

Skills Exercises

Analysis (AO3) and Evaluation (AO4)

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

Cambridge O Level
Business Studies 7115

For examination from 2023



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Introduction

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](#)

Analysis (AO3)

Analysis is a skill which starts to unlock the higher marks in examinations. Learners who can effectively analyse will be able to build arguments within their responses and this will often make it easier to evaluate. To access Analysis (AO3) marks learners need to:

- distinguish between evidence and opinion in a business context
- order, analyse and interpret information in narrative, numerical and graphical forms, using appropriate techniques.

Exercise 1: What is analysis?

Learners need to be able to understand what analysis actually looks like. Often, learners think that analysis involves providing descriptions or making lots of points, whereas this is not the case.

Activity 1: How to analyse

It is common for learners to state points, rather than explain them. The use of connectives is necessary for learners to be able to develop their points into analysis.

For this activity, learners need to think of as many different connectives as they can.

Worksheet 1: How to analyse can be used for this activity.

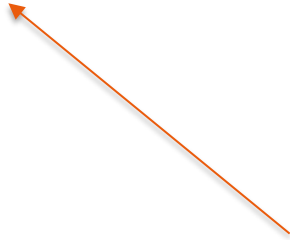
Lead a class discussion, noting down as many different connectives the class can think of and making sure that each learner has a complete list.

Worksheet 1: How to analyse

Effective analysis involves the use of connectives. Connectives allow you to develop your point so that it becomes more than just knowledge and develops into analysis.

List as many different connectives as you can below. An example has been given for you.

Therefore



Examples of connectives

Worksheet 1 answers may include:

Therefore

This means

Thus

This causes

Hence

This leads to

Consequently

As a result

Activity 2: Highlighting analysis

It is important for learners to be able to recognise analysis in a response. Recognising analysis in a response will help learners analyse effectively themselves.

Give learners an example response to an examination style question and ask them to highlight/underline where they can see analysis.

Worksheet 2: Highlighting analysis can be used for this activity or you can create your own.

Lead a class discussion ensuring all learners are clear on what analysis looks like in an examination answer and identifying and correcting any misconceptions.

Worksheet 2: Highlighting analysis

Read the example responses below. Highlight/underline where you can identify analysis.

1. Explain **two** ways PJA's managers can use ratio analysis.

Example response:

Way 1: *Ratio analysis will help the managers to be able to see trends over time for its clothing. As a result, they will be able to see whether improvements have been made or not.*

Way 2: *Ratio analysis will also help managers to assess profitability. For example, if ROCE for last year was less than 8% then this means that their profitability has improved this year.*

2. Explain **one** advantage and **one** disadvantage of Alex having a democratic leadership style.

Example response:

Advantage: *This may improve the motivation of his 6 employees. This could lead to an increase in output.*

Disadvantage: *Mistakes could be made if the workers lack experience. The reputation of this sole trader business could be damaged as a result of this.*

3. Explain **two** reasons why it is important for FO to manage all of its resources effectively when manufacturing products.

Example response:

Reason 1: *If FO manages its resources effectively then overproduction could be reduced. Overproduction could lead to increased storage required for the wooden outdoor furniture. This means that costs may increase.*

Reason 2: *It also means that FO will not run out of raw materials such as paint. Therefore, there is unlikely to be a shortage of the finished product. This could increase customer satisfaction.*

Worksheet 2 answers:

1. Explain **two** ways PJA's managers can use ratio analysis.

Example response:

Way 1: Ratio analysis will help the managers to be able to see trends over time for its clothing. As a result, they will be able to see whether improvements have been made or not.

Way 2: Ratio analysis will also help managers to assess profitability. For example, if ROCE for last year was less than 8% then this means that their profitability has improved this year.

2. Explain **one** advantage and **one** disadvantage of Alex having a democratic leadership style.

Example response:

Advantage: This may improve the motivation of his 6 employees. This could lead to an increase in output.

Disadvantage: Mistakes could be made if the workers lack experience. The reputation of this sole trader business could be damaged as a result of this.

3. Explain **two** reasons why it is important for FO to manage all of its resources effectively when manufacturing products.

Example response:

Reason 1: If FO manages its resources effectively then overproduction could be reduced. Overproduction could lead to increased storage required for the wooden outdoor furniture. This means that costs may increase.

Reason 2: It also means that FO will not run out of raw materials such as paint. Therefore, there is unlikely to be a shortage of the finished product. This could increase customer satisfaction.

Activity 3: Analysis match up

Learners should be able to recognise what the analysis could look like for any given knowledge point.

Give learners a set of statements that demonstrate knowledge and a set of developmental points that demonstrate analysis. Learners should match up the knowledge statement to the development point.

Worksheet 3: Analysis match up can be used for this activity or the statements replaced with others of your choice.

Lead a class discussion to ensure all learners have correctly matched the knowledge statements to the relevant development points.

Worksheet 3: Analysis match up

Match the knowledge statements below to a relevant analysis point.

Knowledge point	Analytical point
Operating in a mass market means a larger potential customer base.	This means that if owners assets are not at risk if the business is unable to pay its debts.
An advantage of democratic leadership is that employees are involved in the decision making.	This could increase the reputation of the business.
Job production involves one off-unique products being produced.	This could delay any further investment.
Takeovers can result in a clash of cultures within the business.	Therefore, decision making may be delayed.
Limited companies benefit from limited liability.	This could lead to an increase in revenue.
A long chain of command means that a message must pass through many different levels to get from the sender to the receiver.	This is likely to reduce the chance of customers receiving faulty products.
Advertising on the television is likely to be expensive.	This could lead to an increase in employee motivation.
Holding high levels of inventory can make it easier to respond to sudden changes in consumer demand.	Thus, business costs could increase.
Quality assurance means that products are checked for errors at each stage of the production process.	As a result, the business can charge a higher price.
An increase in interest rates means businesses have to pay more back on any loans they have.	This could to the message being distorted and mistakes being made.

