</p> <p>Examples of different influences that impact on the marketing planning process.</p> <p>Access to library and/or internet.</p>
Application of SWOT and PESTLE analyses to the marketing mix.	<p>Learners to conduct their own SWOT analyses and PESTLE analyses on different organisations in different situations.</p> <p>Learners to work in pairs or small groups and report back to main group with their findings and examples of SWOT analyses and PESTLE analyses.</p>	<p>Examples of internal and external influences on business.</p> <p>Case study material that provides opportunities to produce SWOT analysis for an organisation.</p> <p>Case study material that provides opportunities to produce PESTLE analyses for an organisation.</p> <p>Learners may be able to generate this themselves, based on visiting a business and/or talking to a business about their strengths and weaknesses and how they have adapted to external influences.</p>

Topic	Suggested delivery plan	Resources
Review of Unit 10 so far.	<p>Recap on influences on marketing decisions, analysis tools used to assess the position of an organisation confronted by these influences and how organisations respond with strategic and/or tactical marketing objectives and plans.</p> <p>Learners to complete outstanding research and begin the development of SWOT and PESTLE analyses.</p> <p>Show the link between PEST and SWOT and the decisions an organisation will make.</p>	
Preparing for external assessment One.	<p>Introduction to external assessment style of paper, etc.</p> <p>How section 10.1 <i>Influences on marketing decisions</i> is covered/questioned in external assessment</p> <p>Learners to consider layout of papers, different styles of question, the use of command words, space for writing answers, mark allocation.</p> <p>Apply study/learning from section 10.1 to external assessment through the use of individual questions. Use questions for individual work or class discussion.</p>	<p>Specimen paper.</p> <p>Past papers.</p> <p>Mark schemes.</p> <p>Examiners' reports.</p> <p>Notes from sessions on 10.1.</p>

## Section 10.2: Marketing decisions and the planning process

Topic	Suggested delivery plan	Resources
Using product life cycle to produce plans.	<p>Initial input to define product life cycle.</p> <p>Study of examples of different products at different stages in their life cycle.</p> <p>Study examples of long and short lifecycle products and identify the main differences between products of these two extremes.</p> <p>Learners to carry out independent research to identify different examples of products at the main stages of the product life cycle; birth, growth, maturity and decline, and identify how this influences the marketing mix for these products.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or examples from local work related industry contacts.</p> <p>Learners may have their own examples that could be brought out through facilitated discussion.</p> <p>Access to library and/or internet. Visit to a retail store may provide useful stimulus products to discuss.</p> <p>Activity sheet 2: Marketing decisions and the planning process.</p>
Using Ansoff to produce plans for the development of the marketing mix.	<p>Discussion about why companies want to grow, how they grow or how they fail.</p> <p>Initial input to define Ansoff's growth matrix, using examples of organisations and products with which learners are familiar. Discuss ways in which the organisation could grow. This could be separated into product and market areas.</p> <p>Learners to carry out independent study of the use of Ansoff's growth matrix in a real-life situation.</p> <p>Learners to report back how the result of analysis using Ansoff's growth matrix can influence the marketing mix for an organisation.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or examples from local work related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and asking about its plans for growth and development and how this is going to be achieved.</p>

Topic	Suggested delivery plan	Resources
<p>Using portfolio analysis tools to produce plans for the development of the marketing mix.</p>	<p>Initial input to define the Boston Consulting Group (BCG) Matrix and explain how it is used by some organisations in the development of marketing plans.</p> <p>Study an organisation with a range of products and show how the different products fit into different sectors of the Boston Matrix.</p> <p>Identify the main differences between products in each sector.</p> <p>Learners to carry out independent research on an organisation and its product range and to locate its products in different sectors of a Boston Matrix. Present to group and explain the reasons for choice of sectors for each product and identify how this influences the marketing mix for these products.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or example from local work related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and collecting their own information about the business and its products.</p>
<p>Using planning tools to decide on a marketing strategy for product development.</p>	<p>Set a task based on developing a marketing strategy for product development for a business and its products. This may be based on a case study or real-life issue from a business associated with a centre through work-related contacts.</p> <p>Learners to work as a single group or in small groups as necessary and use appropriate planning tools to develop a marketing strategy based on an issue relating to product development for the business concerned.</p> <p>Results and recommendations to be discussed by group and facilitated by teacher.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or an examples from local work-related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and collecting their own information about a business and its products.</p>

Topic	Suggested delivery plan	Resources
<p>Using planning tools to decide on a pricing strategy.</p>	<p>Initial teacher input to introduce the concept of pricing strategy, including the most widely used examples, such as: market penetration, skimming the market, price leadership, market-based competitive pricing.</p> <p>It may be useful to refer learners to Unit 2.3 <i>Financial management in business</i>, and the 'price' section of the marketing mix in Unit 3.3 <i>Choosing an appropriate marketing mix</i>.</p> <p>Set task based on developing a pricing strategy for a business and its products. This may be based on a case study or real-life issue from business associated with centre through work related contacts.</p> <p>Learners to work as a single group or in small groups, as necessary, and use appropriate planning tools to developing a pricing strategy based on an issue relating to products or the business concerned.</p> <p>Results and recommendations to be discussed by group and facilitated by teacher.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or example from local work-related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and collecting their own information about business and its products.</p>

Topic	Suggested delivery plan	Resources
<p>Using planning tools to decide on a promotional strategy.</p>	<p>Set task based on developing a promotional strategy for a business and its products. This may be based on a case study or real-life issue from a business associated with centre through work-related contacts.</p> <p>It may be useful to refer learners to Unit 6 <i>Investigating promotion</i>, and the 'promotion' section of the marketing mix in Unit 3.3 <i>Choosing an appropriate marketing mix</i>.</p> <p>Learners to work as a single group or in small groups as necessary and use appropriate planning tools to develop a promotional strategy based on an issue relating to the products or the business concerned.</p> <p>Results and recommendations to be discussed by group and facilitated by teacher.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or an example from local work-related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and collecting their own information about a business and its products.</p>

Topic	Suggested delivery plan	Resources
<p>Using planning tools to decide on distribution channels.</p>	<p>Initial teacher input to introduce the main distribution channels for most products eg direct to end user, via a retailer, via a wholesaler.</p> <p>Set a task based on developing a distribution strategy for a business and its products. This may be based on a case study or real-life issue from a business associated with a centre through work-related contacts.</p> <p>Learners to work as a single group or in small groups as necessary and use appropriate planning tools to develop a distribution strategy based on an issue relating to the products or the business concerned.</p> <p>Results and recommendations to be discussed by group and facilitated by teacher.</p>	<p>Case study material relating to products with which the learners (or teacher) are familiar, or example from local work-related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Learners may be able to do this by visiting a business and collecting their own information about business and its products.</p>
<p>Using planning tools to decide on target market.</p>	<p>Initial teacher input to recap on target markets.</p> <p>It may be useful to refer learners to the coverage of target markets in Unit 3 Investigating marketing.</p> <p>Set a task based on identifying target market(s) for a business and its products. This may be based on a case study or real-life issue from business associated with centre through work-related contacts.</p> <p>Learners to work as a single group or in small groups, as necessary, and use appropriate planning tools to identify target market(s) based on an issue relating to the products or the business concerned.</p>	



Topic	Suggested delivery plan	Resources
	Results and recommendations to be discussed by group and facilitated by teacher.	
Review of use of planning tools	<p>Recap on use of planning tools in the development of marketing strategies.</p> <p>Learners to complete outstanding work on the development of marketing strategies.</p> <p>Conclude with facilitated group discussion on the use of different planning tools, their strengths, weaknesses, and situations where different planning tools may be more or less appropriate.</p>	<p>Notes from sessions on 10.2.</p> <p>Case study material.</p> <p>Access to library and/or internet.</p>
Preparing for external assessment 2	<p>Introduction to external assessment; style of paper, etc.</p> <p>How section 10.2 Marketing decisions and the planning process is covered/questioned in external assessment</p> <p>Learners to consider the layout of papers, different styles of question, the use of directive verbs, space for writing answers, mark allocation.</p> <p>Apply study/learning from section 10.2 to external assessment through the use of individual questions. Use questions for individual work or class discussion.</p>	<p>Specimen paper.</p> <p>Past papers.</p> <p>Mark schemes.</p> <p>Examiners' reports.</p> <p>Notes from sessions on 10.2.</p>

### Section 10.3: Research to inform marketing decisions

Topic	Suggested delivery plan	Resources
<p>The process of marketing research and how it informs the decision-making process.</p>	<p>Initial input to outline what is meant by marketing research and to establish the importance of marketing research to inform and support decision making.</p> <p>Outline why organisations conduct marketing research.</p> <p>Outline how different methods are used to conduct marketing research.</p> <p>It may be useful to refer learners to Unit 3.2 <i>Using appropriate methods of market research</i>.</p> <p>Class discussion based on what marketing research learners are aware of, what they may have been exposed to, how it was conducted and why it may have been conducted in the first place.</p>	<p>Examples of research surveys and how the findings of marketing research is presented and used in business organisations.</p> <p>Government statistics, including the Census, television reports, business pages from newspapers and magazines, commercial research reports such as Mintel.</p> <p>Case studies that include the use of marketing research in the marketing process.</p> <p>Could include input from a local business with which the centre has a work-related connection to outline what marketing research they undertake and why.</p> <p>Activity sheet 3: Research to inform marketing decisions.</p>
<p>Marketing information about the market.</p>	<p>Initial input to outline what is meant by the size, shape and dynamics of a market and why these measures are important to business organisations.</p> <p>It may be useful to refer learners to the coverage of market research in Unit 3 <i>Investigating marketing</i>.</p> <p>Learners to investigate the different measures for these and other market related criteria.</p> <p>Learners to investigate the differences between quantitative and qualitative research and find examples of each to present to group.</p>	<p>Could include input from a local business with which the centre has a work-related connection to outline what marketing research they conduct or buy and how they use it in the marketing process and how it contributes to the development of the marketing mix.</p>

Topic	Suggested delivery plan	Resources
<p>Secondary research sources.</p>	<p>Initial input to outline what is meant by secondary research/desk research, its advantages and disadvantages to the marketing process.</p> <p>It may be useful to refer learners to the coverage of secondary research in Unit 3.2 <i>Using appropriate methods of market research</i>.</p> <p>Learners to be set individual or small group tasks based on collecting marketing research information on different markets or sectors from a range of different secondary sources.</p> <p>Learners to compete by trying to find the greatest number/widest range of relevant sources/pieces of secondary data that will contribute to the understanding of the specific market/sector.</p> <p>Criteria could be based on size, shape and dynamics of a market as covered in session 20. Learners to feedback finding to group, commenting on ease of finding relevant secondary data, and the advantages and disadvantages of secondary research as they experience it.</p>	<p>Examples of product, market sector or marketing issues to research. To be chosen by learners or provided by teacher.</p> <p>Access to libraries, trade and business publications and/or internet.</p>

Topic	Suggested delivery plan	Resources
Primary research.	<p>Initial input to outline what is meant by primary research, its advantages and disadvantages to the marketing process.</p> <p>Outline main steps in the primary research process.</p> <p>Outline how field research differs from desk research.</p> <p>Outline most common methods of marketing research.</p> <p>Outline advantages and disadvantages of collecting primary data directly – face-to-face or telephone interviews, and indirectly, postal surveys, self-completion surveys, on-line surveys.</p> <p>It may be useful to refer learners to the coverage of primary research in Unit 3.2 <i>Using appropriate methods of market research.</i></p> <p>Learners to be set individual or small group tasks based on developing and conducting their own primary research survey – writing a short questionnaire and collecting data based on answering a marketing problem or quantifying an assumption. Research topic/area of questioning to be developed by learners based on either their own studies of marketing activity or to answer a question posed by a local business with which centre has a work related connection.</p> <p>Actual field research to be conducted during session 25.</p>	<p>Examples of product, market sector or marketing issues to research, to be chosen by learners or provided by teacher, or local business with which centre has a work related connection.</p>

Topic	Suggested delivery plan	Resources
Sampling.	<p>Initial input to outline what is meant by sampling and why it is done.</p> <p>Outline how a sampling frame is decided upon.</p> <p>Outline the most common forms of sampling, including random sampling, quota sampling, stratified sampling, cluster sampling.</p> <p>Divide the learners into groups, each group to plan a sampling exercise based on a different form of sampling (as noted above). Present plans to the whole group, highlighting the factors which make each type of sampling different.</p> <p>Learners to investigate factors relating to high and low sample sizes and how this will affect the research being done.</p> <p>Actual sampling frame to be conducted.</p>	<p>Case study material relating to sampling within a marketing research project. This may be available from local work-related industry contacts.</p> <p>Access to library and/or internet.</p>
Results analysis.	<p>Initial input to outline what is meant by results analysis.</p> <p>It may be useful to refer learners to Unit 3.2 <i>Using appropriate methods of market research</i>.</p> <p>Learners to discuss why research data needs to be analysed and the various ways of presenting data.</p> <p>Learners to identify the needs of different audiences for research findings, such as consumers, business executives, government agencies and the media.</p> <p>Learners to practice analysing and present data in different ways for different audiences, using appropriate computer software.</p>	<p>Examples of raw, unanalysed research data. This may be available from local work-related industry contacts.</p> <p>Access to library and/or internet.</p> <p>Access to computers and software for spreadsheets, charting and presentations.</p>

Topic	Suggested delivery plan	Resources
Conducting field research survey.	<p>Learners to be guided in the use of the questionnaire developed and the sampling frame developed to conduct an actual field survey.</p> <p>Learners to be guided to use an appropriate data collection method.</p>	<p>Questionnaire developed previously.</p> <p>Access to suitable audience/population for sampling, conducting research and collecting data.</p>
Analysing and presenting the results of field research survey.	<p>Learners to be guided in the analysis of data collected from the field survey and questionnaire during session 26.</p> <p>Learners to be guided to use an appropriate method of presenting their findings and drawing conclusions from data collected and analysed.</p>	<p>Findings from research survey conducted in session 25.</p> <p>Access to computers and software for spreadsheets, charting, and presentations.</p>

## Section 10.4: Investigating marketing campaigns

Topic	Suggested delivery plan	Resources
<p>Investigating marketing campaigns: measuring and monitoring.</p>	<p>Initial input to outline the need to assess and evaluate marketing against the aims and objectives of the organisation that has planned, run and paid for the promotion.</p> <p>It may be useful to refer learners to Unit 6 <i>Investigating Promotion</i> to recap on promotional campaigns.</p> <p>Introduction to different measures of assessment, taking into account:</p> <p>Objectives targeting production cost</p> <ul style="list-style-type: none"> <li>• organisation, such as agency versus in-house for producing or running the promotion.</li> </ul> <p>Learners to consider a current marketing campaign or case study and assess the campaign and its outcome in terms of:</p> <p>Objectives targeting production organisation and present their findings to the class for discussion.</p>	<p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses which are involved in running advertising and promotional campaigns or case studies from agencies.</p> <p>Activity sheet 4: Investigating marketing campaigns.</p>
<p>Investigating marketing campaigns: identifying the target market.</p>	<p>Recap on how to assess and evaluate marketing campaigns against the aims and objectives of the organisation.</p> <p>It may be useful to refer learners to Unit 6: <i>Investigating Promotion</i> to recap on promotional campaigns.</p> <p>Learners to consider a current marketing campaign or case study and assess the campaign and its outcome in terms of:</p> <p>Objectives targeting production organisation and present their findings to the class for discussion.</p>	<p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses which are involved in running advertising and promotional campaigns or case studies from agencies.</p>

Topic	Suggested delivery plan	Resources
<p>Investigating marketing campaigns: analysing the marketing processes.</p>	<p>Recap on how to evaluate marketing campaigns against the aims and objectives of the organisation, in terms of cost and results, and how to best measure its effectiveness.</p> <p>It may be useful to refer learners to Unit 6 <i>Investigating Promotion</i> to recap on promotional campaigns.</p> <p>Learners to consider a current marketing campaign or case study and assess the campaign and its outcome in terms of cost and results, and present their findings to the class for discussion.</p>	<p>Live examples or case studies of advertising and promotional campaigns.</p> <p>Could be produced from contact with real businesses which are involved in running advertising and promotional campaigns, or case studies from agencies.</p>
<p>Revision/external assessment practice.</p>	<p>How 1.4 <i>Investigating marketing campaigns</i> covered/questioned in external assessment</p> <p>Apply study/learning from section 10.1, 10.2, 10.3 and 10.4 to external assessment through the use of individual questions.</p> <p>Use questions for individual work or class discussion.</p> <p>Consider full mock examination.</p>	<p>Specimen paper.</p> <p>Past papers.</p> <p>Mark schemes.</p> <p>Examiners' reports.</p> <p>Notes from sessions on 10.4.</p>



## Activity sheet 1: Promotion and marketing campaigns

Name

Date

Exposure to promotion and marketing campaigns			
Three favourite campaigns featured in television commercials			
Product	Description	Why I liked it	What was the advertiser trying to achieve?
One			
Two			
Three			
Three favourite campaigns featured using radio commercials			
Product	Description	Why I liked it	What was the advertiser trying to achieve?
One			
Two			
Three			

Three favourite advertisements campaigns featured in magazines or newspapers			
Product	Description	Why I liked it	What was the advertiser trying to achieve?
One			
Two			
Three			
Three marketing campaigns that have targeted me and attracted me to buy			
Product	Description	Why I liked it	What was the advertiser trying to achieve?
One			
Two			
Three			

Common factors: what do these marketing campaigns that I have noted have in common?

One

Two

Three

## Activity sheet 2: Marketing decisions and the planning process

(Using product lifecycle to produce plans for the development of the marketing mix\_

### Teacher guidance

Learners to study of examples of different products at different stages in their lifecycle.

Learners to study examples of long and short lifecycle products and identify the main differences between products of these two extremes.

Learners to carry out independent research to identify different examples of products at the main stages of the product lifecycle – birth, growth, maturity and decline – and identify how this influences the marketing mix for these products.

### Outline of activity

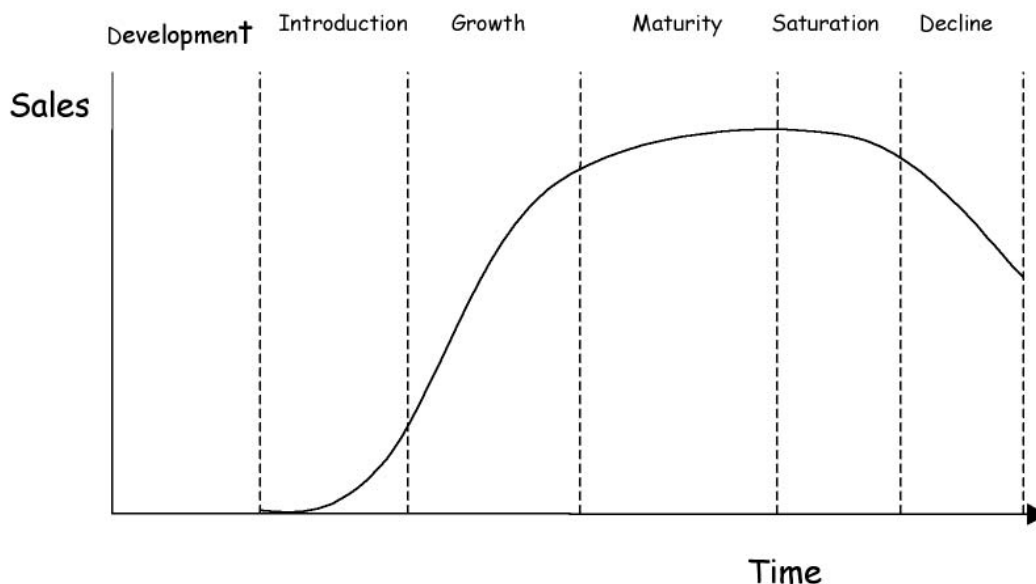
This small group activity is suggested as an introduction to the topic. Each learner is to choose a product which they buy regularly and to locate it where they think most appropriate on a product lifecycle chart. Groups to feed back to the class.

The teacher is to facilitate discussion of whether location by learner is correct.

### Resource requirements

Each learner requires a product lifecycle chart.

A large chart needs to be drawn or made available for each group/learner to locate their product and feed back to the class.



## Activity sheet 2 continued

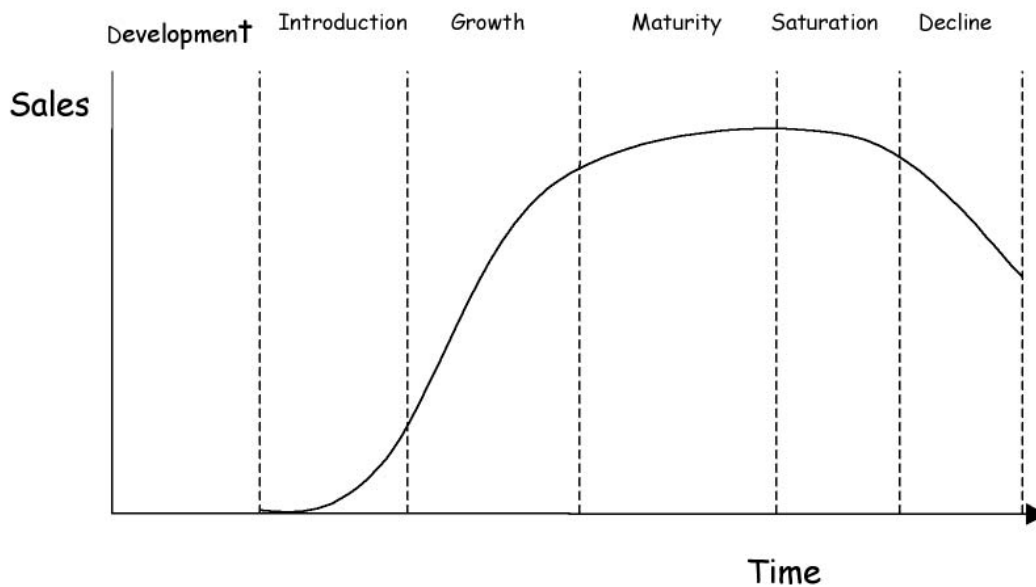
(Using product lifecycle to produce plans for the development of the marketing mix)

Name

Date

The product lifecycle shows the stages that products go through from development to withdrawal. Each product may have a different lifecycle, and the position of a product in its lifecycle will affect how much revenue the organisation earns from its sales.

Example of a typical product lifecycle.



1. Choose a product which you buy regularly and locate it where you think it should be located on the product lifecycle chart
2. Give three reasons why you have decided on that particular location on the product lifecycle chart.
3. Feedback to the class by locating your product and giving your reasons for location on the product lifecycle chart.

## Activity sheet 3: Research to inform marketing decisions

Why organisations conduct marketing research

### Teacher guidance

Learners to work in small groups to investigate why organisations conduct marketing research, using real-life examples.

Learners to investigate the different methods used to conduct marketing research.

Learners to present their findings to the class for discussion.

### Resource requirements

Real-life examples of organisations that conduct marketing research.

This could be achieved by a visit to the marketing department of an organisation so that learners can conduct short interviews with members of the marketing team involved in marketing research.

This could also be achieved by investigating the internal constraints that affect the promotion of the learners' own centre.

### Facilitation

Learners should be encouraged to make their own contacts with local organisations to help develop the work relatedness of their studies.

Guidance may be required as to the type of organisation where learners are most likely to get a positive reception and the right kind of support.

Explore organisations where learners may already have contacts, such as where they have a part-time job, where a parent works, where other friends work, business that already have contact with the centre, eg supplier, governor etc.

## Learner Activity sheet 3

Why organisations conduct marketing research

Name

Date:

- 1 Decide which local organisation you want to work with to help you learn about marketing research. Research the name of the appropriate person to contact. This is most likely to be the marketing director or marketing manager.
- 2 Produce a proposal, which describes who you are, what course you are studying, the help and support that you need, why you want help and support and when you want the help and support.
- 3 Outline why you think that business/organisation will benefit if they help you.
- 4 Tell them when you will be making direct personal contact (telephone call) for a decision.
- 5 Check the proposal with the teacher.
- 6 Mail off the proposal.
- 7 Make the telephone call.
- 8 Before your visit, prepare a short questionnaire which covers the main points on which you want information. This could include why the organisation conducts marketing research, the different methods of marketing research used by the organisation and why each method is used, including advantages and disadvantages
- 9 After your visit prepare a short presentation to feed back to the group.

## Activity sheet 4: Investigating marketing campaigns

(Investigating marketing campaigns: measuring and monitoring)

### Teacher guidance

Learners to work in small groups to consider a current marketing campaign and assess the campaign and its outcome in terms of:

- objectives
- targeting
- production
- organisation.

The focus of the learner's investigation should be on how the organisation concerned measures and monitors the outcome of its marketing campaigns.

This will require some investigation by the learners before they can present their findings to the class for discussion.

### Resource requirements

Real-life examples of a current marketing campaign.

This could be achieved by a visit to the marketing department of an organisation that uses promotion in its marketing mix, to study the marketing plans behind the campaign.

This could also be achieved by investigating a current campaign being run by learners' own centres.

### Facilitation

Learners should be encouraged to make their own contacts with local organisations to help them relate their studies to the workforce.

Guidance may be required as to the best type of organisation that will give learners a positive reception and the right kind of support.

Explore organisations where learners might already have contacts, such as, where they have a part-time job, where a parent works, where other friends work and businesses that already have contact with the centre, eg supplier, governor etc.

## Learner Activity sheet 4

Investigating marketing campaigns: measuring and monitoring

Name

Date

- 1 Decide which local organisation you want to work with to help you learn about how it measures and monitors its marketing campaigns. Research the name of the appropriate person to contact. This is most likely to be the marketing director or marketing manager.
- 2 Produce a proposal, which describes who you are, what course you are studying, the help and support that you need, why you want help and support when you want the help and support.
- 3 Outline how you think that business/organisation will benefit if they help you.
- 4 Tell them when you will be making direct personal contact (telephone call) for a decision.
- 5 Check the proposal with teacher.
- 6 Mail off the proposal.
- 7 Make the telephone call.
- 8 Before the visit, prepare a short questionnaire which covers the main points on which you want information. This could include a description of the marketing campaign to be studied, including the product featured, the media used, timing and objectives.  
Specific information to research includes:
  - objectives: why is campaign being run
  - targeting: who is it aimed at?
  - production: how has it been produced?
  - organisation: how has it been organised and run?How is the campaign measured and monitored?
- 9 After your visit prepare a short presentation to feed back to the group.



## Definition of key terms

Cluster Sample	Respondents drawn from a relatively small area selected to represent a particular aspect of a product's target market. For example, the cluster may be a seaside town chosen by a producer of sun lotion.
Macro (economic)	<p>A term indicating the study of the whole economy (macro means 'large'). The main elements within the macroeconomy are firms, consumers, the government and other countries. The way they depend on each other is shown by the circular flow of national income. Macroeconomics is concerned with aggregate demand and aggregate supply, and with total consumption, investment and expenditure. Thus the sales revenue of an individual firm is a part of the macroeconomy; by adding up the sales revenue of all firms (their aggregate income) the size of the macroeconomy can be measured. The study of the macroeconomy leads on to consideration of macroeconomic policy. As there are large areas of macroeconomics which are still poorly understood, policy prescriptions are usually controversial.</p>
Marketing Mix	<p>The main variables through which a firm carries out its marketing strategy, often known as the four Ps:</p> <ul style="list-style-type: none"><li>• product (including range of pack sizes and/or flavours or colours)</li><li>• price (long-term pricing strategy and pricing method)</li><li>• promotion (branding, advertising, packing and sales promotions)</li><li>• place (choosing distribution channels and seeking shop distribution)</li></ul> <p>Textbooks tend to treat each of the elements of the mix with equal importance. Few marketing companies would agree. The most important element of the mix is the product, which needs to be designed to meet the requirements of those within the target market. If this process has been achieved successfully (probably through extensive market research) the other three elements of the mix become clear. The price must be suited to the pockets of the target Market and to the image of the product. The promotion will be through the media that they watch or read, while the place should be the shops visited by those types of people.</p> <p>The only one of these elements that is outside the company's control is place, for obtaining shop distribution is a very difficult task in crowded modern market-places. No retailers have spare shelving, so in order for your product to gain distribution, another product will probably have to be removed from the shelves. Needless to say every manufacturer is fighting hard to keep its distribution as high as possible, so it is never easy to gain or to keep hold of high distribution levels.</p>
Micro (economic)	<p>Is the study of how individual markets work. It includes price theory, the theory of the firm, and the study of labour markets. It provides a theoretical framework for analysis of decisions made by firms and individuals concerning consumption, production and the way factors of production are to be put to use. Analysis may be of one particular market (partial equilibrium analysis) or it may involve the interrelationships between different markets (general equilibrium analysis). The former would, for example, look at the way an increase in demand for bicycles might affect the price and quantity of bicycles sold, while the latter would go on to look at the impact on numbers employed in the industry and their wage rates, and the secondary effects on any other products.</p>

PESTLE	<p>Audits the external environment in which the organisation operates to identify the key influences on the organisation, and to identify key changes that are taking place which will influence the organisation in the future. The categories include the following:</p> <ul style="list-style-type: none"> <li>• Political change</li> <li>• Economic change</li> <li>• Socio-cultural change</li> <li>• Technological change</li> <li>• Legal change</li> <li>• Environmental change.</li> </ul>
Portfolio Analysis	<p>Is the examination of all the brands held by a firm to identify their strength and potential. A useful method is the Boston Matrix, which analyses products in terms of their market share and market growth. This helps a firm allocate its resources, usually away from brands in declining markets and towards those with growth prospects.</p>
Pricing Strategy	<p>Is the medium- to long-term plan of the price level that a firm wishes to set for a product. For a new product there are two fundamental strategies market penetration (pricing low to maximise sales) or skimming the market (pricing high to maximise profit margins). A further possibility for an existing product is price leadership. This is only feasible if the product in question has the dominant image within the mass market (examples would include Hellman's Mayonnaise and Benson &amp; Hedges King Size cigarettes). There are many other ways in which a firm might determine the price of a product.</p>
Product Development	<p>Fulfilling marketing objectives by developing new products or upgrading existing ones. This might be in order to boost sales/market share or to add value and therefore price. Successful product development relies upon excellence in research and development and in design, plus the technical ability to turn good designs into well engineered products or services. Product development can be through marginal changes (low risk, small reward) such as 'new improved Ariel' or major innovations (high risk, high reward) such as Sony's wide-screen TV.</p>
Quota Sample	<p>Is the recruitment of respondents to a market research exercise in proportion to their known demographic profile. Therefore if you know that 25 per cent of your buyers are men, you would instruct interviewers to recruit one man for every three women within your sample. This is a far cheaper method of recruitment than random sampling.</p>
Random Sample	<p>Contacting survey respondents so that every member of the population has an equal chance of being interviewed. This sounds straightforward but is, in fact, both hard and expensive to achieve. The reason is that random must not be confused with haphazard. If all that an interviewer did was to stand outside Marks and Spencer on Tuesday afternoon and interview as many people as necessary, various distortions would occur in the sample:</p> <ul style="list-style-type: none"> <li>• relatively few men would be interviewed</li> <li>• few working women would be interviewed</li> <li>• few hardworking students would be interviewed.</li> </ul> <p>In other words, the sample would be mainly pensioners, parents of pre-school children and the unemployed.</p>

In order to avoid these pitfalls, random samples are drawn from local electoral registers, and interviewees are contacted at home. The interviewer must call three times before giving up on an address. This is to overcome the problem that busy people are the least likely to be at home. The need to visit and revisit specific addresses adds considerably to fieldwork costs. So although random sampling is common in social research, businesses tend to use quota samples.

