

For use with the
INTERNATIONAL BACCALAUREATE

Business Management Workbook

For use with Business Management 5th Edition

Paul Hoang
Rima Puri



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www.ibid.com.au

First published in 2012 by IBID Press, Victoria, Australia.

Library Catalogue:

Hoang P., Puri R.

1. Business Management Workbook for use with the 5th Edition of the Text

2. International Baccalaureate.

Series Title: International Baccalaureate in Detail

ISBN: 978-1-921917 837

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Published by IBID Press, Victoria, Australia.

Cover design by Key-Strokes.

Printed by Red Planet

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This fully revised Workbook is intended for use by students following the International Baccalaureate course in Business Management (first exams 2016) and accompanies the main textbook *Business Management, for use with the IB Diploma Programme*, now in its fifth edition available from IBID Press.

The Workbook can be used as end-of-topic reviews throughout the two-year course or it can simply be used as a revision tool prior to the examinations. There are cloze 'fill-in-the-blank' tasks, key terms and concepts quizzes, short-answer examination-style questions and over 900 multiple choice questions.

Dedication

Dedicated to our students

Message from the authors

Dear students (and teachers),

We hope that you find this Revision Workbook to be of value in preparing you for consolidating your learning and understanding of the IB DP Business Management course (first exams 2024).

There are several ways that you can use the Revision Workbook:

- To review the units that you have studied with your teachers in class, including the Business Management Toolkit (BMT).
- As end of topic tests (set by your teachers or as part of your self-assessment) during the two year IB Diploma Programme.
- As a revision tool prior to the external examinations.

The solutions to all the questions are available on the IBID Press website to aid your revision and learning. However, please be disciplined and refrain from looking at the answers before you have attempted the questions (making mistakes is an essential part of the learning process!) The Revision Workbook supplements the main textbook Business Management, for use with the IB Diploma Programme, now in its fifth edition, also published by IBID Press.

Finally, please allow us the opportunity to wish you the very best for your forthcoming IB examinations.

Paul Hoang and Rima Puri

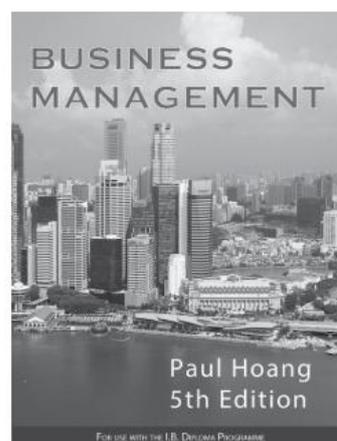
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Main Text

ISBN 978-1-921917-90-5 Business Management 5th Edition



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Unit 1.1

What is a Business?

Task 1 – Complete the missing words

A _____ is a decision-making organization that uses inputs, known as the _____ of production, to produce goods and services. _____ are physical products, such as pens, televisions and clothing. _____ are intangible products, such as education, health care and foreign holidays.

_____ is the process of using factors of production to generate the _____ of goods and services. These are then purchased by _____ (the people or businesses that *buy* the product) and then used by _____ (the end users, whether they are businesses or individuals).

Task 2 – Vocabulary Quiz

a. Identify the correct stage of production from the clues below:

Stage of production	Description
	Businesses involved in the extraction of natural resources, such as farming and mining of raw materials.
	Businesses involved in intellectual and knowledge-based activities that generate and share information, e.g., research and development.
	Businesses involved in transforming primary resources into manufactured products for sale.
	Businesses involved in the provision of services, such as education, healthcare, distribution (logistics), and after-sales care.

b. Determine the correct factor of production (land, labour, capital, or enterprise) from the given definitions:

Factor of production	Definition
	The non-natural (manufactured) resources used to further the production process, e.g., buildings, machinery, tools, and vehicles.
	An individual who has the skills and ability to take risks in organizing the other factors of production to generate output in a profitable way.
	The physical human effort and psychological intellect used in the production process.
	All natural resources that are used in the production process, e.g., wood, water, physical land, and minerals.

c. Identify the correct functional department in each case below:

Functional department	Functional roles of the department
	Prepares the final accounts such as profit and loss accounts, cash flow statements and balance sheets; manages the money of the business.
	Handles recruitment, training, appraisals and the general welfare (well-being) of the workforce.
	Conducts research to meet the needs of customers; arranges promotional activities to sell the firm's products.
	Manufactures goods in order to meet quality standards, targets and deadlines.

