

## Business II: Explain Decisions with Evidence and Accounts

GAC012 public-outcome teaching; full centre guide governs assessed depth.

## Business explanations need evidence and a decision

- Use the actual centre brief for assessed work.
- Separate a real-company claim from its source.
- Use an appropriate report or presentation format.

## Resources, sectors and ownership connect

- Land, labour, capital and enterprise support production.
- Primary, secondary and tertiary activities depend on each other.
- Ownership affects control, funding and risk.

## Demand, supply and competition affect the business

- Price affects quantity along a given demand curve.
- Income, tastes and substitutes can shift demand.
- Elasticity and revenue must be checked with evidence.

## Use PEST and SWOT to organise evidence

- PEST groups external influences.
- SWOT separates internal strengths and weaknesses from external conditions.
- Explain the implication of each fact.

## Plans need measurable objectives and separate cash checks

- Specify customers, resources, funding and objectives.
- Measure progress against a stated baseline.
- Profit and cash flow answer different questions.

## Calculate contribution before break-even

- Original example: fixed cost 60,000 per year.
- Price 25 and variable cost 10 give contribution 15.
- Break-even is 4,000 units under the stated assumptions.

$$\text{contribution} = \text{price} - \text{variable cost} = 25 - 10 = 15$$

$$\text{break-even units} = \frac{\text{fixed costs}}{\text{contribution}} = \frac{60\,000}{15} = 4\,000$$

## Management choices affect work and results

- Plan, organise, lead and control.
- Delegate authority with boundaries and review.
- Compare structures and motivation choices in context.

## HR and employee relations support the business

- Recruit and train for the actual job.
- Contracts and law have different roles.
- Review progress and resolve disagreements fairly.

## Marketing joins research, targeting and the four Ps

- Identify customer needs rather than only advertise.
- Align product, price, place and promotion.
- State the limits of primary and secondary evidence.

## River Café is an invented decision case

- Improve queues, cash reliability and repeat custom.
- Link café resources to its supplier sectors.
- Do not present practice data as company evidence.

## A wage change can have several conditional effects

- Staff income depends on pay and hours.
- Higher wage cost may be partly offset by service or retention.
- Suppliers can be affected by orders or payment timing.

## Separate demand movement from a demand shift

- River's own price changes quantity along its curve.
- A competitor or changed preference can shift the curve.
- Hold other conditions constant when explaining either effect.

## Calculate the price and quantity percentage changes

- Price changes from 25 to 27.50 yuan.
- Quantity changes from 500 to 480 lunches.
- Use starting values consistently for this practice method.

$$\% \Delta P = \frac{P_2 - P_1}{P_1} \times 100 = \frac{27.50 - 25}{25} \times 100 = 10\%$$

$$\% \Delta Q = \frac{Q_2 - Q_1}{Q_1} \times 100 = \frac{480 - 500}{500} \times 100 = -4\%$$

## Interpret elasticity without assuming every essential is inelastic

- The signed PED is  $-0.4$ ; its magnitude is  $0.4$ .
- Quantity responds less strongly than price in this example.
- Alternatives, budgets and time can change the response.

$$\text{PED} = \frac{\% \Delta Q}{\% \Delta P} = \frac{-4}{10} = -0.4$$

## Higher revenue is not automatically higher profit

- Old revenue is 12,500 yuan; new revenue is 13,200.
- The increase is 700 yuan.
- Cost evidence is still needed for the profit change.

$$R_1 = P_1 Q_1 = 25 \times 500 = 12\,500$$

$$R_2 = P_2 Q_2 = 27.50 \times 480 = 13\,200$$

## Apply external analysis to a practical response

- Check food rules, budgets, lunch habits and ordering technology.
- Identify trained staff and slow ordering as internal facts.
- Use evidence to compare responses to competition.

## Know which financial document answers the question

- Income statement: revenue and expenses over a period.
- Balance sheet: financial position at a date.
- Cash forecast: expected receipts, payments and available cash.

## Calculate gross and operating profit for the practice month

- 500 lunches at 25 generate revenue of 12,500.
- Ingredients used cost 5,000; wages and rent cost 6,000.
- Ignore the stated extra items for this simplified calculation.

$$\text{gross profit} = \text{revenue} - \text{cost of goods sold} = 12\,500 - 5\,000 = 7\,500$$

$$\text{operating profit} = \text{gross profit} - \text{expenses} = 7\,500 - 6\,000 = 1\,500$$

## Trace the actual receipts and payments

- Receive 8,000 from current sales and 2,000 from earlier sales.
- Pay 11,000 for ingredients, wages and rent.
- Equipment adds a 3,000 payment this month.