Sample	A group of respondents to a market research exercise selected to be representative of the views of the target market as a whole. There are four main methods of sampling: random, quota, stratified and cluster. In consumer research, the quota sample is the one used most commonly.
Stratified Sample	A research sampling method that draws respondents from a specified subgroup of the population. An example would be a lager producer deciding to research solely among 18-30 year-old men, since they represent the heart of that market-place. Within the chosen group, individuals might be chosen on a random basis, hence the term 'stratified random sample'.
SWOT	Is the assessment of a product, division or organisation in terms of its strengths, weaknesses, opportunities and threats. Its simple, four box format makes it easy to use as a visual aid in a management meeting or conference. The strengths and weaknesses are the actual position of the product or company, while opportunities and threats represent future potential.
Target Market	<p>The precise profile of the customers a firm wishes to sell to. For a new cider, the target market may be working women aged 18-30; for an iced lolly it might be children aged 8-12. A firm will decide on its target market after conducting extensive market research including, perhaps, a market segmentation analysis. The choice of the target market will then affect every section of the marketing mix, including:</p> <ul style="list-style-type: none"><li>• distribution outlets: supermarkets or sweet shops?</li><li>• pricing</li><li>• style of advertising and choice of advertising media</li><li>• product characteristics such as sweetness or colour.</li></ul>

## Unit-based resources

### Websites

Section 10.1: Influences on marketing decisions	
<a href="http://www.bized.ac.uk">www.bized.ac.uk</a>	Contains a variety of materials for teachers and learners at all levels.  Includes theory, activities, case studies and teaching material.
<a href="http://www.business.com">www.business.com</a>	Business search engine and Directory.
<a href="http://www.cim.co.uk">www.cim.co.uk</a>	The Chartered Institute of Marketing website provides resources and training material.
<a href="http://www.ft.com">www.ft.com</a>	<i>The Financial Times</i> website carries up-to-date business news and comment.
<a href="http://www.brandrepublic.com/magazines/campaign/index.cfm">www.brandrepublic.com/magazines/campaign/index.cfm</a>	Campaign magazine, weekly news of the latest advertising campaigns.
<a href="http://www.vocationallearning.org.uk">www.vocationallearning.org.uk</a>	The Learning and Skills Development Agency (LSDA) has a wealth of case study and resource material with an applied vocational focus.
<a href="http://www.revolution.haynet.com">www.revolution.haynet.com</a>	<i>Revolution</i> magazine aims to help marketers learn new strategies for business success in the information age. Its website provides business news.
<a href="http://www.wnim.com">www.wnim.com</a>	<i>What's New in Marketing</i> magazine, provides up-to-date marketing news.
<a href="http://www.mad.co.uk/publications/mw">www.mad.co.uk/publications/mw</a>	<i>Marketing Week</i> magazine, latest news of marketing and promotional campaigns.
Most major advertisers, advertising agencies and media owners will have their own website. There are too many to list, but most can be found very easily using internet search engines. Some of the information on these websites could form the basis of 'real life' case studies.	
Section 10.2: Marketing decisions and the planning process	
<a href="http://www.effectingchange.luton.ac.uk/toolkit/index.php?content=toolin6">www.effectingchange.luton.ac.uk/toolkit/index.php?content=toolin6</a>	A range of marketing tools and advice on using them, including SWOT, PESTLE and BCG Matrix, can be found on the University of Luton website
<a href="http://www.businesslink.gov.uk/bdotg/action/home?r.s=b">www.businesslink.gov.uk/bdotg/action/home?r.s=b</a>	The Business Link website provides business advice, guidance and case study material, including product development, pricing strategy, promotional strategy, distribution channels and target markets.
Most major advertisers, advertising agencies and media owners will have their own website. There are too many to list, but most can be found very easily using internet search engines.	

Section 10.3: Research to inform marketing decisions	
www.new-marketing.org	New marketing research group within the Cranfield School of Management aims to provide an understanding of the impact on marketing on the post-modern, IT-enabled consumer.
www.direct.gov.uk/Homepage/fs/en	Online government website with a section that offers practical information for businesses from across the government.
www.statistics.gov.uk.	UK government statistics are available at this website.
www.mrs.org.uk	Market Research Society sets the standard for market research and also provides advice, reference and training materials and publications.
Most major advertisers, advertising agencies and media owners will have their own website. There are too many to list, but most can be found very easily using internet search engines.	
Section 10.4: Investigating marketing campaigns	
www.brandrepublic.com/magazines/campaign/index.cfm	<i>Campaign</i> magazine, weekly news of the latest advertising campaigns.
www.mad.co.uk/publications/mw	<i>Marketing Week</i> magazine, latest news of marketing and promotional campaigns.
www.bized.ac.uk	Contains a variety of materials for teachers and learners at all levels.  Includes theory, activities, case studies and teaching material.
Most major advertisers, advertising agencies and media owners will have their own website. There are too many to list, but most can be found very easily using internet search engines.	
Please note that this list is not exhaustive.	

### Books

Adcock D, Halbourg C and Ross C – *Marketing Principles and Practice* (FT Prentice-Hall, 2001) ISBN 027364677X

Hatton A – *Definitive guide to marketing*, (London Prentice Hall 2003) ISBN 0582821959

Lancaster G, Massingham L and Ashford R – *Essentials of Marketing* (McGraw Hill, 2001) ISBN 0077098609

Lines D, Marcousé I and Martin B – *The Complete A-Z Business Studies Handbook* (Hodder & Stoughton, 2003) ISBN0340972632  
(has a good marketing section)

McDonald M – *Marketing Plans: How to prepare them, How to use them, Fifth Edition* (Oxford Butterworth Heinemann 1999) ISBN 0750641169

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

## Journals/publications

*Campaign* magazine – up-to-date news on the advertising industry

*Management Today* – provides a management level insight into business issues.

Marketing Week magazine – up-to-date news and information on advertising and promotional campaigns

*Media Week* magazine – up-to-date news of advertising and promotional media, media owners and how different media are being used

Business pages of national newspapers – often carry news and case studies of advertising and promotional campaigns

Consumer magazines – for examples of all aspects of real promotional campaigns

Newspapers – for examples of all aspects of real promotional campaigns

Trade magazines – industry news and case studies of real promotional campaigns from different industries and trade sectors

Please note that this list is not exhaustive.

## Recommended reading

Adcock D, Halbourg C and Ross C – *Marketing Principles and Practice* (FT Prentice-Hall, 2001) ISBN 027364677X

Cave S – *Consumer Behaviour in a Week* (Hodder, 2002) ISBN 0340849711

Clark A – *Organisations, Competition and the Business Environment* (FT Prentice Hall, 1999) ISBN 0201619083

Hatton A – *Definitive Guide to Marketing*, (London Prentice Hall 2003) ISBN 0582821959

Hill E and O'Sullivan T – *Marketing* (Longman, 1999) ISBN 0582369371

Jobber D – *Principles and Practices of Marketing, Third Edition* (McGraw-Hill, 2001) ISBN 007796134

Kotler P and Armstrong G – *Principles of Marketing, Ninth Edition* (Prentice Hall, 2000) ISBN 0130293687

Lancaster G, Massingham L and Ashford R – *Essentials of Marketing* (McGraw Hill, 2001) ISBN 0077098609

Lewis R and Trevitt R – *Business for Advanced GVNQ* (Stanley Thrones, 2000) ISBN 0784735062

Lines D, Marcoué I and Martin B – *The Complete A-Z Business Studies Handbook* (Hodder & Stoughton, 2003) ISBN 0340972632 (has a good marketing section)

McDonald M – *Marketing Plans; How to prepare them, How to use them, Fifth Edition* (Oxford Butterworth Heinemann 1999) ISBN 0750641169

McGivern Yvonne – *The Practice of Market and Social Research* (FT Prentice Hall/Pearsons Education, 2003) ISBN 0 273 65506 X – Produced in conjunction with the Market Research Society.

Needham D and Dransfield R – *Marketing Everybody's Business* (Heinemann, 1995) ISBN 043540255

Proctor T – *Essentials of Marketing Research* (Pitman, 1997) ISBN 0273625314

Please note that this list is not exhaustive.

## Videos

Video Arts at [www.videoarts.com](http://www.videoarts.com) – they have a range of videos that is particularly accessible to learners.

It may be worth investigating National Training Organisations (NTO) and Sector Skills Councils (SSC) for videos about their particular industries.

Television news reports and programmes concerned with reporting on business can be found on the BBC as well as on commercial channels, terrestrial, cable and satellite.

## Assessment evidence

This unit will be assessed through an external assessment.

The mark you achieve for this assessment will be your mark for the unit.

The external assessment will be in the form of a graded test. This test will consist of a range of questions. The content of the external assessment will relate directly to what you should have learned as a result of the activities you have carried out as part of your work for this unit.

You will need to be able to apply the knowledge, skills and understanding of the unit to the demands of the questions set. The ability to transfer knowledge, skills and understanding to different situations is an invaluable preparation for employment, training, further education and higher education. External assessment is one example of where this transference is critical, eg coping with the controlled conditions of an external assessment, scenarios and responding to questions.

The external assessment will require evidence of:

- (a) being able to demonstrate your knowledge, skills and understanding of the subject content of this unit and relevant business skills
- (b) being able to apply your knowledge, skills and understanding of the subject content of this unit and relevant business skills
- (c) being able to use appropriate methods to carry out research and analysis relevant to the subject content of this unit
- (d) some ability to evaluate and reach reasoned judgements on the suitability of planned campaigns or the results of campaigns carried out, based on the subject content of this unit.

External assessments will be available to candidates twice a year, in January and in June.

## External assessment paper

### Information for candidates

The front of the paper will indicate how many questions are in the paper, how many pages are in the paper (and that all blank pages will be indicated).

The total mark available for this paper is 90.

The marks for the various parts of the questions are shown in round brackets eg (2)

### Advice to candidates

Candidates are reminded of the importance of clear English and careful presentation in their answers.

### Time allowed

One hour and 30 minutes

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## Unit 11: Impact of Finance on Business Decisions

### Unit aims

The main aim of this unit is to give learners the opportunity to understand the nature and importance of business-based financial information through the processes of analysis and evaluation. By doing so, they will appreciate how businesses use financial information in order to help achieve their aims and objectives. The unit is therefore designed to help learners develop a clear understanding of the influence of finance on business decisions.

The unit aims to give learners an insight into the reality of financial decisions in business; in effect, how these decisions are affected and influenced by the range of financial constraints that all businesses face in practice, regardless of ownership or structure. The unit seeks to instil in learners an understanding of how different businesses review their growth, progress and development in the light of their existing finances and the limitations placed upon these finances.

### Unit topics

- 11.1 Identifying financing needs and constraints
- 11.2 Managing working capital
- 11.3 Investing in equipment and projects
- 11.4 Investing in other companies.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 11.1: Identifying financing needs and constraints.

Topic	Suggested delivery plan	Resources
The need for and importance of long and short-term finance, and the differences between the two.	<p>Discussion of why all businesses need finance, eg to function operationally, for growth, to pay debts, to provide for contingencies, to meet the demands of stakeholders such as shareholders.</p> <p>Learners list sources of finance for those businesses with which they are familiar. Learners suggest how each source can be classified in terms of time period, ie short-term and long-term.</p> <p>An exploration of how the nature of the finance matches the nature of the need for it: eg, working capital/short-term finance to meet immediate financial needs, capital expenditure/long-term finance for major investments.</p>	Activity sheet 1: Businesses and finance.
The differences the legal structure of the business makes on the finance available, considering the advantages and disadvantages.	<p>Learners review the legal structures of those businesses with which they are familiar, eg private sector (unincorporated and incorporated) and public sector.</p> <p>Learners identify and discuss how the differences in legal structure and ownership influence the finance, eg different types of capital (loan and share), different sources of working capital.</p> <p>An explanation of advantages and disadvantages of different legal structures related to sources of finance, eg size (plcs usually borrow at lower rates), range of sources, collateral available and relative costs.</p>	Activity sheet 2: Sources of finance.
The ways in which different sources of finance may be obtained and the information that will need to be given to providers of finance.	Learners research requirements set by major providers of finance, eg lending criteria of banks, such as character of borrower, ability to borrow and repay, purpose of the borrowing, amount of borrowing, profit/rate on borrowing, repayment terms and security offered.	Activity sheet 2: Sources of finance.

## Section 11.2: Managing working capital.

Topic	Suggested delivery plan	Resources
<p>The content of working capital and the importance of assets, eg stock, debtors and cash and liabilities, eg overdrafts and creditors.</p>	<p>Learners review the definition, nature and importance of working capital, its constituent elements of current assets and current liabilities, and how working capital is shown in (or calculated from) a balance sheet.</p> <p>Overview of current and acid test ratios: what they show, their importance and calculation.</p> <p>Discussion of how working capital varies from business to business: eg large retailers that are operating on very low working capital, and why they can do so.</p>	<p>Activity sheet 3: Working capital and the operating cycle.</p>
<p>The operating cycle and its importance to the survival of a business and the difference between cash flow and profits.</p>	<p>Explanation of the operating cycle, and how it illustrates the connection between working capital and cash inflows/outflows.</p> <p>Learners relate the operating cycle to different businesses, to explore the different characteristics, eg manufacturers having a more traditional cycle with payments predating receipts (due to credit sales), whereas retailers selling mainly for cash or by credit/debit card often having receipts before making payment.</p> <p>Explanation of the differences between trading (and other) profits and cash flows, discussion of how these differences arise such as timing and the effect of having these differences.</p>	<p>Activity sheet 3: Working capital and the operating cycle.</p>
<p>Different approaches to the problem of working capital management, eg traditional approach (financing current assets with current liabilities) and modern approach (recognising the permanent nature of some current assets).</p>	<p>Explanation of the purpose of working capital management, to minimise the risk of insolvency while maximising return on assets.</p> <p>Explanation of the traditional and modern approaches to working capital management.</p>	<p>Activity sheet 3: Working capital and the operating cycle.</p>
<p>The costs and risks associated with short-term finance.</p>	<p>Learners discuss the known costs and risks of short-term finance, eg overdraft costs, opportunity cost of uninvested or unused cash surpluses, potential loss of assets offered as security.</p> <p>Explanation of the effect of poor working capital management: over-capitalisation and its characteristics of high current assets and low investment returns, overtrading and its characteristics of falling cash as a result of increasing debtors and creditors.</p>	<p>Activity sheet 4: Working capital and risk.</p>

Topic	Suggested delivery plan	Resources
<p>The problems associated with the investment of surplus cash.</p>	<p>Learners discuss the key influences on a business's cash management: liquidity, profitability, safety.</p> <p>Learners review how cash surpluses are created, and explore the relevance/importance of cash surpluses to different businesses, eg for future capital investment, for paying dividends, to buy another business.</p> <p>Learners relate the relevance/importance of cash surpluses to profitability, liquidity and safety, eg surpluses must be kept safe but must still generate a return, inflation over time causes cash values to fall, cash that is available for immediate needs may not bring a return.</p> <p>An explanation of the relationship between return and risk.</p>	<p>Activity sheet 5: Investing surplus cash.</p>
<p>Specific working capital management tools such as debtor management (granting and monitoring credit, collecting debts using discounts, factors and insurance), stock control (when and how much to order), taking advantage of credit periods or discounts and cash surpluses or deficits, using cash budgets.</p>	<p>Learners research into the key control elements of working capital undertaken by businesses. For example, controls on:</p> <ul style="list-style-type: none"> <li>- cash (eg through cash flow forecasts/cash budgets, the need for efficient banking)</li> <li>- debtors (eg credit checking, establishing credit status, setting credit periods and limits, offering settlement discounts)</li> <li>- stocks (eg setting an economic order quantity, maximum and minimum stocks, the influence of JIT).</li> </ul>	<p>Activity sheet 6: Managing working capital.</p>
<p>Ratio analysis to monitor liquidity, debtor collection periods, creditor payment periods, stock turnover, current and quick ratios (calculation and interpretation).</p>	<p>An explanation of the purpose and relevance of the main ratios, eg current and acid test, Debtor Turnover, Creditor Turnover, Stock Turnover.</p> <p>Learners to calculate and comment on ratios for given businesses.</p>	<p>Activity sheet 6: Managing working capital.</p>

### Section 11.3: Investing in equipment and projects.

Topic	Suggested delivery plan	Resources
The implications of investment; effects of the cash flows in/out on the liquidity of the company, effects on profits and the risk and variability of returns.	<p>Learners discuss the reasons why different businesses invest and give examples of different long-term investments made by different businesses.</p> <p>Discussion of the implications of investments to individual businesses, eg meeting long-term capital repayment, financing the investment, how the investment creates liquidity, profitability and safety issues.</p> <p>Explanation of the guidelines for investment, with learners reviewing the relationship between return and risk and how these apply to long-term investments.</p>	Case Study A.
Different methods of appraising investments such as payback period, return on capital employed, discounted cash flow techniques and the strengths and weaknesses of different methods of investment appraisal.	<p>Learners review the difference between capital and revenue expenditure.</p> <p>An explanation of the main methods of appraising capital projects: accounting rate of return (return on investment), payback, discounted cash flow (including net present value and internal rate of return), how and why they differ and an evaluation of their usefulness to different businesses.</p>	Case Study A.
Capital rationing, inflation and tax and their effects on the investment decision.	<p>Learners discuss the known difficulties of estimating future cash flows.</p> <p>An explanation of how capital rationing, inflation and tax influence the decision to invest and the calculations of the expected return.</p>	Case Study A.
Relevant costs; the distinction between costs which do affect the decision and those which do not.	<p>Learners review their understanding of 'cost'.</p> <p>Explanation of costs in decision-making, and factors determining if a cost is either relevant, (eg future costs and cash flows, avoidable costs, differential costs and opportunity costs), or non-relevant, (eg sunk costs and committed costs) to financial decisions.</p> <p>Learners review specific financial decisions in the light of this cost classification.</p>	Activity sheet 7: Costs in decision making.
Financing the chosen investment: lease or buy decisions.	<p>An explanation of the nature of leasing and its types (operational and finance).</p> <p>Learners to discuss the benefits and drawbacks to different businesses (including lessor and lessee) of leasing when compared with buying.</p>	Activity sheet 7: Costs in decision making.

Topic	Suggested delivery plan	Resources
Sensitivity analysis: if an estimate turns out to be wrong, does this mean the decision is wrong?	<p>An explanation of the use of sensitivity analysis in financial planning: eg how changes in one or more variables affects cash flows and/or profits.</p> <p>Learners explore how the uses of spreadsheets or other financial modelling packages support sensitivity analysis, eg through changing cash flow projections.</p>	Case Study B.

#### Section 11.4: Investing in other companies.

Topic	Suggested delivery plan	Resources
The differences between equity (shares) and debt (loans) investment such as whether/when the investment is repayable, the type of return, such as interest or dividend, how its amount is determined and the level of risk associated with each.	<p>Learners research into how known limited company businesses are financed, comparing their long-term equity and debt funding in terms of the amount and proportional share, any stated time period and the influence and expectations of the relevant stakeholders.</p> <p>Learners review the nature/degree of risk and return for share and loan capital.</p>	Activity sheet 8: Investing in limited companies.
The considerations to be made when choosing a company to invest in, such as profitability (how the company is performing now and how it is likely to perform in the future), liquidity (how easily the company is able to meet its short-term debts as they fall due and how well it generates cash) and financing (the structure of its long-term finance).	<p>Learners review the nature and relevance of liquidity, profitability and safety and general guidelines for investment, eg balancing risk and return, spreading risk, the extent to which the investment is convertible into cash and how investments in companies may be ranked, (eg equities are higher risk but possibly higher return compared with preference shares).</p> <p>An explanation of capital gearing and how this illustrates the financial structure of a company and its relevance to potential lenders and/or investors.</p>	Case Study C.
Use of ratio analysis to make these considerations, such as profitability ratios, liquidity ratios and gearing ratios; investor ratios such as dividend cover, interest cover, earnings per share interpretation of the ratios and analysis of trends.	<p>Learners review previously studied liquidity and efficiency ratios, and assess their relevance to investing in companies.</p> <p>An explanation of the purpose and calculation of:</p> <ul style="list-style-type: none"> <li>profitability ratios (ROCE, net profit margin, gross profit margin, asset turnover)</li> <li>gearing and debt/equity ratios</li> <li>investor ratios (dividend cover, interest cover and EPS).</li> </ul> <p>Learners calculate ratios for different companies and comment on trends and results.</p>	Case Study C.

Topic	Suggested delivery plan	Resources
The effect of different levels of investment.	<p>An explanation of the limitations of ratio analysis.</p> <p>Learners to review the amount of investment in different companies and the effects of changing investment levels.</p>	Activity sheet 8: Investing in limited companies.
How the investment may secure influence or control over the operations of the other business.	Learners review the nature of share and loan capital and other forms of investment in terms of how these can affect the day-to-day and longer-term running and control of businesses.	Activity sheet 8: Investing in limited companies.
The implications if the investment is significant enough to be described as a subsidiary or an associated company.	<p>An explanation of a group of companies (parent/holding and subsidiary) and of the difference between a subsidiary undertaking and an associated undertaking.</p> <p>An explanation of how having subsidiary and/or associated undertakings influences company financial activity.</p>	Activity sheet 9: Groups.

## Activity sheet 1: Businesses and finance

In small groups, make a list of at least six different businesses that you know. The list should consist of businesses from the private and public sectors, businesses that manufacture goods and businesses that provide a service to the general public.

Using this list, suggest reasons why each of these businesses needs finance. Are there any reasons that all these businesses have in common?

For each business listed, suggest at least one important source of finance that it has. If possible, choose a different source for each business.

Having chosen your sources of finance, would you classify them as short-term sources or as long-term sources? Complete the table below to summarise your work to date.

Business name	Type (private or public. Primary, secondary or tertiary)	Reason for needing finance	Type of finance used	Short-term or long-term



## Activity sheet 2: Sources of finance

Select a private sector business that you know and for which you have (or can obtain) some financial information.

What is the legal structure of this business, ie is it a limited company or an unincorporated business?

Research the sources of finance available to this business. For example, does it have share capital? If so, what type and amount? If not, what form does its capital take? Does it use loans? What information is provided about these loans (eg are they provided by 'high street' banks? What rate of interest is paid? How long is the loan?). Does it have debtors? What amount do they owe? Does it use an overdraft?

Compare these sources with those that are available to your school/college and your local authority.

In small groups, research the lending criteria that high street banks set for personal and business borrowing. Each group can select a different high street bank.

What types of finance are available for business and private customers?

What length of time are these available for?

What interest rates and other charges are involved?

Select a suitable source of finance from your chosen bank for the following situations:

A plumber presently working from home wants to buy a small shop from which to work, and to sell bathroom and other plumbing-related equipment. The plumber also wants to borrow money to obtain stock for the shop.

The directors of a medium-sized limited company want to buy a new computer network for the company.

A partner in an estate agents needs to get a new car so she can travel to meet potential clients.

### Activity sheet 3: Working capital and the operating cycle

In small groups, select a business for which you have financial information about its balance sheet.

List the various current assets and current liabilities for this business. What is the total value of the current assets and the current liabilities, and which is the greater amount?

Calculate the difference between these totals to discover the amount of working capital this business has. How does this amount differ if stock is omitted from the calculation?

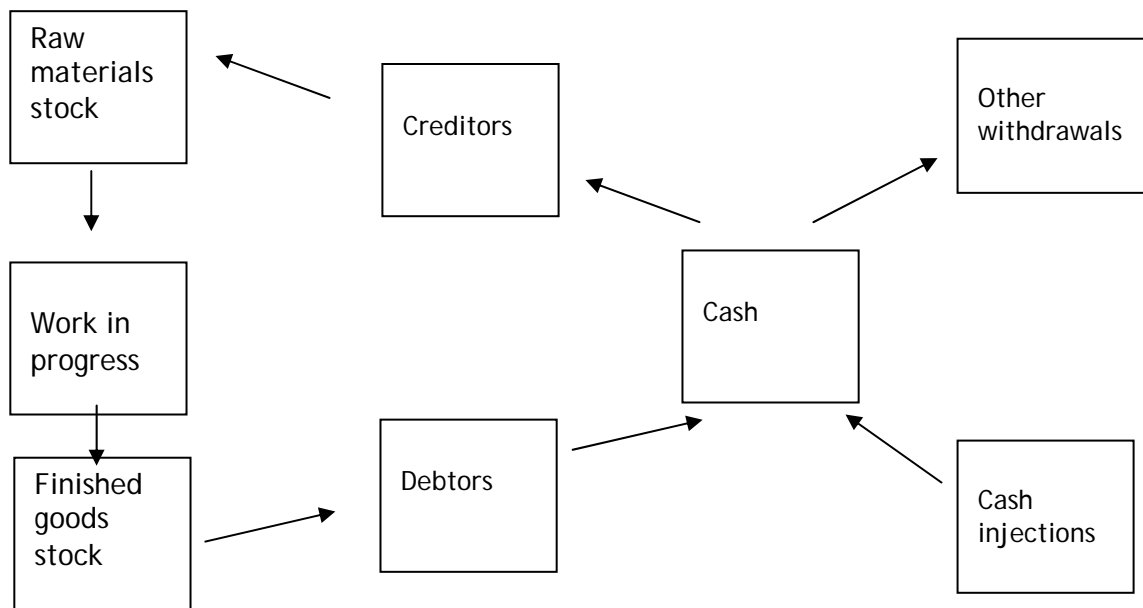
Express the ratio of current assets to current liabilities. How does this ratio differ if stock is omitted from the calculation?

Explain why it is important to your chosen business to have working capital.

The diagram below illustrates the operating cycle.

For a manufacturing business with which you are familiar, give examples for each description in the diagram (other than 'cash').

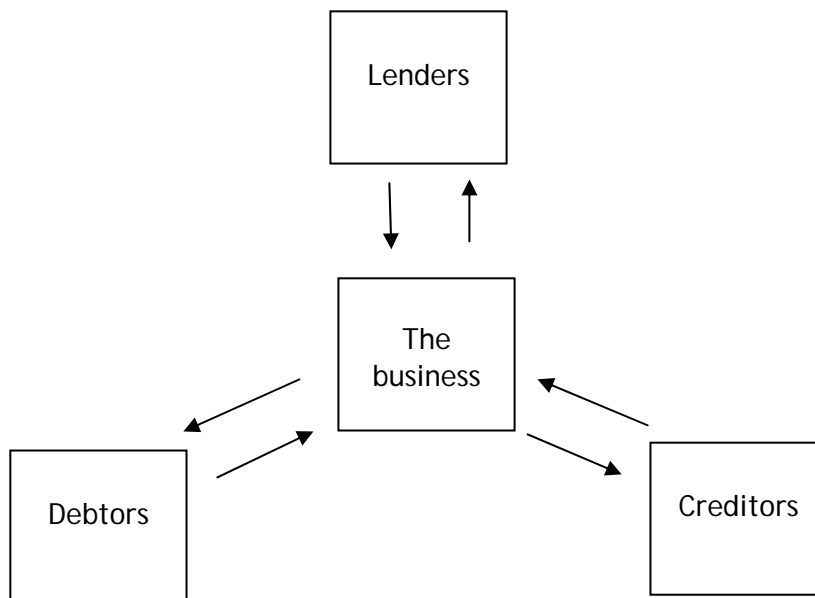
How would this diagram differ if you were considering the operating cycle for a retailer? Construct the diagram to illustrate any differences.



## Activity sheet 4: Working capital and risk

The diagram below summarises the risks associated with trading and short-term borrowing. Link each of the following statements to the relevant arrow in the diagram.

- Risk of not paying supplier's firm
- Risk of defaulting on borrowing
- Risk of not being paid by customer's firm
- Risk of late or no delivery through failure of supplier's firm
- Risk of losing borrowing facilities through lender's failure
- Risk of customer receiving late or no delivery through the business's failure.



(Use the websites [www.businesslink.gov.uk](http://www.businesslink.gov.uk) and [www.bizhelp24.com](http://www.bizhelp24.com) to research into overtrading, and to answer the following questions.

- What is 'overtrading'?
- In what ways can a business assess its cash needs?
- How can overtrading be avoided?)

## Activity sheet 5: Investing surplus cash

Select a business that you know and which has, or is likely to have, surplus cash (for example, a business operating in a seasonal market).

Create for this business some guidelines for investing surplus cash. Your guidelines should consider the following:

- liquidity needs of the business, eg how quickly might it need the cash?
- degree of risk of the proposed investment's profitability, eg is the business in a secure enough position to risk losing some value of its investment?
- degree of risk of the proposed investment's capital sum – can the business afford to lose its money invested?
- expected return on the investment, eg fixed or variable?

In small groups, research into the short-term cash investments offered by banks and building societies. How do these investments vary in terms of risk, return and liquidity?

## Activity sheet 6: Managing working capital

Select a major retailing plc, such as Sainsbury or Tesco, whose published accounts are available on the internet.

Using the current assets and current liabilities in the Balance Sheet, calculate and comment on the following ratios:

- current
- acid test.

Select a major non-retailer plc whose published accounts are also available on the internet.

Using the current assets and current liabilities in its balance sheet, calculate and comment on this company's current and acid test ratios.

Compare your calculations and suggest reasons why these ratios differ.

Using the financial information for these businesses, calculate and comment on as many of the following ratios as possible:

- debtor turnover
- creditor turnover
- stock turnover.

Are there any major differences between these companies' ratios, as shown by your calculations? Why might these differences have arisen?

To what extent are these companies likely to be similar in the way that they seek to control:

- cash?
- debtors?
- stock?

## Case Study A: Investment appraisal

The company for whom you work has established a Capital Expenditure budget of £150,000 for the forthcoming year. There are four possible projects in which it could invest. Each project will cost £150,000.

As an employee working in the Finance Department, you have helped produce the following information for the directors to consider when deciding on which project to pursue.

Project	Cost (£000)	Payback (years)	Accounting rate of return (%)	Net present value (£)	Internal rate of return (%)
1	150	1.25	32	285,500	15
2	150	4.5	38	402,750	21
3	150	3.75	45	352,675	19
4	150	3	18	(5,550)	9

The directors propose to fund the investment by issuing loan stock (debentures) at an interest rate of 10 percent. Any surplus funds from the investment can be invested at a 10 percent rate of return.

### Tasks

Draft a memorandum to the directors, explaining the meaning of the following:

- Payback
- Accounting rate of return
- Net present value
- Internal rate of return
- The relevance of the 10 percent interest rate figure.

The Finance Director believes that Project 3 is the best because it has the highest accounting rate of return. Do you agree or disagree with this suggestion? Explain your answer.

If the directors agreed to find the money to invest in all four projects, to what extent do the above figures suggest they should?

Following the board meeting, the directors now believe that the risks associated with these projects are likely to increase substantially. To what extent could this affect any decision?

## Suggested answers to Case Study A

The relevance of the 10% figure.

This represents the expected rate of return. Lenders will receive a 10 percent return and the business should therefore have investments that generate at least this return.

Project 3 also has a positive NPV and an internal rate of return that, at 19 percent, is well above the expected 10 percent figure. However, it has a long payback period and is not the best investment judging by the discounted cash flow calculations: Project 2 shows a higher NPV and internal rate of return.

The figures suggest that the directors should not invest in Project 4. According to the discounted cash flow calculations, this project has a negative net present value and therefore its internal rate of return (9 percent) is below the required 10 percent figure.

If risk is to increase, the speed of payback becomes more important. The directors may therefore reconsider investing in Project 1, which has by far the shortest payback period.

## Activity sheet 7: Costs in decision-making

In small groups, explain the meaning of each of these terms, and give a business example for each one.