Worksheet 3 answers:

Knowledge point	Analytical point
Operating in a mass market means a larger potential customer base.	<i>This could lead to an increase in revenue.</i>
An advantage of democratic leadership is that employees are involved in the decision making.	<i>This could lead to an increase in employee motivation.</i>
Job production involves one off-unique products being produced.	<i>As a result, the business can charge a higher price.</i>
Takeovers can result in a clash of cultures within the business.	<i>Therefore, decision making may be delayed.</i>
Limited companies benefit from limited liability.	<i>This means that if owners assets are not at risk if the business is unable to pay its debts.</i>
A long chain of command means that a message must pass through many different levels to get from the sender to the receiver.	<i>This could to the message being distorted and mistakes being made.</i>
Advertising on the television is likely to be expensive.	<i>Thus, business costs could increase.</i>
Holding high levels of inventory can make it easier to respond to sudden changes in consumer demand.	<i>This could increase the reputation of the business.</i>
Quality assurance means that products are checked for errors at each stage of the production process.	<i>This is likely to reduce the chance of customers receiving faulty products.</i>
An increase in interest rates means businesses have to pay more back on any loans they have.	<i>This could delay any further investment.</i>

Exercise 2: Developing points of analysis

It is essential that learners focus their analysis in the right way. An examination question will always have a clear focus for analysis.

Analysis can be limited or developed.

Limited analysis does not go far enough. For example, it may identify an impact, effect or reaction, but it does not continue and demonstrate how it will really affect the business or stakeholder.

Developed analysis is about developing a chain of analysis. This means that there is a clear link between the initial impact, effect or reaction and how this might develop to really affect the business or stakeholder.

Activity 1: Developing chains of analysis

Developed analysis can be seen as a chain of effects. This activity helps learners think about the links in the chain that go from the initial effect through to the end effect.

Give learners a starting effect and how this might end. The chains on **Worksheet 4: Developing chains of analysis** can be used or changed with other effects.

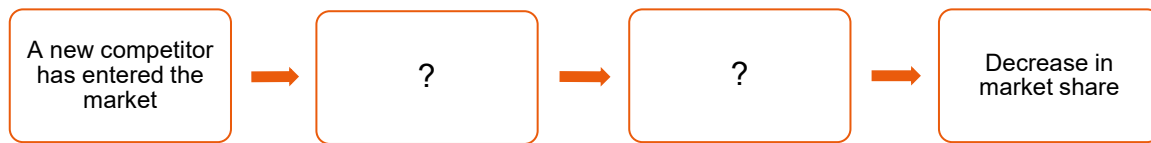
For each sentence, learners complete the missing links in the chain that match up to the initial effect to the end effect.

There may be many ways to get from the first effect to the last, so discuss the different routes learners have taken and whether any of the links are more realistic than others.

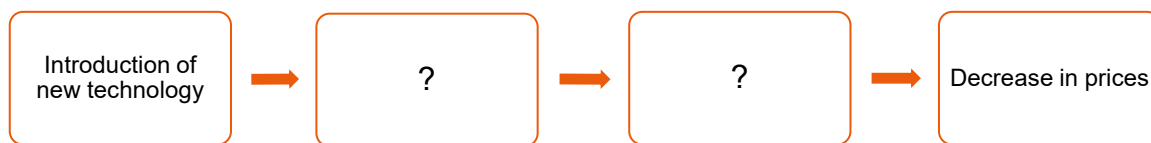
Worksheet 4: Developing chains of analysis

Develop a chain of analysis to show how each scenario below could impact a business.

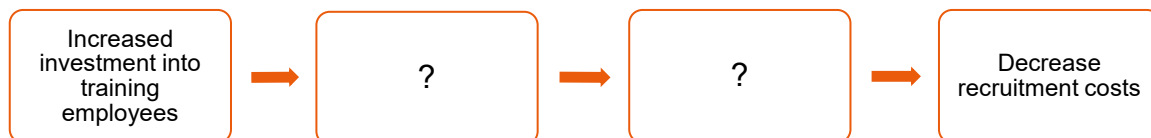
1. A new competitor has entered the market.



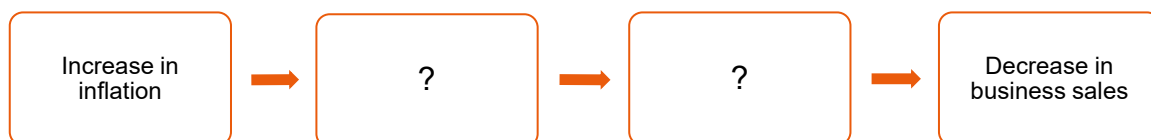
2. A business has introduced new technology.