Task 3 – Explain...

a. The meaning of adding value.

b. Two reasons why people set up their own businesses.

c. Two likely problems that new businesses are likely to face.

Task 4 – Multiple Choice Questions

1. What are the resources used in the production process collectively known as?

- A. Capital resources
- B. Factors of production
- C. Raw materials
- D. Working capital

2. Consumers are the people or businesses that

- A. Buy and use goods and services
- B. Buy goods and services
- C. Pay for a good or service without using it
- D. Use a good or service

3. Which of the following is not an example of primary production?

- A. Agriculture
- B. Coaching
- C. Fishing
- D. Mining

4. Which of the following is not classified as land as a factor of production?
- A. Coal
 - B. Fish
 - C. Paper
 - D. Water
5. The difference between the cost of the inputs in the production process and the final price of the output is known as
- A. Adding value
 - B. Income
 - C. Profit
 - D. Revenue
6. The primary sector is the part of the economy that consists of
- A. Agriculture, fishing and extractive industries
 - B. Businesses that have been recently set up
 - C. Organizations that provide value added services to their customers
 - D. Organizations that use extracted raw materials for production
7. An entrepreneur is someone who
- A. Has a managerial or supervisory role within an organization
 - B. Is a business person who manages production and output
 - C. Organizes factors of production and takes the risks of decision-making
 - D. Owns a business as a sole trader or as the primary owner
8. What is meant by production?
- A. Any output other than services
 - B. The manufacturing of goods in the secondary industry
 - C. The process of making products from the available resources
 - D. The second stage of the output process
9. The term 'product' refers to
- A. Both goods and services
 - B. Goods only
 - C. Services only
 - D. The physical attributes of a good

10. The _____ sector of the economy is owned by individuals and companies, usually in pursuit of making profit. The _____ sector is controlled by the government and aims primarily to provide a service by acting in the public's best interest.
- A. Primary, Tertiary
 - B. Private, Public
 - C. Public, Private,
 - D. Tertiary, Primary
11. Which of the occupations below does not exist in the tertiary sector?
- A. Librarian
 - B. Machinist
 - C. Real estate agent
 - D. Secretary
12. Which statement best applies to the secondary sector?
- A. Consists of businesses involved in the manufacturing of physical goods
 - B. Forms the largest employment sector in most high-income countries
 - C. Provides both goods and services
 - D. Tends to be highly labour intensive
13. Which of the following does not apply to the quaternary industry?
- A. A sub-category of the tertiary sector
 - B. Capital intensity
 - C. Development of expertise and skills
 - D. Improved efficiency of production
14. Which of the following businesses does not operate in the tertiary sector?
- A. Pest control
 - B. Restaurants
 - C. Private security firms
 - D. Textiles
15. The process of increasing the value of a resource in the production process is known as
- A. Adding value
 - B. Production process
 - C. Sectoral change
 - D. The chain of production