- sunk cost
- avoidable cost
- committed cost
- differential cost
- opportunity cost.

Nat works for NM Ltd and receives a salary of £2,000 per month. In his spare time he has recently created a new-style hard drive for use in portable equipment. Nat is thinking of giving up his job and making these hard drives. He estimates the hard drives will sell for £20 each and expects sales to be between 1,500 and 2,000 per month. Variable manufacturing costs are expected to be £16 per hard drive, and fixed costs are likely to be £2,800 per month. Nat has incurred research and development costs of £5 500.

In addition, Nat lets property to learners for £1,300 a month. Nat has agreed to pay legal fees of £2,500 in order to change the use of this property to business use.

Give an example of a sunk cost and an opportunity cost for Nat.

Calculate the expected profitability of Nat's invention, using relevant costs.

Use the business link website ([www.businesslink.gov.uk](http://www.businesslink.gov.uk)) to answer the following questions.

- How can major assets be financed?
- What are the different forms of leasing?
- How does leasing differ from hire purchase?
- What are the advantages and disadvantages of leasing assets compared with buying them?



### Suggested answer to Activity sheet 7

Sunk costs are the research costs of £5,500 and the legal fees of £2,500.

Opportunity costs are the loss of Nat's £2,000 monthly salary, and the £1,300 rental income from learners.

Monthly figures:	(1,500)	(2,000)
Forecast revenue	30,000	40,000
Forecast costs:		
variable	24,000	32,000
fixed	2,800	2,800
Opportunity costs:		
Salary loss	2,000	2,000
Rental loss	1,300	1,300
Total forecast costs	29,800	36,800
Forecast profit/(loss)	(100)	1,900

## Case Study B: Managing cash

Merchant Merchandise Ltd operates in a seasonal sector of the economy. The directors are assessing the company's future cash requirements and have produced the following estimate of cash inflows and outflows.

Month	Purchases	Sales
	<i>£000</i>	<i>£000</i>
April	336	224
May	84	448
June	56	112
July	108	112
August	252	324
September	168	352

Customers are allowed two months credit and Merchant Merchandise Ltd receives one month's credit from its suppliers. Other cash outflows average £50,000 per month.

Merchant Merchandise Ltd expects to have an overdraft of £150,000 at the end of June.

### Tasks

Using a spreadsheet such as Excel, prepare a cash budget for this company for the period July-September.

What conclusions do you draw from this budget concerning the company's cash flow?

The directors are considering reducing the credit period given to customers to one month. How will this affect the company's cash budget, and what lessons are there for the directors of Merchant Merchandise Ltd when considering how best to control the seasonality of the company's cash flow?

## Suggested answers to Case Study B

1

	July	August	September	Total
<i>Inflows:</i>				
Cash from sales	448	112	162	722
<i>Outflows:</i>				
Cash for purchases	56	108	252	416
Other payments	50	50	50	150
Total outflow:	106	158	302	566
Net cash flow	342	(46)	(140)	156
Opening balance	(150)	192	146	(150)
Closing balance	192	146	6	6

2

The information shown in the budget confirms highly seasonal business activity. (However, there is information for only a six month period and at least a full year's figures are needed to confirm the seasonality.) The budget is showing substantial variations in the company's cash balance during this quarter. The directors will have to consider how best to invest the substantial cash surplus forecast at the end of July and August.

3

If the directors offer the same terms to customers as the company receives from its suppliers, ie one month's credit, the cash budget would be as follows.

	July	August	September	Total
<i>Inflows:</i>				
Cash from sales	112	162	324	598
<i>Outflows:</i>				
Cash for purchases	56	108	252	416
Other payments	50	50	50	150
Total outflow:	106	158	302	566
Net cash flow	6	4	22	32
Opening balance	(150)	(144)	(140)	(150)
Closing balance	(144)	(140)	(118)	(118)

The benefit is a much smoother net cash flow, although if the existing credit terms are kept the company's overdraft is eliminated.

## Activity sheet 8: Investing in limited companies

In small groups, use the websites of at least four plcs having different activities/in different markets to identify and state the value of each company's share capital and loan capital. Examples of plcs include:

- Tesco or Sainsbury's
- GKN
- BT or Vodafone
- Marks and Spencer.

How do these proportions vary? What are the likely reasons for this?

For each of your companies, select its most recent five-year summary. What information does this give you about each company's profitability, liquidity and efficiency?

How might changes in each company's capital affect its ownership and control?

Here are the results of two companies.

	<b>Marsh Ltd</b>	<b>Garrison Ltd</b>
	£000	£000
Profit on ordinary activities after tax	<u>168</u>	<u>264</u>
Preference dividend	10	20
Ordinary dividend	50	120
Retained profits	<u>108</u>	<u>124</u>
Ordinary shares issued	1 million	2 million
Present share price	270p	240p

Calculate the following:

Earnings per (ordinary) share

Dividend cover

### Suggested answer to Activity sheet 8, question 5

Earnings per share:

Marsh Ltd  $\text{£}158,000/1,000,000 = 15.8\text{p}$  per share

Garrison Ltd  $\text{£}244,000/2,000,000 = 12.2\text{p}$  per share

Dividend cover:

Marsh Ltd  $\text{£}50,000/1,000,000 = 5\text{p}$  dividend per share:  $15.8\text{p}/5\text{p} = 3.16$  times

Garrison Ltd  $\text{£}120,000/2,000,000 = 6\text{p}$  dividend per share:  $12.2\text{p}/6\text{p} = 2.03$  times

## Case Study C: Ratio analysis

Joan Maclachlan wants to invest some money in a limited company, Tigerlily Ltd. Here is a summary of the most recent financial statements of Tigerlily Ltd.

Profit and loss account for the year ended 31 December

	This year £000	Last year £000
Sales	2,833	2,645
Cost of sales	<u>1,464</u>	<u>1,198</u>
Gross Profit	1,369	1,447
Expenses	<u>812</u>	<u>912</u>
Profit before interest and tax	557	535
Interest	<u>125</u>	<u>75</u>
Profit before tax	432	460
Tax	<u>156</u>	<u>186</u>
Profit after tax	276	274
Dividends	<u>40</u>	<u>40</u>
Retained profit	<u>236</u>	<u>234</u>

Balance Sheet as at 31 December

	This year £000	£000	Last year £000	£000
Fixed Assets		5061		3503
Current Assets				
Stocks	500		455	
Debtors	520		345	
Bank	<u>19</u>		<u>125</u>	
	<u>1,039</u>		<u>925</u>	
Current Liabilities:				
Trade Creditors	608		342	
Proposed dividend	40		40	
Taxation	<u>156</u>		<u>186</u>	
	<u>804</u>		<u>568</u>	
Net Current Assets		235		357
Long-term loan		<u>(2,000)</u>		(1,000)
Net Assets		<u>3,296</u>		2,860
Capital and Reserves:		2,200		2,000
Share Capital (£1 Ordinary)		<u>1,096</u>		860
Profit & Loss Account		<u>3,296</u>		2,860

Identify appropriate ratios that are likely to help Joan decide whether or not to invest in Tigerlily Ltd. Justify your choice of ratios.

Calculate these ratios and comment on the results of your calculations in order to help Joan decide whether or not to invest in Tigerlily Ltd.

## Suggested answer to Case Study C.

### Profitability ratios:

	This year	Last year
ROCE	$276/3296 = 8.4$ percent	$274/2860 = 9.6$ percent
Gross profit margin	$1369/2833 = 48.3$ percent	$1447/2645 = 54.7$ percent
Net profit margin	$276/2833 =$ percent	$274/2645 = 10.4$ percent

ROCE has fallen as a result of profits not keeping pace with additional capital invested. The net profit margin is broadly stable but the additional capital/fixed assets has not yet led to a major sales increase. There has been a fall in the gross profit margin, perhaps as a result of cutting selling prices to increase sales volume.

Asset turnover rates are: this year 0.86 times ( $2833/3296$ ) and last year 0.92 ( $2645/2860$ ).

ROCE = NP% x Asset Turnover

This year 8.4% = 9.7% x 0.86

Last year 9.6% = 10.4% x 0.92

### Liquidity and efficiency ratios:

	This year	Last year
Current	$1039/804 = 1.3$	$925/568 = 1.6$
Acid Test	$539/804 = 0.7$	$470/568 = 0.8$
Debtor days	$520 \times 365/2833 = 67$	$345 \times 365/2645 = 48$
Creditor days	$608 \times 365/1464 = 151$	$342 \times 365/1198 = 104$
Stockturn in days	$500 \times 365/1464 = 125$	$455 \times 365/1198 = 139$
Gearing	$2000/5296 = 38\%$	$1000/3860 = 26\%$

The current and acid test ratios have dropped, partly as a result of increased stocks and debtors. If this continues, there will be a shortage of working capital. Debtors are taking an increased credit period (48 to 67 days) and the company had a long credit period allowed (104 days) from creditors, which has increased to 151 days. This may be as a result of difficulty in paying creditors. Gearing has increased due to additional loans being taken out.

### Investment ratios:

	This year	Last year
Earnings per share	$276/2200 = 12.5$ p	$274/1800 = 15.2$ p
Dividend per share	$40/2200 = 1.8$ p	$40/1800 = 2.2$ p
Dividend cover	$12.5/1.8 = 6.9$ times	$15.2/2.2 = 6.9$ times
Interest cover	$557/125 = 4.5$ times	$535/75 = 7.1$ times

Earnings and dividend per share have fallen as a result of additional capital being issued without a corresponding increase in profits after tax or in total dividend. The high dividend cover indicates reasonable reserves, though possible cash flow problems may limit higher dividend payments.

### Conclusion:

There are concerns over falling liquidity and the company is not highly profitable. Joan should monitor whether the increased investment in fixed assets increases sales and profitability.

## Activity sheet 9: Groups

You will have discovered that a large company often consists of a number of smaller companies, which are controlled by a central company. Together these are known as a group.

Define the following terms used with groups.

- holding company
- subsidiary company (subsidiary undertaking)
- associated company (associated undertaking).

In what circumstances does a company become:

- a parent company
- a subsidiary company
- an associated company?

Use your knowledge of local businesses, or the internet, to identify plcs in your local area that are part of a group.

In small groups, discuss the implications for staff of working for a company that is part of a group, such as a plc in your local area. Consider, for example, how this might affect the member of staff's:

- pay
- pension
- training
- job security
- future employment prospects.



## Case Study: Student Work and Marketing Commentary

### Unit 11: Assessment Evidence (a)

#### Tasks

Select a business with which you are familiar. This business must be one for which you can obtain financial information or where you can discuss financial matters with a member of staff.

Produce a report that explains the existing financial structure of your business, and which analyses its financing needs. Include in your report:

- details of the sources of existing short-term and long-term finance
- proposed funding in the future (eg, for future expansion, for purchase of new equipment), analyses of this proposed funding using suitable headings such as time period, cost and availability.

**Report     Vida Rogers**

From:     Vida Rogers

To:     Mrs Morris

Subject:   Sources of finance for CC Kitchens

I have selected CC Kitchens, where I spent my work experience. I have found the following out about CC Kitchens.

CC Kitchens was established in 1993 by Andy Colhoun and Keith Chapman. It was established as a partnership and is still a partnership. I have interviewed Keith Chapman, who told me about the finance sources he uses with CC Kitchens. I have also used CC Kitchens brochure and leaflets for some more information, though this is mainly to do with products and designs for kitchens. not for finance sources.

**Present financing**

The partners invested their savings and remortgaged homes to get capital when they started. This is long term capital, and each partner has 50% capital. This means that they share profits equally.

Capital:     Keith Chapman    50%  
                  Andy Colhoun        50%

Keith Chapman told me that controlled expansion with investment in the latest high technology equipment during the past five years has resulted in a financially stable business currently turning over a quarter of a million pounds. This means that the partnership uses a variety of sources of finance. These can be internal and external. The ones that it can consider are given in Bized, which is as follows.

**Internal sources**

Internal sources are often preferable to a firm as they will usually be cheaper and perhaps easier to arrange at short notice. However, the potential for arranging large amounts of finance may be low. The main internal sources are:

**Profit** – the company of course has to be profitable for this to be a source, and it must be available in cash. Often this is not viable as they may have paid the profit in dividend to the shareholders, or perhaps already tied the money up for other reasons.

**Reduce working capital** – the firm may be able to raise some money for investment if they can reduce their stock level (through improved stock control) or perhaps improve their credit control and ensure that they collect their debts more promptly and delay payment to creditors for as long as is possible.

**Sale of assets or perhaps sale and leaseback** – this will depend on the value of the assets, but the firm may either be able to sell surplus assets (if they have any) or perhaps sell existing assets that they use to a specialist leasing company and then lease them back. This will give them access to some capital, though they are then burdened with annual leasing costs.

**External sources**

**Loans** – this is where the banks start to come into play. Banks will lend for either short-term or long-term purposes, but the nature of the loan will tend to differ. The main types are:

**Overdrafts** – this is a short-term facility where you can spend money, to an agreed limit, as you want. The bank will charge interest on any overdraft amount. They may only offer this as a short-term facility, but it can be very valuable for firms to fill short-term shortages of working capital or any possible brief cash flow problems.

**Long-term loans** – long-term loans usually refer to lending over five years. The bank lends you a sum of money for a set time at an agreed rate of interest. It is more expensive than an overdraft, but lasts longer. The bank may well want some sort of guarantee for this type of loan to ensure that they get it back. It could perhaps be secured against an asset of the business.

**Debentures** – a debenture is specialised form of loan. It is effectively a loan from people to the firm that will be repaid at a fixed date. Between the issue of the debenture and the maturity date, the firm will pay a set level of interest. They are a common way for businesses to raise money and are relatively low risk, though this will depend on the stability of the business.

**Shareholders** – limited companies or plcs can issue shares. These shares can be issued at a certain price though this price will depend on the profitability of the company and its prospects, so how successful the issue is will depend on how the markets view this.

**Factoring debts** – the firm may be able to sell their debts to a specialist debt-factoring company. This means that the firm sells their debts to the factoring company who pay them a proportion of the debts immediately. In this way the firm raises some immediate finance. The debt factoring company make their money by collecting the whole debt when it is due (having only paid the original firm a proportion of the debt).

How do these apply to CC Kitchens? Shareholders are not on, because it is a partnership. Other sources are possible, though I do not think CC Kitchens have spare assets to sell. They also make sure they get their money quickly so they won't do factoring debts.

Here is a letter from a satisfied customer that CC Kitchens use to publish how good they are.

'Dear Andy,

We would like to say a very big 'thank you' to everyone at CC, and Tom and Spencer who fitted our kitchen. It all looks lovely and we are very pleased.

Please pass on our thanks to Thurrock Stonecraft, the granite is lovely and looks great.

Thank you all once again.'

This tells me that CC Kitchens are making healthy profits, and that they can therefore use profits as a short and long term finance source.

#### **Future sources**

I talked with Keith Chapman about why they are still a partnership when he tells me most kitchen firms are companies. He and Andy Colhoun want to keep close control of what they do and they are happy with what they have as a structure and ownership. This means though that if they want to expand they need to use banks rather than issue shares.

They have invested in the latest high technology equipment which I have seen at CC Kitchens. To do this they needed **long term** finance source. What choices did they have? These are shown in Bized, which mentions long term loans and debentures as possible. I have researched into long term loans from Barclays. These are personal loans for the partners to have if they want. These can be secured or unsecured which means that CC Kitchens have the choice whether to secure the loans by assets. If they do then the loan is 8.9% which is 1% higher than unsecured but they can borrow a lot more. Unsecured is up to 10 years and £25000 and secured is 8.9% but you can borrow up to £75000 though if you they can't pay you lose the asset. However if they can't pay they would have to finish business anyway.

Keith Chapman says they don't need to borrow on a long term basis. He says they may need to have a **short term** finance source. They use a bank overdraft if necessary but this costs them a lot, Barclays website tells us the following about their overdrafts.

A Business Overdraft is one of the most effective means of funding your short-term, general finance needs.

This straightforward facility is suitable for all businesses of any size (subject to status).

Fast decision and quick access to funds

Borrow when you need to, within your agreed limit, and only pay interest on the amount you use

Finance is available without restriction up to your agreed overdraft limit

You can use your overdraft to suit your needs and repay overdrawn balances as soon as you have the funds.

Flexibility on the amount you borrow

Overdrafts are available for any period up to 12 months

Convenient, easy access through your business current account

Variable interest rates linked to Barclays Base Rate

Insurance cover available.

### **Rates and charges information**

Interest rates and fees are tailored to your individual circumstances.

If there are insufficient funds in your account when we receive cheques or other items for payment, you will incur a Paid Referral Fee of £20. This fee will only be charged when the unauthorised overdraft is more than £100, and on each occasion when it increases by more than £100.

If your account goes overdrawn without agreement, or if you exceed your agreed overdraft limit, the interest rate for unauthorised borrowings, including those within the £100 buffer zone, is charged at 29.5 per cent.

In addition to debit interest there is an unpaid fee of £30 for each item that is returned unpaid due to insufficient funds in your account.

### **Making the decision**

How will Keith Chapman decide? He will need to think about three things.

- 1 Cost
- 2 Business outlook
- 3 Time period.

## Commentary on Vida Rogers's Report on area (a) assignment

Vida has written a suitably structured Report, which contains a mixture of her own and other organisations' information. She has made a number of relevant descriptive comments and has occasionally selected relevant information (for example, the dismissal of share capital as a source of funding for partnerships).

Vida has selected a business that could be suitable for this work. However, there is little supporting information about the business. Vida has interviewed one of the key people in the business (the partner, Keith Chapman). However, she has failed to give any information about the interview: for example, its location, time/frequency, the questions asked. A transcript of the interview, taken from a tape recording (submitted as evidence), could have formed an important foundation for the report. This would also have allowed Vida to reflect upon questions that she asked and were not answered, and/or questions that she did not ask at the time but which she identified as being important during her research into this topic. The interview also lacks a supporting witness statement from Keith Chapman. As a result, there is little evidence of its quality and value.

Vida's work contains (at least) two sections that she has extracted from websites. This is not Vida's own work, although extracting relevant information can act as a basis for key arguments and explanations. However, Vida has done little to personalise these extracts, largely failing to comment, interpret and apply them to the given situation. Furthermore, although Vida has acknowledged these sources in her report and has not tried to pass them off as her own words, she has failed to provide sufficient detail (eg the website addresses).

### Overall

Vida has produced a weak report, which fails to tackle all aspects of the assignment: for example, she has not given specific illustrations of proposed future expansion. Although there is some weak application to the chosen business, Vida does not explain terms and concepts in her own words, relying more on extracted information from other sources. There is some potential here for further development – for example, the 'making the decision' summary at the end of the report should have become the foundation for the analysis and evaluation of this partnership's decisions on finance – but Vida has not carried out this development.

Vida's work meets the assessment criteria for Mark Band 1. Her report 'correctly identifies the type of business, and describes in basic terms the types of finance available to that type of business'. She also provides a 'basic description . . . of the types of finance actually being used', though this is sketchily done. A mark in Mark Band 1 is justified and 3 marks are suggested as being appropriate.

## Unit 11: Assessment Evidence (b)

You are required to write a report assessing the working capital management of a chosen business, based on its most recent set of accounts.

Your report must include:

- identification of the components of working capital
- calculation of key ratios
- interpretation of the calculated ratios to assess the adequacy of working capital management
- suggestions for improvement.

## Report Mohsin Sumar

From: Mohsin Sumar  
To: Mrs Morris  
Subject: Working capital management of J Sainsbury plc

### Subject of report and justification for choice

I have been asked to prepare a report for you on the working capital management of a business. I have chosen J Sainsbury plc (better known as Sainsbury's) because my sister works there as a trainee departmental manager, and we therefore have an interest in its future. Also, when checking the internet for final accounts (now known as 'financial statements'), I noticed that Sainsbury's had a negative working capital. Since it is regarded as a successful business, even if behind other large retailers such as Tesco, I thought it would be interesting to examine how it survives on this negative working capital. Sainsbury's summarised final accounts are shown in Appendix 1.

### The components of working capital

Working capital is 'the excess of a firm's current assets over its current liabilities, and is regarded as a good indicator of the firm's liquidity position' (*Financial Accounting Study Guide page 78: Crucial books 2001*). Working capital consists of:

#### *Current assets*

Stocks – raw materials, work in progress, finished goods, other relevant items (eg stationery)

Debtors – customers who buy goods from the business on agreed credit terms

Prepaid expenses/other accrued revenues – payments in advance for items from which the business has not yet benefited; other income owed to the business not yet received (eg rent receivable)

Balance at bank and in hand – bank current and other highly liquid accounts or investments; cash (eg petty cash)

*Current liabilities* (referred to in published accounts as 'Creditors: amounts falling due within one year')

Trade creditors – suppliers of the items the business uses to create revenues (eg suppliers of stock of raw materials)

Expense creditors/accrued expenses – other suppliers who are owed money (eg an unpaid electricity bill)

Dividends owing – amounts owed to shareholders in the form of dividends

Corporation tax due – tax owed to the Government for profits made in the past

Appendix 2 shows the current assets and liabilities of Sainsbury's.

## Working capital management

Successful working capital management is necessary because liquidity ' . . . is a measure of the organisation's ability to meet cash-based commitments, such as paying its debts or paying the shareholders' dividend' (*Financial Accounting Study Guide page 137: Crucial books 2001*). Liquidity is therefore the key element in the survival of a business, even one as large as Sainsbury's.

Effective working capital management seeks to control current assets and current liabilities, the two groups of items that make up working capital. Businesses need to control:

- stocks – so there is not too much cash 'tied up' in stocks being stored, so wastage and pilfering are avoided, and storage costs are kept to a minimum
- trade debtors – to ensure that these credit customers pay their bills in good time, and do not become bad debts (an expense to the business)
- cash – to ensure there is sufficient, and also that any surplus cash is invested in order to make a return for the business
- trade creditors – to monitor that the business can meet these debts owed as they fall due, otherwise it could face legal action and possible closure
- expense creditors – to ensure these do not become too great a burden (eg large unpaid tax bills) on the business's cash.



## Calculation of key ratios

I have decided to select the following five ratios because they are crucial for measuring the liquidity and efficiency of a business. My results (the actual calculations are shown in Appendix 3) are:

	2004	2003
Current	0.49	0.52
Acid Test	0.34	0.38
Debtor Turnover	1.4 days	2.3 days
Creditor Turnover	28.6	28.8 days
Stock Turnover	16.4 days	15.4 days

## Interpretation of the calculated ratios

### *Current and Quick Asset ratios*

Both of these show a slight fall from 2003 to 2004. As one of the UK's main retailers, Sainsbury's financial staff know that '... a business in the retail trade may be able to work with a lower ratio, eg 1.5 or even less, because it deals mainly in sales for cash and so does not have a large figure for debtors' (source: *Business Accounts, Second Edition, Cox, page 488: Osborne books 1999*). These ratios, though far lower than the 'textbook' ratios (eg 2:1 Current), do not mean that Sainsbury's is facing major liquidity problems. There are very low debtor figures, and a high cash turnover in the company. This means that it can survive on what appear to be low ratios. However, there is a fall in both ratios. If this indicates a trend, Sainsbury's will have to take appropriate action: for example, review any major investment in fixed assets, or the amount of dividend it pays, since these are ways of preserving cash.

### *Debtor and Creditor Turnover ratios*

The Debtor Turnover ratio seems unrealistic, although it could be influenced by short-term debts that occur on debit cards. However, since I do not know the value of credit sales compared with cash sales – and there will be a high proportion of cash sales in a supermarket – I cannot regard these results with any confidence. If they are accurate, it does show that credit control in Sainsbury's has improved, because the ratio has fallen by almost one day.

The Creditor Turnover ratio is probably more accurate (it is more realistic), although the amount of credit purchases are not known, and the cost of sales figure may contain other items than purchases. This shows that Sainsbury's is continuing to take the same time to pay its creditors, which suggests it is not having liquidity problems (otherwise the number of days taken would have increased).

### *Stock turnover ratio*

Although I do not have the average stock figure for 2003, the ratio seems to show that stock is now being held for slightly longer than last year (a day longer on average). This could be due to the fact that one calculation uses closing (not average) stock, although another reason might be that Sainsbury's is facing increasing problems competing with other retailers such as Asda/Wal-Mart and Tesco. This is sometimes put forward by the media.

I need to recognise that there is limited information only on which to base this analysis. For example, I do not have comparative figures for either Asda/Wal-Mart or Tesco. This would allow me to make 'like-for-like' comparisons. Also, I only have the figure for two years, so it is difficult to argue that trends are taking place without figures from earlier years.

## Suggestions for improvement

Based on my calculations, I suggest that Sainsbury's reviews its stockholding position. The increase in the Stock Turnover ratio indicates that stocks are spending longer in storerooms and on shelves. This is not ideal for a food retailer, since many of the stocks will be perishable. Also, lower stocks will free up additional cash, which in turn will improve the Acid Test ratio.

## APPENDIX 1: Financial statements

These final accounts exclude:

the accompanying Notes (unless otherwise shown)

a the breakdown of exceptional items, and continuing and discontinued operations

figures from the Company Balance Sheets for both years (these are Group figures only).

### J Sainsbury plc: Group Profit & Loss Account (extracts)

For the 52 weeks to 27 March 2004

	2004	2005
	£m	£m
Turnover including VAT and sales tax	18,239	18,144
VAT and sales tax	(1,098)	(1,065)
Turnover excluding VAT and sales tax	17,141	17,079
Cost of sales	(15,658)	(15,688)
Gross profit	1,483	1,391
Group administrative expenses (incl. Exceptional costs)	(827)	(717)
Group operating profit	656	674
Share of profit in joint ventures	-	3
Profit/(loss) on sale of properties	17	(11)
Disposal of operations – discontinued	(3)	61
Profit on ordinary activities before interest	670	727
Net interest payable and similar items	(60)	(60)
Profit on ordinary activities before tax	610	667
Tax on profit on ordinary activities	(206)	(206)
Profit on ordinary activities before tax	610	667
Tax on profit on ordinary activities	(206)	(206)
Profit on ordinary activities after tax	404	461
Equity minority interest	(8)	(7)
Profit for the financial year	396	454
Equity dividends	(301)	(298)
Retained profit for the financial year	95	156
Basic earnings per share	20.7p	23.7p

J Sainsbury plc Balance sheets (Group: extracts)

at 27 March 2004 and 29 March 2003

	2004	2003
	£m	£m
<b>Fixed assets</b>		
Intangible assets	208	226
Tangible assets	8,214	7,540
Investments	116	112
	8,538	7,878
<b>Current</b>		
Stock	753	800
Debtors	319	297
Sainsbury's Bank's current assets	1,329	1,530
Sainsbury's Bank's debtors due after more than one year	1,170	867
Investments	19	20
Cash at bank and in hand	465	639
	4,055	4,153
<b>Creditors: amounts falling due within one year</b>		
Sainsbury's Bank's current liabilities	2,306	2,237
Other	2,600	2,537
	4,906	4,774
Net current liabilities	851	621
<b>Total assets less current liabilities</b>	7,687	7,257
<b>Creditors@ amounts falling due after more than one year</b>	2,194	1,885
Provisions for liabilities and charges	308	300
Total net assets	5,185	5,072
<b>Capital and reserves</b>	486	484
Called up share capital	1,438	1,424
Share premium account	22	22
Revaluation reserve	3,158	3,073
Profit and loss account	5,104	5,003
Equity shareholders' funds	81	69
Equity Monetary Interest	5,185	5,072
<b>Total capital employed</b>		

## APPENDIX 2: Details of Current Assets, J Sainsbury plc.

	2004	2003
	£m	£m
<b>Stock</b>		
Goods for resale	746	660
Land held for and in the course of development	7	107
Property held for resale		33
	<b>753</b>	<b>800</b>
<b>Debtors</b>		
Trade debtors	71	116
Other debtors	95	101
Other debtors due in more than one year	4	10
Prepayments and accrued income	149	70
	<b>319</b>	<b>297</b>
<b>Current assets, including the current assets of Sainsbury's Bank</b>		
Cash	78	40
Current asset investments	19	20
Treasury and other bills	61	70
Loans & advances to:		
Banks	33	298
Customers	934	661
Debt securities	148	448
Prepayments and accrued income	75	13
	<b>1,348</b>	<b>1,550</b>

Details of Current Liabilities, J Sainsbury plc.

	2004	2003
	£m	£m
<b>Creditors due within 1 year</b>		
Bank loans and overdrafts	340	127
Short-term notes	22	49
Obligations under finance leases	41	37
Trade creditors	1,229	1,237
Corporation tax	85	98
Social security/other taxes	30	60
Other creditors	355	443
Accruals	280	269
Proposed dividend	218	217
	<b>2,600</b>	<b>2,237</b>
<b>Creditors due within 1 year (Sainsbury's Bank)</b>		
Loan from minority shareholder	27	11
Deposits by banks		12
Customer accounts	2,200	2,166
Accruals and deferred income	79	48
	<b>2,306</b>	<b>2,237</b>

### APPENDIX 3: Calculation of key ratios, J Sainsbury plc

Name of Ratio	Method of Calculation	Notes
Current	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1: Stock 2: Debtors
Acid Test (Quick Assets)	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1: Stock
Debtor Turnover	$\frac{\text{Trade Debtors} \times 365}{\text{Turnover}}$	3: Debtors 4: Turnover
Creditor Turnover	$\frac{\text{Trade Debtors} \times 365}{\text{Credit Purchases}}$	5: Credit Purchases
Stock Turnover	$\frac{\text{Average Stock} \times 365}{\text{Cost of Sales}}$	6: Average Stock

#### Notes

- 1 Goods for Resale figure used.
- 2 'Other debtors due in more than one year' are excluded.
- 3 Trade debtors figure used.
- 4 Turnover including VAT and sales tax (US-based tax due to some food retailing in the USA) is used because these taxes are collected from the debtors and are therefore included in the figure for Trade Debtors. There is no indication that I can find in the Accounts as to the amount of cash sales and credit sales, so this ratio is of limited use only.
- 5 Cost of Sales figure used (no figure is shown for credit purchases).
- 6 Average stock for 2004 can be calculated, but the closing stock of 2003 is used for the 2003 figure.

	2004	2003
<b>Current ratio</b>		
Current Assets	746	660
	315	287
	<u>1,348</u>	<u>1,550</u>
	2,409	2,497
Current Liabilities	4,906	4,774
Ratio	0.49	0.52
<b>Quick Assets</b>		
CA – stock	1,663	1,837
CL	4,906	4,774
Ratio	0.34	0.38
<b>Debtor turnover</b>		
Debtors	71	116
Turnover	18,239	18,144
Days	1.4	2.3
<b>Creditor turnover</b>		
Trade creditors	1229	1237
Cost of sales	15,658	15,688
Days	28.6	28.8
<b>Stock turnover</b>		
Average stock	703	660
Cost of sales	15,658	15,688
Days	16.4	15.4

## Commentary on Mohsin Sumar's Report on area (b) assignment

Mohsin has written a well structured and worded report, supported by accurate calculations and detailed evaluation.

### Calculations

These are accurate for all five ratios. Mohsin has shown which figures he has used and has explained why he has either selected or rejected certain items. His reasoning is quite sound and he acknowledges that his results are sometimes suspect, normally because of a lack of information. The calculations are well presented, with workings being shown. Mohsin uses appendices effectively and cross-references to these where relevant in the body of his report.

### Report

Mohsin has explained his choice of business and has provided detailed and accurate information about working capital, its management and its relevance to the liquidity of a business. He has identified background reading and has selected relevant quotes to support his explanations.

