

Skills Exercises

Knowledge and understanding (AO1)

**Cambridge IGCSE™ / IGCSE (9–1)**  
**Business Studies 0450 / 0986**

**Cambridge O Level**  
**Business Studies 7115**

For examination from 2023



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## Introduction

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Cambridge IGCSE / O Level Business Studies attracts a variety of learners from many different backgrounds. For some learners Business is a new subject and an opportunity to explore an area of study that interests them, while developing a set of transferable skills. Other learners have previously studied Business and are looking to continue developing their knowledge of the subject. Either way, the study of Business allows learners to experience the diverse and dynamic world within which businesses exist and gain the knowledge needed to understand how businesses operate within real contexts, analyse alternative courses of action and develop the ability to make justified recommendations.

### Skills and why they are important?

Skills are the key to success. The performance of candidates in Cambridge IGCSE / O Level Business Studies examinations have shown a range of areas where improvement would be helpful. These areas of improvement tend to centre around the assessment objectives (AOs) of the course and we have addressed these AOs in three Skills Exercise booklets.

- Skills Exercises – Knowledge and understanding (AO1)
- Skills Exercises – Application (AO2)
- Skills Exercises – Analysis (AO3) and Evaluation (AO4)

The skills exercises in these booklets make use of examination questions and data and include activities and worksheets to help skills development and incorporate suggested teaching approaches, such as group work, discussion, structured support and writing in sequence. They do not attempt to cover all possible aspects of the examinations, only those problem areas which have presented consistently over time.

### How will these skills be developed?

The Skills Exercises booklets aim to help learners develop skills in:

- using knowledge and numerical data to answer examination questions
- effectively using the case study in the examination to provide context to answers
- providing sufficient depth to analysis, including understanding how effective chains of analysis can be achieved
- making a clear judgement as part of supported evaluation.

The skills exercises provide suggestions so you can have confidence that the materials you prepare and use in the classroom are building skills and resilience in your learners. This document should be used alongside the other teaching and learning resources provided on the [School Support Hub](#)

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## Knowledge and understanding (AO1)

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To access Knowledge and understanding (AO1) marks and to be able to apply this to produce good quality analysis and evaluation, learners need to:

- demonstrate knowledge and understanding of facts, terms, concepts, conventions, theories and techniques commonly applied to or used as part of business behaviour.

### Exercise 1: Understanding key terms

Cambridge IGCSE / O Level Business Studies has a language that learners need to know and understand. This will help learners to successfully interpret case studies, select and analyse data and apply this knowledge to examination questions.

#### Activity 1: Key term definitions

It is important for learners to be able to accurately define key terms and understand what they mean.

Give learners a set of cards. Each card has a key term on the left-hand side and a definition of another key term on the right-hand side.

Learners match the definitions to the key terms to create a complete set of definitions. The definitions and key terms in **Worksheet 1: Key term definitions** can be used as an example of this activity or replaced with other key terms from the syllabus.

Lead a feedback discussion, checking that learners have the correct definitions and understand the meaning of the key term.

## Worksheet 1: Key term definitions

The definitions and key terms are mixed up. Match the correct definition to the key term and write your answer in the third column.

Key term	Mixed up definition	Correct definition
Business plan	Incentives to achieve a short-term increase in sales.	
Kaizen	The next best alternative forgone when choosing another option.	
Sales promotion	Goods and services sold from one country to other countries.	
Opportunity cost	An additional payment above basic pay.	
Market orientation	Continuous improvement through the elimination of waste.	
Two-way communication	A document containing objectives and information such as finances, marketing, etc.	
Chain of command	Carrying out market research to find out consumer preferences before developing a product.	
Market share	The number of subordinates working directly under a manager.	
Bonus	The percentage of market sales held by one business.	
Span of control	When the receiver gives feedback.	
Direct taxes	The structure in an organisation which allows instructions to be passed down from senior managers.	
Exports	Paid directly from incomes.	