3. A business has increased investment into training its employees.

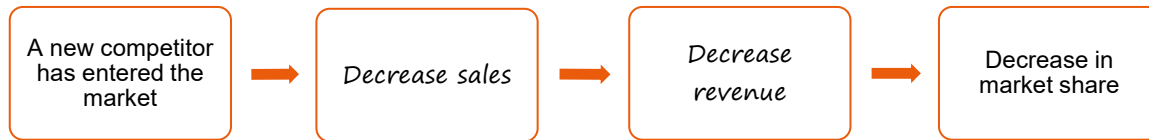


4. There has been an increase in inflation in the economy.

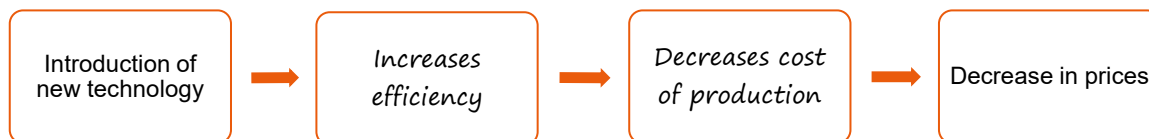


Worksheet 4 answers:

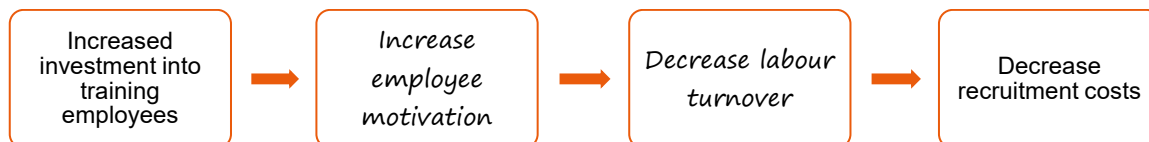
1. A new competitor has entered the market.



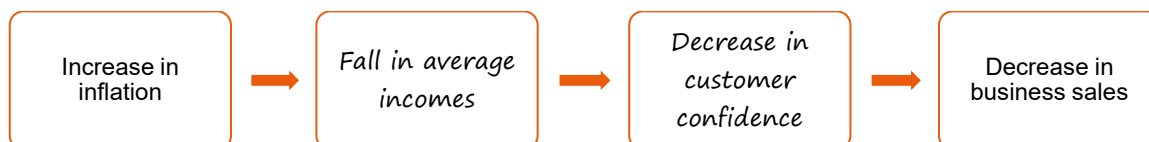
2. A business has introduced new technology.



3. A business has increased investment into training its employees.



4. There has been an increase in inflation in the economy.



Activity 2: Developing analysis

Learners need to be able to write developed responses in relation to a case study scenario.

Give learners a set of mini scenarios and ask them to write a developed answer for this.

The scenarios in **Worksheet 5: Developing analysis** may be used or could be replaced with other scenarios.

Learners may find a range of answers, so responses should be discussed, with a focus on the analysis.

Worksheet 5: Developing analysis

Read the scenarios below and provide a developed and contextualised response for each question. How many chains of analysis can you come up with? Aim to use at least two connectives in each response.

1. A start-up business selling chocolate is conducting market research into consumer preferences. Explain an advantage to the business of conducting market research.

.....

.....

.....

2. A business selling clothes operates in a competitive market. Explain an advantage to the business of being ethical.

.....

.....

.....

3. Joe and Janet are considering starting a business partnership for their bakery business. Explain an advantage to Joe and Janet of operating as a partnership.

.....

.....

.....

4. A car manufacturing business imports raw materials from overseas. There has been an appreciation of the domestic currency. Explain one impact of the appreciation to the business.

.....

.....

.....

5. A large retail business is considering delegating tasks to its 200 employees. Explain one benefit to the business of delegation.

.....

.....

.....

Worksheet 5 answers:

1. A start-up business selling chocolate is conducting market research into consumer preferences. Explain an advantage to the business of conducting market research.

Understanding customer preferences would enable the business to know how many raw materials to buy for making chocolate. Wastage could reduce as a result which could lead to a reduction in total costs.

2. A business selling clothes operates in a competitive market. Explain an advantage to the business of being ethical.

An advantage of being ethical is that it can give the clothing business a good reputation. This could increase their sales and therefore also increase their revenue and market share.

3. Joe and Janet are considering starting a business partnership for their bakery business. Explain an advantage to Joe and Janet of operating as a partnership.

Operating as a partnership can lead to more ideas for the bakery. This could help lead to a competitive advantage for the business which can therefore increase sales.

4. A car manufacturing business imports raw materials from overseas. There has been an appreciation of the domestic currency. Explain one impact of the appreciation to the business.

The appreciation of the exchange rate means that imports are relatively cheaper for the car manufacturer. This means that they could decrease prices which could lead to an increase in sales.

5. A large retail business is considering delegating tasks to its 200 employees. Explain one benefit to the business of delegation.

This could increase the motivation of the 200 employees. The business could therefore experience a decrease in labour turnover which could lead to a reduction in recruitment costs.

Exercise 3: Answering the question

It is important for learners to read the specific wording of the question. This will help to ensure that the points that learners are including in their responses are relevant to the question given.

Activity 1: Who is the focus?

The responses learners provide to questions should be focused upon either the business or one of its stakeholder groups.

It is common for learners to respond to a question using the wrong focus, e.g. discussing employees rather than the business. This means that learners are not actually answering the question.

Give learners a set of examination style questions – any past paper questions can be used, or you can create some of your own.

Each question should have one correct statement and one incorrect statement underneath.

Learners should circle the correct one. **Worksheet 6: Who is the focus?** can be used as an example of this activity or you could create your own.

Lead a class discussion on how the focus of each question could be misinterpreted.

Worksheet 6: Who is the focus?

Read each question and the two possible answers. Circle the answer which is answering the question using the correct focus and explain why the other is incorrect.

1. Explain an advantage to Paul and Sandra of operating as a partnership.

Answer 1	Answer 2
More ideas in the business.	Shared workload.
Explanation:	

2. Explain a benefit of e-commerce to ABC's customers.

Answer 1	Answer 2
More convenient.	Access to a wider audience.
Explanation:	

3. Explain how ABC's shareholders may find ABC's financial accounts useful?

Answer 1	Answer 2
Help decide whether to sell their shares.	Help decide whether to expand the business.
Explanation:	

4. Explain how a rise in the rate of inflation may affect ABC's consumers.

Answer 1	Answer 2
Less sales.	Lower levels of disposable income.
Explanation:	

5. Explain how training could benefit ABC's employees.

Answer 1	Answer 2
Increase in skills levels.	Increase in productivity.
Explanation:	

Worksheet 6 answers:

1. Explain an advantage to Paul and Sandra of operating as a partnership.

Answer 1	Answer 2
More ideas in the business.	Shared workload.
Explanation: The first statement is an impact on the business and not Paul and Sandra.	