16. Computer hardware and software systems are an example of which type of factor of production?
- A. Capital
 - B. Enterprise
 - C. Labour
 - D. Land
17. Which of the following statements is correct?
- A. Automation has caused a decline in the secondary sector in many countries
 - B. Manufacturing accounts for the largest value-added sector of an economy
 - C. The primary sector is the largest part of the economy in most high-income countries
 - D. The quaternary sector accounts for the largest sector of employment in most countries
18. Public utilities, such as water and gas supply, are usually considered as being in the tertiary sector because they
- A. Are involved with turning resources into a useable product
 - B. Are not extracted or manufactured
 - C. Are owned by the government
 - D. Provide services to the general public
19. Which of the following would not be regarded as part of the tertiary sector?
- A. Education and training
 - B. Engineering
 - C. Insurance
 - D. Leisure and tourism
20. Which of the following does not apply to most business start-ups?
- A. Business registration documentation is required prior to trading
 - B. Owners of the business have to obtain finance
 - C. It requires a business plan to minimise risks
 - D. It requires having a well-known brand name

Unit 1.2

Types of business entities

Task 1 – Complete the missing words

A _____ is a business owned and run by a single person. Such firms are very common, partly because there are few legal procedures involved in setting up the business. The owner bears all the _____ of running the business but has full _____ and gets to reap all _____ that the business earns. However, the owner also has unlimited _____, meaning that they may need to sell personal possessions in order to pay off any debts that the business may have.

An ordinary _____ is an alliance of between 2 and 20 individual owners who are jointly responsible for the affairs of the business (although the maximum number can vary in different countries). The joint owners will usually sign a mutually agreed contract known as the _____. Most, if not all, of the partners face _____ liability for any debts the business might incur. Partners that simply place their money into the business as an investment and without any direct involvement in the business are known as _____ partners. These partners enjoy _____ liability.

_____ are for-profit _____ enterprises owned and run by their members (usually employees or customers). Their primary aim is to create value for their members by being socially responsible. They share any profits earned between their _____.

Non-profit social enterprises are businesses run in a commercial-like manner but without _____ being the main goal. For example, _____ (NPOs) use their surplus revenues to achieve their social goals, rather than distributing the surplus as profits or _____ to shareholders. A _____ (NGO) is a non-profit social enterprise that operates in the _____ sector of the economy, i.e. it is not owned or controlled by the government. However, NGOs do not aim primarily to earn a profit. Nevertheless, as with all business entities, an NGO must earn a financial _____ in order to be sustainable.

Companies are owned by _____ who have limited liability. This is because all limited liability companies are _____ businesses, i.e. the organizations are treated as separate legal entities from their owners. Shareholders get one _____ for each share that they own in the company. _____ held companies tend to be relatively small businesses that are owned by family members. In order to become a _____ held company, the business has to sell shares to the public for the first time, known as an _____ (IPO). In return for their investment, shareholders are given a proportion of the company's profits (if any is earned) in the form of _____ payments. The declared payment is paid on each share that a shareholder owns, so the more shares held the higher the total pay-out will be. Shareholders also buy shares in the hope that there is a _____ gain, i.e. the share price rises over time.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	For-profit social enterprises owned and run by their members, such as employees or customers, striving to create value for their members.
	Term used to describe a privately held company offering its shares on the stock exchange for the first time, thereby changing its legal status to a public limited company.
	Private sector businesses that do not primarily aim to make a profit for their owners.
	Businesses in this sector are run and owned by the government in order to provide communal services for society, e.g. state education and health care.
	A business entity owned and run by a single person.
	An investor in a partnership that does not get involved in the day to day management of the business.

Key Term	Definition
	Organizations that are revenue-generating businesses with community (general public) objectives at the core of their operations.
	This is the marketplace for buying and selling second-hand company stocks and shares.
	Refers to the limitless amount of debt that the owner(s) of a sole trader or partnership business can incur if things do not go well.

Task 3 - True or False?

	True / False
a. A not-for-profit organization is any business entity that does not primarily aim to earn a profit.	
b. A publicly held company can advertise its shares and have them traded on a stock exchange.	
c. A stock exchange represents the market where secondhand shares can be bought and sold.	
d. All non-governmental organizations (NGOs) operate in the private sector.	
e. Limited liability means that if a firm is unable to pay back its debts, the owners of the business can lose everything, including their personal possessions.	
f. Cooperatives are an example of for-profit social enterprises.	
g. Publicly held companies are examples of private sector business entities.	
h. Social enterprises do not strive to earn a profit. There are for-profit social enterprises that exist, such as cooperatives, private sector companies, and public sector companies	
i. State-owned enterprises are also known as publicly held companies.	
j. The liability of shareholders is limited to the amount of their investment.	

