Week 1

A-Level Business

Homework bundle for this week

本周作业合集

exercises.lol

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1. Enterprise is best described as:
   - ☐ the willingness to take risks and combine resources to produce
   - ☐ the money invested in a business
   - ☐ the machinery a firm owns
   - ☐ the number of employees
2. A key purpose of a business plan is to:
   - ☐ help raise finance from banks or investors
   - ☐ guarantee the business will succeed
   - ☐ avoid paying any tax
   - ☐ remove all risk
3. Limited liability means shareholders:
   - ☐ can lose only the amount they invested
   - ☐ are liable for all the company's debts
   - ☐ cannot make a profit
   - ☐ own no shares
4. Which are ways to measure the size of a business? (Select all that apply.)
   - ☐ number of employees
   - ☐ revenue (turnover)
   - ☐ capital employed
   - ☐ the founder's age

   Tick every correct option.
5. Economies of scale occur when, as output rises:
   - ☐ average cost per unit falls
   - ☐ total cost falls
   - ☐ revenue falls
   - ☐ average cost rises
6. The most likely main objective of a brand-new business is:
   - ☐ survival

- ☐ profit maximisation
- ☐ global dominance
- ☐ paying dividends

7. A firm buys materials for 25 and sells the finished good for 70. What is the value added?

   ____

8. Which are sources of economies of scale? (Select all that apply.)
   - ☐ bulk-buying discounts (purchasing)
   - ☐ cheaper borrowing (financial)
   - ☐ specialist managers (managerial)
   - ☐ poor communication

   Tick every correct option.

9. Which words does SMART stand for? (Select all that apply.)
   - ☐ Specific
   - ☐ Measurable
   - ☐ Time-bound
   - ☐ Secret

   Tick every correct option.

10. Which can increase value added? (Select all that apply.)
    - ☐ strong branding
    - ☐ better design and quality
    - ☐ lower input costs
    - ☐ paying more for materials

    Tick every correct option.

1. Business and its environment

A-Level Business

1. **the willingness to take risks and combine resources to produce**

   Enterprise is the risk-taking, organising factor — the entrepreneur.

2. **help raise finance from banks or investors**

   Lenders and investors expect a plan; it also clarifies the idea.

3. **can lose only the amount they invested**

   Their loss is capped at their investment.

4. **number of employees; revenue (turnover); capital employed**

   Employees, revenue and capital employed are standard size measures.

5. **average cost per unit falls**

   Average (per-unit) cost falls with greater scale.

6. **survival**

   New firms prioritise survival before profit or growth.

7. **45**

   Value added = 70 − 25 = 45.

8. **bulk-buying discounts (purchasing); cheaper borrowing (financial); specialist managers (managerial)**

   Poor communication is a diseconomy, not an economy.

9. **Specific; Measurable; Time-bound**

   SMART = Specific, Measurable, Achievable, Realistic, Time-bound.

10. **strong branding; better design and quality; lower input costs**

    Branding, quality and lower input costs all widen value added.

A-LEVEL BUSINESS • EXERCISE SHEET

1.1 Enterprise

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS business plan 商业计划书 • entrepreneur 企业家 • enterprise 创业 • adding value 增值 • finance 融资

Objective

Build the skills to answer exam questions on **enterprise** 创业 — business activity, **adding value** 增值, the **entrepreneur** 企业家, and the **business plan** 商业计划书 — and to write to the four command words this topic is tested with: **Define, Explain, Analyse, Evaluate**.

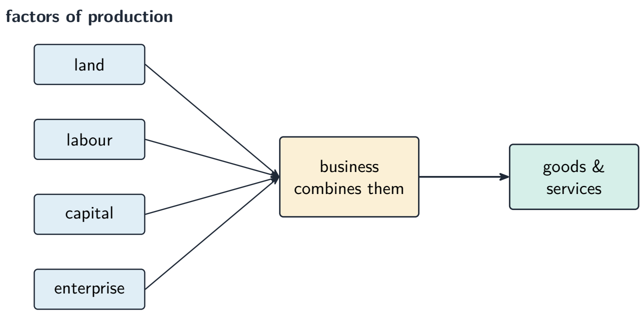
You must be able to:

- define enterprise terms and calculate **value added** 增值
- explain the role and qualities of an entrepreneur and the purpose of a business plan
- analyse benefits and evaluate a judgement to a supported conclusion

1 Worked examples

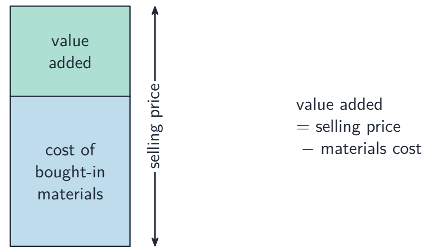
The key ideas of enterprise

A business combines the four **factors of production** 生产要素 — **land, labour, capital and enterprise** 土地、劳动力、资本、创业精神 — to turn scarce resources into goods and services, and to **add value**.



Business activity combines the four factors of production

- **Adding value** 增值 = selling price − cost of bought-in materials. A baker buys materials for \$0.40 and sells a loaf for \$1.50 → value added = \$1.50−\$0.40 = \$1.10.
- An **entrepreneur** 企业家 takes the risk to set up a business; an **intrapreneur** 内部创业者 acts like one *inside* a larger firm.



Adding value: selling price minus the cost of bought-in materials

How to answer the four command words

Business answers are marked on four **assessment objectives** 评估目标 (AOs):

- **AO1 Knowledge** 知识 — define the term correctly.
- **AO2 Application** 应用 — link it to the business in the question.
- **AO3 Analysis** 分析 — build a reasoning chain (*so… which means… leading to…*).
- **AO4 Evaluation** 评价 — make a two-sided, supported judgement (*it depends on…*).

Answer shapes (longer answers are marked by **level of response**, not point-by-point):

- **Explain one benefit [3]:** name the benefit (AO1), then develop *why* it helps **this** business (AO2).
- **Analyse two benefits [8]:** for each — identify (AO1) + apply (AO2) + a developed reasoning chain (AO3).
- **Evaluate [12]:** AO1 + AO2 + AO3, then weigh **both sides** and decide *in context* (AO4).