2. Explain a benefit of e-commerce to ABC's customers.

Answer 1	Answer 2
More convenient.	Access to a wider audience.
Explanation: The second statement is an advantage to ABC.	

3. Explain how ABC's shareholders may find ABC's financial accounts useful?

Answer 1	Answer 2
Help decide whether to sell their shares.	Help decide whether to expand the business.
Explanation: The second statement is how the managers/owners might find the accounts useful.	

4. Explain how a rise in the rate of inflation may affect ABC's consumers.

Answer 1	Answer 2
Less sales.	Lower levels of disposable income.
Explanation: The first statement is an impact on the business.	

5. Explain how training could benefit ABC's employees.

Answer 1	Answer 2
Increase in skills levels.	Increase in productivity.
Explanation: The second statement is an impact on the business.	

Activity 2: Developing a range of points

Learners may need to be able to identify a range of impacts of a given point.

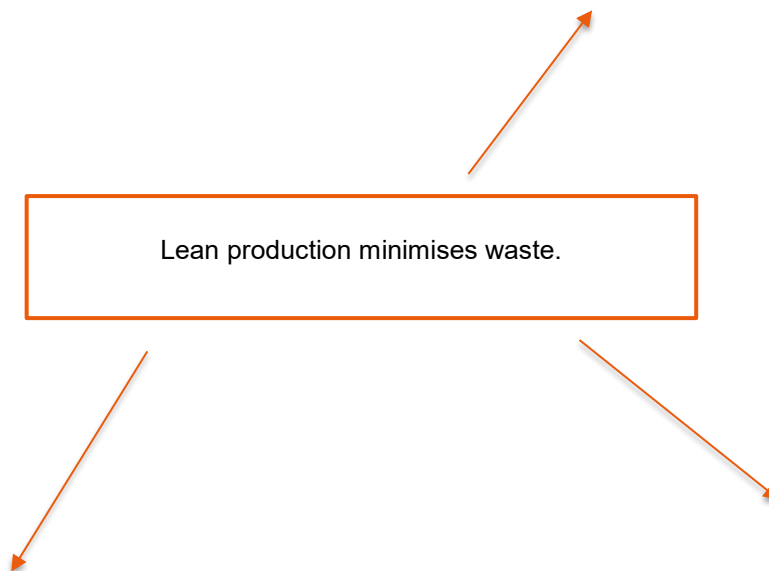
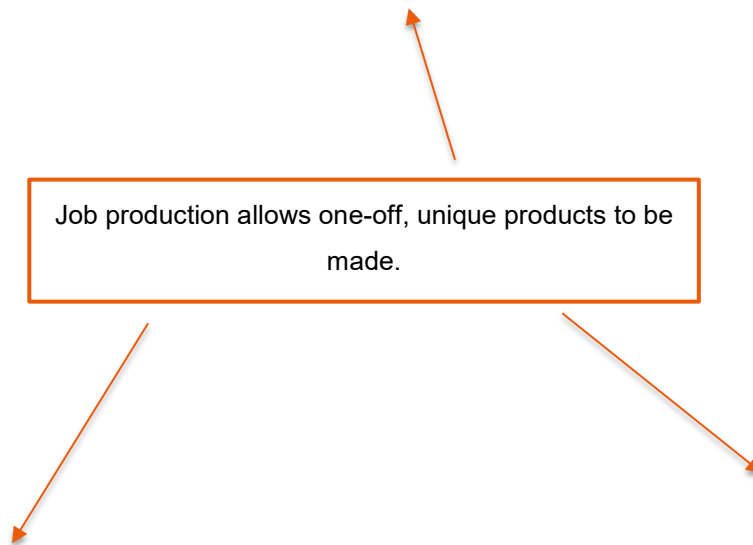
It is common for learners to repeat previously made points, rather than exploring new ones.

Give learners a set of statements and ask them to come up with as many different impacts of this statement as they can. **Worksheet 7: Developing a range of points** can be used as an example of this activity.

Lead a class discussion to go through learners' impacts, adding to their points as needed.

Worksheet 7: Developing a range of points

Read the statements in the middle of the mind map. Identify at least three different points of development for each statement.

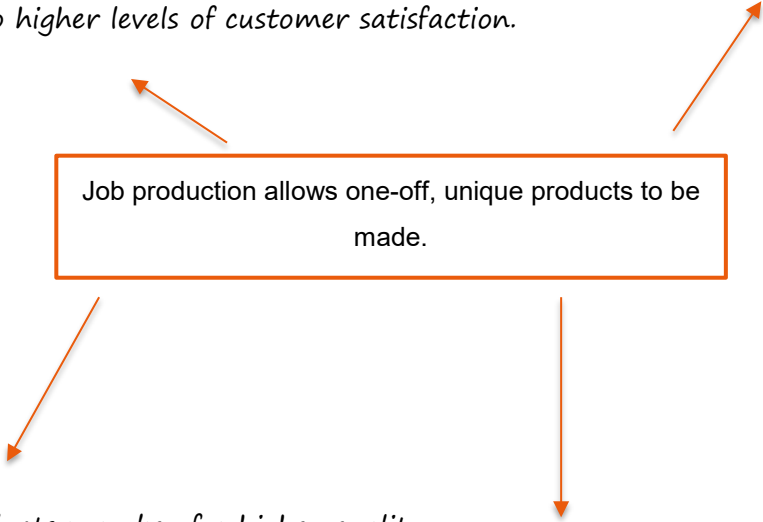


Worksheet 7 answers:

This means a higher price can be charged.