**Worksheet 1 answers:**

Key term	Correct definition
Business plan	<i>A document containing objectives and information such as finances, marketing, etc.</i>
Kaizen	<i>Continuous improvement through the elimination of waste.</i>
Sales promotion	<i>Incentives to achieve a short-term increase in sales.</i>
Opportunity cost	<i>The next best alternative forgone when choosing another option.</i>
Market orientation	<i>Carrying out market research to find out consumer preferences before developing a product.</i>
Two-way communication	<i>When the receiver gives feedback.</i>
Chain of command	<i>The structure in an organisation which allows instructions to be passed down from senior managers.</i>
Market share	<i>The percentage of market sales held by one business.</i>
Bonus	<i>An additional payment above basic pay.</i>
Span of control	<i>The number of subordinates working directly under a manager.</i>
Direct taxes	<i>Paid directly from incomes.</i>
Exports	<i>Goods and services sold from one country to other countries.</i>

### Activity 2: What is the key term?

Give learners some key terms where the letters have been mixed up.

Learners put the letters in the correct order to identify the key term and then write a definition of that key term.

Use the key terms in **Worksheet 2: What is the key term?** or create others using the syllabus.

Lead a class discussion to check that learners' definitions are correct and that they understand the meaning of the key term.



## Worksheet 2: What is the key term?

Find the key term from the mixed-up letters. When you have found the key term, write a definition.

1. antisocialpies

<b>Key term:</b>
<b>Definition of key term:</b>

2. perrunnertee

<b>Key term:</b>
<b>Definition of key term:</b>

3. harperpints

<b>Key term:</b>
<b>Definition of key term:</b>

4. leakshorted

<b>Key term:</b>
<b>Definition of key term:</b>

5. atominvito

<b>Key term:</b>
<b>Definition of key term:</b>

6. dialsmis

<b>Key term:</b>
<b>Definition of key term:</b>

**Worksheet 2 answers:**

**1. antisocialpies**

**Key term:** *Specialisation*

**Definition of key term:** *People and businesses concentrate on what they are best at.*

**2. perrunnertee**

**Key term:** *Entrepreneur*

**Definition of key term:** *A person who organises, operates and takes the risk for a new business venture.*

**3. harperpints**

**Key term:** *Partnership*

**Definition of key term:** *A form of business in which two or more people agree to jointly own a business.*

**4. leakshorted**

**Key term:** *Stakeholder*

**Definition of key term:** *Any person or group with a direct interest in business activities.*

**5. atominvito**

**Key term:** *Motivation*

**Definition of key term:** *The reason why employees want to work hard.*

**6. dialsmisss**

**Key term:** *Dismissal*

**Definition of key term:** *Releasing employees due to gross misconduct.*

### Activity 3: What am I?

Give learners a crossword to complete.

The hints to the crossword should be definitions/explanations of key terms.