Mohsin's analysis is logical and demonstrates a sound understanding of the concepts of liquidity and efficiency and how these may be measured through ratio analysis. Mohsin is also aware of the limitations of ratio analysis in general and this particular analysis. He has supported this analysis by a suggestion based on his calculations. This suggestion is well explained and justified. Perhaps Mohsin could have made additional suggestions, based on his reading of the various key reports and statements made (Directors, Chairman) since he appears to be aware of the recent difficulties experienced by this company in terms of competing with its rivals.

### Overall

Calculations are accurate and well presented. Mohsin has shown the ability to apply, analyse and evaluate. In terms of meeting the assessment criteria, Mohsin has certainly based his comments and calculations 'correctly on the business chosen' and has demonstrated 'understanding . . . of the type of business and the effect this has on key ratios and working capital composition/requirements' (Mark Band 2). There is evidence in his work that he meets Mark Band 3's requirements to evaluate the information and form 'reasoned judgements' and to make 'sensible conclusions about the management of working capital', although there is only limited consideration of 'background information about the business'. Mohsin also meets the criterion to make 'reasonable suggestions for improvement' and he shows 'an understanding of the different components of working capital', for example in his discussion of the value of making stock reductions. This work reaches Mark Band 3 and 14 marks are suggested as being appropriate.

(NB: this is a unmoderated judgement.)



## Unit 11: Assessment Evidence (c)

### Information

Lee Ltd makes vegetarian foods that are sold by grocers who are either independent, or who are in small retail chains. Lee Ltd does not sell direct to the general public. At present, the company uses an outside delivery firm to deliver its products. The cost this year of hiring the delivery firm is £50,000. This cost is forecast to rise by 10 percent per annum over the next five years.

The directors of Lee Ltd are considering the 'Transport Project', whereby Lee Ltd will invest in its own delivery vehicles. The directors estimate that these vehicles would initially cost £150,000, being bought at the beginning of the project with all other costs being paid at the end of the relevant year. The purchase of these vehicles will be funded by a long-term loan of £150,000, at a cost of 14 percent per annum.

If the directors go ahead with the Transport Project, they have calculated that Lee Ltd will make net cash savings by not having to pay the delivery firm over the next five years, as follows.

<i>Year</i>	<i>Net cash savings (£)</i>
One	38,800
Two	41,400
Three	44,800
Four	50,200
Five	55,400

Net cash savings are treated as net cash inflows.

If the directors do not invest in the Transport Project, they will use most of the loan to finance an alternative project, the 'New Network Project'. The existing computer network used by staff at Lee Ltd is old and unreliable and is limited to general software only (word processing, spreadsheet, database). The company does not have a computerised accounting system, nor a presence on the internet.

If the directors pursue the New Network Project instead, they have been given figures that estimate this Project will have a payback period of 3 years, an accounting rate of return of 25 percent and a net present value of £4,500.

### Task 1

Using the net cash savings figures provided, calculate the following for the Transport Project:

Payback period

Accounting rate of return

Net present value.

#### *Notes*

When calculating the Accounting rate of return, the directors use the formula

$$\frac{\text{Expected average profits/return}}{\text{Initial investment}}$$

The discount factors for 14 percent are as follows.

Year	
One	0.8772
Two	0.7695
Three	0.6750
Four	0.5921
Five	0.5194

### Task 2

Produce a report for the directors that evaluates the choice between investing in the two proposed projects for Lee Ltd.

Include in your report a consideration of both financial and non-financial considerations that will influence the directors. Since the directors are not familiar with investment appraisal methods, include in your report a discussion of the suitability and limitations of the investment appraisal methods you have used.

## Report Alicia Francis

To: The directors of Lee Ltd  
From: Alicia Francis  
Subject: Evaluation of the two Projects

I have been asked to calculate the Payback period, Accounting rate of return, and Net present value for the Transport Project. I have the following results.

### 1. Payback period

		£
Cash outflow is:	Year One	38,800
	Year Two	41,400
	Year Three	<u>44,800</u>
		125,000

= 3 years and  $\frac{25,000}{50,200} = 3.498$  years

The cash will be recovered in three years and six months.

### 2. Accounting rate of return (ARR)

The total return (savings) is £230,600

The average return is £46,120

The initial investment is £150,000

APR = 30.75 %

### 3. Net present value (NPV)

Year	Cash Flow	Discount	PV
0	(150,000)	1.0000	(150,00)
1	38,800	0.8772	34,035
2	41,400	0.7695	31,857
3	44,800	0.6750	30,240
4	50,200	0.5921	29,723
5	55,400	0.5194	<u>28,775</u>
			<u>4,630</u>

NPV = £4,630

I have also been asked to evaluate the two Projects.

#### Summary of results

	Transport Project	New Network Project
Payback period	3 ½ years	3 years
Accounting rate of return	30.75%	25%
Net present value	£ 4 630	£4 500

My summary shows that, although the Transport Project has a longer payback period, it has a higher accounting rate of return and a higher net present value.

#### Payback period

The purpose of this method is to calculate how long it will take to recover the money spent on a project. Because businesses are taking risks when they invest, it is obviously better to get the money invested back as quickly as possible, ie recover the outlay. A weakness of this method is that it ignores profits, because it only looks at the cash involved.

Of the two Projects, Transport will take an extra six months to recover the outlay. Other things being equal, therefore, the directors should invest in the New Network Project. However, they need to consider profitability, and also the fact that these different investments will have different risks. Because computers change and develop so quickly, it is important to get the money back more quickly than for other projects so the New Network Project should have a quicker Payback.

#### Accounting rate of return (ARR)

The purpose of this method is to calculate how profitable the investment is. There are different formulas that can be used, one of which I have used to calculate the results. ARR has the advantage that it takes account of profits and return. However, it ignores the speed of getting the cash back, so it will not consider this aspect.

The Transport Project looks more profitable because it has a higher ARR, by over 5%. However, the effect of the two Projects on the customers and suppliers also has to be considered. For instance, a customer may prefer to have reliable deliveries rather than computer summaries of what they owe, or perhaps they may prefer to contact Lee Ltd using email (which would be possible with the New Network Project) rather than have Lee Ltd delivery vans instead of other delivery vans turning up. Will the Transport Project make deliveries more reliable or will the New Network Project mean more efficient communications? These won't necessarily be included in the ARR calculations.

#### Net present value (NPV)

The purpose of this method is to take account of the fact that the value of money falls over time. Although not just about inflation, it is based on the fact that it is better for a business to have money now than in the future. If the business gets money now, it can use it, eg invest it, and get a return which it won't get if the money isn't there. This method therefore looks at cash flows, and works out the present value of future cash flows. In this case I have used 14% because Lee Ltd is paying 14% on the loan, which means it is the cost of Lee Ltd's capital. The analysis of future cash flows is summarised in the NPV workings.

The Transport Project has the better NPV because it is higher, though both are positive and there isn't much in it (£130 only). Since these methods are not 100% accurate, this difference means very little.

What isn't clear is how much has been invested in the New Network Project because I am told most of the loan will go on this. The directors will need to consider the NPV etc of the rest of the money (the difference between spending on the two Projects).

## Conclusion

The calculations don't show a clear winner. The Transport Project is better for ARR and NPV, though the New Network Project has the better Payback period. The decision may be taken on non-financial factors, such as the ones mentioned above. Other factors are issues such as maintenance of the computers and delivery vehicles (who will do this?), and the effect on staff (eg training for the new computers?).

## Commentary on Alicia Francis's Report on area (c) assignment

Alicia has written a suitably structured and worded report, which is supported by accurate calculations.

### Calculations

These are accurate for all three methods. They are well presented and workings are shown. Alicia might have produced a summary table of the results, separating the workings into an appendix, but she has carried out effectively what has been asked.

### Report

Alicia has made a number of accurate general statements about the three methods, summarising what each sets out to achieve and indicating their limitations. Comments on Payback and ARR clearer than those on NPV, where Alicia struggles to explain precisely the purpose of this method. Alicia also misses the opportunity to support her comments on NPV with a fuller explanation of discounted cash flow.

Alicia has included a useful summary comparing the results for both Projects. Her comments on the comparative figures are accurate and there is some explanation, analysis and evaluation of the position.

Financial considerations are outlined and Alicia has identified some important non-financial considerations in the context of this company. There is, however, only limited development of her arguments on this aspect.

### Overall

Calculations are accurate and generally well presented. Alicia has shown more than a basic understanding of the different methods of investment appraisal and she has provided more than 'some' attempt to discuss the suitability of each method. Her work is largely complete, and not only descriptive but also explanatory and therefore it reaches Mark Band 2. The criterion in this Mark Band to consider suitability 'with more reference to the given scenario' is met, and Alicia also shows a 'basic understanding of sensitivity analysis . . . by way of discussion which recognises the problem of appraisal based on estimates'. However, Alicia does not meet the criteria linked to Mark band 3; for example, her conclusions are not clear (in terms of their development and supporting argument). This work reaches Mark Band 2 and 10 marks are suggested as being appropriate.

## Unit 11: Assessment Evidence (d)

### Information

You have been left £10,000 on the condition that you are to invest it wisely. You have a current account with Lloyds TSB and a member of staff has advised you of the following present rates of return on relevant savings accounts.

Lloyds TSB term deposit	4.85 percent gross (one year term)
	4.percent gross (two year term)
	5.0 percent gross (three year term)
Lloyds TSB ISA	4.9 percent tax-free (maximum £3,000)

A friend has suggested you will receive a better rate of return if you decide to invest in a limited company. This friend has recommended Osborne plc, and has given you the extract from its published accounts shown on the next page.

### Task

You are required to write a report evaluating the proposed investment in Osborne plc.

In your report you are required to:

- explain the difference between investing £10,000 in Osborne plc's share capital and making a loan of £10,000 to this company;
- assess the viability of your proposed investment, based on ratios you have calculated;
- compare and contrast the possible investment of £10,000 in Osborne plc's shares with investing £10,000 in one or more of the Lloyds TSB savings accounts detailed earlier.

### Note:

You have discovered that the current price for Osborne plc shares on the Stock Market is approximately the same as their nominal value (£1).

Osborne plc Profit and Loss Account for the year ended 31 December

	<i>Notes</i>	2006	2005
		£	£
Turnover	1	4,643,364	2,863,576
Operating profit	1	539,251	366,343
Interest	2	26,050	28,700
Profit on ordinary activities before taxation		513,201	337,643
Taxation on ordinary activities		111,325	46,950
Profit on ordinary activities after taxation		401,876	290,693
Dividend		61,500	25,200
Retained profit for the year		340,376	265,493

Osborne plc Balance Sheet as at 31 December

	<i>Notes</i>	2006	2005
		£	£
Fixed assets			
Tangible fixed assets		1,203,270	986,210
Current assets			
Stocks and work in progress		96,642	130,720
Debtors		1,504,055	1,280,172
Cash at bank and in hand		1,995	99,575
		1,602,692	1,510,467
Creditors: amounts falling due within one year	3	1,322,597	1,368,688
Net current assets		280,095	141,779
Total assets less current liabilities		1,483,365	1,127,989
Creditors: amounts falling due after more than one year			
11 percent debenture stock 2010/2014		(200,000)	(200,000)
Provisions for liabilities and charges		(30,000)	(15,000)
		1,253,365	912,989
Capital and reserves			
Called up share capital	4	315,000	315,000
Share premium account		22,283	22,283
Profit & loss account		916,082	575,706
		1,253,365	912,989



## Notes to the Accounts

		2006	2005
		£	£
1	<i>Turnover and profit</i>		
	Turnover	4,643,364	2,863,576
	Cost of sales	3,603,915	2,162,925
	Gross profit	1,039,449	700,651
	Administration and Distribution expenses	500,198	334,308
	Operating profit	539,251	366,343
2	Interest		
	Payable on debenture stock	22,000	22,000
	Payable on bank overdraft and other loans	4,550	7,150
		26,550	29,150
	Receivable	500	450
	Net payable	26,050	28 700
3	Creditors: amounts falling due within one year		
	Trade creditors	1,072,272	887,052
	Accrued expenses, tax and dividends	250,325	481,636
		1,322,597	1,368,688
4	Called up share capital		
	Authorised ordinary shares of £1 each	2,000,000	2,000,000
	Issued and fully paid ordinary shares of £1 each	315,000	315000

## Report: Brian McLean

### 1 The difference between investing £10,000 in Osborne plc shares, and making a £10,000 loan to this company.

I have £10 000 to invest. I have seen that Osborne plc borrows money in the form of loans. The evidence for this is from both the Balance Sheet, and Notes to the Accounts. The Balance Sheet tells me that Osborne plc currently has a long-term loan in the form of debentures. These are repayable between the years 2010 and 2014, and Osborne plc pays 11% interest on these debentures. The Notes to the Accounts mention 'other loans' (Note 2, interest payments) so the company must pay interest to other lenders, eg their bank. I cannot find out what the rate of interest is here. However, the information suggests that I could lend this money at a rate of 11%, which would give me a return of £1100 a year on my loan. However, this return will be taxed. If I pay 20% tax, I would net £880 (£1100 – £220). In pure money terms, therefore, I will want to earn at least this amount if I invest in Osborne plc shares.

My calculations show that, if I had invested £10 000 in Osborne plc shares, these shares would have earned £1.28 per £1 share, which is a huge amount, far higher than the return on my loan. However, I would not receive this per share, because I would rely on dividends. My calculations show that Osborne plc pay between 8p per share (2005) and nearly 20p per share (2006). I only have the two years to go on, so if this information is typical and the average dividend is 14p, this is a better rate of return than 11p for every £ that I invest. Again I will have to pay tax on this, but I understand that the tax rate is about or exactly the same, so I would still be better off investing in shares. I must remember, however, that the directors decide how much to pay in dividend. However, if I look at the profit they are making after tax (which is all owned by the shareholders such as me), which is shown by the EPS ratios, this gives 92p and £1.28 per £1 share. This is an average of £1.10 per £1 share, so the directors are likely to pay high dividends, assuming they have the cash available.

My calculations show that Osborne plc is liquid. They have good liquidity, shown by the Current and Acid Test ratios, so the directors should be able to pay dividends out of cash. Also, there are high Interest Cover ratios, so Osborne plc does not have to pay a high proportion of its profit to lenders.

Payment such as interest is not the only factor I will need to consider. I also want to make sure I am likely to get my money back if I want it. If I lend money, I am a preferential creditor, which means I will get my money back if the company goes bankrupt, at least get it back before the shareholders. So lending money means it is safer in terms of getting the money back. Also, there may be a time limit on the loan, which there isn't as far as investing in shares is concerned, so I can plan how long to lend money for in both cases (I can always sell the shares when I want to).

As a shareholder, I am an owner rather than a lender. This means I can have a vote in the say of what the company does, although to be realistic I will not have much of a say (£10 000 out of £315 000 is only 3% of the total shares, and so the total votes).

A major concern that I have is inflation. If I lend the money, this will fall in value over time since the economy normally has inflation, which means the value of a set amount of money falls in terms of what it can buy. My £10 000 at the end of, say, a five year loan period will therefore not be worth what it is now. However, if I invest in shares, I may gain from capital growth if the share price goes up on the Stock Exchange. I therefore gain not only higher dividends, but also higher capital value. This of course assumes that the share price will increase. There is no guarantee this will happen, and so in this sense to invest in shares is a higher risk, as it is in terms of getting y money back if Osborne plc fails.

## 2 The viability of my proposed investment based on ratios.

See Appendix and Notes for how I have calculated these ratios.

### a) Profitability

Return on capital employed	2006: 36.4% 2005: 32.5%
Net profit margin	2006: 11.6% 2005: 12.8%
Gross profit margin	2006: 22.4% 2005: 24.5%
Expenses %	2006: 10.8% 2005: 11.7%
Asset turnover	2006: 3.1 times 2005: 2.5 times

ROCE shows me that Osborne plc has improved its profitability by nearly 4% (an increase of over 10% from figure to figure) in the year. It has done this through more efficient use of its assets, which are turning over more quickly in 2006. Although the net profit margin has fallen, Osborne plc is more efficient in that the expenses % has fallen so it spends less cost per 1£ sales. The gross profit margin has also fallen, which has a knock-on effect, causing the net profit margin to fall. This has fallen by 1.2%, but would have fallen by over 2% had Osborne plc not been more efficient at spreading its costs over its sales.

PBIT has increased by nearly 50% (47%) in the year, figure to figure. This is a huge increase, so the increased sales that Osborne plc is making are increasing not only its total profit but also its profitability when measured in percentages.

### b) Short-term Liquidity and Efficiency

Current ratio	2006: 1.21 2005: 1.10
Quick assets	2006: 1.14 2005: 1.01
Debtor days	2006: 118 days 2005: 163 days
Creditor days	2006: 109 days 2005: 150 days
Stock turnover	2006: 9.8 days 2005: 22 days

Osborne plc has improved its short-term liquidity because both Current and Acid Test ratios have increased. There is over £1.20 in current assets for every £1 of current liabilities, which suggests that Osborne plc has enough money and short-term assets to meet its immediate debts. There is also over £1 available for every £1 of current liabilities without Osborne plc having to sell any stock, which means it is in a strong liquid position. Its credit periods taken and allowed have both fallen in 2006, which suggests that it has no difficulty paying creditors, and it has an efficient debt collection system for debtors. The stockturn ratio is based on limited information but still suggests that the company is turning over its stock very efficiently, and not holding too much (as confirmed by the Acid Test).

c) Long-term Liquidity

Gearing	2006: 13.5% 2005: 17.7%
Debt ratio	2006: 54.3% 2005: 62.8%

Osborne plc has a high Debt ratio, but this is mainly due to its high current liabilities figure, which is not a problem because Osborne plc has sufficient current assets for these liabilities. This is confirmed by the Gearing ratio being low, because the only prior charge capital Osborne plc has is the debentures. Osborne plc is therefore a low-g geared company, which means most of its profits can go to shareholders, even if there are a lot of them in value terms when compared to lenders.

d) Investment

Interest cover	2006: 20.3 times 2005: 12.6 times
Earnings per share	2006: £1.28 2005: 92p
Dividend cover	2006: 6.6 times 2005: 11.5 times

Osborne plc has plenty of profits to cover its interest requirements because 20.3 times is a very high figure. There are high earnings per share, averaging over £1 per £1 share over the two years, which suggests Osborne plc is a good investment. There are plenty of retained profits as shown by the dividend cover ratio, which suggests that Osborne plc can either use these for investment and growth, or distribute more as dividends to the shareholders.

### 3 Investing in Osborne plc shares compared with investing in one or more of the Lloyds TSB savings accounts.

If I invest £10,000 in Lloyds TSB, I would invest £3,000 in the ISA because this gives a tax-free return. I must pay tax on both Osborne plc dividends, and on the other £7,000 invested in Lloyds TSB. My decision to invest the £7,000 would depend on how soon I wanted my money back. If I tie it up for 3 years I get an extra 0.15%, which isn't much considering I have to leave it another 2 years. I would therefore earn something like:

- $£3,000 \times 4.9\% = £147$
- $£7,000 \times 3.88\% = £271.60$
- Total = £418.60

I have calculated 3.88% as the net figure, assuming I have to pay 20% tax, so  $4.85\% \times 80\% = 3.88\%$ .

My calculations show an investment in Osborne plc could earn over £1 for every £1 invested. Although I won't get this as dividend, I am investing in a company with strong liquidity, improving profitability, and a dividend of between 8p and 19.5p per share (315 000 shares divided into the dividends shown in the Profit & Loss Account). Even if this is reduced to 80% to account for tax, I could receive anything between 6.4% and 15.6%, which is a much higher rate. If Osborne plc continues being successful, I could also gain from capital growth in the share values. However, there is much higher risk investing in shares than in a bank, where the money is regarded as being completely safe in terms of repaying.

On balance, it is my view that the extra risk associated with investing in a company is more than compensated by the much higher returns that the ratio analysis suggests I should receive, so I will therefore invest the £10,000 in Osborne plc shares.

## Appendix 1: Ratio calculations

Ratio	Calculations	Result	Note
Return on capital employed	2006: 539,751/1,483,365 2005: 366,793/1,127,989	36.4% 32.5%	1
Net profit margin	2006: 539,751 /4,643,364 2005: 366,793/2,863,576	11.6% 12.8%	1
Gross profit margin	2006: 1,039,449/4,643,364 2005: 700,651/2,863,576	22.4% 24.5%	2
Expenses %	2006: 22.4 – 11.6 2005: 24.5 – 12.8	10.8% 11.7%	
Asset turnover	2006: 4,643,364/1,483,365 2005: 2,863,576/1,127,989	3.1 times 2.5 times	3
Current ratio	2006: 1,602,692/1,322,597 2005: 1,510,647/1,368,688	1.21 1.10	
Quick assets	2006: 1,506,050/1,322,597 2005: 1,379,717/1,368,688	1.14 1.01	
Debtor days	2006: 1,504,055/4,643,364 2005: 1,280,172/2,863,576	118 days 163 days	
Creditor days	2006: 1,072,272/3,603,915 2005: 887,052/2,162,925	109 days 150 days	4
Stock turnover	2006: 96,642/3,603,915 2005: 130,720/2,162,925	9.8 days 22 days	5
Gearing	2006: 200,000/1,483,365 2005: 200,000/1,127,989	13.5% 17.7%	
Debt ratio	2006: 1,522,597/2,805,962 2005: 1,568,688/1,510,467	54.3% 62.8%	6
Interest cover	2006: 539,851/26,550 2005: 366,793/29,150	20.3 times 12.6 times	7
Earnings per share	2006: 401,876/315,000 2005: 290,693/315,000	£1.28 92p	
Dividend cover	2006: £1.28/19.5p 2005: 92p/8p	6.6 times 11.5 times	



**Notes on the calculations:**

- 1 I have used the PBIT (Profit before interest and tax) figure, which is normally used for these calculations. I have calculated PBIT by adding back the interest paid to the profit figure before tax:

$$2006 \quad 513,201 + 26\,550 = 539,751$$

$$2005 \quad 337,643 + 29\,150 = 366,793$$

- 2 Gross profit figure is obtained from Notes to the Accounts.

- 3 The Primary and Secondary ratios are:

	ROCE =	NP% x	Asset Turnover
2006	36.4% =	11.6% x	3.1
2005	32.5% =	12.8% x	2.5

- 4 I have used Trade Creditors, and since there is no exact figure for Purchases I have used the Cost of Sales figure.
- 5 Average stock cannot be calculated from the figures so I have used the closing stock figures. However, because this also includes work in progress, the final calculations may not show the true position.
- 6 My calculations are based on total debt (current liabilities plus long-term liabilities), which are divided by total assets (fixed plus current).
- 7 I have used the interest paid figure rather than the net interest figure, which includes interest received.

## **Commentary on Brian McLean's Report on area (d) assignment**

Brian has written a comprehensive report, although not in a traditional report format, which is supported by accurate calculations.

### **Part 1**

There are many relevant and accurate points made, usually quite clearly and supported by figures that are calculated accurately and selected appropriately. There is structure here, although the overall clarity could have been improved a little. Brian demonstrates detailed knowledge of both debt and equity and draws most effectively on liquidity and other relevant issues.

### **Part 2**

Calculations are accurate, although on occasion two places after the decimal point would have brought additional accuracy. Brian has produced an excellent appendix that is well summarised and which contains all relevant calculations. He also uses supporting notes to good effect.

This section is structured using appropriate headings and starting with a summary of the key ratios. Although the comments are rather abbreviated in places, Brian has shown that he understands the use and relevance of the ratios he has calculated. All key ratios are present and comment on.

### **Part 3**

Brian has undertaken some relevant calculations to compare the possible investments on a financial basis. He also recognises the need to balance the greater risk associated with investing in shares against the expected higher return.

### **Overall**

Calculations are accurate and generally well presented. Ratios are grouped suitably and the results of the calculations are interpreted appropriately although not always to the depth and extent they might have been: the limited analysis of profitability is an example. Brian has shown some awareness of the limitations of his calculations (for example, the comments on the Stock Turnover calculations), but he has not identified further information (eg the type of goods/services provided by the company and the nature and state of its market(s)) that would support and/or qualify the numerical analysis.

Brian has applied his knowledge effectively, has analysed appropriately using suitable ratios and made reasoned judgements on the basis of the information he has produced. This work reaches Mark Band 3 and 12 marks are suggested as being appropriate.

(NB: This is an unmoderated judgement).

## Resources

### Books

Brammer J, Cox D/Fardon M and Penning A — *Active Accounting* (Osborne Books, 2002) ISBN 1872962378

Brummer J and Penning A — *Managing Costs and Resources: Tutorial* (Osborne Books, 2001) ISBN 18728962491

Cox D and Fardon M — *Finance* (Osborne Books, 1997) ISBN 1872962351

Goldstein-Jackson K — *The Astute Private Investor* (Elliot Right Way, 1994) ISBN 0716020297

Kind — *Accounting and Finance for Managers* (Kogan Page, 1999) ISBN 749428910

Slater J — *Investment Made Easy* (Texere, 1994) ISBN 1857971760

Financial and other press my also provide useful background.

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

[www.bbc.co.uk/YourMoney](http://www.bbc.co.uk/YourMoney)

BBC business and finance pages

[www.ft.com](http://www.ft.com)

*The Financial Times*

[www.hemscott.net](http://www.hemscott.net)

Business and investment information

[www.investorschronicle.co.uk](http://www.investorschronicle.co.uk)

*Weekly Investors Chronicle*

[www.moneyfacts.co.uk](http://www.moneyfacts.co.uk)

Best investment rates

[www.research.reuters.co.uk](http://www.research.reuters.co.uk)

Company reports and research

[www.thetimes100.co.uk](http://www.thetimes100.co.uk)

Contains a wealth of resources and case studies based on real companies

Most major companies/businesses operate their own websites and they can provide useful information.

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## Unit 12: International Dimensions of Business

### Unit aims

The aim of this unit is investigate businesses which trade on an international scale and to consider their reasons for doing so. Students will study a variety of international organisations and their roles in helping to promote trade and growth in a globally competitive environment. The ethical and moral dimensions of business activities are implicit in the study of this unit.

### Unit topics

- 12.1 Investigate a range of businesses with an international presence
- 12.2 Research and analyse the factors for one business having an international presence
- 12.3 Explore the dynamics of international organisations on one chosen business in a globally competitive environment
- 12.4 Examine and evaluate the growth and influence of multinational organisations.

### Case studies

Case study One – Nestlé and Café Direct

Case study Two – Lost Horizon Oil Company

Case study Three – Lost Horizon Oil Company

Case study Four – Lost Horizon Oil Company

Case study Five – Lost Horizon Oil Company.

### Suggestions for teachers

Learners may look at companies individually or work on a small number of sectors depending on the class size and the type of learners. It is suggested that the teacher give a restricted range of sectors for the learners to examine. In each sector in our examples we have included a suggested ethical competitor for comparison purposes.

This type of investigation lends itself nicely to presentation on a series of web pages. And learners should be encouraged to produce documents in a clear concise page form. At the end of the unit, or concurrent with the unit, some of the learners could design a series of web pages based on the unit, or the teacher could mark the learners work and save the best work for use as content on web pages. This work could be put toward IT key skills credits and also saved for future classes as a class reference.

When preparing this unit teachers need to be alert to the permanence of on line resources. Where websites have been suggested, attempts have been made to focus on those organisations that keep permanent records online, such as the Competition Commission so that students keep going back to key documents regularly.

Many of the source documents that the learners need are complex and teachers should reflect on what strategies they can use to help the learners break down documents and concepts into manageable units. The Standards Unit 'Success for All' website ([www.successforall.gov.uk](http://www.successforall.gov.uk)) and NLN online ([www.nln.ac.uk](http://www.nln.ac.uk)) have some excellent resources for developing teaching and learning strategies in these subject areas.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 12.1: Investigate a range of businesses with an international presence.