Task 4 - Explain one...

- a. Benefit of a business remaining small.

- b. Purpose of holding an Annual General Meeting (AGM) for shareholders of a publicly held company.

- c. Feature of the private sector.

- d. Feature of public sector companies.

- e. Difference between a state-owned enterprise and a publicly held company.

- f. Advantage of being a privately held company.

Task 5 - Multiple Choice Questions

1. Which statement does not apply to sole traders?
 - A. A business that is owned by one person
 - B. The most common form of business ownership
 - C. There can be more than one employer
 - D. There may be more than one employee

2. A sole trader is a person who
 - A. Forms a business with another person
 - B. Has exclusive responsibility for the running of the business
 - C. Is not legally liable for any debts of the business
 - D. Sets up the safest form of business organization

3. In comparison to other forms of business, sole proprietors face the problem of
 - A. Administration and set up procedures
 - B. Continuity
 - C. Privacy of financial accounts
 - D. Specialisation

4. Disadvantages of sole traders do not include
 - A. A reliance on the efforts and liability of just one person
 - B. Autonomy in decision making
 - C. Constraint of lack of time and specialisation to complete all tasks
 - D. The demands of having to be multi-skilled

5. Advantages of sole traders do not include
 - A. A high degree of confidentiality in administration and financial reporting
 - B. Flexibility and freedom in decision making
 - C. Profits not having to be shared with others
 - D. The various sources of finance available

6. Which of the following is not a reason why people may choose to set up their own business?
 - A. There are a lack of employment opportunities
 - B. There are higher risks than working for someone else
 - C. To enjoy autonomy in decision making
 - D. To extend personal interests and hobbies

7. Which of the following is not a necessary condition for an ordinary partnership?
 - A. Having at least one partner with unlimited liability
 - B. Having between 2-20 partners
 - C. Shares cannot be issued by the business
 - D. Signing the contents of a partnership deed

8. Which of the following is least likely to be a disadvantage of a partnership?
 - A. Having less control of business activities
 - B. Having to share profits with other partners
 - C. Managing conflict and disagreements
 - D. Spreading workload with other partners

9. The legal document that sets out the constitution of a limited liability company is known as the
 - A. Articles of Association
 - B. Certificate of Incorporation
 - C. Deed of Incorporation
 - D. Memorandum of Association

10. Which document is issued to a limited liability company before it can start trading?
 - A. Articles of Association
 - B. Certificate of Incorporation
 - C. Deed of Partnership
 - D. Memorandum of Association

11. The Memorandum of Association
 - A. Sets out rules for the appointment and remuneration of directors
 - B. Shows how profits will be distributed to its owners
 - C. States the main purpose of a limited liability company
 - D. Stipulates the internal functions and rules of an organization

12. Which of the statements is false?
- A. A privately held company cannot sell its shares on a stock exchange
 - B. Publicly held companies operate in the private sector
 - C. Second-hand shares of publicly held companies can be traded on a stock exchange
 - D. The Board of Directors of a privately held company own the business
13. Which of the statements about shareholders is correct?
- A. An advantage for shareholders is having limited liability
 - B. As co-owners of a company, shareholders have equal voting rights
 - C. Shareholders are paid annual dividends for investing in the company
 - D. They own and control private and publicly held companies
14. Identify the incorrect statement below
- A. A Deed of Partnership is advised for ordinary partnerships as it helps to resolve disagreements
 - B. A silent partner is another name for a sleeping partner
 - C. Publicly held companies operate in the public sector
 - D. Shareholders are not personally liable for the debts of the company
15. The shareholders of a company
- A. Are legally entitled to a share of any profits earned
 - B. Are wealthier than sole traders or partners
 - C. Control the running of the business
 - D. Earn a capital gain in their investment by selling their shares
16. 'Unincorporated' means that a business entity
- A. Has shareholders
 - B. Has unlimited liability for its debts
 - C. Is a separate legal entity from its owners
 - D. Is protected by limited liability
17. A drawback of publicly held companies is that they
- A. Have limited liability
 - B. Have to publish certain financial information to all stakeholders
 - C. Rely on government funding
 - D. Represent high risks to investors