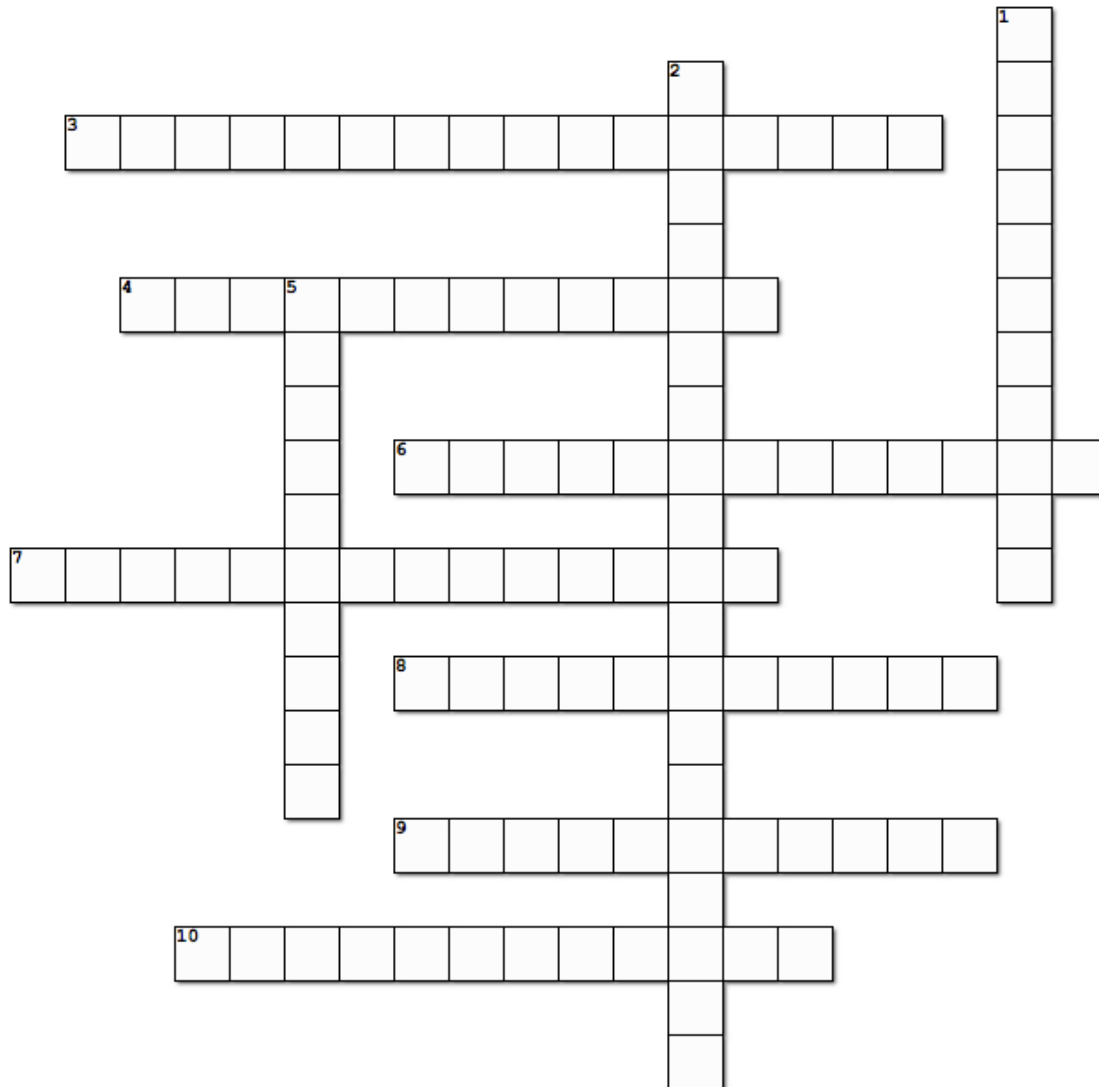
**Worksheet 3: What am I?** can be used as an example of this activity.

Lead a class discussion, making sure learners have the correct answers and understand the meaning of the key terms.

## Worksheet 3: What am I?

Complete the crossword using the hints below.

(Leave a box space between the words if the answer is more than one word).



### **Across**

3. Information/data which is only available to the business
4. Output per unit of input
6. The combination of price, product, promotion and place
7. Producing a one-off, unique product
8. Fixed costs + variable costs
9. The process of hiring employees
10. Dividing the market based on characteristics such as socio-economic grouping, location etc.

### **Down**

1. An organisation who aims to secure higher wages and better working conditions for employees
2. Setting a low price for a new product
5. A leader who involves employees in the decision-making process

**Worksheet 3 answers:**

**Across**

- 3. *primary research*
- 4. *productivity*
- 6. *marketing mix*
- 7. *job production*
- 8. *total costs*
- 9. *recruitment*
- 10. *segmentation*

**Down**

- 1. *trade union*
- 3. *penetration pricing*
- 5. *democratic*

## Exercise 2: Business Language

Cambridge IGCSE / O Level Business Studies has a language that learners need to know and understand so that they can interpret what is going on in a business and have the ability to apply this knowledge. Using business language accurately in examinations is an important part of demonstrating knowledge.

### Activity 1: How many marks?

Give learners a set of definitions and ask them to identify whether they would award this definition one or two marks, based upon the accuracy of the definition.

Learners should work in pairs to discuss how many marks they would award.

For those definitions that they would only award one mark for, learners should re-write the definition to become one which would be awarded two marks.

**Worksheet 4: How many marks?** can be used as an example of this activity.

## Worksheet 4: How many marks?

Identify whether each of the definitions below should be awarded 1 or 2 marks. If you award the definition 1 mark only, re-write the definition to become a 2-mark response.

1.

<b>Level of hierarchy:</b> Managers/supervisors who are given a similar level of responsibility in an organisation.
<b>Number of marks:</b>
<b>New definition (if awarded 1 mark)</b>

2.

<b>Flow production:</b> Making large quantities of a standardised product.
<b>Number of marks:</b>
<b>New definition (if awarded 1 mark)</b>

3.