Topic	Suggested delivery plan	Resources
Businesses with a European presence and businesses which have a wider global presence.	<p>Students play a trading game to encourage them to think about the importance of managing resources and trading.</p> <p>Students fill in analysis sheets in order to consider their actions.</p> <p>Students consider businesses with a global and European presence and choose one global and one European company which interest them.</p> <p>Students read national newspapers or business websites to monitor the progress of 'their' business during the time that the unit is taught.</p>	<p>World Trade Game (simple rules game lasts approximately one hour).</p> <p>Activity sheet 1: Training session for international trade.</p> <p>Settlers of Catan (more complex rules 15 minutes learning time game lasts approximately one and a half hours).</p> <p>Activity sheet 2: Training session for international trade.</p> <p>Activity sheet 3: Choosing a business to investigate.</p> <p>Activity sheet 4: Keeping a newspaper reading log.</p>
Information about the business in terms of legal format, type, target, market, sector and product range.	<p>Students go to the company website and gather information from the company report and the general website.</p> <p>Students summarise the information that they collect in a grid under the topics legal format, type, sector and product range.</p>	Activity sheet 5: Company information grid.
Identification of the business aims and objectives eg increasing sales, profit maximisation, attracting new staff, improving customer service, cost cutting, increasing efficiency and appealing to a global market	<p>Students go to the company website and gather information from the company report and the general website.</p> <p>Students summarise the information that they collect into the grid that they have created for the previous step.</p>	Activity sheet 5: Company information grid.
The type of competition (perfect, monopoly, monopolistic or oligopoly) that the business faces in its domestic and overseas market.	<p>Students need to investigate the number of competitors and the pricing of products.</p> <p>Students discuss the differences and similarities between the companies that they have chosen.</p>	<p>UK Competition Commission</p> <p><a href="http://www.competition-commission.org.uk/">www.competition-commission.org.uk/</a></p>

**Section 12.2: Research and analyse the factors for one business having an international presence.**

Topic	Suggested delivery plan	Resources
Strategic objectives of its international presence.	<p>Based on the research that students have already performed students brainstorm the benefits that the company gains from its international presence.</p> <p>Students should produce a word or a phrase as evidence to support each claim that they make.</p>	Activity sheet 6: Strategic objective game.
How the theory of comparative advantage relates to the business' decision to trade internationally.	<p>The teacher should teach the basic theory of absolute advantage</p> <p>Students play the absolute advantage game. Students decide who to trade with.</p> <p>The teacher teaches the basic theory of comparative advantage.</p> <p>Students play the absolute advantage game again, but assume the case of comparative advantage and decide whether trading is still likely to be profitable.</p> <p>Students discuss real life examples of business decisions and decide whether they can be based on absolute or comparative advantage.</p>	<p>Activity sheet 7: Absolute advantage game.</p> <p>Activity sheet 8: Absolute advantage game modified to fit comparative advantage.</p> <p>Activity sheet 9: Discussion of real-life examples.</p>
incentives provided by the parent country to set up and trade in the host countries (sectoral development via the home country's export strategy – check the Department of Trade and Industry website).	<p>Students examine the following websites and produce evidence for incentives:</p> <ul style="list-style-type: none"> <li>• DTI website</li> <li>• Welsh Development Agency website</li> <li>• Northwest Regional Development Agency website</li> <li>• European Union (EU) Regional Development</li> <li>• Foreign Office 'Doing business with the UK guide.</li> </ul>	<p>www.dti.gov.uk</p> <p>www.wda.co.uk</p> <p>www.nwda.co.uk</p> <p><a href="http://europa.eu.int/pol/reg/index_en.htm">http://europa.eu.int/pol/reg/index_en.htm</a></p> <p>European Atlas.</p> <p><a href="http://europa.eu.int/comm/regional_policy/atlas/index_en.htm">http://europa.eu.int/comm/regional_policy/atlas/index_en.htm</a></p> <p>www.fco.gov.uk</p>
Impact on host countries in 'inviting' this business to set up and trade.	<p>Students examine the following websites and produce evidence for incentives</p> <p>DTI website</p> <p>Welsh Development Board website</p> <p>Merseyside Development Board website</p> <p>European Union (EU) Regional Development website</p> <p>Foreign Office doing business guide</p>	<p>www.dti.gov.uk</p> <p>www.wda.co.uk</p> <p>www.nwda.co.uk/</p> <p><a href="http://europa.eu.int/pol/reg/index_en.htm">http://europa.eu.int/pol/reg/index_en.htm</a></p> <p>European Atlas.</p> <p><a href="http://europa.eu.int/comm/regional_policy/atlas/index_en.htm">http://europa.eu.int/comm/regional_policy/atlas/index_en.htm</a></p> <p>www.fco.gov.uk</p> <p>Activity sheet 10: Thought-shower impact on host country.</p>

Topic	Suggested delivery plan	Resources
Impact of the business' activities on customers, competitors, suppliers and on the business itself in the various countries.	Students produce a mind map and refer to the 'evidence' that they have obtained from previous websites.	Activity sheet 10: Thought-shower impact on host country
Consider the effectiveness of the business' presence internationally, eg wider than simply profit, consumers' views in home and host countries.	<p>Students produce a poster using company material that represents the company image. This poster can include information taken from:</p> <ul style="list-style-type: none"> <li>• the company report</li> <li>• the company website</li> <li>• company advertising.</li> </ul> <p>This poster can also include information taken from competitors' websites that refer to the company and from detractors' websites and advertising.</p>	



**Section 12.3 Explore the dynamics of international organisations on one chosen business in a globally competitive environment.**

Topic	Suggested delivery plan	Resources
<p>The existence of the EU and its rules and regulations, eg trade, subsidies for farmers and taxes.</p>	<p>Students examine the EU website and look for information on well-publicised topics and phrases. How does this affect the company that is under investigation? For example:</p> <ul style="list-style-type: none"> <li>• C.A.P. Common Agricultural Policy</li> <li>• level playing field</li> <li>• monetary union.</li> </ul> <p>Students email the company with questions, or phone or invite a representative to talk on the subject.</p> <p>Students present their findings to the rest of the class as short one or two minute talks. (One or two PowerPoint slides or overheads).</p>	<p><a href="http://unfccc.int">http://unfccc.int</a>  <a href="http://europa.eu.int">http://europa.eu.int</a></p>
<p>The existence of the World Trade Organisation (WTO) and its rules and regulations on the sector(s) of your chosen business.</p>	<p>Students examine the WTO website and look for information on well publicised topics and phrases.</p> <p>Students email the company with questions or phone or invite a representative to talk on the subject.</p> <p>Students present their findings to the class as short one or two minute talks. (One or two PowerPoint slides or overheads).</p>	<p><a href="http://www.wto.org">www.wto.org</a></p>
<p>The cost implications of not meeting international agreements (free trade rules, either in retaliation form fines or loss of value in not 'standing shoulder to shoulder' with trade partners).</p>	<p>Students visit the WTO website and look up details of trade disputes by country.</p> <p>Students should consider the Kyoto agreement</p> <p>What are the 'costs' and benefits of meeting or not meeting the emissions targets?</p>	<p><a href="http://www.wto.org">www.wto.org</a>  <a href="http://unfccc.int">http://unfccc.int</a></p>
<p>The opportunities created by increasing international trade for the global community.</p>	<p>Students should perform a personal audit of all their possessions, clothes and the contents of their bag and produce a list of the country of origin of all the items and highlight any items that can be assigned to the business that the students are investigating.</p> <p>Students interview their parents and grandparents, asking them about trading conditions 25 and 50 years ago. Questions should be simple such as asking about currency exchange, carrying personal possessions such as watches, radios and matches, border controls, carrying of passports within Europe.</p> <p>Students relate the answers given to them by their parents and grandparents to the company that has been chosen for examination.</p>	

Topic	Suggested delivery plan	Resources
<p>The dangers that exist alongside the opportunities for business and consumers of increasing international trade eg child labour, pollution, protectionism, double standards.</p>	<p>Students visit the following websites and look for reports relevant to their chosen company:</p> <ul style="list-style-type: none"> <li>• Fair Trade Website</li> <li>• <a href="http://www.fairtrade.org.uk">www.fairtrade.org.uk</a></li> <li>• Ethical consumer website</li> <li>• <a href="http://www.ethicalconsumer.org.uk">www.ethicalconsumer.org.uk</a></li> <li>• Oxfam website</li> <li>• <a href="http://www.oxfam.org.uk">www.oxfam.org.uk</a></li> <li>• World Trade Organisation website</li> <li>• <a href="http://www.wto.org">www.wto.org</a></li> </ul> <p>All students should look up Bhopal and Union carbide <a href="http://www.bhopal.com/">www.bhopal.com/</a></p>	<p>Summarise key points in the worksheet</p> <p>Activity sheet 11: Dangers of international trading.</p>

**Section 12.4: Examine and evaluate the growth and influence of multi-national operations.**

Topic	Suggested delivery plan	Resources
Strategic reasons for expansion (historical and current practice).	Students research the history of the company that they are investigating and produce evidence for the reasons for expansion. Present this information to the rest of the class as short (1-2 minute) talks on PowerPoint slides or overheads.	Company website Case study 2
Impact on a developing 'host' country eg Gross Domestic Product (GDP), consumer choice, individuals, employment, society/culture, other businesses and the environment	Students consider the example of the opening of remote telesales centres in India to serve UK companies' needs.	Case study 3 Case study 4 Case study 5
Impact on a developed 'host' country.	Students consider the example of the opening of remote telesales centres in India to serve UK companies' needs.	
Impact on governments (accountability, market failure, policy shaping).	<p>Look at case studies reported by the WTO, OECD and Oxfam.</p> <p>Consider the following terms:</p> <ul style="list-style-type: none"> <li>• Trade disputes</li> <li>• Pressure groups</li> <li>• Lack of demand/lack of supply</li> <li>• Subsidies</li> <li>• Economic trade blocks (EU – most favoured nation)</li> <li>• Government policy making</li> <li>• World Bank controls.</li> </ul> <p>Produce a mind-map to illustrate the results of the research and discussion.</p>	<p><a href="http://www.wto.org">www.wto.org</a></p> <p><a href="http://www.oecd.org">www.oecd.org</a></p> <p><a href="http://www.oxfam.org.uk/coolplanet/">www.oxfam.org.uk/coolplanet/</a></p>

## Activity sheet 1: Training session for international trade

Use the concept of the World Trade Game which you can get from Christian Aid ([www.christinaid.org.uk/learn/schools](http://www.christinaid.org.uk/learn/schools)).

Divide the group into 3 or 4 sub groups; these groups do not need to be the same size.

Allocate to the groups various resources such as:

- paper
- rulers
- compasses
- scissors
- pencils.

Give only one group all the necessary resources

Give only one group a large amount of just one resource such as paper

Tell the groups that their objective is to work as **competing** companies and to maximise their sales of paper triangles with sides measuring 3cm by 4cm by 5cm. Sales will be made to the teacher who acts as a central banker and quality controller; ie 3 points for a good product, 1 point for a poor product and no points for a bad product.

There will then follow 4 production/trading periods lasting 5 minutes each with an interval between each period when the sales are made to the teacher and recorded on the board.

Use the industry advisor as an observer.

At the end of the session ask the learners to reflect on their performance using the grid on the next page.

As a class, brainstorm, with the advisor's input, how performance in this simulation can improve our actual performance in running the company.

## Activity sheet 1 Continued

### Company Trading Game grid

Opportunities to trade.	
Risks of trading.	
Opportunities for innovation/creativity/entrepreneurship.	
Factors and Limitations on growth/sales/production.	
Advantages of trading.	
Key factors for maximising sales/production.	

## Activity sheet 2: Training Session for International Trade

Use the concept of the Settlers of Catan Trade Game which is obtainable from Amazon [www.amazon.co.uk](http://www.amazon.co.uk) or from Maddison Games ([www.madisongames.co.uk/](http://www.madisongames.co.uk/)) or can be played online in groups of six students ([www.gamenight.com/html/Games/settlers\\_of\\_catan.htm](http://www.gamenight.com/html/Games/settlers_of_catan.htm)).

This game takes a short period of time to learn and so it helps if the teacher knows how to play the game before instructing the students. This game can take longer than a double lesson to play (approximately 1 ½ hours) and might conceivably be set as an after school activity.

The teacher will act as an observer.

At the end of the session ask the students to reflect on their performance using the grid on the next page.

As a class, brainstorm with the observer about how performance in this simulation can improve actual performance in running a company. Also brainstorm the effective strategies and the less effective strategies that were used.

**Activity sheet 2 continued**  
**Company Trading Game grid**

Opportunities to trade.	
Risks of trading.	
Opportunities for innovation/creativity/entrepreneurship.	
Factors and Limitations on growth/sales/production.	
Advantages of trading.	
Key factors for maximising sales/production.	
Importance of location.	

### Activity sheet 3: Choosing a business to investigate

As homework, learners should look at the national papers, on their high street or on websites such as the Times 100 website ([www.thetimes100.co.uk](http://www.thetimes100.co.uk)) to get an idea of the range of global and European companies that exist. Any of the main companies will have their own website which will provide the learners with information to help them answer the questions in the rest of this sub-section. Each learner should decide upon two companies that interest them and write a short summary of each of the two companies filling in the following tables.

From the range of companies that the learners provide choose companies that fit in one or perhaps two sectors for more investigation. For instance, Nokia would be in the mobile phone sector and Nike would be in the sports shoe sector although it could also be included in sports clothing.

After discussing their preferred companies, learners should decide on one sector to investigate. Learners should organise themselves into sub-groups and during later parts of the unit will investigate competing international companies within one sector.

For example

**Sector:**

- **Shoes** might include companies which make Nike, Clarks, Timberland, Reebok, Barratts and Fair Trade brands.
- **High street cafes** might include companies which own Costa Coffee, Starbucks, Café Nero, Coffee Republic and Fair Trade coffees.
- **Cosmetics** might include companies which produce Chanel perfume, Revlon make up, Head and Shoulders shampoo, Body Shop soap and Lush bath balls.
- **Oil/petroleum** might include Shell, BP, ConocoPhillips, ExxonMobil, Agip and TotalFinaElf.
- **Supermarkets** might include the companies that run Tesco, Asda(Wal-Mart) and the Co-op(not strictly an international supermarket but has an ethical dimension)
- **Banks** might include Barclays, Lloyds, HSBC and Co-op, however banks are not recommended because they produce a nebulous set of services which are difficult for learners to follow.

Ideally, at least one of the companies investigated by learners should be recognised for its ethical stance. Well-known names are Body Shop, Ecover, Fair Trade, Patagonia and Co-op. A good source for finding ethical (and non-ethical) companies to investigate is the Ethical Consumer magazine ([www.ethicalconsumer.org](http://www.ethicalconsumer.org)) Their website gives examples of their reports investigating major companies and copies of all their reports can be obtained online or on request. Look in their buyers' guide for a range of products produced by major companies that should hold learners' interest.

[www.ethicalconsumer.org/magazine/buyers/buyguide.htm](http://www.ethicalconsumer.org/magazine/buyers/buyguide.htm)



### Activity sheet 3 continued

International company chosen

Company name
Where in the world does the company operate?
What kind of market does the company serve?
What are the business aims and objectives?
What sort of competition does the company face?

European company chosen

Company name
Where in the world does the company operate?
What kind of market does the company serve?
What are the business aims and objectives?
What sort of competition does the company face?

## Activity sheet 4: Keeping a newspaper reading log

This exercise should be performed throughout the unit or the term.

The objectives of this exercise are to:

Familiarise learners with regularly reading a newspaper.

Give learners the opportunity to scan business facts and reduce them to just the pertinent points, so that the information is manageable and can be used in further analysis.

Learners should aim to find at least 3 newspaper articles per week, which are relevant to the companies that they have chosen or the sector that the company operates in, eg Vodafone operates in the mobile phone sector.

The reading log needs to be taken in by the teacher regularly to ensure that learners are carrying out this work. Teachers will only have time to be able to sample mark the work, looking at a few learners each week, alternatively, learners could mark each other's work and explain to each other what they have learnt from reading the papers.

The log should be set out in the following way:

Date:
Newspaper:
Title of article:
The key points in this article are:
1)
2)
3)
4)
5)

### Activity sheet 5: Company information grid

Company name:				
Legal format	Type	Target market	Sector	Product range
What are the business aims and objectives of the company?				
What kind of competition does this company have?				

## Activity sheet 6: Strategic objective game

Divide the class into small groups or pairs.

5 minutes	Ask pairs/groups to identify what they think are the three most important words to sum up the benefits a company gains from having an international presence.
3 minutes	Ask a representative from each group to write up their three words on the board.
10 minutes	Ask each group to justify and defend their three words.
5 minutes	Allow time for further comment/debate.
2 minutes	Get the class to vote on the words in order to decide on the group preference for the final 3 words.

Note that in reality any decision requires a multitude of factors to be taken into account.

### Activity sheet 7: Absolute advantage game:

Each learner is assigned a country which only produces two products. Each product has a unit cost. Learners compare the unit costs in their country with those of the other countries and determine which countries it is worth trading with.

After five minutes spent 'trading' learners fill in the grid on the next page.

Countries	Cost per unit in man hours
A	Trainers: 10 Shirts: 15
B	Trainers: 20 Shirts: 10
C	Trainers: 30 Shirts: 5
D	Trainers: 10 Shirts: 10
E	Trainers: 15 Shirts: 10
F	Trainers: 5 Shirts: 10
G	Trainers: 10 Shirts: 20
H	Trainers: 15 Shirts: 15

Is it worth trading? Fill in Yes or No, then highlight the best and worst cases.

	A	B	C	D	E	F	G	H
A	X							
B		X						
C			X					
D				X				
E					X			
F						X		
G							X	
H								X

Discuss why you think this and what extra information you might need.

This is to get learners thinking because the concept is oversimplified as other factors need to be taken into account.

## Activity sheet 8: Absolute advantage game modified to fit comparative advantage

For the comparative advantage game, countries need to have the number of available man-hours specified before any meaningful calculations can be made.

Use a copy of the same grid for the absolute advantage game.

Assign every country 60 available hours and have the students decide which is their most favoured trading partner, ie which combination of goods produces the most benefit? Is the reverse true, ie is it as good for A to trade with B as it is for B to trade with A?

Which nations are worth trading with? Which nation is least favoured? Assign countries A-D 120 man hours and E-F 60 man hours and see whether this makes any difference.

Is there enough information to allow any meaningful numerical calculations?

In real life things such as transport costs, brand name and quality have just as much effect on trade as unit costs so that any absolute or comparative advantage that one country has over another is only one possible factor that the businessman needs to consider.

## Activity sheet 9: Discussion of real life examples

### Suggestions

(10 minutes)

Divide the class into groups and ask each of them, from their own knowledge, to consider one of the following products and why they think that it is traded, ie absolute advantage, comparative advantage, or other factors (please specify):

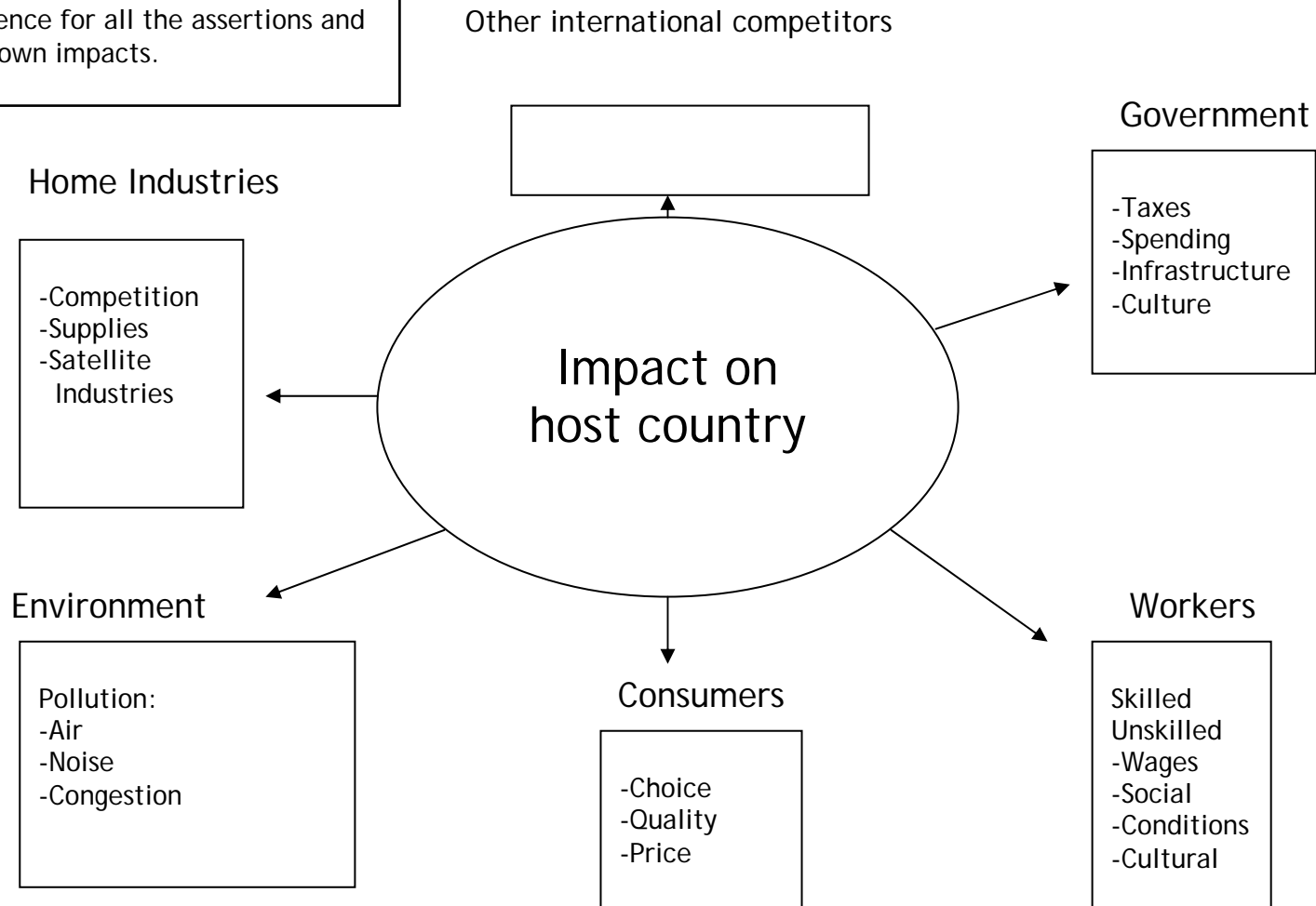
- Toyota Cars
- bananas
- mobile phones
- jeans
- trainers
- footballs.

Report back from each group on their product.



## Activity sheet 10: Impact on the host country

Find evidence for all the assertions and add your own impacts.



### Activity sheet 11: Dangers of international trading worksheet

Find evidence for the listed dangers and add other dangers that you have thought about.

Danger	Evidence
Child labour.	
Pollution.	
Protectionism.	
Double standards.	

## Case Study: Unit 12

### Nestlé and Café Direct

In order to develop the case study, contrasting businesses need to be selected, such as Nestlé and Café Direct (the largest producer of Fair Trade coffee in the UK). The advantages of sticking to high-profile examples is that they are well documented, therefore learners do not run out of good quality source material.

The coffee market has been studied by the Competition Commission, Oxfam, the Fair Trade Foundation and the World Trade Organisation; most main newspapers and magazines like the Economist have provided detailed analysis of the world market in coffee and the roles of the main stakeholder groups.

Coffee has its own trade association, the International Coffee Organisation ([www.ico.org](http://www.ico.org)).

Products from both Nestlé and Café Direct are available in local supermarkets; this helps learners understand what each company does and how they brand themselves.

Both Nestlé and Café Direct products are well supported by website and promotions material.

Coffee is quite near to being a homogeneous product, but there are plenty of other factors that make the comparative advantage theory quite difficult to apply in practice.

The coffee market is in crisis. Keynesian theory suggests that primary product markets need market intervention to ensure a balance of power between buyers and sellers. The volatility of prices undermines long term development of the product.

Look at how Nestlé and Café Direct benefit and manage the current crisis in coffee prices.

- [www.cafedirect.co.uk](http://www.cafedirect.co.uk)
- [www.nestle.co.uk](http://www.nestle.co.uk)

(Nestle have a downloadable brochure called 'what can be done' which talks about their approach to low and volatile coffee prices)

The history of both companies is easily available online.

## Case Study 2 The Lost Horizon Oil Company (LHOC)

### Background

This mythical company example is provided as a basis for discussion by learners and teachers to provoke discussion about issues surrounding multi-national corporations. It is not a real company but it could be a useful starting point if learners want to quickly get into an understanding of the oil industry.

### Case

The Lost Horizon Oil Company operates internationally. It is made up of three separate companies:

Lost Horizon Exploration: looks for oil and gas by maintaining geological/geophysical survey teams and operates a small fleet of survey vessels worldwide.

Lost Horizon Production: drills for oil, operates the oil pipelines and the refineries worldwide

Lost Horizon Retail: sells oil, gas and retail products at a chain of petrol stations world wide.

The LHOC started out as a one man operation in Texas, USA in the early 1900's when its founder John B. Smith struck oil on his farm when drilling fence posts. Until the end of the Second World War John B. Smith explored for oil and sold crude oil in Texas. At the end of the War he was able to buy two ex-army military surplus jeeps, two ex-army amphibious craft and an old US air force seaplane to allow him to expand his operations into the Gulf of Mexico and the Mississippi delta region.

In the 1950s the LHOC went international for several reasons.

Communications were very poor in places where oil was to be found. Local offices had to be opened to monitor any overseas venture. Even with the improvements in telephone and radio communications, it was far easier to open an office in the same time zone than it was to try to work out of Texas and fly to different parts of the world.

To start with LHOC, opened regional offices in London and in Hong Kong to allow 24 hour-coverage of its operations. The normal office working hours of each office covered all the operations of LHOC. Houston Texas became the head office and managed operations in the Americas. London was the regional office for Europe and Africa. The Hong Kong office was in place to deal with the Asian and Pacific ventures.

The reasons for LHOC opening offices in London were that there were no language problems and the US had favourable financial and social links with the UK which allowed transfer of money, goods and personnel between the countries with less difficulty than with other countries.

The reasons for LHOC opening offices in Hong Kong were that there were also very few language problems as Hong Kong was a British colony. Hong Kong was also a port and maintained a very beneficial tax regime for goods and services that were not intended for use in Hong Kong itself.

### Case study 3

In the 1960s and 1970s, the LHOC went from strength to strength. In addition to the 3 regional offices in Houston, London and Hong Kong LHOC opened a score of local offices to monitor the exploration and production sides of its business. Local offices were located in Kuwait, Qatar, Kazakhstan, Libya, Norway, Scotland, Venezuela, Singapore and Australia; anywhere that oil exploration was taking place or an oil production/refining facility was based.

The host countries for these offices frequently made it easier to set up business by building sites suitable for occupation. These sites had phone lines, roads, power generators and water laid on. Host countries hoped to benefit from taxing any oil that was found by the LHOC and by local people being hired to work for LHOC. In the case of some of the host countries taxing the oil that was produced was not enough and in 1970 Libya nationalised all the foreign held possessions, took control of the oilfields and threw LHOC out of the country.

Also during this period LHOC frequently acted as a 'cowboy' company. LHOC regularly moved into an area, exploring, drilling, leaving a huge mess and moving out when the oil dried up. LHOC's main goal was profit above all else.

It was not until the early 80s when two incidents forced LHOC to change its business ethics. The first was when half the personnel of a drilling crew and 20 camp attendants died as the result of a carbon monoxide and hydrogen sulphide leak in Texas. The resulting bad press for the head office and compensation payments to the families made people more aware of the LHOC's short-comings when they had previously ignored reports in foreign papers. The second was the increasing sophistication of the 'landmen' specialist lawyers and agents for the oil business in the host countries, particularly in Norway. The Norwegian government was able to negotiate much stricter contracts with LHOC and ensure that much more tax was paid, many more Norwegians were employed and trained by LHOC and rigid environmental conditions were agreed upon. The LHOC was keen to explore for huge North Sea oil and gas fields in Norwegian waters and so agreed to the stricter conditions.

## Case Study 4

It was fortunate for European harmony that the North Sea was divided up into economic interest blocks by the governments of the UK, Norway, Germany, France, Holland and Denmark before any oil was discovered. Oil fields do not lie neatly within national boundaries and without prior agreement there would have been far more argument about the distribution of oil wealth when some of the first giant oil fields in the North Sea were found to lie squarely across or close to the national divides between countries. The agreement between the North Sea countries states that if an oilfield lies across the boundary between two or more countries, then each country receives the proportion of oil from the field that lies in its economic area. In the past, oil producers had been known to drill into one corner of an oil field and suck out all the oil thereby stealing it from a rival company/country (in the same way as if two people drink from one glass using two straws; the person who sucks fastest gets the most to drink).

This agreement between the countries posed no end of problems for the LHOC because under the terms of their exploration/production contracts they had to accurately map the oil fields that they discovered, prove they were not connected to other fields in any way and work out the volume of the fields that lay within each national jurisdiction. Once they started production of oil they would have to pay tax to each country in the correct proportions. If LHOC got their calculations wrong then millions of pounds/krone/dollars could end up being overpaid or underpaid or paid to the wrong country with consequential financial losses to the company or losses to the company's reputation.

## Case Study 5

In the 1990s, and up to the present day, the LHOC has reformed its business structure and practices. Some of the reforms have been prompted by American, British or European Legislation which gives employees certain rights, when they are hired and fired and their working conditions or, legislation which regulates the treatment of the environment. Some of the company reforms have been set up because the management of the LHOC want to be able to treat all their employees the same way instead of having a different set of terms and conditions in each country, thus cutting down administration cuts costs.

Take for example income tax. An ex-patriot employee working for the LHOC in Saudi Arabia pays virtually no tax on his earnings. The same employee working in Sweden pays 60% of his salary in income tax. The result is that despite the conditions in Saudi Arabia very few employees are willing to work in Sweden and far more are keen to work in Saudi Arabia.

The solution? The LHOC sets up a tax equalisations scheme. Everyone in the company pays the same set rate of income tax (25%) no matter where they are posted. The LHOC pays the excess tax in some countries and pockets the overpayment in others.

For example, a female geologist employee hired from Texas and a male geologist employee hired from Egypt get talking and discover that the Texan is paid 5 times as much as the Egyptian. They are both doing the same work in Saudi Arabia and have the same experience; this is because the Egyptian signed his contract in Egypt where wages are lower. He earns a very good salary for an Egyptian graduate, but a very poor salary for a Texan. The Egyptian is very unhappy when he finds that he is being paid much less than a woman. The Texan is only barely content with her salary because she believes that she is being paid less than Texan men who she works with.

The LHOC creates a unified pay scale. No matter where you come from you go onto the pay scale. A Malaysian engineer gets paid the same as a British engineer provided they have equivalent experience.

The LHOC has to meet local, national and international standards everywhere it sets up business, instead of having a different set of safety regulations and environmental rules for every office, ship or plant in each country. LHOC decides to meet the regulations of one of the strictest countries and apply them world wide. This leaves only two or three very strict countries where extra rules have to be applied

Every employee of LHOC has to take safety training no matter where they work; fire fighting, first aid, working at heights and how to lift heavy objects. In three countries, employees have to take extra training (CPR cardio pulmonary resuscitation, driving awareness and use of breathing apparatus).

Every ship used by LHOC has strict guidance on how it disposes of its rubbish. Some is burned and some is carried back to port. No countries want oil or rubbish floating back to their beaches if they can help it and will fine the culprits if they can catch them. In one country every ship is required to carry an extra environmental officer whose job it is to watch for marine life and make sure that the vessel (or oil rig) does not discharge pollutants into the sea.

## Unit 12: Glossary of key terms

Absolute advantage	<p>From bized (<a href="http://www.bized.ac.uk/virtual/dc/trade/theory/th2.htm">www.bized.ac.uk/virtual/dc/trade/theory/th2.htm</a>)</p> <p>A country has an absolute advantage over its trading partners if it is able to produce more of a good or service with the same amount of resources or the same amount of a good or service with fewer resources. In the case of Zambia, the country has an absolute advantage over many countries in the production of copper. This occurs because of the existence of reserves of copper ore or bauxite. We can see that in terms of the production of goods, there are obvious gains from specialisation and trade, if Zambia produces copper and exports it to those countries that specialise in the production of other goods or services.</p>
Comparative Advantage	<p>From bized (<a href="http://www.bized.ac.uk/virtual/dc/trade/theory/th2.htm">www.bized.ac.uk/virtual/dc/trade/theory/th2.htm</a>)</p> <p>A country has a comparative advantage in the production of a good or service that it produces at a lower opportunity cost than its trading partners. Some countries have an absolute advantage in the production of many goods relative to their trading partners. Some have an absolute disadvantage. They are inefficient in producing anything, relative to their trading partners. The theory of comparative costs argues that it is better for a country that is inefficient at producing a good or service to specialise in the production of that good it is least inefficient at, compared with producing other goods.</p>
Double standards	<p>One rule for one country or company or person and a different rule for another. For instance a state owned company might be given preferential treatment when bidding for contracts against an international company.</p>
Ethical	<p>Being in accordance with the accepted principles of right and wrong that govern the conduct of a profession. Usually but not always the same as moral.</p>
G.D.P.	<p>In economics, the gross domestic product (GDP) is a measure of the amount of the economic production of a particular territory in financial capital terms during a specific time period. It is one of the measures of national income and output.</p> <p>GDP =</p> <p>Consumer Spending</p> <p>+</p> <p>Business and Residential Investment</p> <p>+</p> <p>Government Spending</p> <p>-</p> <p>Trade Deficit.</p>
Land man	<p>A person whose job it is to seek out the owners of land and mineral rights and negotiate leases and contracts with them on behalf of an oil or mineral production company for the right to drill/mine and withdraw hydrocarbons or minerals from underground.</p>
Monopoly	<p>An economic term that is strictly defined as a market situation in which there is a <b>single</b> supplier of a good or service, but often used to suggest any situation in which a firm or country or cartel has considerable power over market price. Hence the expression 'when you have a monopoly you can ask any price you like'.</p>



Oligopoly	In economics a market characterised by a small number of producers who often act together to control the supply of a particular good and its market price.
Protectionism	Government policies fostering home industries by protecting them from the competition of foreign goods, the importation of these being checked or discouraged by the imposition of duties (tariffs) or otherwise.
Sectoral	In economics, relating to the business sector.
Subsidy	In economics, a payment that a government makes to a producer to supplement the market price of a commodity. Subsidies can keep consumer prices low while maintaining a higher income for domestic producers.

## Resources

### Reading

#### Books

There are many excellent textbooks covering the range of topics in this unit. Most business textbooks will be useful for the initial areas of the unit and economics textbooks will need to be referred to more heavily in the latter parts of the unit. Specific books around the existence and operations of MNCs will be useful resources.