2 Practice

2.1 Define the term *adding value*. [2]

2.2 A firm buys materials for \$6 per unit and sells each unit for \$15. Calculate the value added per unit. [2]

2.3 Identify two characteristics of a successful entrepreneur. [2]

3 Exam-style questions

3.1 Explain one benefit to a business of writing a business plan. [3]

3.2 Analyse two qualities that help an entrepreneur to succeed when starting a new business. [8]

3.3 'A good business plan is the most important reason a new business succeeds.' Evaluate this view. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives, not with single M/A/B points: award **AO1** knowledge, **AO2** application (to the firm), **AO3** analysis (reasoning chains) and **AO4** evaluation (a supported judgement).

2.1 the amount by which the selling price is greater than the cost of bought-in materials (2 for a clear definition; 1 for a partial idea such as "price minus cost").

2.2 $15 – $6 = $9 per unit (2; award 1 for a correct method with the wrong figure).

2.3 any two of: innovative; willing to take (careful) risks; hard-working / determined; self-confident; good decision-maker; good leader (1 + 1).

3.1 *[3]* **AO1** 1 mark — name a benefit (e.g. helps obtain finance; sets clear goals; lowers the risk of failure). **AO2** up to 2 — develop *why* it helps this business, e.g. a bank can read the cash-flow forecast and the plan to repay, so it is more willing to lend (2 developed / 1 limited).

3.2 *[8]* For **each** of two qualities: **AO1** 1 (name it) + **AO2** 1 (apply to running the business) + **AO3** up to 2 (developed reasoning chain L2 / limited L1). Example chains — *innovative*: new ideas → a product rivals do not have → competitive advantage → higher sales; *determined*: keeps going through early losses → survives long enough to reach break-even. Maximum 4 per quality, 8 total.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6, awarded by the evaluation band:

- **L3 (5–6):** developed, supported judgement set *in context.*
- **L2 (3–4):** developed judgement *without context.*
- **L1 (1–2):** a limited or weak attempt to balance the arguments.

Both sides: a plan guides decisions, helps secure finance and lowers risk — **but** success also depends on a real market, enough finance, good execution and some luck, and a plan built on poor assumptions can mislead. Judgement: a plan helps, yet is rarely *the single* most important factor; it depends on the quality of the idea and the market it enters.

1 **(a)** Define the term *public sector*. [2]

(b) Explain **one** benefit to a business of having a business plan. [3]

5 **(a)** Analyse **two** benefits to a business of using a vertical merger for growth. [8]

(b) 'Risk-taking is the most important quality needed by an entrepreneur to be successful in the clothing design industry.'

Evaluate this view. [12]

OR

1 Solar Farms (SF)

SF is a private limited company that develops and maintains large-scale solar farms in country X. SF operates as a capital intensive business.

Bob is an entrepreneur and the majority shareholder of SF. He invested into SF's first solar farm. SF took out high-interest bank loans to cover initial cash flow problems and provide working capital. SF used internal (organic) growth over the next 10 years.

SF rents fields from farmers. Its main capital expenditure is solar panels, which are installed on the rented fields. The solar panels generate electricity, which SF sells to energy providers. Solar panel technology is constantly improving.

SF operates five solar farms in country X. A team of seven engineers maintain all of SF's solar farms.

Table 1.1 shows SF's budgeted and actual data for 2024.

Table 1.1 SF's annual budgeted and actual data for 2024

	Budget ($m)	Actual ($m)
Revenue	5	4
Total costs	3	3.75
Profit	2	0.25

Bob has identified that SF can increase its revenue by using batteries to store electricity generated by the solar panels. This electricity can then be sold at peak times for premium prices. This will require significant investment into battery technology.

Bob wants to retain control of SF but is concerned about the investment required for further growth. In 2024 the cost of renting new farmland and purchasing solar panels increased significantly.

ZB is a multinational battery manufacturer that is keen to start a joint venture with SF. If the joint venture goes ahead, ZB will insist that SF uses ZB batteries in all future solar farms.

(a) **(i)** Identify **one** quality an entrepreneur needs for success. [1]

(ii) Explain the term *working capital*. [3]

(b) **(i)** Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse. [3]

(ii) Explain **one** drawback to SF of using budgets. [3]

(c) Analyse **two** limitations to SF of operating as a capital intensive business. [8]

(d) Evaluate whether a joint venture is the most appropriate way for SF to grow. [12]

5 **(a)** Analyse **two** ways business enterprise can help the development of a country. [8]

(b) 'Intrapreneurship is the most important factor that will ensure the success of a computer entertainment business.'

Evaluate this view. [12]

OR

2 Personalised Blankets (PB)

Kaia left university with a degree in textile design. Using her entrepreneurial qualities, Kaia set up PB as a sole trader. Her current objective is to break even.

Kaia uses job production to make blankets which are personalised with a picture. Each customer logs into the PB website and chooses the size of blanket. The customer then uploads a picture that they want printed onto the blanket.

Many of Kaia's customers buy the blankets as gifts for special occasions.

Kaia has employed a social media influencer to promote her blankets. The influencer will be paid a salary of $250 a week and a 5% commission on revenue that comes directly from the influencer. Fig 2.1 shows the revenue that came directly from the social media influencer in February.

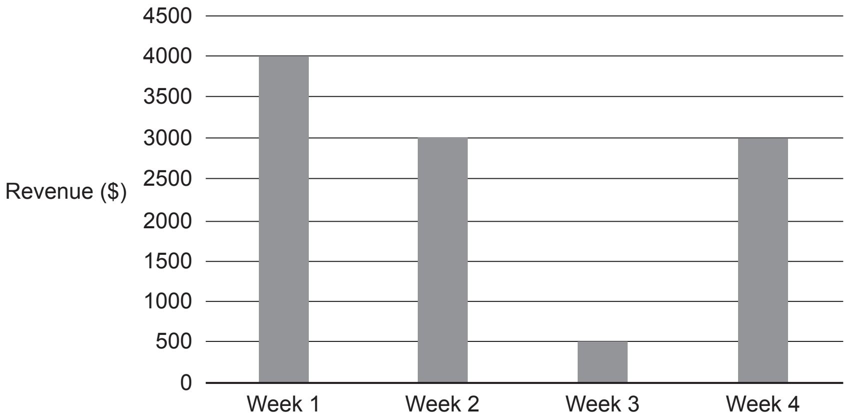


Fig. 2.1 Revenue directly from the social media influencer in February

Kaia would like to relocate PB to larger premises. She is applying for external sources of finance, and she has written a five-year business plan to support her applications.