<b>Sole trader:</b> A business which is run by one person.
<b>Number of marks:</b>
<b>New definition (if awarded 1 mark)</b>

4.

<b>Business cycle:</b> Changes in the level of GDP over time.
<b>Number of marks:</b>
<b>New definition (if awarded 1 mark)</b>

5.

<b>Brand image:</b> Something that distinguishes a product from its competitors.
<b>Number of marks:</b>
<b>New definition (if awarded 1 mark)</b>

**Worksheet 4 answers:**

1.

**Level of hierarchy:** Managers/supervisors who are given a similar level of responsibility in an organisation.

**Number of marks:** 2

**New definition (if awarded 1 mark)** *N/A*

2.

**Flow production:** Making large quantities of a standardized product.

**Number of marks:** 1

**New definition (if awarded 1 mark)** *Where large quantities of a product are produced in a standardised process.*

3.

**Sole trader:** A business which is run by one person.

**Number of marks:** 1

**New definition (if awarded 1 mark)** *An unincorporated business which is owned by one person.*

4.

**Business cycle:** Changes in the level of GDP over time.

**Number of marks:** 2

**New definition (if awarded 1 mark)** *N/A*

5.

**Brand image:** Something that distinguishes a product from its competitors.

**Number of marks:** 1

**New definition (if awarded 1 mark)** *The identity / logo / unique name of a product that distinguishes it from other brands.*



## Activity 2: Linking concepts

An examination question can have a simple topic at its core but require a variety of different concepts to allow a full answer to be given.

Learners need to be able to link these concepts together so that they can choose the most important or most relevant ones to use in an examination answer.

Give learners a topic area from the syllabus. The topics in **Worksheet 5: Linking concepts** can be used as a basis for these terms or any other topic from the syllabus could be used.

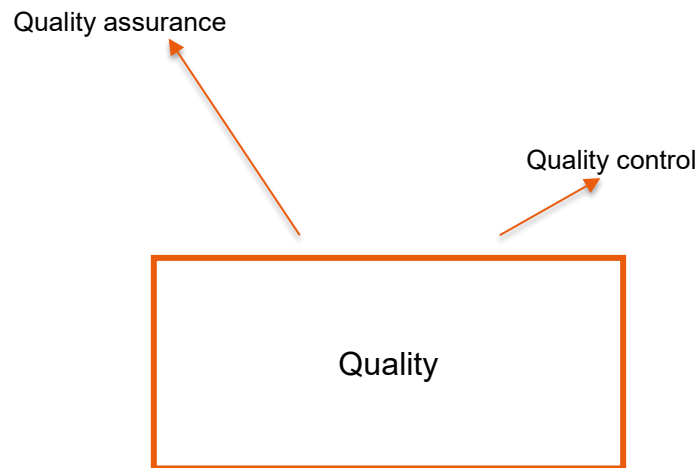
Learners create a mind-map using as many different concepts that they can think of linking to this topic.

Lead a class discussion so that learners can see what has been added to each other's lists. Where a learner has added a concept that no-one else has, ask for an explanation as to why/how it links to the topic.

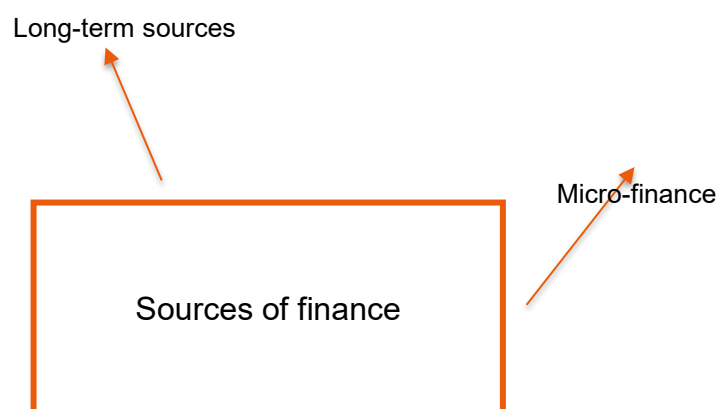
Discuss which concepts might be most useful when answering different examination questions.