## A profitable month can still have a funding shortfall

- Receipts are 10,000 and payments are 14,000.
- Opening cash is 1,000.
- A -3,000 forecast signals a funding or timing problem.

$$\text{net cash flow} = \text{receipts} - \text{payments} = 10\,000 - 14\,000 = -4\,000$$

$$\text{closing cash} = \text{opening cash} + \text{net flow} = 1\,000 - 4\,000 = -3\,000$$

## Read equity from a separate position snapshot

- Assets total 20,000; liabilities total 8,000.
- Equity is 12,000, including value in non-cash resources.
- This snapshot is separate from the cash forecast.

$$\text{equity} = \text{assets} - \text{liabilities} = 20\,000 - 8\,000 = 12\,000$$

## Define and review a measurable service objective

- Reduce median lunch wait from 8 to 5 minutes within 6 weeks.
- Specify who measures it, when and how.
- Check quality and workload as well as speed.

## River's monthly break-even is 400 lunches

- Monthly fixed cost is 6,000; price 25; variable cost 10.
- Contribution per lunch is 15 yuan.
- At sales of 500, the margin of safety is 100 lunches.

$$\text{contribution} = \text{price} - \text{variable cost} = 25 - 10 = 15$$

$$\text{break-even} = \frac{\text{fixed cost}}{\text{contribution}} = \frac{6\,000}{15} = 400$$

## Compare a trial and a machine across more than one measure

- A pre-order trial may cost less but need training.
- A machine may add capacity but worsen immediate cash needs.
- Check demand, cost, staffing, risk and the review method.

## Delegate a defined task and choose leadership for the situation

- Set authority, resources, deadline and reporting boundaries.
- Staff input can improve trial planning but take time.
- Clear direction can suit an urgent action.

## Use two-factor theory as a contextual explanation

- Pay and conditions can reduce dissatisfaction.
- Achievement, recognition and responsibility can support satisfaction.
- Check the actual cause of staff concerns.

## Connect recruitment, induction, training and appraisal

- Specify the real tasks and skills before selecting staff.
- Induction introduces people, procedures and safe routines.
- Training develops skills; appraisal reviews progress and support.

## Law, contracts and employee relations have distinct roles

- Check the applicable jurisdiction for a real case.
- Hear both sides and use the agreed dispute process.
- A written policy does not prove fair practice or compliance.

## Make all four Ps fit the intended customers

- Target nearby students needing a quick weekday lunch.
- Align offer, affordable price, collection and accurate promotion.
- Advertising speed cannot fix a slow collection process.

## Ask neutral research questions and combine evidence

- Ask which collection time a respondent would use.
- Avoid praise-seeking or leading wording.
- Combine observations, sales records, surveys and a trial.

## Interpret 18 of 30 volunteers as a limited sample

- The sample share expressing interest is 60%.
- Queue volunteers may differ from absent students.
- Stated interest is not a guaranteed purchase.

$$\text{sample share} = \frac{\text{yes responses}}{\text{sample size}} \times 100 = \frac{18}{30} \times 100 = 60\%$$

## A report preserves evidence; a presentation explains the decision

- Report purpose, method, findings, analysis and limitations.
- Record sources and dates for real-company evidence.
- Choose the required format from the actual brief.

## Recommend a bounded trial with an explicit review

- Try pre-ordering for 2 weeks within a stated cost limit.
- Measure median wait, orders, complaints and cash effect.
- Review actual use and workload before expansion.

## Check the financial consequences of changed assumptions

- Delaying equipment leaves forecast closing cash at zero.
- Variable cost 13 reduces contribution to 12.
- Revised break-even is 500 lunches, with the same fixed cost.

closing cash = opening + receipts – payments = 1 000 + 10 000 – 11 000 = 0

contribution = price – variable cost = 25 – 13 = 12

$$\text{break-even} = \frac{\text{fixed cost}}{\text{contribution}} = \frac{6\,000}{12} = 500$$

## Check yourself

- Explain stakeholder effects and internal versus external factors.
- Distinguish revenue, profit, cash and equity.
- Evaluate management, survey limits and a supported recommendation.