This can lead to higher levels of customer satisfaction.

Job production allows one-off, unique products to be made.



```

graph TD
    A[Job production allows one-off, unique products to be made.] --> B[This means a higher price can be charged.]
    A --> C[This can lead to higher levels of customer satisfaction.]
    A --> D[Therefore, products may be of a higher quality.]
    A --> E[Employee motivation may increase because of this.]
  
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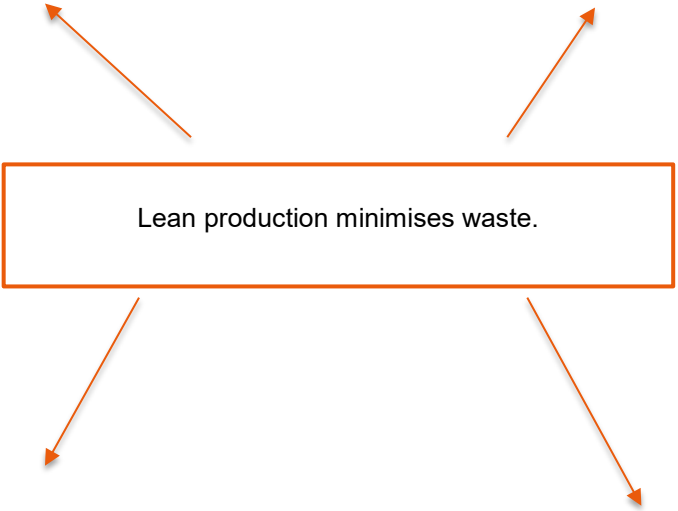
Therefore, products may be of a higher quality.

Employee motivation may increase because of this.

This can increase business efficiency.

Thus business productivity could increase.

Lean production minimises waste.



