

Skills Exercises
Application (AO2)

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](#)

Application (AO2)

To access Application (AO2) marks learners need to:

- apply knowledge and understanding of facts, terms, concepts, conventions, theories and techniques.

Exercise 1: Knowing the formulae

The ability to use numbers is an essential part of the Cambridge IGCSE / O Level Business Studies syllabus. Learners should be able to complete calculations by using the data provided in the STEM/case study.

Knowing the formulae will enable learners to complete these calculations.

Activity 1: Complete the formula

There are a range of formulae that learners need to know. Some of these formulae may look similar to others or have very subtle differences.

Give learners a set of incomplete formulae.

Learners should complete the formulae by filling in the missing word.

Worksheet 1: Complete the formula can be used as an example of this activity.

Lead a class discussion, checking that learners have the correct answers and addressing any misconceptions.

Worksheet 1: Complete the formula

Fill in the gaps to complete the formulae below.

1. Break-even = fixed costs

2. Margin of safety = _____ - breakeven output

3. Net cash flow = cash inflow - _____

4. Gross profit = _____ - cost of sales

5. Gross profit margin = gross profit x 100

6. Acid test ratio = current assets - _____

current liabilities

7. Revenue = _____ x quantity

8. Closing balance = opening balance + _____

Worksheet 1 answers:

1. Break-even = fixed costs

contribution per unit

2. Margin of safety = *current output* - breakeven output

3. Net cash flow = cash inflow – *cash outflow*

4. Gross profit = *revenue* - cost of sales

5. Gross profit margin = gross profit x 100

revenue

6. Acid test ratio = current assets - inventories

current liabilities

7. Revenue = *price* x quantity

8. Closing balance = opening balance + *net cash-flow*

Skills Exercises

Activity 2: Calculations

It is important for learners to be able to complete calculations using the data provided in the STEM/case study.

Give learners a sample of data and ask them to identify which calculations they should be able to complete using the data provided.

Learners discuss their thoughts with a partner and add any that they have missed to their list.

Learners should then complete the calculations individually.

Worksheet 2: Calculations can be used as an example of this activity.

Worksheet 2: Calculations

1. Write a list of the calculations that you would be able to complete using the data in the table below.

Extract of data from XXX's income statement

Revenue	\$50 000
Cost of sales	\$10 000
Overhead costs	\$15 000

Calculation list:

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

2. Discuss your list with a partner and add any extras that you may have missed.

3. Complete the calculations below:

a)

- Formula –
- Workings –
- Final answer –

b)

- Formula –
- Workings –
- Final answer –

c)

- Formula –
- Workings –
- Final answer –

d)

- Formula –
- Workings –
- Final answer –

Worksheet 2 answers:

1. Write a list of the calculations that you would be able to complete using the data in the table below.

Extract of data from XXX's income statement

Revenue	\$50 000
Cost of sales	\$10 000
Overhead costs	\$15 000

Calculation list:

- a) *Gross profit*
- b) *Profit*
- c) *Gross profit margin*
- d) *Profit margin*

2. Discuss your list with a partner and add any extras that you may have missed.

3. Complete the calculations below:

a)

$$\begin{aligned}
 \text{Gross profit} &= \text{revenue} - \text{cost of sales} \\
 &= \$50\,000 - \$10\,000 \\
 &= \$40\,000
 \end{aligned}$$

b)

$$\begin{aligned}
 \text{Profit} &= \text{Gross profit} - \text{overhead costs} \\
 &= \$40\,000 - 15\,000 \\
 &= \$25\,000
 \end{aligned}$$

c)

$$\begin{aligned}
 \text{Gross profit margin} &= \frac{\text{gross profit} \times 100}{\text{revenue}} \\
 &= \frac{\$40\,000 \times 100}{\$50\,000} \\
 &= 80\%
 \end{aligned}$$

d)

$$\begin{aligned}
 \text{Profit margin} &= \frac{\text{profit} \times 100}{\text{revenue}} \\
 &= \frac{\$25\,000 \times 100}{\$50\,000} \\
 &= 50\%
 \end{aligned}$$

Activity 3: Formulae

Give learners a list of the most common formulae for Cambridge IGCSE / O Level Business Studies which are listed on **Worksheet 3: Formulae** or add to this from the syllabus to create a complete list for the course.