(a) **(i)** Identify **one** external source of finance. [1]

(ii) Explain the term *business plan*. [3]

(b) **(i)** Refer to Fig. 2.1 and other information. Calculate the total payment to the social media influencer in February. [3]

(ii) Explain **one** disadvantage to Kaia of using a commission payment method. [3]

(c) Analyse **one** advantage and **one** disadvantage to Kaia of using job production. [8]

(d) Evaluate the most likely reason for Kaia's objectives to change over the next five years. [12]

A-LEVEL BUSINESS • EXERCISE SHEET

1.2 Business structure

Name: ________ Class: ______ Date: _______ **Total: 32 marks**

KEY WORDS limited 有限责任 • private limited company 私人有限公司 • sole trader 个体经营者 • social enterprise 社会企业 • secondary 第二产业

Objective

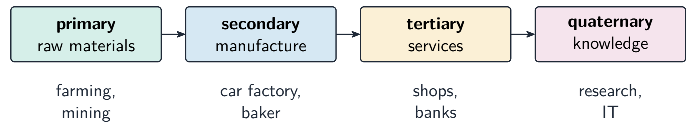
Build the skills to answer exam questions on **business structure** 企业结构 — the legal forms a business can take (**sole trader, partnership, private limited company, public limited company, franchise** 个体经营者、合伙企业、私人有限公司、上市公司、特许经营) and the key idea of **liability** 责任.

You must be able to:

- describe each legal form and who owns it
- explain the difference between **limited** 有限责任 and **unlimited liability** 无限责任
- analyse and evaluate a change of legal structure for a business

1 Worked examples

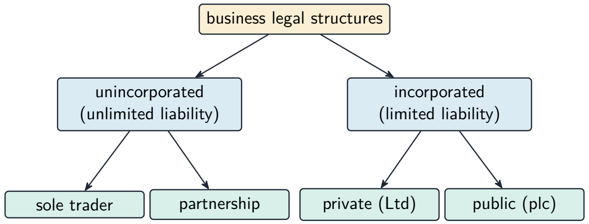
Sectors of business activity



Primary (extract) → secondary (make) → tertiary (services) → quaternary (knowledge)

- **Sectors: primary** 第一产业 (extract raw materials), **secondary** 第二产业 (make goods), **tertiary** 第三产业 (services), **quaternary** 第四产业 (knowledge/R&D).
- **Private sector** 私营部门 (privately owned, usually for profit) vs **public sector** 公共部门 (government-owned, for services).

Legal forms and liability



Unincorporated (sole trader, partnership) = unlimited liability; incorporated (Ltd, plc) = limited liability

- **Limited liability:** owners lose only the money invested — personal assets safe. **Unlimited liability:** personally liable for **all** debts.
- Other forms: **franchise** 特许经营, **joint venture** 合资企业, **social enterprise** 社会企业.

Answer shapes (marked by **level of response** on the AOs — AO1 knowledge, AO2 application, AO3 analysis, AO4 evaluation):

- **Explain [3]:** name the point (AO1) + develop why it matters for this firm (AO2).
- **Evaluate "should X change to Y?" [12]:** argue both sides (AO3), then judge *in context* (AO4) — it depends on the firm's size, need for finance, and the owner's attitude to risk and control.

2 Practice

2.1 Identify the sector (primary, secondary, tertiary or quaternary) of each: (a) a coal mine; (b) a car factory; (c) a hairdresser. [3]

2.2 Define the term *limited liability*. [2]

2.3 State two features of a **sole trader** business. [2]

2.4 State one difference between a private limited company (Ltd) and a public limited company (plc). [2]

3 Exam-style questions

3.1 Explain one benefit to the owners of forming a private limited company (Ltd). [3]

3.2 Analyse two advantages to a business of operating as a **franchise**. [8]

3.3 A successful sole trader is deciding whether to change into a private limited company (Ltd). Evaluate this decision. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives, not single M/A/B points: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 (a) primary; (b) secondary; (c) tertiary (1 + 1 + 1).

2.2 the owners can lose only the money they have invested; their personal assets are protected (2 for a clear definition; 1 for a partial idea).

2.3 any two of: owned by one person; easy and cheap to set up; owner keeps all the profit; owner has unlimited liability; owner makes all decisions (1 + 1).

2.4 a plc sells shares to the public on the stock exchange; an Ltd sells shares only to a small private group (e.g. family and friends) (2 for a clear difference; 1 for a partial idea).

3.1 *[3]* **AO1** 1 — name a benefit (limited liability; easier to raise finance; separate legal identity). **AO2** up to 2 — develop why it helps these owners, e.g. limited liability protects the owner's house if the company fails, so they can take bigger risks to grow (2 developed / 1 limited).

3.2 *[8]* For **each** of two advantages: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *known brand*: customers already trust the brand → sales start quickly → lower risk of failure. *Support/training*: the franchisor provides marketing and training → fewer early mistakes → more chance of survival. Maximum 4 per advantage, 8 total.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6 (L3 5–6 supported judgement in context; L2 3–4 without context; L1 1–2 limited). **For** becoming an Ltd: limited liability, easier to raise finance, more credibility. **Against**: set-up cost and legal rules, must publish accounts, some loss of control and privacy. Judgement: worth it if the owner needs finance and wants to protect personal assets to grow, but a small, low-risk firm may be better staying a sole trader — it depends on the growth plan and risk.

1 **(a)** Define the term *public sector*. [2]

(b) Explain **one** benefit to a business of having a business plan. [3]

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1 **(a)** Define the term *triple bottom line*. [2]

(b) Explain **one** advantage to a business of being a social enterprise. [3]

1 Clever Bean (CB)

CB is a public limited company that operates a chain of coffee shops in several countries. The company was founded in 2010 by two friends, Shopra and Ben. They share a passion for coffee and want to offer high-quality products to customers.