```

graph TD
    F[Lean production minimises waste.] --> G[This can increase business efficiency.]
    F --> H[Thus business productivity could increase.]
    F --> I[Business costs may decrease as a result.]
    F --> J[Therefore, the business' reputation may improve.]
  
```

Business costs may decrease as a result.

Therefore, the business' reputation may improve.

Activity 3: Analysis of what?

Give learners a set of analytical statements.

Learners identify what this could be relevant analysis of.

Worksheet 8: Analysis of what? can be used for this activity or you could create your own statements.

Learners may come up with a range of relevant points.

Lead a discussion asking learners for their points and correcting any misconceptions.

Worksheet 8: Analysis of what?

Read each statement below and identify what this could be effective analysis of. The first one has been completed as an example for you.

1. New legal controls over employment have been introduced.

This can lead to an increase in business costs.

2.

This could damage the reputation of the business.

3.

Therefore, the breakeven quantity will increase.

4.

As a result, customer loyalty could increase.

5.

This could lead to inaccurate decision making.

6.

Consequently, the added value of the product will increase.

7.

This will increase cash outflows.

Worksheet 8 answers:

1. *New legal controls over employment have been introduced.*

This can lead to an increase in business costs.

2. *Pressure groups are taking action against a business.*

This could damage the reputation of the business.

3. *The price of the product has decreased.*

Therefore, the breakeven quantity will increase.

4. *A business has introduced a variety of sales promotions.*

As a result, customer loyalty could increase.

5. *Primary research may incur biased responses.*

This could lead to inaccurate decision making.

6. *A business has decreased the cost of the raw materials used in production.*

Consequently, the added value of the product will increase.

7. *A business has increased spending on advertising.*

This will increase cash outflows.

Evaluation (AO4)

The skill of evaluation is the least understood and often confused with analysis. It is important that learners not only understand the difference between analysis and evaluation but can also write according to the Evaluation (AO4) criteria:

To access Evaluation (AO4) marks learners need to:

- present reasoned explanations, develop arguments, understand implications and draw inferences
- make judgements, recommendations and decisions.

Exercise 1: Approaching the question

Learners need to consider the specific wording of the question and then decide how best to approach it. Detailed discussions and having a balanced argument are important steps to providing the basis for effective evaluation.

Activity 1: A balanced argument

Learners should be able to recognise which two sides of the argument are needed within their response. Having a balanced discussion sets a good foundation for learners to be able to evaluate effectively.

Give learners a list of questions.

Learners read the question and identify both sides of the argument that could be given.

Worksheet 9: A balanced argument can be used as an example of this activity or replaced with other questions.

Discuss the different sides of the arguments with learners, asking them to give specific points for each side.

Worksheet 9: A balanced argument

For each of the following questions, identify what the two sides of the argument could be.

1. Do you think being innovative is the most important characteristic of a successful entrepreneur?

Side1:.....

Side2:.....

2. Do you think access to raw materials is the most important factor for a manufacturing business to consider when deciding where to relocate a new factory?

Side1:.....

Side2:.....

3. Do you think on-the-job training is the best method of training for a business to use?

Side1:.....

Side2:.....

4. Do you think penetration pricing is the best pricing method for a new business to use?

Side1:.....

Side2:.....

5. Do you think batch production is the best method of production for a manufacturing business to use?

Side1:.....

Side2:.....

6. Do you think taking over another business is the best method of external growth to use?

Side1:.....

Side2:.....

Worksheet 9 answers may include:

1. Do you think being innovative is the most important characteristic of a successful entrepreneur?

Side 1: *Reasons why being innovative is the most important.*

Side 2: *Other characteristics could also be the most important.*

2. Do you think access to raw materials is the most important factor for a manufacturing business to consider when deciding where to relocate a new factory?

Side 1: *Reasons why access to raw materials is the most important factor.*

Side 2: *Other factors could also be the most important, such as the availability of skilled labor or supply chains.*

3. Do you think on-the-job training is the best method of training for a business to use?

Side 1: *Reasons why on-the-job-training is the best method to use.*

Side 2: *Reasons why on-the-job-training is not the best method to use OR reasons why off-the-job-training might be a better method.*

4. Do you think penetration pricing is the best pricing method for a new business to use?

Side 1: *Reasons why penetration pricing is the best method to use.*

Side 2: *Reasons why penetration pricing is not the best method to use OR why price skimming may be better.*

5. Do you think batch production is the best method of production for a manufacturing business to use?

Side 1: *Reasons why batch production is the best method to use.*

Side 2: *Reasons why batch production is not the best method to use OR reasons why flow or job might be better.*

6. Do you think taking over another business is the best method of external growth to use?

Side 1: *Reasons why a takeover is the best method.*

Side 2: *Reasons why a takeover is not the best method OR reasons why a merger might be better.*

Activity 2: Which is the most appropriate?

Learners will often be asked to recommend a strategy/method of doing something for a given business. Some strategies/methods are likely to be more relevant than others for certain business contexts.

Give learners some scenarios and potential options to choose from.

Learners rank these options in terms of the most relevant down to the least relevant and explain their choices.

Ranking the options and explaining their choices helps to develop the skill of evaluation as learners are making an informed judgement.

Understanding why some options are less relevant is an important part of being able to explain why one option is the best.

Worksheet 10: Which is the most appropriate? can be used for this activity or replaced with any of your own scenarios.

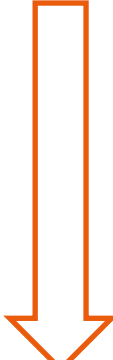
Learners are likely to have different orders for their options.

Lead a class discussion to go through learners' rankings, asking them to explain why they chose their ranked order.

Worksheet 10: Which is the most appropriate?

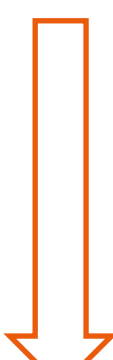
1. A start-up photography business is deciding which method of market research to use to find out whether to specialise in wedding photography or offer services to the mass market. Rank the options in bold below from the most appropriate down to the least appropriate and explain why.

Focus group Industry reports Competitor websites Observations Questionnaire

Choices	Ranking	Explanation
Most appropriate  Least appropriate		

2. A large manufacturing company is considering increasing its scale of production by investing in new technology. Its stakeholders will be affected in different ways by this decision. Rank the below stakeholder groups from the group who is **most** likely to be affected, down to the **least** likely to be affected.


Suppliers Employees Customers Government Local community

Choices	Ranking	Explanation
Most  Least		

Worksheet 10 answers:


1. A start-up photography business is deciding which method of market research to use to find out whether to specialise in wedding photography or offer services to the mass market. Rank the below options from the most appropriate down to the least and explain why.

Focus group Industry reports Competitor websites Observations Questionnaire

Choices	Ranking	Explanation
Most  Least	Questionnaire	A questionnaire is likely to be asked to a wider range of potential customers.
	Competitor websites	Looking at a competitor website will help to identify the level of competition in each area.
	Industry reports	Industry reports may be of use but also could be out of date/not relevant.
	Focus group	A focus group may provide too small of a sample.