Learners identify the formulae for each calculation and then discuss with a partner what each formula shows.

Learners should then complete the final column with this information.

Lead a class discussion to check learners' answers and addressing any misconceptions.

Worksheet 3: Formulae

Identify the relevant formulae for each of calculations below and then discuss with a partner what each formula shows. The first has been done as an example for you. Complete the final column of the table with details of what each formula shows.

	Formula	Explanation
Gross profit	<i>Revenue - cost of sales</i>	<i>Gross profit shows how much profit is made after the cost of sales have been paid.</i>
Profit		
Gross profit margin		
Profit margin		
Return on capital employed		
Current ratio		
Acid test ratio		
Net cash-flow		
Closing balance		
Break-even		
Margin of safety		

Worksheet 3 answers:

	Formula	Explanation
Gross profit	$\text{Revenue} - \text{cost of sales}$	Gross profit shows how much profit is made after the cost of sales have been paid.
Profit	$\text{Gross profit} - \text{overheads}$	Profit is how much profit has been made after all costs have been deducted from the revenue.
Gross profit margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	This shows what percentage of revenue has been converted into gross profit.
Profit margin	$\frac{\text{Profit} \times 100}{\text{Revenue}}$	This shows what percentage of revenue has been converted into profit.
Return on capital employed	$\frac{\text{Profit} \times 100}{\text{Capital employed}}$	This shows how much profit has been made for each \$1 invested into the business.
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	This shows the ability of a business to pay its short-term debts from its current assets.
Acid test ratio	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$	This shows the ability of a business to pay its short-term debts from its current assets – inventories.
Net cash-flow	$\text{Cash inflows} - \text{cash outflows}$	This is the difference between cash inflows and outflows in a time period, e.g. a month.
Closing balance	$\text{Opening balance} + \text{net cash-flow}$	This is the amount of cash a business has in the bank at the end of a period, e.g. a month.
Break-even	$\frac{\text{Fixed costs}}{\text{Contribution per unit}}$	This is the point where total revenue = total costs; neither a profit or loss is made.
Margin of safety	$\text{Current output} - \text{break-even output}$	This is the amount by which sales exceed the break-even level of output.

Exercise 2: Application marks

To be awarded application marks, learners need to understand how to make points and then link them to the business context that they have been provided with.

Activity 1: Find the application

Give learners a case study, questions and example responses.

Learners work with a partner to go through the responses and highlight/underline where they think that application is provided within the answer.

Lead a class discussion with learners to go through their responses.

Worksheet 4: Find the application can be used as an example of this activity.

This activity can easily be adapted by using any other past paper examination questions or you could create your own.

Worksheet 4: Find the application

Read the case study, questions and example responses. Highlight or underline where application is included in the answer.

Izaak owns a small fish restaurant. He employs two chefs (cooks) and three workers who serve in the restaurant.

Izaak has been trying to increase added value to improve profits. Izaak has been looking at the financial performance of his business. An extract is shown in Table 2.1. Izaak has received a number of complaints about food and service. He knows he must improve quality but cannot decide on the best way to do this.

Table 2.1

Extract from income statements (\$000)

	Last year	Current year
Revenue	X	300
Cost of sales	180	150
Gross profit	120	150
Expenses	90	Y
Profit	30	15

1. Outline **two** ways Izaak could increase added value.

Example response:

Way 1: Izaak could increase added value by increasing the price of the goods he sells so that he achieves a greater profit margin per meal served.

Way 2: Izaak could also reduce costs of raw materials, for example he could buy cheaper fish for his business.

2. Explain **two** problems that low quality might cause Izaak.

Example response:

Problem 1: Izaak could lose existing customers.

Explanation: This could be due to the food not tasting right. This would lead to a fall in revenue.

Problem 2: Izaak may have to pay for the cost of replacement products.

Explanation: This would increase his cost of sales which is a problem as he is trying to increase his profits.