CB started with one coffee shop in country Q and gradually expanded, always locating in high-income areas of major cities. CB operates in a dynamic business environment. There is a high level of competition from other well-known coffee shop chains.

The company sources its coffee beans from fair trade suppliers who grow their coffee in an environmentally friendly way. CB offers a wide range of coffee products to the mass market. CB also offers other drinks and a variety of food items, such as sandwiches and cakes. Recent research shows that customers are now looking for healthy food options.

CB's customers are mainly young professionals, students and tourists. Customers enjoy CB's inviting atmosphere, comfortable seating areas, free Wi-Fi access and music. Its staff are trained to be friendly, helpful and knowledgeable.

Table 1.1 shows some financial data for CB for 2023 and 2024.

Table 1.1 CB's costs and revenue for 2023 and 2024

	2024 ($m)	2023 ($m)
Revenue	50	44
Direct costs	10	6
Indirect costs	20	16

Shopra believes that CB should continue to focus on the mass market. However, Ben thinks that greater use of market segmentation will be more successful.

(a) **(i)** Identify **one** feature of a public limited company. [1]

(ii) Explain the term *dynamic business environment*. [3]

(b) **(i)** Refer to Table 1.1. Calculate the change in profit from 2023 to 2024. [3]

(ii) Explain **one** use to CB of cost information. [3]

(c) Analyse **two** benefits to CB of training its employees. [8]

(d) Evaluate whether CB should make greater use of market segmentation to be more successful. [12]

1 Natural Shampoos (NS)

NS is a private limited company set up by Saira and Chantal as a social enterprise. NS sells natural hair care products and focuses on customer (market) orientation. The main aims of Saira and Chantal include donating to local charities and improving gender equality in the workplace.

NS began by selling its products to small, independent businesses in country H. NS expanded its range slowly based on customer feedback, specific requests on its blog, and sales data.

NS explored additional finance opportunities required for expansion. NS approached John, who owns manufacturing facilities in country H and has significant marketing experience. He invested into NS in return for ownership of one third of the business. John's main aim is to increase long-term profits in order to maximise the return on his investment.

In the five years since John's investment, NS has become the market leader in country H for natural hair care products. NS products are now sold in major cosmetic retailers.

NS recently analysed its output in 2024 (see Table 1.1).

Table 1.1 NS output data for 2024

	Units
Actual output level	145 000
Capacity	150 000

Saira and Chantal have decided to employ a Marketing Manager for NS. Fig 1.2 shows an extract from the job advertisement.

Marketing Manager

- Experience of growing brand awareness and using online channels of distribution.
- Using budgets to monitor the performance of marketing campaigns.
- Developing and maintaining relationships with external stakeholders.

Fig 1.2 Extract from job advertisement for NS's new Marketing Manager

(a) **(i)** Identify **one** feature of a private limited company. [1]

(ii) Explain the term *customer (market) orientation*. [3]

(b) **(i)** Refer to Table 1.1. Calculate NS's capacity utilisation in 2024. [3]

(ii) Explain **one** possible disadvantage to NS of high capacity utilisation. [3]

(c) Analyse **two** selection methods that NS could use to choose a new Marketing Manager. [8]

(d) Evaluate the most likely reason for confli rise between the owners of NS. [12]

1 Town Trucks (TT)

TT is a private limited company in country J. TT has contracts to deliver products to secondary, tertiary and quaternary sector businesses.

QZ is one of the largest manufacturers in country J and plans to outsource its supply chain management. A contract has been agreed between TT and QZ based on the following cost and revenue data (see Table 1.1). TT's Sales Manager has forecast that TT will make 5 000 deliveries with the new contract.

Table 1.1 Cost and revenue forecast for the QZ contract

	$
Direct costs (average per delivery)	5
Total indirect costs	9 000
Total revenue	40 000

TT employs 120 drivers. The majority of these drivers are white men aged between 40 and 60. A national newspaper has recently criticised the truck industry in country J for not having diversity and equality in the workplace.

Klide, the Marketing Manager, has been set an objective to increase TT's revenue. He has decided to target small online retailers. TT will pick up individual products from the small online retailers and deliver them to households. This would require a new fleet of smaller trucks but has the potential to increase TT's revenue. Klide plans to use digital promotion to target these small online retailers.

(a) **(i)** Identify **one** business activity within the quaternary sector. [1]

(ii) Explain the term *supply chain management*. [3]

(b) **(i)** Refer to Table 1.1 and other information. Calculate TT's forecast total profit from the QZ contract. [3]

(ii) Explain **one** reason why TT needs accurate cost information. [3]

(c) Analyse **two** advantages to TT of improving diversity and equality in the workplace. [8]

(d) Evaluate the usefulness of digital promotion to TT when targeting small online retailers. [12]

A-LEVEL BUSINESS • EXERCISE SHEET

1.3 Size of business

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS merger 合并 • economies of scale 规模经济 • diseconomies of scale 规模不经济 • external growth 外部增长 • internal growth 内部增长

Objective

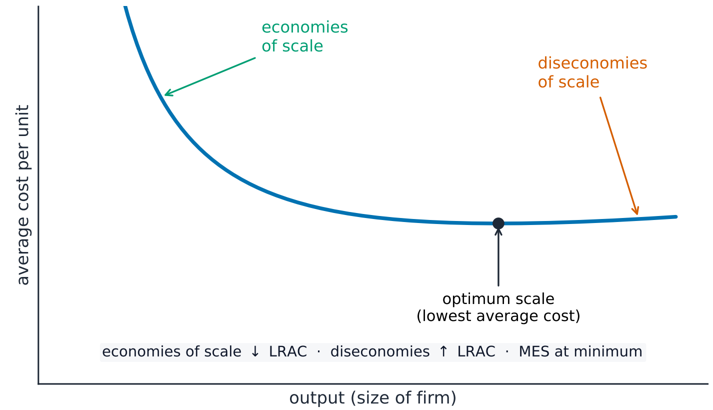
Build the skills to answer exam questions on the **size of a business 企业规模** — how size is measured, **internal and external growth 内部增长和外部增长** (**integration** 整合), and **economies and diseconomies of scale 规模经济和规模不经济**.

