

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

River resource	Production link
Premises (land), staff (labour)	Combine with equipment (capital) and organising decisions (enterprise).
Farming → manufacturing → café service	A crop loss can change ingredients, costs and the menu.
Ownership	Identify actual control, funding and risk; legal form and jurisdiction matter.

Demand, supply and competition affect the business

Own price changes

Movement along an unchanged demand curve, other things equal.

Example: River raises its lunch price.

Other influences change

Demand at each price may shift.

Example: a competing café opens, or customers prefer a substitute.

Use PEST and SWOT to organise evidence

Evidence	Classification	Decision implication
Trained staff	Internal strength	Can support a new ordering routine.
Slow ordering	Internal weakness	Trial a simpler process and measure the queue.
New competitor	External threat	Investigate why customers switch before choosing a response.

Use the evidence

PEST organises external evidence; SWOT connects it to internal capabilities.

Plans need measurable objectives and separate cash checks

A testable objective

Reduce median lunch wait from 8 to 5 minutes within 6 weeks.

Specify a consistent measurement, responsible person and review date.

A feasible plan

Check resources, customers and funding.

Profitability does not remove the need to forecast when cash arrives and bills fall due.

Calculate contribution before break-even

- 1 **Given** Annual fixed cost 60,000 yuan; price 25 yuan/unit; variable cost 10 yuan/unit.
- 2 **Contribution** $c = p - v = (25 - 10) \text{ yuan/unit} = 15 \text{ yuan/unit}$.
- 3 **Break-even** $Q_{BE} = F/c = (60000 \text{ yuan})/(15 \text{ yuan/unit}) = 4000 \text{ units}$.
- 4 **Check** Keep the annual period throughout. Price, unit variable cost and fixed cost are assumed constant.

Management choices affect work and results

Plan: decide the trial objective and success measures.



Organise: assign people, resources and decision boundaries.



Lead: guide the team with a style suited to the situation.



Control: compare results with the objective and adjust.

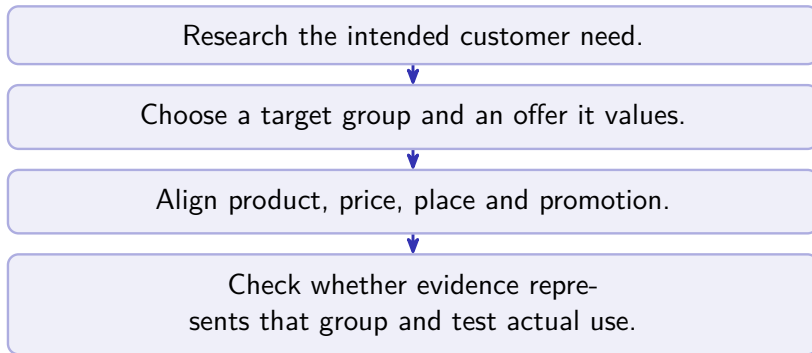
HR and employee relations support the business

HR action	Evidence of useful support
Recruit and select	Assess actual café tasks against consistent criteria.
Induct and train	Teach safe procedures and the ordering routine.
Review and resolve concerns	Use progress evidence, records and a fair process.

Use the evidence

A contract records terms; law sets applicable requirements. Neither a policy nor a label proves compliance.

Marketing joins research, targeting and the four Ps



River Café is an invented decision case

River Café — invented practice case

River sells lunches near a college. The owner wants shorter queues, reliable cash and customers who return.

The case links resources, staff, suppliers and customers to a choice: trial pre-ordering or buy equipment.

All figures are invented for learning. They are not real-company evidence.

A wage change can have several conditional effects

Stakeholder	Possible effect of higher wages	Condition
Staff	Higher income	Paid hours remain similar.
Owner	Higher wage cost, possibly better retention or service	Benefits depend on actual staff response.
Supplier	Orders or payment timing may change	Depends on the café's cost and cash response.

Separate demand movement from a demand shift

Movement along the curve

River changes its own lunch price.

Hold other demand influences unchanged.

Shift of the curve

A substitute changes price, preferences change or a competitor opens.

At River's same price, customers may want a different quantity.

Your turn: price and quantity response

Calculate and interpret

River raises price from 25 to 27.50 yuan and sales fall from 500 to 480 lunches. Using starting values, calculate both percentage changes and PED. Interpret the magnitude. Show the equation before substituting. State what the result can and cannot establish.