## Worksheet 5: Linking concepts

1. Link as many Business concepts as you can to the term 'quality'. The first two have been added for you.



2. Link as many Business concepts as you can to the term 'sources of finance'. The first two have been added for you.



**Worksheet 5 answers:**

1. Link as many Business concepts as you can to the term 'quality'. The first two have been added for you.

*Quality control*

*Quality assurance*

*Total Quality Management*

*Brand image*

*Brand loyalty*

*Reputation*

*Customer satisfaction*

*Price*

*Training*

*Demand*

*Costs*

*Efficiency*

*Waste*

2. Link as many Business concepts as you can to the term 'sources of finance'. The first two have been added for you.

*Long-term sources*

*Micro-finance*

*Internal sources*

*External sources*

*Short-term*

*Gearing*

*Loan*

*Overdraft*

*Limited company*

*Retained profits*

*Dividends*

*Debentures*

*Crowdfunding*

*Subsidies*

*Leasing*

*Gearing*

### Activity 3: Fill in the gaps

The activities in **Worksheet 6: Fill in the gaps** will help learners to understand the context in which to use each key term.

The subject matter for each paragraph can be changed for other topics from the syllabus.

Lead a class discussion to ensure learners are using the correct key words.

Give guidance and correct any misconceptions about key words and definitions.

## Worksheet 6: Fill in the gaps

Complete the paragraphs below by inserting the missing key terms. The words to use are given underneath each paragraph in **bold**.

1.

There are many \_\_\_\_\_ which can affect business activity. One example of this is the \_\_\_\_\_. The main stages of the business cycle are growth, \_\_\_\_\_, slump and boom. The business cycle is measured by changes in \_\_\_\_\_. If the economy is in a boom, then \_\_\_\_\_ are usually higher. This is likely to cause an increase in demand for some businesses, which may increase their \_\_\_\_\_. However, this could result in higher levels of \_\_\_\_\_ in the economy.

**gross domestic product   revenue   recession   economic influences   inflation   business cycle  
average incomes**

2.

There are a range of \_\_\_\_\_ which a business may use. These include \_\_\_\_\_, penetration pricing, price skimming, \_\_\_\_\_ and competitive pricing. Some pricing strategies are most likely to be appropriate when a product is first being introduced, such as \_\_\_\_\_ or price skimming. \_\_\_\_\_ is a factor which may be taken into consideration when a business is deciding on which pricing method to use. If a product is price \_\_\_\_\_, an increase in price will result in a more than proportional decrease in \_\_\_\_\_.

**promotional pricing   price elastic   penetration pricing   price elasticity of demand   pricing  
methods   quantity demanded   cost-plus pricing**

**Worksheet 6 answers:**

**1.**

There are many **economic influences** which can affect business activity. One example of this is the **business cycle**. The main stages of the business cycle are growth, **recession**, slump and boom. The business cycle is measured by changes in **gross domestic product**. If the economy is in a boom, then **average incomes** are usually higher. This is likely to cause an increase in demand for some businesses, which may increase their **revenue**. However, this could result in higher levels of **inflation** in the economy.

**gross domestic product   revenue   recession   economic influences   inflation   business cycle  
average incomes**

**2.**

There are a range of **pricing methods** which a business may use. These include **promotional pricing**, penetration pricing, price skimming, **cost-plus pricing** and competitive pricing. Some pricing strategies are most likely to be appropriate when a product is first being introduced, such as **penetration pricing** or price skimming. **Price elasticity** is a factor which may be taken into consideration when a business is deciding on which pricing method to use. If a product is price **elastic**, an increase in price will result in a more than proportional decrease in **quantity demanded**.

**promotional pricing   price elasticity   penetration pricing   elastic   pricing methods   quantity  
demanded   cost-plus pricing**

### Exercise 3: Understanding business theory

The syllabus identifies the theories that need to be known and understood by learners.

Learners need to be able to recognise which business concept relates to which business theory.

#### Activity 1: What is the theory?

Give learners a list of key theoretical points from one syllabus topic. The theoretical points in **Worksheet 7: What is the theory?** can be used as a basis for this activity, or other syllabus topics could be used.