Worksheet 4 answers:

Izaak owns a small fish restaurant. He employs two chefs (cooks) and three workers who serve in the restaurant.

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Explanation: This would increase his cost of sales which is a problem as he is trying to increase his profits.

Activity 2: Marking application

Learners may find it easier to know how they can include application in their own responses if they understand how many marks would be awarded for a given response.

Give learners a case study, question and example responses.

Learners should mark the responses.

Discuss the responses with learners and identify how many marks would be awarded for each.

Worksheet 2: Marking application is an example of this activity. This activity can easily be adapted by using any other past paper examination questions or you could create your own.

Lead a class discussion to go through how learners have applied their marks and correcting any misconceptions.

Worksheet 5: Marking application

Read through the case study, questions and example responses below. Identify how many marks you would award for each response, and explain why.

Note that all knowledge marks are awarded in these responses so each response will be awarded a minimum of 2 out of 4 marks.

KTF makes building materials, including cement and bricks. Last year KTF had sales of \$25bn. KTF's objectives have often changed since it was started 60 years ago. The Managing Director wants KTF to expand. KTF is going to take over one of its main competitors. The newly expanded business will have combined sales of \$40bn. The Managing Director said: 'Many stakeholder groups will be affected by this decision.' She knows there are many external factors that affect business activity including the business cycle, interest rates and legal controls to protect the environment.

1. Outline **one** advantage and **one** disadvantage to KTF of taking over the other business.

Example response:

Advantage: *KTF could benefit from economies of scale. This could reduce the unit cost of producing bricks.*

Disadvantage: *There could be a clash of culture between the managers of KTF and the other business.*

Marks awarded (maximum 4):

Explanation of why:

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

YMG is a private limited company. It is the largest manufacturer of soft drinks in country V. YMG produces 1 billion litres a year using flow production. The Managing Director wants YMG to expand. He said: 'I plan to increase production to 3 billion litres over the next 5 years. This will allow us to start selling our products in new markets in other countries. I know import quotas and lack of local knowledge can cause problems but there are ways we can overcome them.' The Managing Director also plans to invest \$60m in new technology to improve efficiency.

2. Outline **two** sources of finance YMG could use for the new technology.

Example response:

Source of finance 1: *YMG could use a bank loan for the new technology as this would give them the finance they need to increase output of their product.*

Source of finance 2: *It could also sell shares as it is a private limited company.*

Marks awarded (maximum 4):

Explanation of why:

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

Worksheet 5 answers:

KTF makes building materials, including cement and bricks. Last year KTF had sales of \$25bn. KTF's objectives have often changed since it was started 60 years ago. The Managing Director wants KTF to expand. KTF is going to take over one of its main competitors. The newly expanded business will have combined sales of \$40bn. The Managing Director said: 'Many stakeholder groups will be affected by this decision.' She knows there are many external factors that affect business activity including the business cycle, interest rates and legal controls to protect the environment.

1. Outline **one** advantage and **one** disadvantage to KTF of taking over the other business.

Example response:

Advantage: *KTF could benefit from economies of scale. This could reduce the unit cost of producing bricks.*

Disadvantage: *There could be a clash of culture between the managers of KTF and the other business.*

Marks awarded (maximum 4): 3 out of 4

Explanation of why: *The advantage has relevant application as the candidate has referred to the product KTF is selling (bricks). The disadvantage does not have any application – application is not awarded for use of the businesses name. Application is also not awarded for repetition of words used in the question – in this case no marks are awarded for the use of 'the other business.'*

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Example response:

Source of finance 1: *YMG could use a bank loan for the new technology as this would give them the finance they need to increase output of their product.*

Source of finance 2: *It could also sell shares as it is a private limited company.*

Marks awarded (maximum 4): 3 out of 4

Explanation of why: *Application marks are not awarded in Source of finance 1. As in the previous example, 'the new technology' cannot be awarded as this is stated in the question. Application is not awarded for 'their product' as this is not specific to YMG – they would need to refer to 'soft drinks' to be awarded application here. The candidate has clearly recognised that YMG is a private limited company in the Source of finance 2, therefore application is awarded here.*

Activity 3: Improve this

Give learners a case study, questions and example responses.