Amartya S – *Development as Freedom* (Oxford University Press, 2001) ISBN 0192893300

Amor D – *The E-business@evolution* (Prentice Hall PTR, 2002) ISBN 0130670391

Anderton A – *Economics* (Causeway Press, 2000) ISBN 1902796101

Barnes I – *The European Union and World Trade* (Hidcote Press 1996) ISBN 1898837201

Hall J et al – *Business Studies* (Causeway Press, 1999) ISBN 1873929900

Marcoué G et al – *Business Studies* (Hodder and Stoughton, 2003) ISBN 0340811102

Marcouse I with Lines D – *Business Case Studies* (Longman, 1990) ISBN 0582057779

Maunder P – *Economics Explained* (Collins, 2000) ISBN 0003277585

Mercado, Welford and Prescott – *European Business* (FT Prentice Hall, 2000)

Mole – *Mind your Manners: Managing Business Culture in the New Global Europe* (Nicholas Brealey, 2003) ISBN 1857993144

Slovan J – *Economics* (Prentice Hall, 2003) ISBN 0273655744

Stiglitz J – *Globalization and Its Discontents* (Penguin, 2002) ISBN 0141010380X

Case 40 An ethical dilemma

Case 64 A mini-multinational

Case 72 The Bhopal tragedy

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

#### Website

Ethical Consumer

[www.ethicalconsumer.org](http://www.ethicalconsumer.org)

#### Publication

*Ethical Consumer Magazine*

This magazine contains information about ethical purchasing and about the (multinational) companies which provide goods and services.

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## Unit 13: Organising an Event

### Unit aims

The main aim of this unit is for the learners to plan, manage and administer a one-off event. The unit gives learners a chance to put into practice some of the skills that they have been taught in earlier units and is assessed on the things that the learners do during the unit rather than on formal taught input and testing. Learners will have to organise themselves, produce documentation and regular status reports to support their decisions, choices and actions that they have taken and analyse the results of their work after the end of the event.

### Unit topics

- 13.1 Feasibility of the event
- 13.2 Planning the event
- 13.3 Staging the event
- 13.4 Review and evaluation of the event.

### Case studies

- 1 A multicultural evening
- 2 A business studies conference
- 3 A marketing event for a local business.

### Suggestions for timing

An event can take a long period of time to arrange, for instance, booking a band or a venue might need to be done several months in advance of the event and organising a foreign exchange trip might need to be done six months in advance. If this unit is only taught as one chunk of 13 weeks then the kinds of event that can be organised are restricted.

The review and evaluation section of the course will also need one or two weeks to be completed **after** the event and assumes that most of the supporting documentation is completed by learners during the period before the event.

### Suggestions for finance

In this unit learners will probably be collecting money, paying contractors and handling cash or credit. It is a good idea to consider setting up a bank account for the learners to use before starting the course. This would mean that there would be fewer delays involved in dealing with the bank at the start of the unit and getting cheque books or credit/debit cards issued for learner use.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 13.1: Feasibility.

Topic	Suggested delivery plan	Resources
What is feasibility?	Learners to define feasibility individually and in a group	Activity sheet 1: Feasibility definition activity.
The reason for holding the event	Learners individually look at the list of suggested events and add any others that they consider interesting.  Learners pool their ideas and reject any until there is one idea per learner.  Learners break down the list of ideas into categories. Choose their own categories or use the ones suggested.	Activity sheet 2: Reasons for holding event activity.
Carrying out research into the feasibility of the event using primary and secondary sources, qualitative and quantitative data and reasoned decisions	Use the compiled list of events and any added by the learners. Each learner takes one possible event and researches it. Learner to prepare a short talk on the event and present the information to the rest of the group, or a short report on the event.  Learners to decide on a short list of events based on the feasibility studies.	Activity sheet 3: Feasibility test sheet  Activity sheet 4: Possible events sheet.
The aims, objectives and outcomes of the event	Using a short list of possible events learners break up into small groups to examine one of the events and decide on the aims, objectives and desired outcomes of the event.	Activity sheet 5: Aims and objectives.
The setting of SMART objectives relating to client and organisational outcomes and quality standards	Groups examine the projects in light of SMART standards.	Activity sheet 6: Definition of SMART targets.
Financial constraints – budget, fixed and variable costs, sources of funding, future revenue (if any)	In sub-groups produce budgets for one of the short listed events.  The whole class then compares budgets for their different short-listed activities.	Activity sheet 7: Sources of finance.  Activity sheet 8: Budget income expenses and variance spreadsheets (4 sheets).
Risk assessment/management	Learners examine the risks involved with their proposed event.	Activity sheet 9: Risk assessment (2 pages).
Selecting the event	Learners decide on their preferred event as a group.	Activity sheet 10: Event selection sheet.

## Section 13.2: Planning the Event.

Topic	Suggested delivery plan	Resources
Undertaking a risk assessment – (this could be done here after deciding on the event).	Learners examine the risks involved with their proposed event.  Using HSE 5 steps to risk assessment and school/college risk assessment sheet as a guide, learners create their own document. Learners discuss document with senior staff member and sign off.	Activity sheet 9: Risk assessment.
Physical resources – equipment, location, materials.	Learners need to decide what materials will be needed for the project. Produce a big list and investigate how much it might cost to buy them and how long it might take.  Learners need to decide what tasks will need to be performed in addition to physical resources. Produce a big list and decide how much time each task might need.	Activity sheet 11: Key roles.
Human resource requirements – team working, allocation of roles, special needs.	Decide on the roles/jobs of learners within the business studies team. Create poster, add names and photographs to the poster.	Activity sheet 12: Key roles organisation chart.
Time Constraints – time lines and critical path analysis, Gantt charts, flow diagrams.	Learners can be shown a staff availability chart if one is maintained by the school office.  Learners produce a flow chart to help decide which tasks are absolutely critical and must be performed before other tasks can progress.  Learners produce a wall chart to show peoples tasks and their estimated timing. Use the chart to ensure that critical tasks are performed in a timely fashion and that people are not double booked.	Activity sheet 13: Sample Gantt chart  Overview of Gantt chart construction  <a href="http://www.mindtools.com/pages/article/newPPM_3.htm">www.mindtools.com/pages/article/newPPM_3.htm</a>
Legal constraints.	Learners need to consider whether the event they are planning is legal or whether some aspect of the event breaches national or local restrictions. Learners should research any queries that they have.	Activity sheet 14: Legal constraints – sources of information.

Topic	Suggested delivery plan	Resources
Working practice constraints.	<p>Learners decide how they will go about working together as an organisation. What records should they keep? What documentation should they produce? When should they meet? This material should have been covered in previous units so learners will have a good idea about what is expected from them.</p> <p>Learners should each spend time individually writing down what steps they think should be taken, before pooling their knowledge as a group. Learner assigned as project leader or manager should be encouraged to lead the discussion on their area of interest by standing up and recording ideas on a board or flip chart.</p> <p>Learners break into teams concentrating on one area of interest, eg financial, safety and communication and decide on a definite set of records to be maintained. Note that these records are an important part of the assessment criteria for this unit.</p>	<p>Activity sheet 15: Working practice constraints (3 sheets)</p> <p>Activity sheet 16: Business and personal letters</p> <p>Activity sheet 18: Budget income expenses and variance spreadsheets</p> <p>Activity sheet 17: Cash count-weekly reconciliation sheet.</p>
Financial requirements.	Learners decide ways of raising finance, and with reference to their Gantt chart or flow diagram, try to predict financial problems.	<p>Activity sheet 7: Sources of finance</p> <p>Activity sheet 18: Cash flow.</p>
Contingency plans and insurance aspects.	<p>Depending on the event, learners could investigate the following:</p> <ul style="list-style-type: none"> <li>• food safety (hot food, cold food, food storage/preparation)</li> <li>• room capacity (safety vs. profit)</li> <li>• negligence (number of adults present).</li> <li>• is the event covered by existing insurance? eg school insurance, young enterprise insurance, achievers insurance or public liability insurance).</li> </ul>	Activity sheet 19: Contingency plans.
Contract supplies – catering, bar, security.	<p>Depending on the event, learners could investigate the following:</p> <ul style="list-style-type: none"> <li>• Contracts: are the learners allowed to sign contracts with contractors for services, or does this have to go through the school?</li> <li>• Is alcohol to be served and if so, is a license required.</li> <li>• How should learners deal with large numbers of strangers walking through the school.</li> </ul>	Activity 20: Quote sheet.

Topic	Suggested delivery plan	Resources
Letters, reports, invitations, notices.	<p>Learners to decide upon formats for standard letters, reports, invitations and notices.</p> <p>The format should not only decide the kind of information that should be on a standard document, but whether there should be an event image, colour, wording, layout that is consistent with the organisation and the event.</p>	<p>Activity sheet 16: Business and personal letters</p> <p>Standard report example</p> <p><a href="http://www.cie.uce.ac.uk/essential/report/report-summary.html">www.cie.uce.ac.uk/essential/report/report-summary.html</a></p>
ICT.	<p>Learners should use ICT to communicate, record data and monitor the event. Typical examples include:</p> <p>Setting up a mailing list allows all members of the group to follow progress and keeps records of communications</p> <p>Spreadsheets can be used to record and project financial information</p> <p>Database of suppliers, contacts, reservations and bookings can set up. A database of suppliers could be kept for information and use of other classes who also have to organise events. It is important to keep a list of contacts in case of problems before the event and also on the day of the event when it may be necessary to contact people at short notice.</p>	<p>Activity sheet 8: Budget income expenses and variance spreadsheets</p> <p>The school/college should already have an email mailing list facility which may need to be set up by the IT department; otherwise it is possible to use third party mailing lists such as yahoo mail groups.</p> <p><a href="http://uk.groups.yahoo.com">http://uk.groups.yahoo.com</a></p>

### Section 13.3: Staging the event.

Topic	Suggested delivery plan	Resources
Contracts for venues, supplies, personnel.	Learners should decide on the venues, supplies and personnel required for the event and get written quotes for their cost. Not all quotes will offer the same thing and there is a balancing act between the cost and the product provided.	Activity sheet 20: Quote sheet.
Marketing, eg publicity, advertising, sponsorship, guest list, invitations.	Learners should discuss how they would market the event and compare the benefits and drawbacks of different approaches.  Learners should then decide on a cost effective marketing plan by comparing the cost (in time as well as money) of different possible publicity methods as well as the number of people who will see the publicity.	Activity sheet 21: Marketing.
Operation, eg organisation and communication on the day, principles of customer service, problem solving, contingency plans, adjustments and reasons.	Learners should plan their actions for the period immediately before, during and after the event on the day. A Gantt chart for the day might be a good way to display to the learners where each person should be, and what things should be happening.  Learners should draw up a contingency plan for problems that can be foreseen and have equipment prepared.	Activity sheet 22: Checklist for the day  Activity sheet 23: Customer service card  Activity sheet 19: Contingency plans.
Equality of access.	Learners should consider wheelchair access, or access by elderly people or by people with legs in plaster casts or with pushchairs. This involves getting into the building or the room holding the event avoiding stairs and getting out of the building in case of emergency exit.  Learners should also consider seating for the mobility impaired during the event or even a playroom for small children who would interrupt the event as they get bored.  Learners should write a one-page document detailing their decision.	Disability Discrimination Act – <a href="http://www.disability.gov.uk">www.disability.gov.uk</a>  <a href="http://www.disability.gov.uk/dda/employers/providers.asp">www.disability.gov.uk/dda/employers/providers.asp</a>
Financial recording and security.	Cash should be taken from the till with the cash count sheet and placed in a safe at regular intervals to prevent a big build up at the point of sale which might encourage thieving.  Cash should be counted by two different people and signed off.  Learners should monitor money taken on the day by using cash count sheets.	Activity sheet 17: cash count-weekly reconciliation sheet.



Topic	Suggested delivery plan	Resources
Health and safety issues.	<p>Learners should investigate the following:</p> <ul style="list-style-type: none"> <li>• mobility impaired in case of fire</li> <li>• locate fire alarms and extinguishers</li> <li>• locate first aid kits</li> <li>• food storage problems</li> <li>• provision of bins, cleaning equipment</li> <li>• other issues that are relevant to the event.</li> </ul> <p>Learners should write a one-page document detailing their decisions.</p>	Health and Safety Executive – <a href="http://www.hse.gov.uk">www.hse.gov.uk</a>

#### Section 13.4: Review and evaluation of the event.

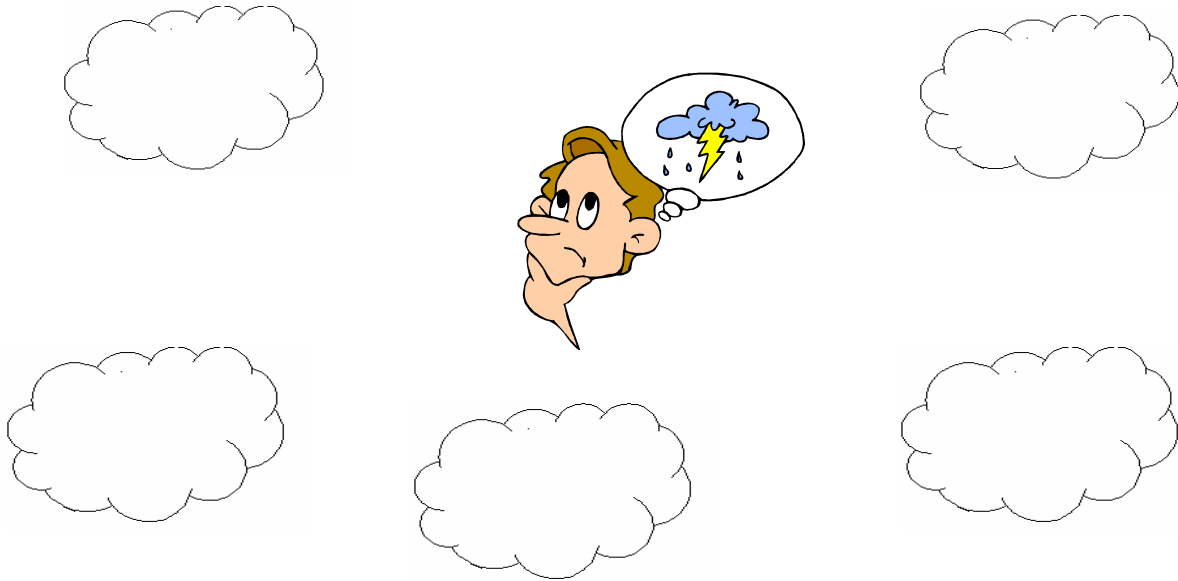
Topic	Suggested delivery plan	Resources
Whether objectives/targets were met.	Learners should compare their targets and objectives with the results of the event.	Activity sheet 5: Aims and objectives.
Feedback from interested parties – type of information-gathering systems used and how successful they were.	Learners need to have decided before hand how to get feedback from the interested parties. In the case of a single client this could be an interview after the fact. In the case of suppliers, this could be by asking them to fill in the feedback sheet. Learners may decide to have a feedback form printed on the back of all the tickets to encourage the audience to make their own comments.	Activity sheet 24: Feedback form.
Whether the project was fit for purpose (eg it met the budget).	<p>Learners should ask themselves questions such as:</p> <p>Did the project meet the budget?</p> <p>Did the project raise awareness of a local business?</p> <p>Did the project collect money for charity?</p> <p>How can they prove this?</p>	Activity sheet 8: Budget income expenses and variance spreadsheets.
Whether the project met the needs of the client/group/audience.	<p>During the event and afterwards, learners need to get feedback from the organisation, the customer, the supplier and from the learner team holding the event.</p> <p>Learners hand out a questionnaire to a selected member of the audience and collect it back at the end of the event.</p> <p>Each learner makes a final presentation lasting no longer than three minutes. This presentation could be in power point or on a poster or in the form of a press release.</p>	Activity sheet 24: Feedback form.

Topic	Suggested delivery plan	Resources
Recommendations/ suggestions for improvement.	<p>Each learner should produce a report with recommendations that could be made available to the same class next year. The report could be an overview, or it could be based on the findings of the teams.</p> <p>Each learner should also evaluate their own contribution to the project.</p>	<p>Report Format Examples  <a href="http://imdept.qmuc.ac.uk/ReportWriting.htm">http://imdept.qmuc.ac.uk/ReportWriting.htm</a>  <a href="http://www.cie.uce.ac.uk/essential/report/report-summary.html">www.cie.uce.ac.uk/essential/report/report-summary.html</a></p> <p>Activity sheet 25: Self evaluation sheet</p> <p>Activity sheet 26: Suggested report format.</p>
Winding up of the organisation	<p>Presentation of cheques</p> <p>Letters sent out (thank you)</p> <p>Publicise success</p> <p>Reward success – celebratory lunch?</p> <p>Filing of reports in library</p> <p>Loans or assets returned</p> <p>Bank account closed or learner access terminated.</p>	

## Activity sheet 1: Feasibility

### Task A

List five key words which you think could be used to describe feasibility.



### Task B

Working in small groups, come up with a definition of 'feasibility'.

### Dictionary definition of feasible

Capable of being accomplished or brought about with the means at hand and circumstances as they are; possible: a feasible plan.

Synonyms: executable, viable, workable, practicable

## Activity sheet 2: Reasons for holding the event

For part of this unit you will be organising an event. The event has to be a one-off function of significant size. Normally there is a specific reason for holding such an event other than just completing a school unit. Below, you will see six possible general reasons for holding an event, you may think up other reasons or change these six:

- asked to hold the event
- annual event
- charity event
- fundraising
- supporting local business
- advertising.

On the next page you will find a list of events that might be suitable for your group to consider. As individuals, think of some more events that you feel you would like to hold, then as a group add your ideas to the list on the next page. Once you have a good list made up, break up the possibilities into the six categories and fill in the graphic on this page.

The graphic organizer consists of six rectangular boxes arranged in a 2x3 grid. Each box is connected to a cloud-shaped area below it by a vertical line. The clouds are intended for students to write their event ideas, and the boxes are for categorizing them.

## Possible events

Musical evening:	Organise the running of the evening particularly if the school, college, one of the learners or department has contacts with the music department band or group of bands. Stage a battle of the bands.
Charity fundraising:	<p>Raise money for charity associated with the school or college, or look at some of the following websites for information about how to contact and work with the charity involved.</p> <p>Oxfam will support you with a fundraising toolkit. (<a href="http://www.oxfam.org.uk">www.oxfam.org.uk</a>)</p> <p>Save the Children Fund has a special section on its website for youth fundraising activities. (<a href="http://www.savethechildren.org.uk/youngfundraisers">www.savethechildren.org.uk/youngfundraisers</a>)</p> <p>BBC Children in Need also has a special section on its website <a href="http://www.bbc.co.uk/pudsey/get_involved">www.bbc.co.uk/pudsey/get_involved</a></p> <p>Friends of the school or college organisation.</p> <p>Raise money for the repairing the church roof.</p>
Talent show/play:	Take on the responsibility for running the organisation, advertising, marketing and sales behind a school or college production.
Group outing:	Arrange to take year 7 to a pantomime in London including an overnight stay or a year 11 on a trip to France.
Foreign exchange:	Arrange the foreign exchange trips for the French/German/Spanish class. Good chance for interdepartmental co-operation since business studies groups may not have adequate language skills.
Graduation ball:	Organise the Graduation/Leavers Ball
Disco:	Organise a disco for a younger learner group such as years 7-9.
Young Enterprise:	<p>Invite a group of previous learner achievers to speak at the school about their experiences.</p> <p>Organise a Young Enterprise fair for years 10 to 13. Include members of a trade union and members of the business community as speakers.</p>
Promotional event:	Arrange a food tasting for a local business such as a delicatessen or a coffee tasting for a café.
Multi-cultural evening:	Organise a multicultural evening – people bring and share food, talk about their traditions and holiday events.
Exercise:	Organise a sports day, or arrange a water sports day where everyone gets wet.
Learner conference:	Organise a business studies conference on one area of the syllabus and invite learners from other schools to attend, eg human resources.

### Activity sheet 3: Feasibility test

*(Before starting any business project companies might hold a feasibility meeting to decide whether the project is even capable of being achieved. During this meeting managers would use primary and secondary sources of information, qualitative and quantitative data about the proposed project and come to some sort of reasoned decision.)*

Define or describe primary sources of information.

Define or describe secondary sources of information.

What is quantitative data?

What is qualitative data?

(At this stage the group will have many projects in mind. Work as individuals or pairs and research the feasibility of each project and break the information up into the four categories. Learners should summarise and present their information to the rest of the group. Throw out any unfeasible projects and decide on ones that can be pursued in a short list.)

Proposed project name:			
Primary	Secondary	Quantitative	Qualitative

Some projects will be unreasonable, due to time constraints of the course for instance, despite being feasible. Even at this stage learners should be thinking of such things as financial constraints and disabled access to proposed events as well as how much fun the event might be.

## Activity sheet 4: Possible events

Musical evening:	Organise the running of the evening particularly if the school, college, one of the learners or department has contacts with the music department band or group of bands.
Charity fundraising:	Raise money for a charity associated with the school or college, or look at some of the following websites for information about how to contact and work with the charity involved.  Oxfam will support you with a fundraising toolkit. ( <a href="http://www.oxfam.org.uk">www.oxfam.org.uk</a> )  Save the Children Fund has a special section on its website for youth fundraising activities. ( <a href="http://www.savethechildren.org.uk/youngfundraisers">www.savethechildren.org.uk/youngfundraisers</a> )
Talent show/play:	Take on the responsibility for running the organisation, advertising, marketing and sales behind a school or college production.
Group Outing:	Arrange to take year 7 to a pantomime in London including an overnight stay or a year 11 on a trip to France.
Foreign exchange:	Arrange the foreign exchange trips for the French/German/Spanish class. Good chance for interdepartmental co-operation since business studies groups may not have adequate language skills.
Young Enterprise:	Organise a Young Enterprise Fair for years 10 to 13. Include members of a trade union and members of the business community as speakers.
Graduation ball:	Organise the graduation/leavers' ball
Disco:	Organise a disco for a younger learner group such as years 7-9.



## Activity sheet 5: Aims and Objectives

Learners work individually, then brainstorm in groups to decide exactly what they are trying to achieve.

An example of aims and objectives can be seen on the UCAS website.

[www.ucas.ac.uk/higher/about/businessplan.html#strategic](http://www.ucas.ac.uk/higher/about/businessplan.html#strategic)

Here is an example from a learner group.

Aims	Objectives
Help promote local business	On July 2006 to get 100 people to attend food tasting at local café. Produce publicity and distribute to 1000 people to advertise the business and the tasting evening. To get feedback on the night in the form of market research from 100% of the attendees.

Project:	
Aims	Objectives

Produce a poster to summarise the group decision.

Include desired outcome, means and methods amongst your aims and objectives.

## Activity sheet 6: Definition of SMART targets

SMART targets are:

Specific:	Be clear about what, where, when and how the project will be changed.
Measurable:	The targets can be quantified and are measurable.
Achievable:	Objectives are within the resources and capabilities of the group.
Realistic:	It is possible to achieve the change reflected in the objective.
Time limited:	Time constraints are acknowledged and worked within.

Review your aims in light of SMART targets and with reference to the questions below.

Go back to your objectives and make them SMART.

Have you thought about the client you are dealing with? eg Head teacher, school. What do they want?

Have you thought about the organisation you are dealing with? Will the event fit in with the culture and objectives of the organisation?

For more information on SMART, see:

<a href="http://www.ala.org/acrl/is/organization/planning/objectives/suggestions.html">www.ala.org/acrl/is/organization/planning/objectives/suggestions.html</a>	American Library Association
<a href="http://www.careerbuilder.com/sales/powerhire/tips1.html">www.careerbuilder.com/sales/powerhire/tips1.html</a>	Careerbuilder.com
<a href="http://www.cjapower.com/clientresources/perfpro2.php">www.cjapower.com/clientresources/perfpro2.php</a>	CJA Executive Research
<a href="http://www.marketingteacher.com/Lessons/lesson_objectives.htm">www.marketingteacher.com/Lessons/lesson_objectives.htm</a>	Marketing Teacher
<a href="http://www.unt.edu/wmoen/publications/gilsevag/g.htm">www.unt.edu/wmoen/publications/gilsevag/g.htm</a>	Goes to page 'Characteristics of Successful Objectives'
<a href="http://www.wgrante.com">www.wgrante.com</a>	Woodland Grange Training and Conference Centre

These links and most of the definitions above came from [www.scn.org/cmp](http://www.scn.org/cmp)



## Activity sheet 8: Budget income expenses and variance spreadsheet

Cash Flow Forecasting													
Income	Week number												
Items	1	2	3	4	5	6	7	8	9	10	11	12	13
School donation	50												
Parent loan	20												
<b>Total income</b>	70	0	0	0	0	0	0	0	0	0	0	0	0
Outgoings	Week number												
Items	1	2	3	4	5	6	7	8	9	10	11	12	13
Hall booking deposit	100												
Poster paper	5												
Magic markers	3												
<b>Total outgoing</b>	108	0	0	0	0	0	0	0	0	0	0	0	0
<b>Weekly Net</b>	-38	0	0	0	0	0	0	0	0	0	0	0	0
<b>Week Opening Balance</b>	0	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38
<b>Week Closing Balance</b>	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38

## Assessment Sheet 9: Risk assessment

Learners should examine at least two examples of risk assessment information.

One good source is the following document which has a five-step wall-chart, including a section for learners to sign once they have assessed the risks involved in their school event.

Five Steps to Risk Assessment Government Health and Safety Executive leaflet, available at [www.hse.gov.uk/pubns/indg163.pdf](http://www.hse.gov.uk/pubns/indg163.pdf)

This document is very general and the teacher may need to point out that many aspects of the risk assessment will not be relevant to a school environment.

The school or college should have its own risk assessment sheet that covers risks commonly encountered in a school.

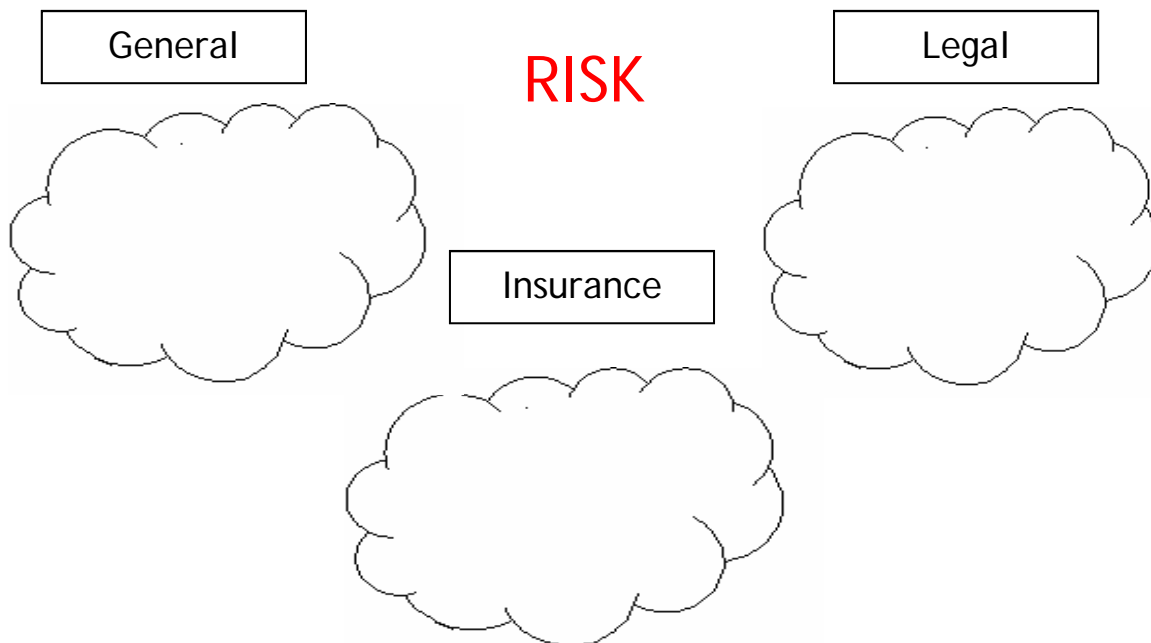
Learners will be given some examples of risk assessment documents. Businesses, colleges, schools, organisations and employers in general are required to assess the risk to their employees, the general public and to themselves from their activities and their properties. A risk assessment is where someone tries to identify any risk to life, limb and property and reduce the chance that it will happen.

Learners should read the risk assessment document and as individuals, make a list of all the risks that you think people who attend your event might be taking. Remember the people who attend are not just the general public, they could also be contractors, staff members and members of the event organising group.

Identify ways of managing these risks. Break up the risks into the different groups of people.

As a group combine your ideas and come up with a single document. You may want to use the risk assessment sheet on the HSE website as a template, or design your own. ([www.hse.gov.uk/pubns/indg163.pdf](http://www.hse.gov.uk/pubns/indg163.pdf))

Discuss whether these risks could be considered as general risks, legal risks, or risks for which insurance cover might need to be in place.



### Activity sheet 10: Event selection sheet

At this stage the group will have a shortlist of projects in mind. Now each sub-group presents the risk, feasibility budget and any other relevant information on their short-listed project to the other groups. Under 'other' you might want to include reasons such as helping the community, charitable cause, helping the school or amount of enjoyment you might envisage from the event.

Decide on the one that can be pursued from the short list.

This table is intended for learners to fill in as they take notes while listening to presentations from other sub-groups.

Proposed project name:			
Risk	Feasibility	Budget	Other

### Activity sheet 11: Key roles

Once the team has discussed the major tasks involved in the event it is a good idea to decide on who will do them. As a group ask for volunteers or assign tasks depending upon individuals existing skills and draw up a list.

Nearly every project will need someone to take minutes or keep records and someone to keep track of the money. It is a good idea to agree from the start that everyone will be available on the day of the event to clean up any mess afterwards. Clearing up is a task that no one likes to do and that should be shared by all.

Task	Time needed	Person responsible

After the tasks have been allocated it might be a useful exercise to build an organisational wall-chart with names and photos attached so that everyone rapidly learns who is who.

Activity sheet 13: Simple Gantt chart.





## Activity sheet 14: Legal Constraints Sources of information

During the planning of an event it is important to consider whether you might be breaking any laws or by-laws.

Here are a few things to consider.

- If you are keeping a database of contact numbers names and addresses:  
Data Protection Act ([www.legislation.org.uk](http://www.legislation.org.uk))
- If you are having a firework display  
HSE fireworks ([www.hse.gov.uk/explosives/fireworks.htm](http://www.hse.gov.uk/explosives/fireworks.htm))
- If you are holding an outdoor night time concert then local inhabitants might complain about the noise.
- If you are selling alcohol, or are even giving it away as prizes in a raffle.  
([www.culture.gov.uk/cohol and entertainment/licensing act 2003/permitted temporary activities.htm](http://www.culture.gov.uk/cohol%20and%20entertainment/licensing%20act%202003/permitted%20temporary%20activities.htm))
- Health and Safety during the event: a big topic and ultimately as learners, particularly if you are under 18, then the responsibility for the safety of the event falls upon the school or college. That does not mean that health and safety issues can be ignored. There is a listing of the Act here. ([www.healthandsafety.co.uk/haswa.htm](http://www.healthandsafety.co.uk/haswa.htm)).
- Negligence: You organised the event and something went wrong, someone was hurt: can you be blamed for it? Or could your school or college? In general if you can show that you took reasonable steps to prevent the accident or injury then you are not at fault. That is one of the reasons for doing a risk assessment and acting on any recommendations in the assessment. ([www.warwick.ac.uk/services/safety/training/hslaw.ppt](http://www.warwick.ac.uk/services/safety/training/hslaw.ppt)).

## Activity sheet 15: Working Practice Constraints

Early in the planning stage learners should make a point of organising their working practices to encourage communication, problem solving, reporting and handling of finance.

Working practices might involve the following:

Regular meetings	Following an agenda, with minutes recorded. Maintain working practice review form.
Managing/recording cash flow.	Receipts, invoices, budget and cash spreadsheets
Maintain financial records spreadsheet	
Risk management	Decide on risks, document solutions and present to headmaster or senior staff member, sign off.
Communications	Standard form letters: <ul style="list-style-type: none"><li>- letters</li><li>- reports</li><li>- invitations</li><li>- notices.</li></ul>
Communication – ICT	Setting up mailing list Maintaining a database of suppliers and contacts (that could be used from year to year).