Calculate the price and quantity percentage changes

- 1 **Given** Price: 25 $\rightarrow$ 27.50 yuan. Quantity: 500 $\rightarrow$ 480 lunches.
- 2 **Price change** $\% \Delta P = (P_2 - P_1) / P_1 \times 100 = (27.50 - 25) / 25 \times 100 = 10\%$.
- 3 **Quantity change**
 $\% \Delta Q = (Q_2 - Q_1) / Q_1 \times 100 = (480 - 500) / 500 \times 100 = -4\%$.
- 4 **Method** Use starting values consistently here. A midpoint method is a different specified convention.

Interpret elasticity without assuming every essential is inelastic

- 1 **Compare** $PED = (\% \Delta Q) / (\% \Delta P) = (-4) / (10) = -0.4$.
- 2 **Interpret** $|PED| = 0.4 < 1$: quantity changed proportionately less than price over this change.
- 3 **Limit** Alternatives, time and budgets can change the response. “Essential” does not establish elasticity.

Higher revenue is not automatically higher profit

- 1 **Old revenue** $R_1 = P_1 Q_1 = (25 \text{ yuan})(500) = 12500 \text{ yuan}$.
- 2 **New revenue** $R_2 = P_2 Q_2 = (27.50 \text{ yuan})(480) = 13200 \text{ yuan}$.
- 3 **Change** $\Delta R = R_2 - R_1 = (13200 - 12500) \text{ yuan} = 700 \text{ yuan}$.

Decision

Costs are still needed to determine profit. Changed conditions may also explain some sales change.

Apply external analysis to a practical response

External evidence to check	Link to a response
Food rules / budgets	Check actual requirements and customers' spending constraints.
Lunch habits / ordering technology	Test whether pre-ordering solves the queue problem.
Trained staff / slow ordering	Use a strength to address a weakness; compare results before expansion.

Know which financial document answers the question

Document	Time basis	Question it answers
Income statement	A period	What revenue and expenses produced profit?
Balance sheet	A particular date	What resources, obligations and owner interest exist?
Cash forecast	Future timing	Will receipts cover payments when due?

Your turn: profit for the practice month

Calculate and interpret

500 lunches sell at 25 yuan each; ingredients used cost 10 yuan per lunch. Wages are 4,000 and rent 2,000 yuan. Ignoring the stated extra items, calculate revenue, gross profit and operating profit.

Show the equation before substituting. State what the result can and cannot establish.

Calculate gross and operating profit for the practice month

Practice month	Yuan
Revenue: $500 \text{ lunches} \times 25$	12,500
Ingredients: 500×10	5,000
Gross profit: revenue — ingredients	7,500
Operating expenses: wages 4,000 + rent 2,000	6,000
Operating profit: gross profit — operating expenses	1,500

Use the evidence

Ignore tax, interest, depreciation and stock changes only because this simplified case says to.

Trace the actual receipts and payments

Cash item this month	Receipt / payment (yuan)
Current sales collected	+8,000
Earlier sales collected	+2,000
Ingredients, wages and rent paid	−11,000
Equipment paid now	−3,000

Use the evidence

Current uncollected sales: 4,500 yuan. Earlier collections are not new current-month sales.

Your turn: is the profitable café short of cash?

Calculate and interpret

Opening cash is 1,000 yuan, receipts 10,000 and payments 14,000. Calculate closing forecast cash. Explain how a profitable month can still require funding.

Show the equation before substituting. State what the result can and cannot establish.

A profitable month can still have a funding shortfall

- 1 Receipts and payments** Receipts 10,000 yuan; payments 14,000 yuan; opening cash 1,000 yuan.
- 2 Net flow** $NCF = receipts - payments = (10000 - 14000) \text{ yuan} = -4000 \text{ yuan}$.
- 3 Closing forecast** $C_{close} = C_{open} + NCF = (1000 - 4000) \text{ yuan} = -3000 \text{ yuan}$.

Decision

This signals a 3,000-yuan funding shortfall despite 1,500-yuan operating profit.

Read equity from a separate position snapshot

Separate position snapshot	Yuan
Cash and customer amounts owed	7,000
Stock and equipment	13,000
Total assets	20,000
Liabilities: supplier amounts owed and loan	8,000
Equity = assets — liabilities	12,000

Use the evidence

Equity includes non-cash resources. This snapshot is not the month-end cash forecast.

Define and review a measurable service objective

Turn “improve service” into an objective

Reduce median lunch wait from eight minutes to five within six weeks.

Use a consistent observation method and name who collects and reviews the results.

Also check complaints, orders served and staff workload. Faster service alone does not establish a better business.

Your turn: monthly break-even

Calculate and interpret

Monthly fixed costs are 6,000 yuan. Price is 25 and variable cost 10 yuan per lunch. Find break-even output and the margin of safety if sales are 500.