You must be able to:

- state ways to measure the size of a business
- describe internal growth and the three types of integration (horizontal, vertical, conglomerate)
- analyse benefits of growth and evaluate whether a firm should grow

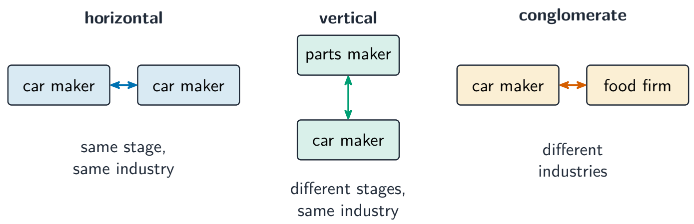
1 Worked examples

■ Growth and economies of scale



As output rises, average cost falls (economies of scale) then eventually rises (diseconomies)

- **Economies of scale:** cost savings as a firm grows — purchasing, technical, financial, managerial, marketing.
- **Internal growth** (organic, lower-risk) vs **external growth** (a **merger/takeover**) — classified by **integration**:



Horizontal (same stage) · vertical (different stages, same industry) · conglomerate (different industries)

Answer shapes: an **Analyse two benefits of growth [8]** answer needs, per benefit, AO1 (name) + AO2 (apply) + AO3 (a reasoning chain). An **Evaluate [12]** answer weighs the gains of size against the diseconomies, then judges *in context.*

2 Practice

2.1 State two ways to measure the size of a business. [2]

2.2 Define the term *economies of scale.* [2]

2.3 State the difference between horizontal and vertical integration. [2]

3 Exam-style questions

3.1 Explain one reason why a business might want to grow larger. [3]

3.2 Analyse two benefits to a business of using a vertical merger for growth. [8]

3.3 'A business should always try to grow as large as possible.' Evaluate this view. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 any two of: number of employees; revenue (sales turnover); capital employed; market share; market capitalisation (1 + 1).

2.2 the cost savings (a fall in average cost per unit) a business gains as it grows larger (2 for a clear definition; 1 for a partial idea).

2.3 horizontal integration joins a firm at the **same** stage of the same industry; vertical integration joins a firm at a **different** stage of the same industry (2 for a clear difference; 1 for a partial idea).

3.1 *[3]* **AO1** 1 — name a reason (lower average costs; bigger market share; more market power; higher profit; spread risk). **AO2** up to 2 — develop it, e.g. a larger firm buys materials in bulk → lower cost per unit → it can cut prices or earn more profit (2 developed / 1 limited).

3.2 *[8]* Some understanding of *vertical* merger must be shown. For **each** of two benefits: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *backward (supplier)*: control of supply → guaranteed quality and delivery time → smoother production. *Forward (customer)*: own retail outlets → control over how the product is sold and priced → higher sales and margin. Maximum 4 per benefit, 8 total. (General growth benefits such as "larger workforce" do not answer a *vertical* merger question.)

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For** growth: economies of scale, market power, higher profit, survival. **Against**: diseconomies of scale (poor communication, weak motivation), high finance needed, harder management, culture clash in a takeover. Judgement: growth helps up to the optimum size, but beyond it average costs rise — so the best size depends on the market and the firm's ability to manage scale; "as large as possible" is rarely right.

5 **(a)** Analyse **two** benefits to a business of using a vertical merger for growth. [8]

(b) 'Risk-taking is the most important quality needed by an entrepreneur to be successful in the clothing design industry.'

Evaluate this view. [12]

OR

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3 **(a)** Define the term *hostile takeover*. [2]

(b) Explain **one** importance to a business of having objectives. [3]

2 Natalia's Naturals (NN)

NN is a small business owned by Natalia. NN produces and sells a range of natural skincare products.

In 2020, Natalia started making her own skincare products at home using natural ingredients. She realised that there was a demand for her products among her friends and family. Natalia then decided to turn her hobby into a business and launched NN in 2021.

Natalia operates her business from a rented workshop with limited space, where she makes her products by hand. She buys her ingredients from local suppliers who share her values of environmentally friendly production.

NN has been growing steadily and has gained a loyal customer base. NN has received positive reviews from beauty magazines. Natalia's skincare products are sold through her own website, social media platforms and local retailers who specialise in selling natural products.

Natalia is developing a new face cream. Table 2.1 shows price and cost estimates for the new face cream.

Table 2.1 Price and cost estimates

Product	Price	Allocated fixed costs	Variable costs per unit
Face cream	$5	$12 000	$2

The skincare market is very competitive. There are many established brands that offer similar products to NN, but with wider distribution channels.

Natalia needs to balance her time between production, managing orders, delivery, marketing and other administrative tasks. She works long hours and is stressed and exhausted.

Natalia is considering outsourcing to increase NN's production capacity.

(a) **(i)** Identify **one** internal stakeholder of a business. [1]

(ii) Explain the term *distribution channels*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the break-even level of output of the new face cream. [3]

(ii) Explain **one** limitation to NN of break-even analysis. [3]

(c) Analyse **one** advantage and **one** disadvantage to NN of being a small business. [8]

(d) Evaluate whether outsourcing is the most suitable way to increase NN's production capacity. [12]

1 Solar Farms (SF)

SF is a private limited company that develops and maintains large-scale solar farms in country X. SF operates as a capital intensive business.

Bob is an entrepreneur and the majority shareholder of SF. He invested into SF's first solar farm. SF took out high-interest bank loans to cover initial cash flow problems and provide working capital. SF used internal (organic) growth over the next 10 years.

SF rents fields from farmers. Its main capital expenditure is solar panels, which are installed on the rented fields. The solar panels generate electricity, which SF sells to energy providers. Solar panel technology is constantly improving.

SF operates five solar farms in country X. A team of seven engineers maintain all of SF's solar farms.

Table 1.1 shows SF's budgeted and actual data for 2024.