Examples of typical documentation are included below.

## Meeting agenda

Item 1	Attendance
Item 2	Minutes of previous meeting
Item 3	Matters arising from last meeting
Item 4	Updating status – working practice constraints review. Secretary fills in report of problems/solutions as they are described.
Project manager's report	discussion
Financial manager's report	discussion
Communication manager's report	discussion
Operation manager's report	discussion
Update Gantt chart	
Item 5	Any other business.

Problem identification	Possible solutions	Chosen solution	Review of implementation

## Activity sheet 16: Business and personal letters

Business letters and personal letters each have an accepted format. Examples of both types of letter follow.

### Personal letter

11<sup>th</sup> August 2004

Dear Alice,

Thank you so much for the lovely weekend Jerry and I spent at your summer home! It was certainly the most relaxing and fun part of our holiday.

You were such a wonderful hostess – baking all the delicious food and not letting us help one bit. The nature walk around the pond is still so fresh in our minds. Just spending the time with you and your charming family was worth the long drive to the sea.

Things here are the same as usual – working and trying to keep up the house. The kids will be going back to college in a couple of weeks, so we are trying to spend lots of time with them now.

We would love you and Frank to come over for dinner when you get back to the city. Enjoy the rest of your summer and please call us when you return so that we can try to repay some of your hospitality!

Yours truly,

Mary

## Business letter

Kathleen Stafford  
123 Library Street  
Coventry  
CV1 2TY  
katya@design.com

Simpledirect Motor Insurance  
114 High Street  
Kingston Upon Thames  
KT1 2PX

14 October 2004

Dear Sir/Madam

**Policy 459870**

I am writing this letter to cancel my car insurance policy.

Please make October 31<sup>st</sup> 2004 the last day that this policy is in effect. Since I have paid for coverage for December 2002, I am requesting that you send the refund cheque for the remaining months to the address listed above.

If you have any questions or require additional information, please do not hesitate to contact me.

Thank you.

Yours faithfully

Kathleen Stafford

## Parts of a business letter

You may notice several differences between the personal and business letter. Although personal letters can be very informal and free in format, business letters contain many required elements.

### Name/Title/Address of Sender

Place in upper right corner. You might also want to include your phone number and email address.

### Date

Place beneath the sender's address, on the left side. It is best to use a long form (eg 15 September 2004) rather than a short form (15-09-04).

### Name/Title/Address of Recipient

Place below the date, on the left side. If you know it, be sure to use the recipient's full name and title such as Mr/Mrs/Ms/Dr etc.

### Formal Greeting

Place below the recipient's address, on the left side. If you know the recipient's name, it is polite to write 'Dear Mr/Ms\_\_\_\_\_', or more formally 'Dear Sir' or 'Dear Madam'. If you do not know the recipient's name you can write 'Dear Sir or Madam' or 'To Whom it may concern'.

### Body Text

Type your body text paragraphs with **no indent** on the first line. You should put a space between paragraphs to separate them.

### Closing

Placement of the closing can be along the left margin or beneath the body text. The standard closing is 'sincerely', if the recipient is addressed by name, or 'faithfully' if the recipient is addressed as 'Dear Sir/Madam'. You can, however, use any non-personal closing such as 'Thank you' or 'Best regards'. You should capitalise the first word in the closing and finish with a comma.

### Signature of Sender and Typed Name of Sender

Underneath your closing, you will leave at least five lines blank. This is where you will write in your signature before you send the letter. Because signatures are often difficult to read, you should also include your typed name and possibly title below the signature lines.

Activity sheet 17: Cash count-weekly reconciliation sheet.

Cash Count Sheet					
Item		Quantity		Total	
£	20.00			£	—
£	10.00			£	—
£	5.00			£	—
£	2.00			£	—
£	1.00			£	—
£	0.50			£	—
£	0.20			£	—
£	0.10			£	—
£	0.05			£	—
£	0.02			£	—
£	0.01			£	—
		<b>Total</b>		£	—
<b>Counted by:</b>					
<b>Checked by:</b>					
<b>Banked by:</b>					
Cash is the most 'portable' asset and no learner should ever be left					
in a position where their integrity could be questioned					



Activity sheet 18: Cash flow.

Cash Flow Forecasting		Week number												
<b>Income</b>														
Items		1	2	3	4	5	6	7	8	9	10	11	12	13
School donation	50													
Parent loan	20													
<b>Total income</b>	70	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Outgoings</b>		<b>Week number</b>												
Items		1	2	3	4	5	6	7	8	9	10	11	12	13
Hall booking deposit	100													
Poster paper	5													
Magic markers	3													
<b>Total Outgoing</b>	108	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Weekly Net</b>	-38	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Week Opening Balance</b>	0	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38
<b>Week Closing Balance</b>	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38	-38

## Activity sheet 19: Contingency Plans:

It is impossible to foresee everything that can go wrong on the day of the event, but there are some things that can be planned for in advance. Below you will see a list of common problems. For each one write a few lines describing how you would prepare to deal with them in advance.

Power failure:

Fire:

Bad weather for an indoor event:

Bad weather for an outdoor event:

Someone slips on the floor, falls and cuts themselves:

Someone slips on the floor, falls and possibly breaks a finger:

For your event produce your own contingency list:

As individuals think up all the things that could go wrong and make up a list of things that could go wrong at your event. Pool your lists and then as a group decide how you would deal with the problem in a timely manner.

Activity sheet 20: Quote sheet.

Product	Price quoted	Comments
Name		
Address		
Phone number		

Product	Price quoted	Comments
Name		
Address		
Phone number		

Product	Price quoted	Comments
Name		
Address		
Phone number		

## Activity sheet 21: Marketing

Marketing is a general term that covers ways of making people aware of a product or an event or a brand name. Marketing could involve any of the following aspects:

- Publicity, eg news conference announcing product event
- Advertising, eg television advertisement
- Sponsorship, eg donating shirts to football team with company logo
- Guest lists of famous people to perform at an event
- Inviting famous people to attend event for free
- Free gifts with company logo eg pens, notepaper, post it notes.

Break up into groups and discuss one of the marketing tactics listed above. Decide how the marketing tactic might promote the brand or the event. Write a few sentences beginning:

'We think that (insert aspect) works because ...'

Decide on your own marketing scheme for your event. You might want to consider the following options and add some more ideas of your own:

- posters in school
- leaflets posted by learners through mailboxes near their homes
- local radio advertising
- local paper advertising
- shop windows
- web pages – produce a link to your school website for school events, or to a local website for events which are not school based, for example [www.croydonweb.com](http://www.croydonweb.com)

Inviting other schools to participate or to observe.

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In general you will want to try a combination of methods. You will also want to make the methods cost effective.

Decide on three or four preferred marketing methods and split up into groups. Each group produces a one page report or a poster or leaflet design detailing how they will use one of the methods. (Consider how much it will cost, how many people might see the method and whether the people who receive the marketing will be likely to attend the event.)

This information can then be passed over to the marketing team.

## Activity sheet 22: Check list for the day

Learners need to plan beforehand about the day or days of the event. People should be assigned to cover all the tasks that would normally be expected to take place on the day, as well as to consider any risks or unexpected events that might happen on the day.

See the example below for a big college dance. There is also a blank table on page \_\_ that can be used.

Item	Person responsible	Comments
Contact numbers.		Staff numbers, project members mobiles, site manager/handyman.
People selling food/drink.	Always two people.	Money to be regularly moved to safe, cash count sheet filled.
Cash handling/ticket sales.	Always two people.	Money to be regularly moved to safe, cash count sheet filled.
Posters.		Advertising at the main gate.
Posters.		Directions to the event room/s.
Posters.		Directions to toilets.
Marshalls (this is everybody connected with the event).		All marshalls in uniform, perhaps a bright red t-shirt.
Posters.		Check fire escapes are clear and marked.
Room plans.		
Keys available.		For locking and unlocking – other rooms locked.
Staff available.		For learner control.
Contact numbers.		Local fire/police/ambulance In case of rowdy guests graffiti or vandalism.
Cleaning equipment		For spilled food, drink and cleaning up afterwards.
Contractor phone numbers.		Caterer and band.
Disabled access.		Ramps and toilets.
First aid box.		And qualified first-aider.
Phone number.		Headmaster – in case something goes horribly wrong.
Handling press.		In case something goes horribly wrong, refer to headmaster.

Item	Person responsible	Comments
Security.		People walking through halls to keep an eye out for thieves. Front-gate control. Look for loose wiring and blocked corridors.
Photographer.		Contact number.
Clean up.		All marshals involved in cleanup.
Problem solvers.	Two people assigned.	These have no other jobs, but go from station to station to check whether there are any problems which need fixing.
Bins.		Make sure there are plenty of bins and that they get emptied before they overflow.



## Activity sheet 23: Customer service card

A typical business tactic is to produce a series of simple rules that employees are expected to follow at all times. For instance, if you go into a hamburger restaurant from one of the major chains, you will probably see the code of conduct on a poster on the wall.

On the internet you can see the code of conduct for members of parliament ([www.parliament.the-stationery-office.co.uk](http://www.parliament.the-stationery-office.co.uk)).

Design your own customer service code to fit onto a credit-card sized piece of card. If you have a laminating machine get the card laminated to make it long lasting.

Here is a possible design for a card as an example for learners hosting a big musical event. On one side of the card there is a set of basic rules. On the other side of the card there could be a logo or the main objective or overriding goal.

ALWAYS HAVE A SMILE  
KEEP EYE CONTACT  
APPROACH PEOPLE WHO LOOK LOST  
DO NOT LEAVE YOUR STATION  
CHECK IN AND CHECK OUT WITH PROJECT  
LEADER





Activity sheet 25: Self-evaluation sheet

Personal role/job title in project: \_\_\_\_\_

Personal targets: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Personal role in feasibility assessment: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Personal role in planning the event: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Personal role in staging the event: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Personal role in review of the event: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What would you do differently if you did the project again? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## **Activity sheet 26**

### **Suggested report format**

#### **Objectives**

Include why is the team undertaking this exercise? Do not include here that it is part of a business studies course.

#### **Research**

This section would include areas such as contingency plans, budgets, legal constraints etc.

#### **Plan of action**

This section would include the plans for how the event would be organised on the day.

#### **Review of the event**

#### **Evaluation and recommendations**

This would include both team and personal evaluations.

## Case studies

### A Multi-cultural evening.

Every school, college or community in the UK has international links through foreign exchanges, school visits overseas, emigration and immigration, imports and exports by local businesses and so on. A multi-cultural evening is an opportunity to celebrate the international nature of the UK and the area local to the learners.

Learners organising the event need to thought-scatter all the ways in which they could recognise international and multi-cultural links throughout the school/college and in the local community, such as:

- historic links: a history class could put on a display of historic international links with the area
- language links: the modern foreign languages department could offer a display of international songs on stage
- dancing displays from around the world
- food from around the world: parents and local restaurants support an international buffet
- international travel: have any staff or learners been on any international challenges recently that they could talk about or do a slide show
- fashion show: learners, parents, and friends of the school could stage a display of international costumes
  - art, music or introductions to new languages
  - origins of mathematics
- how the English language has travelled internationally
- local multi-national companies.

From these ideas the learners need to produce a draft programme for the event.

The learners need to book the venues for the event, arrange for people to contribute to the event and keep everyone informed as to how the event is progressing.

The learners need to seek sponsorship and possible sources of funding include:

- local restaurants
- local food stores
- local businesses
- The Arts Council
- embassies and their cultural offices
- community groups supporting local ethnic minorities
- the local education business partnership.

Learners need to sell tickets for the event. They also need to invite key local people to join in the celebration, eg the mayor, leaders from local community groups and religions, the head of the local chamber of commerce and so on.

On the evening the learners need to host the event, make sure everything runs smoothly and that guests are well looked after.

At the end of the event ask the audience and the participants to complete an evaluation of the event and leave them at the exit as they leave.

Finally, the team need to organise an evaluation meeting and some of their guests might be asked back to help with this process. Out of this process needs to come an evaluation of what went well, what could have been improved on and how and a briefing to next year's team on how to organise a better event.

## **A business studies conference**

Learners could take responsibility for the delivery of parts of the syllabus by designing, organising and running a business studies conference for themselves and their peer group either at the school/college or at local schools/colleges.

Learners would need to negotiate with their teaching staff which areas they are going to try to deliver.

The learners then need to decide what styles of teaching and learning they wish their conference to reflect, ie do they want local businesses to come in and talk to them or do they want to invite in local businessmen to come in and set challenges for them to undertake.

Learners need to decide whether they want to approach local businesses themselves or whether they want to work with one or more enterprise advisers who could tailor a programme for their needs.

Local partners who will support learners in these sort of activities include:

- the local education business partnership
- the local board or area manager of Young Enterprise
- the army
- the Construction Industry Trade Board (CITB)
- local large industries, not forgetting that hospitals are very large employers in most areas and have a lot of experience in man management.

However the learners organise the conference, they need to work from a draft programme which they agree with the subject teacher and eventually finalise that programme so that they can market the event to their fellow learners.

On the day of the conference, the learners need to ensure that everything runs smoothly. At the end of the event, ask the audience and the participants to complete an evaluation of the event and leave them at the exit as they leave.

Finally the team need to organise an evaluation meeting and some of their speakers might be asked back to help with this process. Out of this process needs to come an evaluation of what went well, what could have been improved on and how, plus a briefing to next year's team on how to organise a better event.

## **A marketing event for a local business**

Most local businesses have difficulty communicating with their customers; they are often run by one or two people who are so busy keeping the business open for six or seven days a week that they have no time to refine their marketing strategy. Learners could study the local parade of shops and approach one of them to see if they can organise a marketing event to promote that business.

For example, a dress shop might be willing to allow learners to organise a fashion show, food shops might allow learners to organise a food tasting event, the local store might have promotional balloons to celebrate a new on-line shopping and delivery to local customers service.

Learners need to use business studies techniques to evaluate the store's current approach to marketing, eg the quality of window displays and signage, identify who uses the store and why they shop there.

The learners need to evaluate how best to market the promotional event to maximise the benefit to the local business, eg the timing of the event, the target audience and so on.

The learners need to plan and organise the event and on the day/evening ensure that the event runs smoothly. At the end of the event, ask those who attended to complete an evaluation of the event and leave them at the exit as they leave.

Finally the team need to organise an evaluation meeting, the business owner ideally should be asked back to help with this process. Out of this process needs to come an evaluation of what went well, what could have been improved on and how, plus a briefing to next year's team on how to organise a better event.

## Resources

### Books

Burton C and Michael N — *A Practical Guide to Project Management* (Kogan Page, 1992)  
ISBN 0749416890

Lewis J — *Fundamentals of Project Management* (American Management Association, 2002)  
ISBN 0814471323

Rogerson S — *Project Skills Handbook* (Chartwell-Bratt Publishing and Training Ltd, 1989)  
ISBN 0862381460

Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

<a href="http://www.bbc.co.uk">www.bbc.co.uk</a>	BBC website
<a href="http://www.bized.ac.uk">www.bized.ac.uk</a>	Case studies appropriate for educational purposes
<a href="http://www.consumereducation.org.uk">www.consumereducation.org.uk</a>	Advice on consumer education
<a href="http://www.informationcommissioner.gov.uk">www.informationcommissioner.gov.uk</a>	Issues surrounding data protection
<a href="http://www.lawtel.co.uk">www.lawtel.co.uk</a>	Lawtel online legal information service
<a href="http://www.lcd.gov.uk">www.lcd.gov.uk</a> <a href="http://www.lcd.gov.uk/foi">www.lcd.gov.uk/foi</a>	Department for Constitutional Affairs Freedom of Information
<a href="http://www.legislation.org.uk">www.legislation.org.uk</a>	Good summary of Data Protection Act
<a href="http://www.lexis-nexis.com">www.lexis-nexis.com</a>	Lexis-Nexis online legal and business information service
<a href="http://www.mindtools.com">www.mindtools.com</a>	Advice on career skills
<a href="http://www.oft.gov.uk">www.oft.gov.uk</a>	The Office of Fair Trading
<a href="http://www.thetimes100.co.uk">www.thetimes100.co.uk</a>	Case studies appropriate for educational purposes
<a href="http://www.tradingstandards.gov.uk">www.tradingstandards.gov.uk</a>	Trading Standards Centre — useful summary of main consumer legislation
<a href="http://www.ukonline.gov.uk/startingupinbusiness">www.ukonline.gov.uk/startingupinbusiness</a>	Advice for those starting a new business
<a href="http://www.vts.rdn.ac.uk">www.vts.rdn.ac.uk</a>	Virtual training site
<a href="http://www2.bitc.org.uk">www2.bitc.org.uk</a>	Business in the community

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## Unit 14: External Influences on Business

### Unit aims

The main aim of this unit is to consider some of the external influences that affect a business or industry. Businesses rarely have any control over these influences but they can plan for them. ('If you fail to plan, you plan to fail!') Learners will analyse how a business or industry has reacted to these influences in the actions that it has taken and the changes it has made to its practices and activities.

### Unit topics

- 14.1 Legal Influences
- 14.2 Economic Influences
- 14.3 Environmental Influences
- 14.4 Technological Influences.

### Suggestions for teachers

In this unit, learners are required to produce, as their final product, a company report which discusses how a business that is chosen by the learner has been affected by changes in the law, economy, environment and technology. Learners will therefore need to be able to examine company reports to become familiar with the format and samples of these should be ordered before the start of the unit.

It is suggested that learners interview local businessmen and a local council representative as a way of finding out how national changes have local effects. If the school or college does not already have links with local businesses then some preparatory contacts need to be made before starting to teach this unit to ensure that people will be available to be interviewed during the time the unit is taught.

It has been suggested that the learners could keep a log of their newspaper reading throughout this module. Realistically, few learners are going to be able to manage to analyse more than three articles a week and teachers will not be able to mark all their analyses in depth. Therefore it is suggested that teachers take in the reviews each week, but only mark a few on a rolling program each week.

## Suggested delivery plan and schedule of activities

Tutors should adapt the length and number of sessions according to their institution's particular timetable. The total number of hours for this unit will be around 60 hours in total including tutorial guidance and time for resource-based investigation.

### Section 14.1: Legal influences

Topic	Suggested delivery plan	Resources
Consumer legislation introduced within the last five years relating to the sale of goods or services.	<p>Learners access the Consumer Association website or bized website and note down the dates and major policies introduced over the last five years.</p> <p>Learners discuss their findings as a class and comment how their selected business has been affected.</p>	<p><a href="http://www.which.net">www.which.net</a></p> <p><a href="http://www.bized.ac.uk">www.bized.ac.uk</a></p> <p>Activity sheet 1: Business investigation worksheet</p> <p>Suggested speaker from citizens advice bureau.</p> <p><a href="http://www.citizensadvice.org.uk/">www.citizensadvice.org.uk/</a></p>
Data protection legislation introduced in the last ten years.	<p>Learners access the Department of Trade and Industry (DTI) website and note down the dates and major policies introduced over the last ten years.</p> <p>Learners discuss findings as a class and comment how their selected business has been affected.</p>	<p><a href="http://www.dti.gov.uk">www.dti.gov.uk</a></p> <p>Suggested speaker: school or college IT manager</p>
Employment legislation introduced in the last five years.	<p>Learners access the Department of Trade and Industry (DTI) website and note down the dates and major policies introduced over the last five years.</p> <p>Learners access the trades union websites and note down the dates and major policies introduced over the last five years.</p> <p>Learners discuss their findings as a class and comment how their selected business has been affected.</p>	<p><a href="http://www.tuc.org.uk/">www.tuc.org.uk/</a></p> <p><a href="http://www.dti.gov.uk">www.dti.gov.uk</a></p> <p>Invite a trade union representative or a local employer to speak on employment legislation.</p>



## Section 14.2 Economic Influences

Topic	Suggested delivery plan	Resources
Trends in the national economy.	<p>Learners use the downloadable PowerPoint models available on bized to look at the following and pay particular attention to high and low events and dates when they occurred.</p> <p>the business cycle inflation unemployment levels fear of excess borrowing by consumers rising interest rates skill shortages.</p> <p>Learners can produce an annotated time line to display this information.</p> <p>Learners can also fill the information onto a large grid (A3 or A2 size paper for clarity). Filling the grid can be done as a class discussion exercise.</p>	<p><a href="http://www.bized.ac.uk/stafsup/options/aec/pptmod.htm">www.bized.ac.uk/stafsup/options/aec/pptmod.htm</a></p> <p>Office of National Statistics for recent trends</p> <p><a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a></p> <p>Activity sheet 2: Trends in the national economy worksheet.</p>
Trends in the global economy.	<p>Learners look at newspapers, online news resources and produce a timeline with the following information described and important dates highlighted, or fill in a summary sheet with notes.</p> <p>expansion of the EU war and its threat fear of terrorist attacks movement of jobs from UK to developing countries.</p> <p>Learners should now have gained an idea of recent economic, social and legal milestones and need to perform some research of their own to put this research into local context.</p>	<p>History of the European Union</p> <p><a href="http://europa.eu.int/abc/history/index_en.htm">http://europa.eu.int/abc/history/index_en.htm</a></p> <p>Search Online newspaper reports such as:</p> <p>Guardian online: <a href="http://www.guardian.co.uk">www.guardian.co.uk</a></p> <p>Telegraph online: <a href="http://www.telegraph.co.uk">www.telegraph.co.uk</a></p> <p>Times online: <a href="http://www.timesonline.co.uk">www.timesonline.co.uk</a></p> <p>Financial Times: <a href="http://news.ft.com/home/uk">http://news.ft.com/home/uk</a></p> <p>Economist magazine: <a href="http://www.economist.com">www.economist.com</a></p> <p>Activity sheet 3: Local Research Sheet.</p>

### Section 14.3 Environmental Influences

Topic	Suggested delivery plan	Resources
UK legislation and regulation for control of pollution.	<p>Learners research each of the three topics in this section and prepare a series of questions.</p> <p>Learners contact the local council environmental officer and invite him/her to talk about how the local council performs its role in dealing with each topic. Tell the environmental officer which businesses are being concentrated on.</p>	<p>Department for Environment Food and Rural Affairs:  <a href="http://www.defra.gov.uk/">www.defra.gov.uk/</a></p> <p>Business link:  <a href="http://www.businesslink.gov.uk/bdotg/action/home">www.businesslink.gov.uk/bdotg/action/home</a></p>
Methods and benefits of waste reduction.	<p>Methods:</p> <ul style="list-style-type: none"> <li>• recycling</li> <li>• redesign</li> <li>• reuse.</li> </ul> <p>Benefits:</p> <ul style="list-style-type: none"> <li>• cost</li> <li>• social.</li> </ul>	<p>Centre for alternative technology:  <a href="http://www.cat.org.uk">www.cat.org.uk</a></p> <p>Waste watch:  <a href="http://www.wastewatch.org.uk">www.wastewatch.org.uk</a></p> <p>Business link resource page:  <a href="http://www.businesslink.gov.uk">www.businesslink.gov.uk</a></p>
Underlying concepts in environmental regulation.	<p>Learners should research the following terms and find out how the council and their chosen company apply these concepts.</p> <p>Integrated Pollution Control (IPC).</p> <p>Best available technology not entailing excessive cost (BATNEEC).</p> <p>The 'polluter pays' principle.</p>	<p>EU environment summaries:  <a href="http://www.europea.eu.int">www.europea.eu.int</a></p> <p>Environment agency summary of bodies controlling environmental regulation:  <a href="http://www.environment-agency.gov.uk">www.environment-agency.gov.uk</a></p> <p><a href="http://www.epa.ie">www.epa.ie</a></p>

## Section 14.4 Technological Influences

Topic	Suggested delivery plan	Resources
<p>Cheaper, more powerful computer hardware.</p> <p>(Rule that links price and computing power).</p>	<p>Learners visit local business outlet and audit all software and hardware.</p> <p>Learners read the company report for more information and evidence of use of technology.</p> <p>Learners analyse results; if any obvious equipment or software appears to be missing contact the company and ask about its use or the reasons for its lack of use.</p> <p>Learners look at the DTI website for best practice advice and compare with the practices observed in their local business outlet.</p> <p>Learners produce a short report detailing how technology has changed the business under investigation.</p>	<p>Activity sheet 4</p> <p>DTI website – best use of technology:  <a href="http://www.dti.gov.uk/bestpractice">www.dti.gov.uk/bestpractice</a></p>
Development of human-computer interface technologies.	Learners visit local business outlet and audit all software and hardware.	
Integration packages.	Learners visit local business outlet and audit all software and hardware.	
Sophisticated software applications	<p>Learners visit local business outlet and audit all software and hardware, including:</p> <ul style="list-style-type: none"> <li>• graphics and presentation graphics</li> <li>• desk top publishing</li> <li>• word processing</li> <li>• spreadsheets</li> <li>• databases</li> <li>• SAGE</li> <li>• CRM.</li> </ul>	
Communications technology	<p>Learners visit local business outlet and audit all software and hardware, including:</p> <ul style="list-style-type: none"> <li>• websites</li> <li>• email</li> <li>• mobile phone technology</li> <li>• video conferencing</li> <li>• broadband technologies</li> <li>• networking.</li> </ul>	

## Activity sheet 1: Business investigation worksheet:

In this unit learners are investigating businesses in general. However, each learner or small groups of learners should pay particular attention to one local business that has a national presence and look for external influences that would specifically affect their chosen business. When class discussions take place each group of learners should then be able to point out how their chosen business has been affected and how the effects have differed between businesses.

It is suggested that the following constraints are put on the learners when they are choosing a business to follow:

- national chain of businesses
- local branch exists nearby so that learners can visit the branch, or representative can visit the school
- the business has been operating for at least five years and ideally ten or more.

Types of business that could be suitable include:

- local supermarket
- estate agent
- travel agent
- mobile phone store.

## Activity sheet 2: Trends in the national economy worksheet

Trends		The core business		The consumer			The supplier
		Assets	Liabilities	Employee/ dependants	Borrowers/savers	Segmented	
Business cycle	Boom						
	Recession						
	Recovery						
Inflation	High						
	Low						
Unemployment levels	High						
	Low						
Excess borrowing by consumer							
Rising interest rates							
Skills shortages							

### Activity sheet 3: Local research worksheet

Once learners have a grasp of some of the national and global trends that affect businesses and have investigated the national legal framework in which businesses operate, there is an opportunity to consider how a local business is affected.

In groups, learners should choose a local business to investigate in detail if they have not already done so.

Each sub-group of learners will interview the representative of their chosen local business in a formal setting in class.

Suggested format for the interview:

- Learners contact a local business and ask if the manager or representative is willing to be interviewed and visit the school/college. Also ask if the business is willing to accept a small group of learners to visit the site, for a tour, to ask follow up questions and to perform an IT equipment audit.
- Learners prepare a list of questions in advance and send them to the manager.
- The classroom/interview room is set up so that the sub-group can talk with the business representative while the rest of the class can sit and observe.

Learners should dress and behave suitably for an interview, ie formal business dress. (At one school bow ties have been provided to add a sense of occasion.)

The sub group act as hosts, offers tea, coffee, biscuits and performs the interview. The observers take notes and write down their own comments to offer the interviewing sub-group as feedback after the interview is over. If video equipment is available the interview can be videoed.

Each sub-group interviews the representative from the business of their choice.

Sample questions might be:

- How has your business been affected by consumer legislation introduced within the last five years relating to the sale of goods or services
- How has your business been affected by data protection legislation introduced in the last ten years
- How has your business been affected by employment legislation introduced in the last five years
- How has your business been affected by trends in the national economy such as inflation, unemployment, skill shortages and interest rate changes
- How has your business been affected by trends in the global economy such as the expansion of the EU, threat of terrorism, or movement of jobs from the UK to developing countries.

The follow-up interview could consist of a visit to the site, a tour of the site and audit of the hardware and software that is used at the local business site. The follow-up work could also consist of emailing the head office with a summary of the interview results and a request for comments as to whether these results are typical for the business sector or are strictly a local state of affairs. Note that it is polite to copy all communications to the manager of the local business and to warn him beforehand that you are intending to take these actions.

#### Activity sheet 4: Business technological audit

Learners visit the site of the local business and perform an audit of the equipment at the site.

Typical equipment might include desktop computer, barcode scanner, mobile phone, handheld computer, telephones, video conferencing equipment, pagers, fax machines, email and software suites.

They should include the following questions for each item:

What is it?	
What is it used for?	
Where is it used?	
How long has it been used for?	
What did you use before?	
What will it be replaced by?	

What is it?	
What is it used for?	
Where is it used?	
How long has it been used for?	
What did you use before?	
What will it be replaced by?	

## Case studies

### A supermarket chain

A class could study, for example, Sainsbury supermarket chain, which has branches throughout the country, its own well-supported website and is familiar to all learners. In planning this case study it is useful if the teacher has already thought ahead about where learners might get evidence to support the learners' final report. From the perspective of external factors, Sainsbury is particularly useful.

It is easily accessible and comprehensible to learners for industry links and visits.

It is subject to a lot of press exposure as a result of marketing wars between the big chains of supermarkets.

It operates in an oligopolistic market, therefore is subject to various investigations by the Competition Commission.

There have been recent changes to planning permission and the development of red routes etc. that affect supermarkets.

Consumer sales are closely monitored alongside economic indicators, this provides a rich source of data to support the learners' work.

Many learners work in supermarkets and therefore, can draw on their own knowledge and experience.

Supermarkets are often subject to local campaigns about the impacts of out of town shopping or the opening up of a new store.

Supermarkets have used new technology extensively to enhance their supply chain efficiency and stock controls, check out efficiency, management accounts to monitor individual stores and lines of different merchandise. A simple study that can be carried out here is to count the number of customers being processed through two competing supermarkets for an hour on a busy Saturday morning; this exercise can really highlight some of the IT differences between competing supermarkets.

Sainsbury is having difficulty at the moment coping with a range of external factors that are impacting on its overall sales. It is often much easier to identify issues when things are going wrong, than when a company is the best in the market.

Sainsbury as a case study example can pick up on all aspects of the syllabus and is well documented.

### Banks and insurance companies

For this part of the specification there has been a conscious effort to avoid linking the support materials into companies offering intangible products. Learners find these difficult to understand and the legislation around them tends to be very complex. The same basic concepts are true for all product types, therefore it seemed to be more reassuring for learners to have a firm and confident grasp of the underlying concepts that they can apply later to more complex markets.



## Key word definition

### Business cycle

A predictable long-term pattern of alternating periods of economic growth (recovery) and decline (recession), characterised by changing employment, industrial productivity, and interest rates, also called economic cycle.

### Inflation

A trend of rising prices caused by demand exceeding supply. Over time, even a gentle annual increase in prices of say 2% will tend to affect our 'purchasing power'.

### IPC – Integrated Pollution Control

Integrated Pollution Control (IPC) is a system established, under Part I of the Environmental Protection Act 1990 (known as 'the Act'), to control pollution from industry. It applies to the most potentially polluting or technologically complex processes in England and Wales and is enforced by the Environment Agency. A parallel but separate system of IPC is used in Scotland and enforced by the Scottish Environment Protection Agency, SEPA. IPC is concerned with the release of polluting substances to air, land and water.

**The main objectives of IPC are:**

To use the best available techniques not entailing excessive cost in order to prevent or minimise the release of prescribed substances and to render harmless any such substances which are released.

To ensure consideration of releases from industrial processes to all media in the context of the effect on the environment as a whole.

### Best Available Technology Not Entailing Excessive Cost (BATNEEC)

Before the Environment Agency can grant an IPC licence it must be satisfied that BATNEEC will be used to prevent or eliminate and where that is not practicable, to limit, abate or reduce an emission from the activity.