18. What is the other name for a publicly held company?
- A. Joint stock company
 - B. Limited liability company
 - C. Private sector company
 - D. Privately held company
19. A for-profit public sector company is set up in order to
- A. Earn profits as a social enterprise
 - B. Privatised the provision of certain services such as schools and hospitals
 - C. Reduce the risks of share ownership
 - D. Replace the government in the provision of goods and services to the general public
20. A public sector enterprise is
- A. An organization owned by private shareholders only
 - B. An organization owned by shareholders who can trade their shares on a stock exchange
 - C. An organization owned and controlled by the state or government
 - D. Any business that has had an initial public offering
21. A non-profit organization that operates in the private sector and runs for the benefit of others in society is known as a
- A. Charitable organization
 - B. Non-governmental organization
 - C. Non-profit organization
 - D. Not-for-profit organization
22. Which of the following is an example of for-profit organizations?
- A. Charities
 - B. Cooperatives
 - C. Non-governmental organizations
 - D. Privately held companies
23. Which of the following is not classed as a social enterprise?
- A. Charities
 - B. Consultancy service providers
 - C. Microfinance providers
 - D. Public sector companies

24. Which statement does not apply to non-governmental organizations?
- A. They are a type of not-for-profit organization
 - B. They are private sector organizations
 - C. They are registered as incorporated businesses
 - D. They promote and raise money for social causes
25. Which of the following is *least* likely to be a non-profit organization?
- A. Museums
 - B. Performing arts groups
 - C. Police force
 - D. Public transportation firms
26. Which of the following is an example of public (sector) expenditure?
- A. Donations made to charities and non-profit organizations
 - B. Investment by publicly held companies
 - C. Spending by the general public on company stocks and shares
 - D. Spending on state education and healthcare
27. Which of the following is not a non-profit social enterprise?
- A. Amnesty International
 - B. Habitat for Humanity
 - C. International Baccalaureate Organization
 - D. World Wide Fund for Nature
28. Which of the following is not a source of finance for non-governmental organization?
- A. Corporate tax refunds
 - B. Donations
 - C. Fund-raising events
 - D. Selling products
29. Which of these factors is *least* likely to affect the strategic choice of the most appropriate type of business organization?
- A. The amount of finance needed
 - B. The products being sold
 - C. The size of the business and scale of its operations
 - D. Whether owners and investors want limited liability

30. Which of the following types of business entities cannot be classified as an example of a for-profit social enterprise?
- A. Cooperatives
 - B. Private sector companies
 - C. Public sector companies
 - D. Publicly held companies

Unit 1.3

Business objectives

Task 1 - Complete the missing words...

The _____ of a business are its goals, which tend to stem from the organization's _____ statement. Hence, they are a clear statement of a firm's intentions, such as growth or to become the market _____. They can be expressed as _____ and/or quantitative targets.

A business tends to find it difficult to satisfy all its stakeholders simultaneously due to their _____ objectives. For example, shareholders are likely to demand that the business aims for _____ maximization, whilst employees will strive to maximize their own _____ and benefits (thereby potentially reducing the profits of the business).