Table 1.1 SF's annual budgeted and actual data for 2024

	Budget ($m)	Actual ($m)
Revenue	5	4
Total costs	3	3.75
Profit	2	0.25

Bob has identified that SF can increase its revenue by using batteries to store electricity generated by the solar panels. This electricity can then be sold at peak times for premium prices. This will require significant investment into battery technology.

Bob wants to retain control of SF but is concerned about the investment required for further growth. In 2024 the cost of renting new farmland and purchasing solar panels increased significantly.

ZB is a multinational battery manufacturer that is keen to start a joint venture with SF. If the joint venture goes ahead, ZB will insist that SF uses ZB batteries in all future solar farms.

(a) **(i)** Identify **one** quality an entrepreneur needs for success. [1]

(ii) Explain the term *working capital*. [3]

(b) **(i)** Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse. [3]

(ii) Explain **one** drawback to SF of using budgets. [3]

(c) Analyse **two** limitations to SF of operating as a capital intensive business. [8]

(d) Evaluate whether a joint venture is the most appropriate way for SF to grow. [12]

2 Premium Homes (PH)

PH owns student rental accommodation in all the major cities in country Y. PH used demographic segmentation in its market research. This research identified that university students would pay a premium for high specification rental accommodation.

PH has specialist teams focused on sales, maintenance, customer service and finance. There is little opportunity for internal promotion. PH pays low salaries, however, it offers profit sharing to motivate its 150 employees. This has been effective as PH has had low labour turnover.

In the last two years, profit levels have fallen by 75%. In 2024, 45 employees left PH. Complaints about maintenance and customer service have increased due to the lack of experienced employees in PH.

The Finance Director is reviewing PH's existing sources of finance, shown in Fig 2.1.

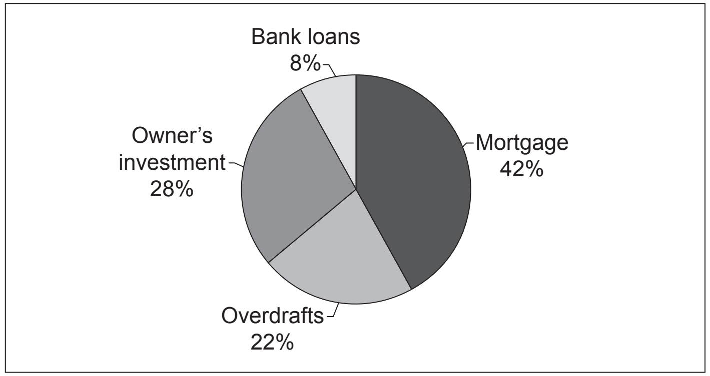


Fig 2.1 PH's sources of finance

Frank, the Operations Director, wants to improve the sustainability of PH's operations. He plans to:

- stop renting out accommodation in some lower-income cities, and sell these buildings
- upgrade accommodation in high-income cities
- reduce the size of the workforce.

(a) **(i)** Identify **one** way in which business size can be measured. [1]

(ii) Explain the term *demographic segmentation*. [3]

(b) **(i)** Refer to lines 6–8. Calculate PH's labour turnover in 2024. [3]

(ii) Explain **one** way in which PH could use Maslow's Hierarchy of Needs. [3]

(c) Analyse **one** advantage and **one** disadvantage to PH of using an overdraft as a source of finance. [8]

(d) Evaluate whether Frank's plan will improve the sustainability of PH's operations. [12]

A-LEVEL BUSINESS • EXERCISE SHEET

1.4 Business objectives

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS mission 使命 • objectives 目标 • corporate social responsibility 企业社会责任 • tactics 策略 • strategy 战略

Objective

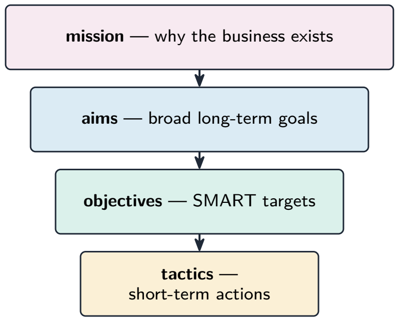
Build the skills to answer exam questions on **business objectives 企业目标** — the chain from **mission 使命** to **aims 目的** to **SMART objectives** SMART 目标, the main types of objective, and **corporate social responsibility** 企业社会责任 (CSR).

You must be able to:

- explain the difference between aims, objectives, strategy and tactics
- state what makes an objective **SMART**
- analyse why objectives change and evaluate the role of profit versus CSR

1 Worked examples

From mission to objectives



Goals get narrower down the chain: mission → aims → SMART objectives → tactics

- **SMART** = **S**pecific, **M**easurable, **A**chievable, **R**ealistic, **T**ime-bound.
- **Types of objective:** profit maximisation, growth, survival, market share, social/ethical (CSR).
- Objectives **change** over time: a new firm aims to *survive*, later to *grow*, a large

firm may focus on *profit* or *CSR*.

Answer shapes: **Explain** [**3**] = point + developed reason; **Analyse** [**8**] = two reasons, each a developed chain; **Evaluate** [**12**] = both sides + a judgement in context.

2 Practice

2.1 State what the letters **SMART** stand for. [2]

2.2 Define the term *corporate social responsibility (CSR)*. [2]

2.3 State the difference between an *aim* and an *objective*. [2]

3 Exam-style questions

3.1 Explain one benefit to a business of setting SMART objectives. [3]

3.2 Analyse two reasons why a business's objectives might change over time. [8]

3.3 'A business should always put profit before social responsibility.' Evaluate this view. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 Specific, Measurable, Achievable, Realistic, Time-bound (2 for all five; 1 for three or four).

2.2 the idea that a business should act in the best interests of society and the environment, not only make profit (2 for a clear definition; 1 for a partial idea).

2.3 an aim is a broad, long-term goal; an objective is a specific, measurable target that helps reach the aim (2 for a clear difference; 1 for a partial idea).

3.1 *[3]* **AO1** 1 — name a benefit (clear targets; motivates staff; lets the firm measure progress). **AO2** up to 2 — develop it, e.g. a measurable, time-bound target lets managers check progress and act early if the firm falls behind (2 developed / 1 limited).