The technology in question should be **Best** at preventing pollution and **Available** in the sense that it is procurable by the operator of the activity concerned. **Technology** itself includes techniques and the use of techniques, such as training and maintenance. **NEEC** sets out the balance between environmental benefit and financial cost.

## Definition of key terms

Budget	A plan or estimate of <b>expected</b> income and expense for a period of time.
Cash flow prediction	Cash flow prediction is a simple process where a business keeps track of all kinds of expected payments and income. The process lists income and expenses along with their due dates and other information. It allows the business to forecast future requirements and make provision for them.
Database	A collection of data: part numbers, product codes, customer information, etc. It usually refers to data organised and stored on a computer that can be searched and retrieved by a computer program, however it could refer to a card file.
Gantt chart	A Gantt chart is a graphical representation of the duration of tasks against the progression of time. It is used to help organise the timing and availability of resources and to identify crucial tasks that have to be completed before other tasks can be undertaken.
Mailing list	A collection of email addresses identified by a single name; mailing lists provide a simple way of corresponding with a group of people with a common interest or bond. There are two main types of lists: 1) one you create within an email program like Eudora that contains addresses for two or more individuals you frequently send the same message; and 2) a Listserve type that requires participants to be subscribed (eg, a group of collaborators, a class of students, or often just individuals interested in discussing a particular topic).
SMART	An acronym which lists the desired qualities of a business objective. <b>S</b> pecific, <b>M</b> easurable, <b>A</b> ttainable, <b>R</b> elevant, <b>T</b> ime limited.
Variance	In business terms the difference between the predicted or budgeted expenses/income and the actual expenses/income.

## Resources

### Books

- Barratt M and Mottershead A – *A Level Business Studies: A Teacher's Guide* (Longman, 2000) ISBN 0582405467
- Bell A C – *Nutshells Employment Law* (Sweet & Maxwell, 2003) ISBN 0421783702
- BPP – *Organisations, Competition and Environment* (BPP Publishing, 2003) ISBN 0751712469
- Bruce J – *An Integrated Approach to Business Studies: Students Book* (Longman, 2000) ISBN 0582405424
- Gillespie A – *Business in Action* (Hodder & Stoughton, 2002) ISBN 0340848200
- Hall D, Jones R and Raffo C – *Business Studies* (Causeway Press, 1999) ISBN 1873929900
- Hornby B – *Business Economics* (Financial Times Prentice-Hall, 2001) ISBN 0273646036
- Marcouse I et al – *Business Studies* (Hodder & Stoughton, 2003) ISBN 0340811102
- Lipsey R – *Principles of Economics* (Oxford University Press, 1999) ISBN 0198775881
- Marchand et al – *Mastering Information Management* (Financial Times Prentice-Hall, 1999) ISBN 0273643525
- McIntyre E – *AVCE Business Law* (Portchester Publishing, 2001) ISBN 0954004701
- Smith and Keenan – *Advanced Business Law* (Prentice Hall, 2000) ISBN 027364601x
- Harper Collins and Causeway are publishing textbooks specifically for the Edexcel GCE Applied Business Specification.

### Websites

<a href="http://www.bized.ac.uk">www.bized.ac.uk</a>	Bized Education website
<a href="http://www.businesslink.gov.uk">www.businesslink.gov.uk</a>	Business Link
<a href="http://www.citizensadvice.org.uk/">www.citizensadvice.org.uk/</a>	Citizens Advice Bureau
<a href="http://www.defra.gov.uk">www.defra.gov.uk</a>	Department of the Environment, Food and Rural Affairs
<a href="http://www.dti.gov.uk">www.dti.gov.uk</a>	Department of Trade and Industry(DTI)
<a href="http://europa.eu.int/abc/history/index_en.htm">http://europa.eu.int/abc/history/index_en.htm</a>	EU website
<a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>	Office of National Statistics
<a href="http://www.tuc.org.uk/">www.tuc.org.uk/</a>	Trades Union Congress
<a href="http://www.wastewatch.org.uk">www.wastewatch.org.uk</a>	Wastewatch
<a href="http://www.which.net">www.which.net</a>	Consumer Association

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# Appendix 1

## Edexcel GCE in Applied Business – Unit 2 Mark Record Sheet

Centre no:	Centre name:	Internal moderator name:
Candidate no:	Candidate name:	
Series number:		

Unit 2: Investigating Business						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 12	13 – 15		
(b)		0 – 8	9 – 12	13 – 15		
(c)		0 – 9	10 – 15	16 – 18		
(d)		0 – 6	7 – 9	10 – 12		
<b>Final total</b>						

<b>Edexcel moderator use only</b>		
Number:	Name:	Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.  
 Signed (candidate) ..... Date .....

# Edexcel GCE in Applied Business – Unit 3 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 3: Investigating Marketing						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 10	11 – 15	16 – 21		
(b)		0 – 6	7 – 9	10 – 12		
(c)		0 – 8	9 – 12	13 – 18		
(d)		0 – 3	4 – 6	7 – 9		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 4 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 4: Investigating Electronic Business						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 9	10 – 15	16 – 20		
(b)		0 – 5	6 – 8	9 – 10		
(c)		0 – 6	7 – 9	10 – 12		
(d)		0 – 8	5 – 13	14 – 18		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 5 Mark Record Sheet

Centre no:	Centre name:	Internal moderator name:
Candidate no:	Candidate name:	
Series number:		

Unit 5: Investigating Customer Service						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 10	11 – 15	16 – 20		
(b)		0 – 4	5 – 7	8 – 10		
(c)		0 – 6	7 – 9	10 – 12		
(d)		0 – 9	10 – 14	15 – 18		
<b>Final total</b>						

Edexcel moderator use only		
Number:	Name:	Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.  
 Signed (candidate) ..... Date .....  
 Signed (teacher) ..... Date .....



# Edexcel GCE in Applied Business – Unit 7 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 7: Investigating Enterprise						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 8	9 – 12	13 – 15		
(b)		0 – 5	6 – 8	9 – 10		
(c)		0 – 12	13 – 19	20 – 25		
(d)		0 – 5	6 – 8	9 – 10		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 9 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 9: Managing and Developing People						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 11	12 – 13		
(b)		0 – 7	8 – 11	12 – 15		
(c)		0 – 7	8 – 11	12 – 15		
(d)		0 – 7	8 – 11	12 – 15		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 11 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 11: Impact of Finance on Business Decisions						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 11	12 – 15		
(b)		0 – 7	8 – 11	12 – 15		
(c)		0 – 7	8 – 11	12 – 15		
(d)		0 – 7	8 – 11	12 – 15		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 12 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 12: International Dimensions of Business						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 12	13 – 15		
(b)		0 – 7	8 – 12	13 – 15		
(c)		0 – 7	8 – 12	13 – 15		
(d)		0 – 7	8 – 12	13 – 15		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 13 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 13: Organising an Event						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 12	13 – 15		
(b)		0 – 7	8 – 12	13 – 15		
(c)		0 – 7	8 – 12	13 – 15		
(d)		0 – 7	8 – 12	13 – 15		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

# Edexcel GCE in Applied Business – Unit 14 Mark Record Sheet

Centre no:

Centre name:

Internal moderator name:

Candidate no:

Candidate name:

Series number:

Unit 14: External Influences on Business						
Assessment evidence	Annotation and page number	Mark Band			Centre mark	Edexcel use only
		1	2	3		
(a)		0 – 7	8 – 11	12 – 15		
(b)		0 – 7	8 – 11	12 – 15		
(c)		0 – 7	8 – 11	12 – 15		
(d)		0 – 8	9 – 12	13 – 15		
<b>Final total</b>						

**Edexcel moderator use only**

Number:

Name:

Signature:

Declaration of Authentication: I declare that the work submitted for the assessment has been carried out without assistance other than that which is acceptable under the scheme of assessment.

Signed (candidate) ..... Date .....

Signed (teacher) ..... Date .....

## Appendix 2

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### Internal assessment procedures

#### Supervision of learners and authentication of work submitted

Learners must submit a portfolio of work for each of the internally assessed units. Teachers are expected to guide and advise learners in the production of their portfolios. Teachers should monitor progress, to ensure that the work is appropriate for the requirements of the specification.

The GCSE, GCE, VCE and GNVQ Code of Practice requires assessors to record full details of the nature of any assistance given to individual candidates beyond that of the teaching group as a whole, but within the parameters laid down in this specification. The level of assistance should be taken into account when assessing learners' work, as indicated in the guidance section that accompanies each internally assessed unit in the specification. In addition, sufficient work must take place under direct supervision to allow the teacher marking the work to authenticate each learner's work with confidence.

If learner processing skills are being assessed, it is important that witness statements and observation records are completed by assessors, to authenticate learner work and provide evidence that learners have achieved the level of performance required in the assessment grid.

#### Assessment

The work of each learner must be assessed using the assessment criteria grids, which contain criteria statements and bands of response. The assessment must be recorded by centres on the mark record sheets that are used to convert achievement levels to marks. A copy of these forms is contained in the appendix at the back of this document and should be photocopied and attached to each learner's portfolio.

#### Annotation

Annotation is a mandatory requirement for internally assessed work and is used to:

- help the moderator to understand how and where marks for each assessment criteria have been awarded
- describe where learners have received help beyond normal learning support or where learners have been rewarded for initiatives that are not immediately apparent from the evidence presented
- explain any other features of a learner's work that will assist the moderator in understanding how a particular assessment was arrived at.

The minimum requirement for annotation is to complete the annotation column on the mark record sheet by listing the portfolio page numbers where evidence can be found for each of the assessment criteria.

Further comments can be carried out on the back of the mark record sheet. Detailed annotation will help a moderator to agree a centre's marks.

Annotation services a number of important functions:

- provides guidance for candidates during formative assessment
- it assists internal standardisation in the centre
- it enables a moderator to moderate and not second mark
- by making clear how the centre is marking it ensures that an appropriate and useful report can be written by the moderator that will help the centre with its practice.

## Standardisation within the centre

It is the centre's responsibility to ensure that where more than one teacher has marked the work, internal standardisation has been carried out. This procedure ensures that the work of all learners at the centre is marked to the same standard and that an accurate rank order is established.

## Internally assessed portfolios

Following assessment, all portfolios must be available for inspection by Edexcel. Each learner's portfolio should contain only the work used for awarding marks in the assessment.

Portfolios must have a title page with the relevant specification name and number, candidate name, candidate number, centre name, centre number and date. The first page of the portfolio should be a contents list and pages should be numbered throughout the portfolio.

A sample of the work will be requested and must be sent to Edexcel to arrive no later than May 15th in the year of the examination. No practical work is to be submitted to Edexcel unless specifically requested.

The moderated coursework will be returned to centres in the autumn term in the year of the examination. Edexcel reserves the right to retain examples of folders for archive, grading or training purposes.

## Support and training

There is a full range of support material designed for each GCE in a vocational subject. The range includes:

- specimen tests and associated mark schemes
- sample materials for delivering the units – tutor support packs
- sample materials for assessing the internal units
- examiner reports
- the Edexcel website – [www.edexcel.org.uk](http://www.edexcel.org.uk).

Edexcel delivers a full professional development and training programme to support these GCEs. This includes generic and subject-specific conferences, seminars, workshops and customised events for individual centres.

Further information on professional development and training programmes can be obtained from Customer Services on 0870 240 9800.

Information concerning support material can be obtained from:

Edexcel Publications  
Adamsway  
Mansfield  
Notts NG18 4FN

Telephone: 01623 467467  
Fax: 01623 450481  
Email: [publications@linneydirect.com](mailto:publications@linneydirect.com)

Email for enquiries: [trainingenquiries@edexcel.org.uk](mailto:trainingenquiries@edexcel.org.uk)  
Email for bookings: [bookingenquiries@edexcel.org.uk](mailto:bookingenquiries@edexcel.org.uk)



# Appendix 3

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## Applied GCE Portfolio Marking Guidance

This guide is designed to give guidance on how to apply the mark scheme and to give teachers an impression of the kind of work that may be produced as the specification is applied. Each example of work is of a style and a standard as near as possible to the requirements of the new GCE.

This publication is designed for general guidance. Full details of the course requirements can be found in the specification, guidance on internal assessment and the assessment criteria. These publications should be referred to for more definitive information. The teachers guide will also provide more detailed guidance on dealing with assessment criteria and planning teaching programmes.

## Applying the Mark Bands

Portfolios will be marked by the centre and externally moderated by Edexcel. Each of the internally assessed units has a marking grid, divided into three broad mark bands, showing how to award marks in relation to the task and the assessment objectives. The marking grids indicate the required assessment outcomes as well as the quality of the outcomes needed for achievement in each of the mark bands. Mark band 1 relates to the expectations given in the grade description for grade E; mark band 2 relates to the expectations for grade C and mark band 3 relates to the expectations for grade A. For further information on grading, see the section *Grading and aggregation* which follows this section.

In general terms, progression across the bands is characterised by:

- increasing breadth and depth of understanding
- increasing coherence, evaluation and analysis
- increasing independence and originality.

The unit marking grid shows the allocation of marks by assessment criterion and by mark band. This grid should be used to determine marks for learner achievement in each unit. Learners can achieve marks in different bands for each assessment objective. The total mark achieved will depend on the extent to which the learner has met the assessment criteria overall.

Within each assessment criterion, it is a general principle that shortcomings in some aspects of the assessment requirements may be balanced by better performance in others. However it is also important to note that for full marks in any particular assessment criterion, all the requirements should have been met.

Marks should not be awarded on the basis of a 'tick list' of factual content but on the overall response as it relates to the requirements stated within each mark band. Assessors should adopt a holistic approach and apply their professional judgement. The *Guidance for teachers* section in each unit gives specific details of how marks should be allocated.

There should be no reluctance to use the full mark range and if warranted assessors should award maximum marks. Learners' responses should be considered positively. A mark of 0 should only be awarded where the learner's work does not meet any of the required criteria.

The grade descriptions for the Edexcel GCE in **Applied Business** refer to the levels of support and guidance required by learners in carrying out investigations and tasks. All learners are entitled to initial guidance in planning their work. When marking the work, assessors should apply the following guidelines:

- **Some support and guidance:** the learner has to be guided and advised throughout to ensure that progress is made. The learner relies on the support of the teacher, who has to assist in most aspects of the work. This level of support restricts the learner's mark to band 1, irrespective of the quality of the outcomes.
- **Limited assistance:** the teacher supports the learner initially in the choice of topic for investigation. Thereafter the teacher reacts to questions from the learner and suggests a range of ideas that the learner acts upon. The learner frequently checks matters of detail. The teacher needs to assist in some aspects of the work. This level of support restricts the learner's mark to bands 1 or 2, irrespective of the quality of the outcomes.
- **Independently:** the teacher supports the learner initially in the choice of topic for the investigation or task. Thereafter the teacher occasionally assists the learner and only when asked, but monitors progress throughout. This level of support gives access to all three mark bands.

For internal record-keeping purposes, centres may wish to make a copy of the marking grid for each learner and use it to record the mark for that unit. The GCSE, GCE, GNVQ Code of Practice requires assessors to show clearly how credit has been assigned. Guidance on how this may be done will be included in the separate support material that will accompany this guide.

# Appendix 4

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## Observation records

Candidate name:

Unit title:

Activity context:

Assessment criteria:

Activity:

Supporting evidence:

Assessment summary:

Assessor: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Here is an example of a complete observation record:

Candidate name: *Ian Barnes*

Unit title: *Unit 2: Marketing in Leisure and Tourism*

Activity context:

*The above named student was asked to work in a pair and give a presentation on the marketing mix of their selected organisation. The organisation selected was Alton Towers.*

Assessment criteria:

*Describe the Four Ps in relation to the selected organisation and show how they work together to meet the organisations objectives.*

Activity:

*Ian outlined three of the organisation's objectives. Ian described in detail the products of Alton Towers.*

*Ian also described the price element of Alton Towers. He gave details of the price of rooms and the restaurant at the hotel. He described entrance prices to the theme park for different types of client. He also described the prices of food and merchandise.*

*His colleague in the presentation described promotion and place. To confirm that Ian also had understanding of these elements of the marketing mix, I asked Ian questions relating to both promotion and place. I asked Ian to explain different ways I could get to the theme park and also how I could book tickets over the internet. I also asked him to describe how the new ride 'Air' had been promoted. Although these had been mentioned in the presentation I asked Ian to give more details. He referred to the website and gave a detailed account of its content relating to the promotion of 'Air'.*

*In the presentation Ian explained how product and price enabled the organisation to meet their objectives. I asked him questions relating to 'how they work together to meet the objectives'.*

*He gave me two examples of product and price working together to meet objectives but was unable to give a satisfactory response related to all four elements of the marketing mix.*

Supporting evidence:

*Copies of visual aids are attached.*

Assessment summary:

*Ian gave a detailed description of the 4Ps of Alton Towers. He was able to give some explanation of how elements of the marketing mix worked together to meet organisation's objectives but this was limited.*

Assessor:

*A N Assessor*

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Signature:

**A N Assessor**

---

Date:

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# Appendix 5

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## Witness testimony/statements

Candidate name:	Candidate number:
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Unit title:
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Activity context:
-------------------

Assessment evidence:
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Observation notes:
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Witness: ..... Signature: .....

Job role: ..... Date: .....

Assessor comments:
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Assessor: ..... Signature: .....

Date: .....





# Appendix 6

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## Qualification tracking sheet

AS GCE in Applied Business

Candidate number	Name	Unit 1 Mark and date achieved	Unit 2 Mark and date achieved	Unit 3 Mark and date achieved	Unit 4 Mark and date achieved	Unit 5 Mark and date achieved	Unit 6 Mark and date achieved	Assessor signature	Units sampled – IV signature

Signature of assessor: .....	
Signature of internal verifier: .....	Date: .....

A2 GCE in Applied Business

Candidate number	Name	Unit 1 Mark and date achieved	Unit 2 Mark and date achieved	Unit 3 Mark and date achieved	Unit 4 Mark and date achieved	Unit 5 Mark and date achieved	Unit 6 Mark and date achieved	Assessor signature	Units sampled – IV signature

Signature of assessor: .....

Signature of internal verifier: ..... Date: .....

# Appendix 7

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## A guide to report writing

*This is an example guide to writing a report.*

### What is a report?

A report is a conventional method of presenting precise information. A report may be used to convey an assessment of any situation or the results from qualitative and/or quantitative data analysis. A report has clearly stated aims. It is tightly focused on the subject of the investigation. A really effective report will also be compelling and simulating to read.

### Producing a report

To help you to produce a report four stages in the process have been identified for you to follow. This may help you to tackle key issues and understand the task set. These four stages are:

- A Preparation
- B Planning
- C Writing
- D Pre-submission editing

### A Preparation

The first stage is to make a choice from the list of title – in particular do you want to do some primary research? Choose a title that you are interested in.

The time spent at this stage of producing the report is vital. Careful preparation is an investment. It allows you to make the best use of time available. During this period you should decide **what** you are writing and **why**, before resolving **how** to write your report.

Establish the broad focus of your report first with reference to the specification and assessment objectives and then with reference to the generalisation. Undertake some individual background reading using the suggested bibliography. Use a search engine to look for more possibilities. This enables you to **define the subject and your aims more precisely**. If you are going to do some primary data collection it is best to make your appointments for people you need to see, and do an initial survey at this stage.

When you have completed your reading and feasibility study, review the key issues and research methods that will be used within your report. Make a note of them.

### B Planning

Planning is essential. It saves time and promotes clarity in collecting the information you require in organising the material and in writing the report.

You will find it easier if you break the whole process down into a number of distinct tasks:

- data collection and analysis can be broken down either according to the source or the subsection of the report
- similarly the writing process can be broken down – the writing of text into subsections, and the presentation into graphs and tables.

You will also be faced with a number of questions:

- 1 what evidence is needed to meet the overall objective of the report?
- 2 where is that evidence?
- 3 how much evidence should be collected?
- 4 how should the evidence be analysed?
- 5 how should the evidence and the analysis be ordered for writing the report?

Attempting to deal with all these factors in a chaotic way leads to confusion and wasted effort. Therefore, after 'preparation' you should begin to plan the data collection, analysis and writing process. **Good organisation is the key to success.**

Using the following sequence may help you to plan and to determine the method for writing your report:

- a identify the sources of evidence (data and/or literature) and look for a range of views on the issue
- b decide what is the most appropriate and relevant evidence to collect. **Be precise in this, understand the evidence**
- c decide how you will present your findings including the order in which they will be used to create a structure to the report – **the plan**
- d identify likely figures – maps, tables diagrams and think how you can use them
- e decide on the order of priority of each of the tasks
- f draw up a realistic timetable for the completion of each task, including writing the draft of the report.

### C The writing process

There are three main factors to consider at this stage to give your report a sound framework, clear style and an attractive appearance:

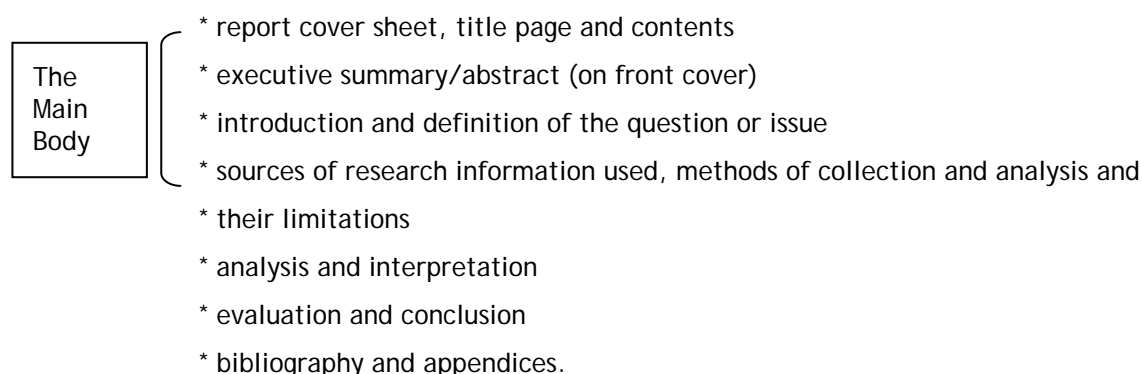
- 1 Structure
- 2 Language

Presentation.

#### 1 Structure

You need to give form and shape to your report. A basic structure helps the reader digest the report. It also helps you to write and organise your material logically.

A structure implies the assessment criteria, but your report should have the following:



First concentrate on writing the body of the report. This is the introduction, the findings, and the

The following order for writing is suggested.

The  
bulk of  
the  
report

**a Analysis and interpretation**

This is the section in which you present your findings. When you are writing this section all of your material should have been sorted, selected and arranged in note form. This section includes:

- the results of your analysis
- your interpretation of those results.

This section forms the basis for your conclusions. You should help the reader by ending each separate section with its own conclusion.

Just a couple  
of sentences  
here —  
perhaps 100  
words. Full  
details could  
be in an  
appendix

**b Methods**

In this section you should discuss:

- the sources of evidence you have used and then possible bias
- how you have collected and analysed the evidence
- the limitations of the sources and methods of collection and analysis.

**c Conclusions**

This section is a summary of all the major findings made at stages throughout the report. No new evidence should appear here. The conclusion considers the evidence presented in the main body, draws out the implications and brings it to one overall conclusion or an ordered series of final conclusions.

**d Introduction**

After having written your findings and conclusions you now know clearly what you want to introduce. The introduction is where you acquaint the reader with the purpose of the report and guide them through the structure of your report.

**e Appendices**

This section is set aside for supplementary evidence not essential to the main findings, but which provides useful back-up support for your main arguments, eg a transcript of an interview or analysis of a complex set of statistics.

**f Contents**

All the sections of the report should be listed in sequence with page reference.

**g Bibliography**

This section covers the books and other sources which have been used in your research. It must include every reference mentioned in the text and be presented correctly.

**h Title page**

This should include the title, which indicates the central theme of the report. It should also include the candidate's name and the date of completion of the report.

**i Executive summary or abstract**

This is a very important part of the report and should be the last thing you write. You need to read through your report and develop a list of headlines. An executive summary outlines the key issues of a report.

Not  
included  
in word  
count

Only 50  
words not  
included  
in word  
count.

## 2 Language

First impressions count. It is unwise to put the reader off before they have even studied the report.

You are solely responsible for what you write and the words you choose to express your thoughts. Remember that although you might have an individual 'style' of expression this does not excuse poor English. Your style will not necessarily be immediately apparent to the reader, but poorly expressed English will be. Your sentences must be grammatically correct, well punctuated and words must be spelt accurately.

Poor writing regularly indicates muddled ideas. You do not really know what you are saying until you put it into words that another person can easily understand. Remember you are writing to communicate not to perplex or impress. Avoid jargon. Focus on the specific purpose of the report. Every part of the report should relate to it and this will help keep the report concise and coherent.

Accuracy is vitally important so always be precise. Ensure that you are using the correct words. **Clarity is essential.** Do not write phrases or sentences that may have more than one meaning. To avoid this you must know precisely what you want to say. **Know the material you are trying to convey.**

Other important things to remember.

Keep sentences short and simple. Long complex sentences slow the reader down and confuse and impede understanding. The same applies to paragraphs.

Poor spelling automatically detracts from your work and will annoy the reader. Use a dictionary and you can also check the final document using the spell checker on the PC. (Remember, however, that this may well use American spellings and its dictionary may not include all the words you use in the report.)

## 3 Presentation

Your report must look good in addition to reading well. Adequate headings and numbering make it easier for the reader to comprehend what you are saying. This stage of report writing requires the same level of care that went into composing the text. Do not be afraid to use **bullet points** to present arguments.

The presentation of statistics is often more informative and eye-catching if they are shown visually: for example by using tables or pie charts.

Layout is important. This is the relationship between print and space on the page. This applies whether it is hand-written or word-processed. A crowded page with dense blocks of writing and little space looks unattractive and is off-putting.

Always ensure that there are:

- adequate margins
- either double or 1.5 spaced lines
- headings that stand out clearly from the page.

## D Pre-submission editing

It is important not only to read the draft through from start to finish before submission but also to edit and refine the report. It is easy when word-processing.

As you read, mark the pages which will need attention later. Do not stop to deal with them now. You will need to get a feel of the overall structure and impact of the report first so your initial-read through must be continuous. Put yourself in the reader's shoes and be highly critical of what you have written.

**Proof reading** is vitally important. Regardless of the time and effort put into writing the report, the required result will not be achieved without sufficient care devoted to proof reading. A poorly typed report, full of errors and inconsistencies in layout, has a damaging effect regardless of the quality of the content.

- a The report must be checked in great detail, for grammar and spelling errors.
- b Ask yourself whether you could have expressed yourself in a better way. If so change the sentence or the paragraph.
- c Assume that the structure of the main body of work is really the most suitable one to present your material, ideas and arguments.
- d Is each paragraph structured well? Make sure that every idea or piece of information has a separate paragraph.
- e Are all the references in the text included in the bibliography with full formal details?
- f Does the report fulfil the stated aims and assessment objectives?
- g Is your argument watertight and easy to follow?
- h Does your conclusion make your argument all the more convincing?
- i Does your executive summary/abstract convey the key points of the report?
- j Finally assess the layout and general appearance of the document.





# Appendix 8

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## Induction session

### Introduction

The aim of this induction session is to introduce you to some of the command words that you will commonly see within the GCE assessment grids and within the activities that you are given. It is also a team building exercise, as you will work with other members of your course to discuss results and produce a final answer chart, which you as a team, will discuss with your teacher.

### Task

Work in pairs. Look at the following list of words (active verbs) and definitions.

You are to decide which word goes with which definition – you are to pair/match them up.

In the box beside a definition place the word that you believe pairs up to that definition.

The words are only to be placed in a box once and there is to be only one word chosen per box. The first definition has been completed for you and matched with the word 'explain'.

That is the only word to be placed in the word box.

A dictionary definition help sheet is attached to this activity for you to use. Dictionaries are also available if you require them.

You will be given 15-20 minutes to complete this task.

When you have completed this you will be placed into teams (teacher to decide) where you will compare your answers and produce an overall chart of results, as decided upon by your team.

You will be given 15-20 minutes to complete this task.

Finally the teams will discuss their results with the teacher and be given the correct answers by the teacher.

This will take 15-20 minutes to complete.

## Activity

### Active verbs (words)

Identify	Describe	Evaluate
Justify	Explain	Evaluate critically
Analyse	Compare	Summarise
Contrast	Discuss	
Investigate/explore	Interpret	

### Results chart (including definitions):

Definition	Command word
To give reasons and/or the procedure for/how. Eg 'Why did you choose that method?' Or, 'How was the procedure undertaken?' A learner would normally introduce the topic and then provide details showing depth and also a breadth of knowledge and/or skills about a topic.	
To examine minutely, breaking down into component parts and carrying out tasks, which enable results to be interpreted and findings presented.	
To examine a subject from all angles.	
To show the similarities and differences, or advantages and disadvantages between two or more things. Additionally, this may be extended by bringing together the findings in a description.	
Determine the amount, value or significance of by careful appraisal and study and including precise and detailed information, looking at alternatives and the strengths and weaknesses of each if they were applied in the same situation.	
To select and list item(s) as appropriate from information given or collected by the learner.	
To clarify why a particular course of action was taken because of key reasons that were considered right at the time.	
To put forward both sides of an argument, this could be through group discussion or in writing.	
Show the differences between two or more things.	
To bring together all the main points of a subject.	
To paint a picture in words.	
To carry out a review of activities/ information and judge whether the outcomes met what was agreed/decided at the beginning; bringing together information to form a conclusion and from this making revisions for improvements.	
To define the meaning of.	

Teacher's copy (including answers)

Results chart (including definitions):

Definition	Command Word
To give reasons and/or the procedure for/how. Eg 'Why did you choose that method?' Or, 'How was the procedure undertaken?' A learner would normally introduce the topic and then provide details showing depth and also a breadth of knowledge and/or skills about a topic.	EXPLAIN
To examine minutely, breaking down into component parts and carrying out tasks, which enable results to be interpreted and findings presented.	ANALYSE
To examine a subject from all angles.	INVESTIGATE/EXPLORE
To show the similarities and differences, or advantages and disadvantages between two or more things. Additionally, this may be extended by bringing together the findings in a description.	COMPARE
Determine the amount, value or significance of by careful appraisal and study and including precise and detailed information, looking at alternatives and the strengths and weaknesses of each if they were applied in the same situation.	EVALUATE CRITICALLY
To select and list item(s) as appropriate from information given or collected by the learner.	IDENTIFY
To clarify why a particular course of action was taken because of key reasons that were considered right at the time.	JUSTIFY
To put forward both sides of an argument, this could be through group discussion or in writing.	DISCUSS
Show the differences between two or more things.	CONTRAST
To bring together all the main points of a subject.	SUMMARISE
To paint a picture in words.	DESCRIBE
To carry out a review of activities/ information and judge whether the outcomes met what was agreed/decided at the beginning; bringing together information to form a conclusion and from this making revisions for improvements.	EVALUATE
To define the meaning of.	INTERPRET

## Help sheet

Command word	Dictionary definitions and associated words
Identify	Establish, identify or associate with
Describe	Give detailed account of
Interpret	Explain; translate
Justify	Prove right; vindicate
Explain	Make clear; intelligible; account for
Evaluate	Find or judge value of
Analyse	Separate into elements or components; examine critically; determine constitute parts
Compare	Notice likenesses and differences
Evaluate critically	Make clear; intelligible; a definite and precise account for
Contrast	Show differences
Discuss	Exchange opinions about; debate
Summarise	Make a brief statement of main points of something
Investigate/explore	Inquire into; examine; investigate by going through it.

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