Learners should read the responses and then re-write them, improving them to include some/more application.

Learners then look at a partner's work and highlight/underline where the application has been added to the response.

Worksheet 6: Improve this is an example of this activity. This activity can easily be adapted by using any other past paper examination questions or you could create your own.

Lead a class discussion to go through where learners have included application and why.

Discuss the marks awarded for both the example responses and the new responses and discuss with learners what mark they now think should be awarded and why.

Worksheet 6: Improve this

Read the case study 'The BB Health Spa (BB) and Appendix 3 below. Then read the questions and example responses that follow.

Re-write the responses to include some/more application.

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.

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 **four** ways the new technology identified in **Appendix 3** can help Bethany to improve her business.

Example response:

Way 1: It could help improve communications with customers of her business.

Way 2: It could help to provide a better service for the customers.

Way 3: It could improve the efficiency of her business due to the accounting software being faster at completing tasks.

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Way 4: It could help to make advertising more effective.

This response would currently be awarded 5 out of 8 marks.

New response:

Way 1:

.....

Way 2:

.....

Way 3:

.....

Way 4:

.....

2. Explain **two** possible reasons why Bethany wants the business to remain small.

Example response:

Reason 1: To stay as her own boss.

Explanation: Bethany does not want anyone telling her what to do or disagreeing with her decisions. The business idea is all her own and she does not want any conflict which might cause important decisions to be delayed.

Reason 2: To provide better communication with customers.

Explanation: This might lead to an increase in customer loyalty for Bethany's business and this will help to maintain sales in the long-term.

This response would currently be awarded 6 out of 8 marks.

New response:

Reason 1:

.....

Explanation:

.....

.....

.....

Reason 2:

.....

Explanation:

.....

.....

.....

Worksheet 6 answers:

1. Explain **four** ways the new technology identified in **Appendix 3** can help Bethany to improve her business.

New response:

Way 1: It could help improve communications with customers of her business as SMS messages can be sent as reminders of appointments.

Way 2: It could help to provide a better service for the customers due to the new equipment being used in the spa improving the treatments offered.

Way 3: It could improve the efficiency of her business due to the accounting software being faster at completing tasks.

Way 4: It could help to make advertising more effective as the use of the app will help the adverts reach more people.

Award 1 mark for each way (maximum of four ways).

Relevant ways might include:

- improve communications with customers – text (sms) messages can be sent as reminders of appointments
- improve service provided for customers – new equipment used in the spa improves treatments to customers
- improve efficiency – accounting software is faster way to carry out tasks
- improve effectiveness of advertising – App improves marketing as available to many more people.

Award a maximum of 1 additional mark for **each** explanation of the way **which must be applied to this context.**

2. Explain **two** possible reasons why Bethany wants the business to remain small.

New response:

Reason 1: To stay as her own boss.

Explanation: Bethany has run the business for 10 years and does not want anyone telling her what to do or disagreeing with her decisions. The business idea is all her own and she does not want any conflict which might cause important decisions to be delayed.

Reason 2: To provide better communication with customers.

Explanation: This might lead to an increase in customer loyalty for Bethany's business as Bethany is currently able to provide customers with treatments and this will help to maintain sales in the long-term.

Award 1 mark for each relevant reason (maximum of two reasons):

Relevant reasons might include:

- to stay as her own boss
- to make all the decisions
- no one to fall out with
- no one to share the profits with
- size of the market – not able to expand
- better communication with customers and employees
- easier to control
- lack of capital to expand
- satisficing/happy with level of profit.

Award a maximum of 3 additional marks for **each** explanation – **one of which must be applied to this context** – of the reasons why the owner wants the business to remain small.

Exercise 3: Getting to know the case study

The Cambridge IGCSE / O Level Business Studies examinations provide case studies which learners need to read and be familiar with.

Learners need to understand the context that they are dealing as this will prove vital when accessing application marks.

Activity 1: Considering the context

Case study businesses and information may be included in the examinations regarding the age, size, objectives, nature etc. of the business.