3.2 *[8]* For **each** of two reasons: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *firm grows older/larger*: survival is secure → it can now aim for growth or higher profit. *External change* (recession, new competitor): falling demand → the firm switches back to a survival objective to protect cash. Maximum 4 per reason, 8 total.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For** profit first: profit funds survival, investment and rewards owners; without it the firm closes. **Against**: CSR builds reputation, customer loyalty and staff motivation, and avoids fines or boycotts — which can raise long-run profit. Judgement: profit and CSR are not opposites; the right balance depends on the firm's size, market and stakeholders — a pure short-term profit focus can damage long-term success.

3 (a) Define the term *hostile takeover*. [2]

(b) Explain **one** importance to a business of having objectives. [3]

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1 (a) Define the term *mission statement*. [2]

(b) Explain **one** disadvantage to a business of having corporate social responsibility (CSR) as a business objective. [3]

2 Personalised Blankets (PB)

Kaia left university with a degree in textile design. Using her entrepreneurial qualities, Kaia set up PB as a sole trader. Her current objective is to break even.

Kaia uses job production to make blankets which are personalised with a picture. Each customer logs into the PB website and chooses the size of blanket. The customer then uploads a picture that they want printed onto the blanket.

Many of Kaia's customers buy the blankets as gifts for special occasions.

Kaia has employed a social media influencer to promote her blankets. The influencer will be paid a salary of $250 a week and a 5% commission on revenue that comes directly from the influencer. Fig 2.1 shows the revenue that came directly from the social media influencer in February.

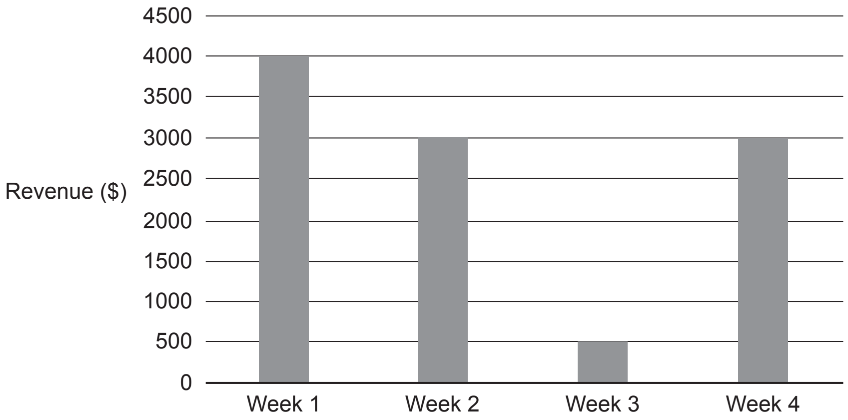


Fig. 2.1 Revenue directly from the social media influencer in February

Kaia would like to relocate PB to larger premises. She is applying for external sources of finance, and she has written a five-year business plan to support her applications.

(a) **(i)** Identify **one** external source of finance. [1]

(ii) Explain the term *business plan*. [3]

(b) **(i)** Refer to Fig. 2.1 and other information. Calculate the total payment to the social media influencer in February. [3]

(ii) Explain **one** disadvantage to Kaia of using a commission payment method. [3]

(c) Analyse **one** advantage and **one** disadvantage to Kaia of using job production. [8]

(d) Evaluate the most likely reason for Kaia's objectives to change over the next five years. [12]

5 **(a)** Analyse **two** reasons why it is important for a business to set SMART objectives. [8]

(b) Evaluate the view that a mission statement is only important to a bank if it significantly influences the strategy and tactics of that business. [12]

OR

A-LEVEL BUSINESS • EXERCISE SHEET

1.5 Stakeholders in a business

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS stakeholder 利益相关者 • external 外部 • internal 内部 • external stakeholders 外部利益相关者 • conflict 冲突

Objective

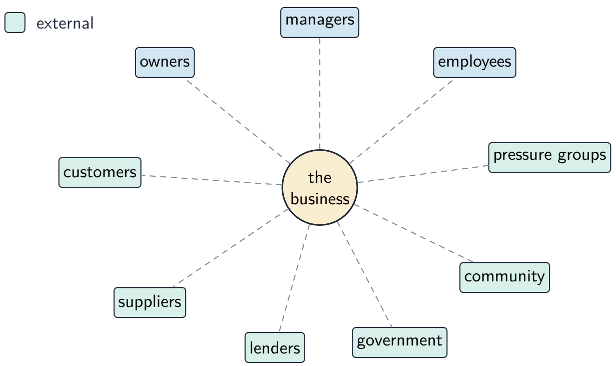
Build the skills to answer exam questions on **stakeholders 利益相关者** — who the **internal** 内部 and **external** 外部 stakeholders of a business are, what each one wants, and why their objectives **conflict** 冲突.

You must be able to:

- name internal and external stakeholders and their main objectives
- explain why stakeholder objectives conflict
- analyse and evaluate a decision from different stakeholders' points of view

1 Worked examples

■ Who the stakeholders are



Internal: owners, managers, employees. External: customers, suppliers, lenders, government, community, pressure groups

- **Internal:** owners (profit), managers (growth, bonuses), employees (pay, security).

- **External:** customers (quality, fair price), suppliers (paid on time), lenders (re-payment), government (tax, law), community (jobs, low pollution).
- **Conflict:** owners want higher profit, but employees want higher pay — and higher pay lowers profit.

Answer shapes: an **Evaluate** [**12**] answer on a decision should view it from **more than one stakeholder**, weigh the gains and losses, then judge *in context.*

2 Practice

2.1 Define the term *stakeholder*. [2]

2.2 State two **internal** stakeholders of a business. [2]

2.3 State one objective of a **supplier** and one objective of the **local community**. [2]

3 Exam-style questions

3.1 Explain one reason why the objectives of two stakeholder groups might conflict. [3]

3.2 A factory plans to introduce night-shift working to raise output. Analyse the impact of this decision on **two** stakeholder groups. [8]

3.3 A business is deciding whether to close a loss-making factory and move production abroad. Evaluate this decision from the viewpoint of its stakeholders. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 any person or group with an interest in a business and how well it performs (2 for a clear definition; 1 for a partial idea).