Show the equation before substituting. State what the result can and cannot establish.

River's monthly break-even is 400 lunches

- 1 **Period** Monthly fixed costs 6,000 yuan; price 25 and variable cost 10 yuan per lunch.
- 2 **Contribution** $c = p - v = (25 - 10) \text{ yuan/lunch} = 15 \text{ yuan/lunch}$.
- 3 **Break-even** $Q_{BE} = F/c = 6000/15 = 400 \text{ lunches}$.
- 4 **Margin of safety** $MOS = Q - Q_{BE} = 500 - 400 = 100 \text{ lunches}$.

Decision

This monthly threshold differs from the earlier annual example. Keep periods consistent.

Compare a trial and a machine across more than one measure

Pre-order trial

May cost less; requires staff training and a workable collection routine.

Check demand through actual use and queue measures.

New machine

May increase capacity; requires immediate cash and may not fix the ordering bottleneck.

Check funding, staffing and the short-term cash forecast.

Delegate a defined task and choose leadership for the situation

Plan with staff input

Staff may identify ordering problems and improve commitment.

Allow discussion time and define who decides.

Direct an urgent action

Clear instructions can suit a busy or urgent moment.

Delegation still needs authority limits, resources, a deadline and review.

Use two-factor theory as a contextual explanation

Reduce dissatisfaction

Check unsafe or unclear shifts and working conditions.

Pay changes may address a concern; a certificate does not fix a bad routine.

Support satisfaction

Consider achievement, recognition and meaningful responsibility.

Two-factor theory is a contextual explanation, not a guarantee for every employee.

Connect recruitment, induction, training and appraisal

Recruit/select against the actual tasks and skills.



Induct: introduce people, procedures and safe routines.



Train: develop the required working skills.



Appraise: review progress and identify support needs.

Law, contracts and employee relations have distinct roles

Source or process	What it establishes
Applicable law	Requirements in the actual jurisdiction; check current official sources for a real case.
Contract	Agreed terms, not a replacement for law.
Employee relations	Hear both sides, check records and use the agreed dispute process.

Use the evidence

A written policy alone proves neither fair treatment nor legal compliance.

Make all four Ps fit the intended customers

P	River's target: students needing a quick weekday lunch
Product	Simple pre-order lunch
Price	Fits the intended budget and covers relevant costs
Place	Convenient, workable collection
Promotion	Accurate offer and collection times

Use the evidence

The four choices must fit together. Advertising speed cannot fix a slow collection process.

Ask neutral research questions and combine evidence

Leading question

“Would you like our excellent fast service?”

Invites praise and weakens the evidence.

Neutral decision question

“Which collection time would you use?”

Combine responses with queue observations, sales records and a limited trial.

Interpret 18 of 30 volunteers as a limited sample

- 1 **Practice sample** 18 of 30 lunch-queue volunteers would consider pre-ordering.
- 2 **Share** $share = (yes/sample) \times 100 = (18/30) \times 100 = 60\%$.
- 3 **Scope** This describes those volunteers, not all college students.
- 4 **Behaviour** Stated interest is not a purchase; absent students may have different needs.

A report preserves evidence; a presentation explains the decision

Report: preserve the evidence

Purpose, method, findings, analysis, recommendation and limitations.

Record sources/dates and separate observation from interpretation.

Presentation: explain the choice

Project the decision, key evidence and reasoning clearly.

Use the actual brief to choose the required format. Practice figures remain labelled invented.

Recommend a bounded trial with an explicit review

A supported, bounded recommendation

Trial pre-ordering for two weeks within a stated cost limit and with staff training.

Measure median wait, orders served, complaints, staff workload and cash effect.

Review actual use before expansion. The volunteer survey suggests interest but does not establish college-wide demand.

Your turn: test two changed assumptions

Calculate and interpret

Start with payments 14,000 including equipment 3,000; opening cash 1,000 and receipts 10,000. Find closing cash if equipment is delayed. Separately, find break-even if variable cost rises to 13, fixed cost stays 6,000 and price stays 25.

Show the equation before substituting. State what the result can and cannot establish.

Check the financial consequences of changed assumptions

- 1 **Delay equipment** $payments_{revised} = 14000 - 3000 = 11000$ yuan;
 $C_{close} = 1000 + 10000 - 11000 = 0$ yuan.
- 2 **Higher unit cost** $c = p - v = 25 - 13 = 12$ yuan/lunch.
- 3 **New break-even** $Q_{BE} = F/c = 6000/12 = 500$ lunches.
- 4 **Decision** Zero forecast cash leaves no buffer; the equipment need remains. Cost changes alter the threshold.

Check yourself

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