	Observations	Observations are unlikely to be relevant in this business context.

2. A large manufacturing company is considering increasing its scale of production by investing in new technology. Its stakeholders will be affected in different ways by this decision. Rank the below stakeholder groups from the group who is likely to be affected the most by the investment, down to the least.

Suppliers Employees Customers Government Local community

Choices	Ranking	Explanation
Most appropriate  Least appropriate	Employees	Employees are likely to be most affected as there may be redundancies, or they may need training in the new equipment.
	Suppliers	Suppliers may be required to increase the amount of raw materials they are providing the business.
	Customers	The quality of the product could be improved through the new technology and therefore more customers will be acquired.
	Local community	The local community are unlikely to be directly affected by the introduction of the new technology unless it produces a significant amount of pollution.
	Government	There is an unknown effect on the government – they may receive more tax revenue if sales increase, however we do not know the effect of the technology on sales.

Activity 3: Help me to evaluate

A common mistake is that learners repeat previously made points in their judgement. This does not access evaluation marks.

Give learners some example responses where no evaluation marks are awarded.

Learners explain why there are no evaluation marks and then improve the answer with a valid evaluation.

Worksheet 11: Help me to evaluate can be used as an example of this activity or replaced with other examples.

Lead a class discussion to go through learners improved evaluations giving guidance where needed and addressing any misconceptions.

Worksheet 11: Help me to evaluate

Explain why each of the below responses would not be credited with evaluation marks. Re-write the evaluation so that marks would be awarded.

1. Do you think off-the-job training is the best method for a business to use when introducing new machinery? Justify your answer.

Response: Off-the-job is helpful as workers can focus on training, so they are less likely to make mistakes. An alternative is on-the-job training as some output is still produced if this method of training is used. Overall, I think that off-the-job is better but on-the-job could also be beneficial.

Reason why evaluation hasn't been awarded:

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Rewritten evaluation:

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2. Explain two non-financial methods a small business could use to keep its employees well-motivated. Justify which method should be chosen.

Response: One method which could be used is praise as this helps employees meet their esteem needs. Another method is job rotation. Switching between tasks can help keep the work interesting. I think that praise is the best option because praising employees will keep them motivated as they will have met their esteem needs.

Reason why evaluation hasn't been awarded:

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Rewritten evaluation:

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Worksheet 11 answers:

1. Do you think off-the-job training is the best method for a business to use when introducing new machinery? Justify your answer.

Response: Off-the-job is helpful as workers can focus on training, so they are less likely to make mistakes. An alternative is on-the-job training as some output is still produced if this method of training is used. Overall, I think that off-the-job is better but on-the-job could also be beneficial.

Reason why evaluation hasn't been awarded:

No judgement has been made in this response. The response simply states that either method of training could be used. A focused decision needs to be made in order to access evaluation marks.

Rewritten evaluation:

Off-the-job training is likely to be better because existing employees may not have any knowledge of the new machinery so off-the-job training is worth the extra cost to make sure workers use machinery correctly and avoid costly mistakes as a result.

2. Explain two non-financial methods a small business could use to keep its employees well-motivated. Justify which method should be chosen.

Response: One method which could be used is praise as this helps employees meet their esteem needs. Another method is job rotation. Switching between tasks can help keep the work interesting. I think that praise is the best option because praising employees will keep them motivated as they will have met their esteem needs.

Reason why evaluation hasn't been awarded:

This is not evaluation, as earlier points have simply been repeated.

Rewritten evaluation:

I think praise is the better option as the problem with job rotation is whether a small business has a sufficient amount of tasks to be able to rotate everyone whereas praise can easily be offered to everyone which can help keep everyone motivated rather than just a few.

Exercise 2: Making a judgement

Learners should provide their judgement at the end of evaluative questions. This should be their overall decision in relation to the specific question in hand. This judgement should be supported (explained).

Activity 1: What is evaluation?

Learners often think they are evaluating when they are simply repeating previously made points.

Their judgement should provide a new point, whilst building upon those points which have been previously made.

Give learners some example responses and ask them to do the following:

- Part 1: learners highlight/underline where they can see evaluation in the response.
- Part 2: learners write the evaluation for the response they have been given.

Worksheet 12: What is evaluation? can be used for this activity.

Lead a class discussion asking where learners have identified evaluation in the responses.

Ask learners to share their own evaluative responses giving guidance where needed and identifying any misconceptions.

Worksheet 12: What is evaluation?

Part 1

For each of the below responses, highlight or underline where you can identify evaluation.

1. Do you think giving out free samples is the best method of promotion for a new food business to use when promoting a new product? Justify your answer.

Response: Giving out free samples encourages potential customers to try something new which could then persuade them to buy the product. However, there could be a high cost of providing free samples and this could therefore decrease the profit margin. Free samples are the best method despite the cost as taste is important when buying food products.

2. Do you think the ways technology has changed production methods benefits all employees? Justify your answer.

Response: The introduction of new technology can decrease job security for employees which can lead to a reduction in motivation. However, the use of new technology may require more skilled workers which could result in higher pay. It will not benefit all employees as it depends on the individual workers. Those who lose their jobs will not see the benefit of the new technology whereas those who keep their jobs will benefit from learning new skills.

Part 2

For each of the below responses, write the evaluation based on the response provided.

1. Do you think using wholesalers is the best way for a large business to distribute its products? Justify your answer.

Response: Wholesalers will pay slightly lower prices which will reduce the businesses profit margin. By selling direct to customers this will give the firm more control over marketing.

Evaluation:

.....

2. Do you think issuing new shares is a better way for a limited company to finance expansion than using a bank loan? Justify your answer.

Response: Issuing new shares gives access to large amounts of capital as there is no restriction on the number of shares. Bank loans require interest payments which will increase costs.

Evaluation:

.....

Worksheet 12 answers:

Part 1

For each of the below responses, highlight/underline where you can identify evaluation.

1. Do you think giving out free samples is the best method of promotion for a new food business to use when promoting a new product? Justify your answer.

Response: Giving out free samples encourages potential customers to try something new which could then persuade them to buy the product. However, there could be a high cost of providing free samples and this could therefore decrease the profit margin. Free samples are the best method despite the cost as taste is important when buying food products.

2. Do you think the ways technology has changed production methods benefits all employees? Justify your answer.