All of this information is important as this context may influence the recommendations that learners should make for the business – it may be that some recommendations are not relevant to this particular business context.

Give learners a context and ask them to consider what would/would not be an appropriate recommendation for this context.

The examples in **Worksheet 7: Considering the context** can be used for this activity.

Lead a discussion with learners as to why these recommendations are/are not relevant for this business scenario.

Worksheet 7: Considering the context

Identify the most appropriate recommendations for each of the below scenarios, as well as those which would be inappropriate.

1. Recommend a production method for a bakery.

Most appropriate recommendations	Inappropriate recommendations
Explanation:	

2. Recommend a method of motivation for a business with falling profits.

Most appropriate recommendations	Inappropriate recommendations
Explanation:	

3. Recommend a source of finance for a sole trader.

Most appropriate recommendations	Inappropriate recommendations
Explanation:	

Worksheet 7 answers:

1. Recommend a production method for a bakery.

Most appropriate recommendations	Inappropriate recommendations
<ul style="list-style-type: none"> • <i>Batch</i> 	<ul style="list-style-type: none"> • <i>Job</i> • <i>Flow</i>
<p>Explanation: A wholesale bakery is likely to be producing relatively large quantities of identical products which is most suited to batch production. Job production is not relevant as this is suitable for one-off, unique products. Flow production is unlikely to be suitable as multiple bakery products will be made at once and pass through each stage of production together, rather than one at a time.</p>	

2. Recommend a method of motivation for a business with falling profits.

Most appropriate recommendations	Inappropriate recommendations
<ul style="list-style-type: none"> • <i>Team working</i> • <i>Job rotation</i> 	<ul style="list-style-type: none"> • <i>Bonus</i> • <i>Profit sharing</i>
<p>Explanation: A business with falling profits is unlikely to want to increase expenditure significantly when motivating its employees. Therefore, non-financial methods of motivation such as team working, and job rotation are likely to be most appropriate. Financial methods of motivation such as bonus and profit sharing are more likely to decrease business profits further.</p>	

3. Recommend a source of finance for a sole trader.

Most appropriate recommendations	Inappropriate recommendations
<ul style="list-style-type: none"> • <i>Owner's capital</i> • <i>Overdraft</i> • <i>Bank loan</i> 	<ul style="list-style-type: none"> • <i>Selling of shares</i>
<p>Explanation: A sole trader is not a limited company, therefore it does not have shareholders. Therefore, selling shares would not be relevant for this type of ownership.</p>	

Activity 2: Understanding a case study

Learners should be able to read and identify the most important points from a case study.

Give learners a case study. The case study included with **Worksheet 8: Understanding a case study** can be used or replaced with another case study.

Give learners 10–15 minutes to read and understand the case study.

Learners put the case study away and answer the quiz.

Lead a class discussion and go through the answers, ensuring all learners have a correct set of answers.

Worksheet 8: Understanding a case study

1. Read the case study below.

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.

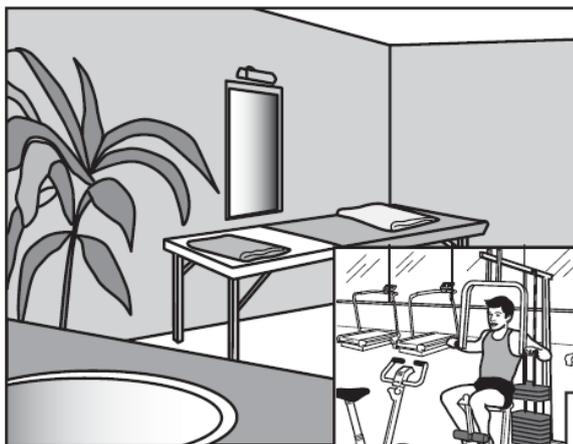
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The BB Health Spa still uses the original treatment equipment which was purchased when the business started. Some spas nearby have the latest equipment but these spas charge much higher prices than The BB Health Spa. Bethany records all the financial 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**

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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!

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2. Complete the quiz by highlighting/circling the correct answer.