Organizations are increasingly concerned with the possible impact of their actions on the environment and society. This is largely because of the increased public awareness and concern for the planet's natural environment. Adverse business activity could lead to unwanted publicity from pressure groups. Such negative exposure can damage the _____ of the business and reduce customer _____. Unethical business practices might also adversely affect the firm's suppliers, employees, creditors and investors. Ultimately, ignoring ethics and corporate social _____ can seriously harm a firm's profitability. Hence, there are ever more driving forces pushing businesses to behave in a _____ responsible way.

Task 2 – Match the terms...

Read the definitions and match them with the correct business terms from the list below:

a.	Shareholder value	i.	This declaration of a business that provides a shared purpose and sense of direction for all stakeholders of the organization.
b.	Mission statement	ii.	This refers to the obligations that a business has towards its stakeholders and society as a whole.
c.	Objectives	iii.	The objective of ensuring the owners of a company receive dividends and see an increase in the value of their investment.
d.	Social responsibility	iv.	The long-term actions a business takes in order to achieve its aims and objectives (what needs to be done, the resources needed to do it, and the timeframe in which to accomplish it).
e.	Strategy	v.	The ultimate long-term desire or aspiration of an organization.
f.	Vision	vi.	These are the medium to long-term goals and targets of an organization, e.g. survival, diversification, and growth.

Task 3 – Odd One Out

Select the odd one out from each of the rows below and provide a brief reason for each of your answers.

a.	Tactical objectives	Secondary objectives	Strategic objectives	Operational objectives
b.	Growth	Survival	Sales maximization	Acquisition
c.	To direct	To select	To control	To motivate
d.	To improve quality of customer service	To become the world's market leader	To reduce absenteeism and labour turnover	To improve productive efficiency

- a. _____
- b. _____
- c. _____
- d. _____

Task 4 – True or False?

	True / False
a. A business that adopts an ethical approach will tend to improve its profits in the short run.	
b. All businesses have the objective of earning a profit for their owners.	
c. All businesses in the private sector aim to make profit whereas those operating in the public sector aim primarily to provide a service to the general public.	
d. Being socially responsible is the same as being environmentally responsible.	
e. Ethical corporate responsibility considers the welfare of the workforce.	
f. For most businesses, the objectives of shareholders are more important than those of other stakeholders.	
g. If a business behaves ethically, its profits will fall in the short run due to compliance costs.	
h. Strategic objectives refer to the general organizational objectives of a business that encompass its long-term goals.	
i. Survival is the main aim of businesses in the long term.	
j. The overall purpose of an organization can often be inferred from its mission statement.	

Task 5 – Explain...

- a) Why a business might choose to act unethically.

- b) The purpose of producing an ethical code of practice in the workplace.

- c) Why a business might choose to donate money to charitable organizations.

- d) Why organizational objectives should be agreed through a process of consultation with employees rather than simply being set by senior managers.

Task 6 – Mission, Vision, or Objective?

Vision	Mission	Objective

Choose from:

1. Can be changed easily	2. Core values and beliefs	3. Motivational tool for employees
4. Provides strategic direction for decision making	5. Purpose of the organization	6. Source of inspiration
7. Specific rather than idealistic	8. Strategic planning tool	9. Rarely reviewed
10. Reviewed periodically	11. The ideal image of the organization in the future	12. What the company aspires to be

Task 7 – Multiple Choice Questions

1. Objectives are
 - A. Qualitative statements of a firm’s strategic direction
 - B. The major goals of an organization
 - C. The purpose for a firm’s existence
 - D. What a business wants to achieve

2. What is the term used to describe what an organization exists for and what it intends to achieve?
 - A. Business objectives
 - B. Business plan
 - C. Mission statement
 - D. Vision statement

3. Objectives of public sector organizations are least likely to include which of the following?
 - A. To reach break-even as soon as possible
 - B. To maximize profitability
 - C. To provide a service to the community
 - D. To survive

4. What is the declaration of the future identity of a business known as?
 - A. Business objectives
 - B. Corporate identity
 - C. Mission statement
 - D. Vision statement