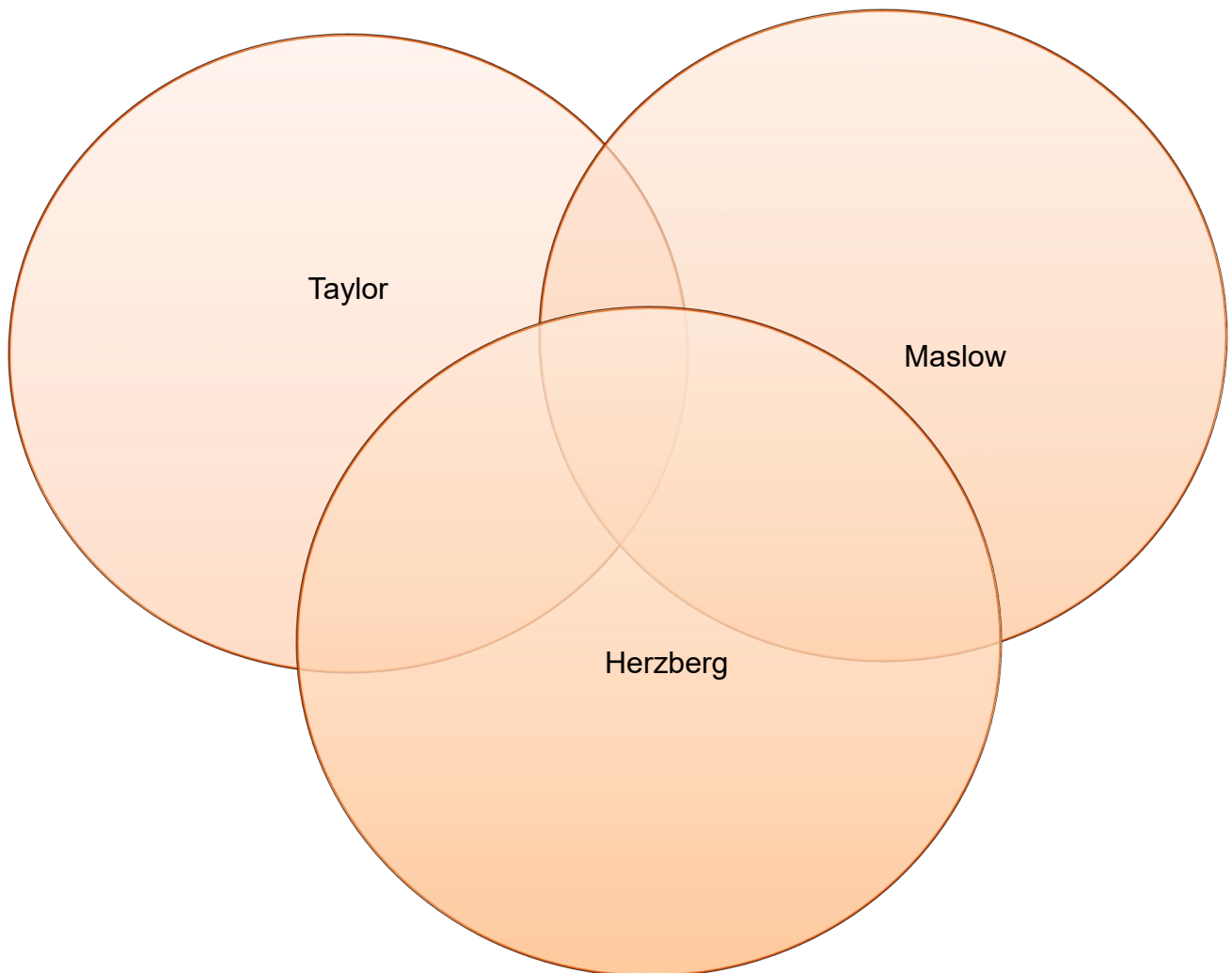
Learners categorise the theoretical points to see which are specific to one theory/topic and which crossover with other theorists/topics.

Learners should then discuss this with a partner and explain why these similarities and differences exist.

Lead a class discussion to consolidate learners' knowledge and understanding, giving guidance where needed.

## Worksheet 7: What is the theory?

Use the theoretical points below to complete the Venn diagram. Categorise the points into those which are specific to one theorist only, those which are relevant for any two of the theorists and those which are relevant to all three theorists.



- Money is not a motivator.
- Workers should be paid by piece-rate.
- Recognition can motivate employees.
- Safety needs motivate workers.
- There are hygiene factors and motivators.
- There are five levels of need.
- Motivating employees should improve productivity.
- Money should be considered when analysing how to motivate workers.
- Job security will prevent dissatisfaction in the workplace.
- Workers should be supervised.
- A fair day's pay for a fair day's work.