	Question	A	B	C	D
1	What type of ownership is BB?	Franchise	Partnership	Private limited company	Sole Trader
2	Which tax has reduced in country X?	Corporation tax	Income tax	Property tax	VAT
3	How many years has BB operated for?	1	6	10	16
4	How many workers does BB employ?	1	2	3	4
5	How do BB's prices compare to competitors?	Lower	Higher	No comparison	The same
6	Which of the following is true?	Bethany (the owner) does not currently hold any records of accounts.	Bethany (the owner) hires an accountant to complete the accounts.	Bethany (the owner) fills out the account books by hand.	Bethany (the owner) fills out the accounts on a computer.
7	Which macroeconomic objective is the government of country X worried about?	Balance of trade	Economic growth	Inflation	Unemployment
8	Which is one of the objectives of BB?	To decrease costs	To increase customer loyalty	To increase market share	To stay small
9	How many extra steam room customers are predicted if the new services are introduced?	20	120	200	220
10	How would the new equipment inform customers of their appointment?	Via email	Via letter	Via phone call	Via SMS

Worksheet 8 answers:

Question	Answer
1	<i>D</i>
2	<i>B</i>
3	<i>C</i>
4	<i>B</i>
5	<i>A</i>
6	<i>C</i>
7	<i>C</i>
8	<i>D</i>
9	<i>C</i>
10	<i>D</i>

Activity 3: Highlighting relevant information

One of the most useful ways to get to know a case study is to use a highlighting pen to pick out the most important aspects. This can be particularly useful when a learner needs to refer back to the case study and pick out data to answer a question.

For this activity each learner should have access to three different colours of highlighting pen (coloured pencils can also be used).

Provide learners with a case study. **Worksheet 9: Highlighting relevant information** can be used or replaced with another case study of your choice.

Learners skim read the entire case, so that they have a good idea of the basic context of the business.

Give learners three questions from the question paper. Each question should be assigned a different colour highlighter.

Learners highlight each part of the case study that refers to the appropriate question. By doing this, learners should be able to quickly refer to that section of the case study when answering that question.

By practising this technique, learners can quickly and effectively highlight a case study before attempting to answer the questions.

Worksheet 9: Highlighting relevant information

1. Read the case study below.

Freshfruit Juicebar (FJ)

Simon set up FJ in country Z. It makes fresh fruit drinks. Simon had a well paid job with a large food and drinks company but he wanted to create his own business. He left his job 6 months ago to set up FJ. Simon wants to provide people with a healthy alternative to the mass produced drinks that are available in most shops.

Simon is willing to work hard to make FJ a success. He has lots of ideas for new drinks. He has been making the drinks at his house and selling them at a market stall. He does not have enough space to produce a higher output on his own. The first drinks FJ produced were made from just 2 types of fruit to keep costs down. The business has been profitable. Simon now wants to expand the business rapidly and he needs to raise \$100 000 to open a factory. He will need to recruit production workers. He is considering using crowd-funding instead of a bank loan to raise the necessary finance.

Simon wants to produce a new type of drink. He has carried out market research using three methods to help him decide which fruit drink to produce and what price to charge. He has estimated demand, costs and prices for two possible new drinks, as outlined in Appendix 3. He must decide which one FJ should produce.

Simon plans to open more fruit drink market stalls in busy areas of the city. He needs to recruit a manager to operate all of FJ's drink stalls. This person will need to be reliable and able to make their own decisions. Simon may have to pay to train the new manager. If these market stalls are successful, Simon can start opening market stalls in other cities.

2. Highlight the parts of the case study which may be relevant for the following questions:

a) Explain four characteristics that make Simon a successful entrepreneur.

Highlight the relevant parts of the case study **red** for this question.

b) Explain the three main methods of production FJ could use to produce its products in the factory. Which method should FJ use? Justify your answer.

Highlight the relevant parts of the case study in **blue** for this question.

c) Consider the following three methods of market research Simon used. Which do you think is the best method to use when deciding which product to produce? Justify your answer.

- Online questionnaire
- Accessing government population data
- Focus group

Highlight the relevant parts of the case study in **green** for this question.

Worksheet 9 answers:

Freshfruit Juicebar (FJ)

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