Response: The introduction of new technology can decrease job security for employees which can lead to a reduction in motivation. However, the use of new technology may require more skilled workers which could result in higher pay. It will not benefit all employees as it depends on the individual workers. Those who lose their jobs will not see the benefit of the new technology whereas those who keep their jobs will benefit from learning new skills.

Part 2

For each of the below responses, write the evaluation based on the response provided.

1. Do you think using wholesalers is the best way for a large business to distribute its products? Justify your answer.

Response: Wholesalers will pay slightly lower prices which will reduce the businesses profit margin. By selling direct to customers this will give the firm more control over marketing.

Evaluation: *Selling directly to customers may be the best way to protect its brand image. For a large business, image is likely to have a big impact on their sales.*

2. Do you think issuing new shares is a better way for a limited company to finance expansion than using a bank loan? Justify your answer.

Response: Issuing new shares gives access to large amounts of capital as there is no restriction on the number of shares. Bank loans require interest payments which will increase costs.

Evaluation: *It can depend on the current level of debt. A bank loan will increase financial risk so it may be safer to issue shares as a limited company will not be required to repay the funds.*

Activity 2: Justifying your choice

For learners to access the higher marks, part of justifying the final choice involves giving an explanation of why the alternative has been rejected.

Give learners **Worksheet 13: Justifying your choice** which shows two example responses to an examination question. Learners should complete the sentences to explain why the alternative choice has been rejected.

Lead a class discussion to discuss learners' responses and to ensure they understand how to evaluate.

Worksheet 13: Justifying your choice

Read the case study and responses below. Complete the evaluation for each response, explaining why the alternative has been rejected.

The BB Health Spa (BB)

Bethany owns The BB Health Spa in Main City in country X. Economic growth has been high for the last few years. The government of country X wants this growth to continue so it has reduced income tax. However, it is also worried about inflation becoming a problem so it has increased interest rates.

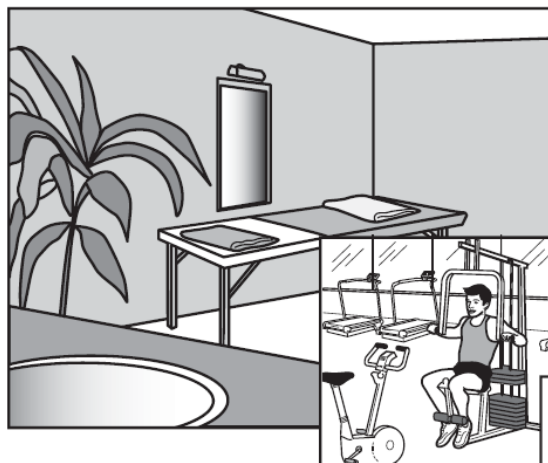
The BB Health Spa is very busy and Bethany is considering taking on a partner to help manage the business and give her more free time. However, she has been a sole trader for 10 years and wants the business to stay small.

The customers of The BB Health Spa are people of all ages who are interested in their health. Bethany employs two qualified workers to provide the treatments for customers. Bethany herself also provides customers with treatments. In addition, she does all the administration such as ordering inventory, accounts and paying invoices when the spa is closed.

The BB Health Spa still uses the original treatment equipment which was purchased when the business started. Some spas nearby have the latest equipment but these spas charge much higher prices than The BB Health Spa. Bethany records all the financial transactions by filling in accounts books by hand. This takes her a long time. Customers book appointments using the telephone and Bethany later telephones them to remind them when an appointment is due.

Advert for treatments at The BB Health Spa

Come to The BB Health Spa



Sports Therapies

Gym

Yoga



Appendix 2

Weekly forecasts for two possible additional services

	Steam room	Hair cuts
Additional customers	200	50
Average price charged per customer	\$5	\$25
Wages	\$60	\$400
Cost of sales	\$40	\$125
Lease of equipment	\$400	\$175

Appendix 3

Daily News

September

New equipment now available in many health spas to make skin look younger

There have been a number of changes in technology for health spas which allow the treatments to be much more effective in making skin look younger. Many people are keen to try these treatments using the latest equipment to get younger looking skin. This equipment is very expensive for health spas to buy or lease.

The news of these treatments has appeared on social media sites and on mobile phone Apps leading to higher demand. 'Some customers will pay high prices for such treatments', said a local health spa owner who is keen to promote his health spa as being one of the first to use the new equipment.

There have also been developments in software which make customer bookings and accounts much easier, quicker and with fewer mistakes. Automatic text (sms) messages are used to remind customers of their appointments – so no need to miss an appointment again.

Look out for these changes in health spas near you!

1. Explain how the following two changes are likely to affect The BB Health Spa:

- lower income tax in country X
- increase in interest rates in country X.

Which change is likely to have the most effect on profit? Justify your answer.

The lower income tax in country X can lead to a higher income for customers which can increase the demand for luxury services. However, customers may go to higher quality competitors that offer the latest equipment giving better results on the skin. Therefore, revenue may fall.

The increase in interest rates can lead to less income for consumers to have to spend on luxuries which can decrease demand for treatments such as those offered by the health spa. However,

the higher interest rates could lead to a higher cost of loans and overdrafts if Bethany wants to purchase the latest equipment.

This leads to higher costs for the business. This could be a problem as it is a small business so has access to fewer sources of finance.

I think that the lower income tax is likely to have the most effect on profit. If the increase in income tax is not too high, then very few customers may be affected and there will be only a small decrease in quantity demanded.

A rise in interest rates is likely to have a smaller effect on profit because...

.....
.....
.....

2. Explain why the following three factors are important to Bethany when choosing a business partner:

- knowledge of new technology
- experience in managing a health spa
- capital to invest.

Which factor do you think is most important? Justify your answer.

Knowledge of new technology is important as this means that the partner could operate the new machines to treat clients without needing to be trained. This reduction in training can lead to lower costs. However, the partner has more knowledge than Bethany which could make her feel like the partner is more important than her. As Bethany started the business 10 years ago, she may want to feel like she is keeping control of the business.

Experience in managing a health spa may mean that the partner and Bethany have different skills which may increase the efficiency of running the business. However, the partner may make decisions that Bethany does not like as they may do things differently. The partner may not understand how Bethany runs the spa and this could lead to conflict and delayed decision making.

The capital to invest means that there is no need to take a loan which lowers interest payments and thus lowers costs. However, the new partner will expect a share of the profit so is likely to want to have a say in how the business is run such as which new service to introduce. This leads to a loss of control for Bethany.

Overall, I think the most important factor is knowledge of the new technology as this can help to increase the competitiveness of the business. In addition, the ability to charge higher prices can lead to increase profits.

I think that capital to invest is not the most important because...

.....

.....

.....

Worksheet 13 answers may include:

1. A rise in interest rates is likely to have a smaller effect on profit because...

Bethany may not need a loan and therefore the higher interest rates will have little effect on her business. Also, customers are unlikely to take out loans for treatments and therefore the rising interest rates are likely to have little or no effect on demand for treatments.

2. I think that capital to invest is not the most important because...

whilst this may save in interest costs due to not needing to take a loan, the cost of training is likely to increase as the partner would not know how to deliver the new treatments. Bethany may therefore need to spend time training the partner which will not free up time for her which is what she wants from taking on a partner.

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