**Worksheet 7 answers:**

**Taylor**

*Workers should be paid by piece-rate.*

*A fair day's pay for a fair day's work.*

**Maslow**

*Safety needs motivates workers.*

*There are five levels of need.*

**Herzberg**

*There are hygiene factors and motivators.*

*Job security will prevent dissatisfaction in the workplace.*

**Taylor and Herzberg**

*Workers should be supervised.*

*Money should be considered when analysing how to motivate workers.*

**Taylor, Herzberg and Maslow**

*Motivating employees should improve productivity.*

**Maslow and Herzberg**

*Money is not a motivator.*

*Recognition can motivate.*

### Activity 2: Give me 5

Give learners a topic from the syllabus and ask them to give you five examples of sub-topics from this area.

The examples given in **Worksheet 8: Give me 5** can be used for this activity.

Lead a class discussion asking learners to share their ideas with a partner first and then as a class.

## Worksheet 8: Give me 5

Give five examples of sub-topics from each of the syllabus topic areas listed below.

### 1. Sources of finance

- a)
- b)
- c)
- d)
- e)

### 2. Financial rewards

- a)
- b)
- c)
- d)
- e)

### 3. Stages in the recruitment process

- a)
- b)
- c)
- d)
- e)

### 4. Economies of scale

- a)
- b)
- c)
- d)
- e)

**Worksheet 8 answers:**

**1. Sources of finance**

- a) *loan*
- b) *overdraft*
- c) *micro-finance*
- d) *crowdfunding*
- e) *sale of shares*

**2. Financial rewards**

- a) *wage*
- b) *salary*
- c) *bonus*
- d) *commission*
- e) *profit sharing*

**3. Stages in the recruitment process**

- a) *short-listing*
- b) *interview*
- c) *selection*
- d) *job advertisement*
- e) *aptitude tests*

**4. Economies of scale**

- a) *purchasing*
- b) *financial*
- c) *marketing*
- d) *managerial*
- e) *technical*

### Activity 3: True or False?

Give pairs of learners a set of statements which are either true or false.

Learners take turns reading out their statement and their partner has to identify whether the statement is true or false.

If the statement is false, the learner should change the statement to make it true.

The statements in **Worksheet 9: True or False?** can be used for this activity or replaced with other suitable ones.

Lead a class discussion ensuring that learners understand why the statement is true or false and correcting any misconceptions.

## Worksheet 9: True or False

Find a partner to complete the following activity with. Take it in turns to read out a statement.

Listen to the statement from your partner and identify whether you think it is true or false.

If you think it is false, correct the statement so that it becomes true.

### Statements:

- Planning is one of the roles of management.
- Businesses who operate in a niche market are likely to charge lower prices.
- Flow production is likely to result in high levels of output.
- Observations are an example of secondary market research.
- One of the aims of packing is to protect the product.
- Direct to customer is an example of a distribution channel.
- Cultural differences are likely to make it easier to enter foreign markets.
- $\text{Total costs} = \text{fixed costs} + \text{average costs}$ .
- Poor communication could lead to diseconomies of scale.
- $\text{Margin of safety} = \text{Current output} - \text{break-even output}$ .
- Quality control means that products are checked at each stage of production.
- Asking debtors to pay more quickly could help to overcome cash flow problems.
- Assets and liabilities are shown on an income statement.
- An appreciation of the exchange rate will make imports relatively cheaper.

### Corrections for false statements:

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**Worksheet 9 answers:****True statements:**

- Planning is one of the roles of management.
- Flow production is likely to result in high levels of output.
- One of the aims of packing is to protect the product.
- Direct to customer is an example of a distribution channel.
- Poor communication could lead to diseconomies of scale.
- $\text{Margin of safety} = \text{Current output} - \text{break-even output}$ .
- Asking debtors to pay more quickly could help to overcome cash flow problems.
- An appreciation of the exchange rate will make imports relatively cheaper.

**Corrections for false statements:**

- Businesses who operate in a niche market are likely to charge higher prices.
- Observations are an example of primary market research.
- Cultural differences are likely to make it harder to enter foreign markets.
- $\text{Total costs} = \text{fixed costs} + \text{variable costs}$ .
- Quality control means that products are checked at the end of the production process.
- Assets and liabilities are shown on a statement of financial position.

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