2.2 any two of: owners/shareholders; managers; employees (1 + 1).

2.3 supplier — regular orders and to be paid on time; local community — jobs with little pollution or noise (1 + 1).

3.1 *[3]* **AO1** 1 — identify two groups whose aims clash. **AO2** up to 2 — develop the conflict, e.g. owners want a higher profit margin so they push for lower wages, but employees want higher pay, so the two aims cannot both be met fully (2 developed / 1 limited).

3.2 *[8]* For **each** of two stakeholder groups: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *employees*: night shifts → unsocial hours and tiredness → lower morale, but possible shift premium pay. *Owners*: higher output → more sales and profit, but higher wage and energy costs. Maximum 4 per group, 8 total.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Gains:** owners cut losses and lower costs abroad; customers may keep lower prices. **Losses:** local employees lose jobs; the community loses income; suppliers lose orders; reputation may fall. Judgement: the decision can be right for the owners' survival, but the social cost is high — so it depends on the size of the loss, the alternatives, and how the firm manages the closure (e.g. retraining, notice).

2 Natalia's Naturals (NN)

NN is a small business owned by Natalia. NN produces and sells a range of natural skincare products.

In 2020, Natalia started making her own skincare products at home using natural ingredients. She realised that there was a demand for her products among her friends and family. Natalia then decided to turn her hobby into a business and launched NN in 2021.

Natalia operates her business from a rented workshop with limited space, where she makes her products by hand. She buys her ingredients from local suppliers who share her values of environmentally friendly production.

NN has been growing steadily and has gained a loyal customer base. NN has received positive reviews from beauty magazines. Natalia's skincare products are sold through her own website, social media platforms and local retailers who specialise in selling natural products.

Natalia is developing a new face cream. Table 2.1 shows price and cost estimates for the new face cream.

Table 2.1 Price and cost estimates

Product	Price	Allocated fixed costs	Variable costs per unit
Face cream	$5	$12 000	$2

The skincare market is very competitive. There are many established brands that offer similar products to NN, but with wider distribution channels.

Natalia needs to balance her time between production, managing orders, delivery, marketing and other administrative tasks. She works long hours and is stressed and exhausted.

Natalia is considering outsourcing to increase NN's production capacity.

(a) **(i)** Identify **one** internal stakeholder of a business. [1]

(ii) Explain the term *distribution channels*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the break-even level of output of the new face cream. [3]

(ii) Explain **one** limitation to NN of break-even analysis. [3]

(c) Analyse **one** advantage and **one** disadvantage to NN of being a small business. [8]

(d) Evaluate whether outsourcing is the most suitable way to increase NN's production capacity. [12]

2 Law Advice Forum (LAF)

Drake has a law degree and works for a partnership of lawyers during the day. Drake owns a website that gives free legal advice. He works on the website in the evenings and at the weekend.

He started the website as a hobby, but the website has grown to over 20 000 users and he now sells advertising on his videos and on the website.

Drake uses outsourcing for some areas of his website. He has recently been sent a report showing variances in the budget from the previous month (see Table 2.1).

Table 2.1 Budget report for Drake's website in the previous month

	Budget	Actual
Total revenue	$4500	$4000
Total costs	$600	$750
Profit	$3900	$3250

Drake has now left his job and is focusing full time on the website. He rebranded the website as Law Advice Forum (LAF). Drake's business plan for LAF included:

- Operating as a sole trader.
- Continuing to develop and expand the website to provide legal advice and paid legal services.
- Renting an office in city G where all employees would work.
- Hiring five fully qualified lawyers.
- Hiring three administrators.
- Leasing IT equipment.

However, Drake is concerned about the limitations LAF will face as a labour intensive operation.

(a) **(i)** Identify **one** external stakeholder of a business partnership. [1]

(ii) Explain the term *outsourcing*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the variance is favourable or adverse. [3]

(ii) Explain **one** way Drake could use the budget data in Table 2.1. [3]

(c) Analyse **two** possible limitations for LAF as a labour intensive operation. [8]

(d) Evaluate the most important responsibility that Drake has as the owner of LAF. [12]

6 **(a)** Analyse **two** advantages to a business of making ethical decisions. [8]

(b) ‘Employees are the most important stakeholder group in a primary sector oil and gas business.’

Evaluate this view. [12]

1 Natural Shampoos (NS)

NS is a private limited company set up by Saira and Chantal as a social enterprise. NS sells natural hair care products and focuses on customer (market) orientation. The main aims of Saira and Chantal include donating to local charities and improving gender equality in the workplace.

NS began by selling its products to small, independent businesses in country H. NS expanded its range slowly based on customer feedback, specific requests on its blog, and sales data.

NS explored additional finance opportunities required for expansion. NS approached John, who owns manufacturing facilities in country H and has significant marketing experience. He invested into NS in return for ownership of one third of the business. John’s main aim is to increase long-term profits in order to maximise the return on his investment.

In the five years since John’s investment, NS has become the market leader in country H for natural hair care products. NS products are now sold in major cosmetic retailers.

NS recently analysed its output in 2024 (see Table 1.1).

Table 1.1 NS output data for 2024

	Units
Actual output level	145 000
Capacity	150 000

Saira and Chantal have decided to employ a Marketing Manager for NS. Fig 1.2 shows an extract from the job advertisement.

Marketing Manager

- Experience of growing brand awareness and using online channels of distribution.
- Using budgets to monitor the performance of marketing campaigns.
- Developing and maintaining relationships with external stakeholders.

Fig 1.2 Extract from job advertisement for NS’s new Marketing Manager

(a) **(i)** Identify **one** feature of a private limited company. [1]

(ii) Explain the term *customer (market) orientation*. [3]

(b) **(i)** Refer to Table 1.1. Calculate NS’s capacity utilisation in 2024. [3]

(ii) Explain **one** possible disadvantage to NS of high capacity utilisation. [3]

(c) Analyse **two** selection methods that NS could use to choose a new Marketing Manager. [8]

(d) Evaluate the most likely reason for confli[illegible]arise between the owners of NS. [12]