5. Many businesses strive to be market leaders. Which of the following methods is least likely to achieve this objective?
 - A. Having a high labour turnover rate
 - B. Having a reputation for competitive prices
 - C. Maintaining customer satisfaction
 - D. Maintaining product quality

6. Which of the following options does not apply to business objectives?
 - A. Help to assess the performance of a business
 - B. Inform strategic planning
 - C. Provide a focus for the workforce
 - D. Suggest how goals should be achieved

7. Advantages of setting ethical objectives do not include which of the following?
 - A. A possible unique selling point for the firm
 - B. An obligation to provide shareholder dividends
 - C. Avoiding bad publicity
 - D. The impact on staff morale

8. Which of the following is not an example of ethical policies adopted by a business?
 - A. Fair trading terms with businesses in low income countries
 - B. Fringe benefits offered to all members of staff
 - C. Sponsoring charity events in the local community
 - D. The safe disposal of waste materials

9. Businesses do not always consider acting in an ethical way. Which of the following does *not* explain why this might be the case?
 - A. Compliance costs are low
 - B. Ethical objectives often conflict with profit objectives
 - C. Ethics might not be important to the firm
 - D. There might not be any government constraints

10. An ethical code of practice is not likely to include details concerning which of the following?
- A. Corporate social responsibilities
 - B. Ethical marketing practises
 - C. Expectations of employees in the workplace
 - D. Statutory employment rights
11. Unethical business practises do not include
- A. Deliberately using offensive tactics to market a firm's products
 - B. Lending money to companies that manufacture weapons
 - C. Setting higher prices to raise profit margins
 - D. The production of demerit products such as alcohol, tobacco and gambling
12. What does the 'R' in SMART objectives stand for?
- A. Rational
 - B. Realistic
 - C. Reasonable
 - D. Righteous
13. Which of the following refers to short-term and specific goals of a business that have definitive timelines?
- A. Mission statements
 - B. Strategical objectives
 - C. Tactical objectives
 - D. Vision statements
14. Which of the following refers to the safeguarding of the interests of the owners of a company?
- A. Ethical code of practice
 - B. Shareholder value
 - C. Stakeholder value
 - D. Vision statements
15. Which document or statement refers to the guiding principles of an organization that provides the moral guidelines for conducting business activities?
- A. Business plan
 - B. Ethical code of practice
 - C. Mission statement
 - D. Vision statement

Unit 1.4

Stakeholders

Task 1 – Complete the missing words...

Stakeholders are _____, groups, or organizations that have a direct _____ (or stake) in the operations and performance of an organization or are directly affected by its operations. Examples include: _____ (owners), directors, managers, employees, competitors, customers and suppliers.

_____ stakeholders are those who are not directly involved in the business but have an interest in its operations and performance. Examples include customers, the _____, suppliers, the local community, and _____ groups. By contrast, _____ stakeholder groups come from within the organization, such as _____ (labourers), managers and directors.

Different stakeholder groups have different interests in an organization, so this is likely to cause some _____ in the organization. Conflict arises because a business cannot simultaneously meet all the needs of all its stakeholders. For example, if customers want higher-quality products, then this may come about by firms having to charge higher _____. However, this clearly can upset many customers.

Task 2 – Stakeholder groups

Identify the stakeholder group from the given clues regarding that group's main interests. *Hint:* answers appear in reverse alphabetical order.

Stakeholder group	Examples of stakeholder group's interest
	To receive regular orders and for their customers to meet payment deadlines.
	To receive regular dividends, higher share prices and discounts for purchases made.
	Employment opportunities, financial support for events (such as sponsorship deals or charitable donations), and to minimise disruptions to the environment.
	Good remuneration package, job security, safe working environment, and opportunities for career development.
	Competitive prices, safe and good quality products, after-sales care and overall value for money.
	Minimal risk and the ability of their customers to repay the money owed on time.

Task 3 – Explain...

- a. The difference between shareholders and stakeholders.

- b. The difference between directors and shareholders.

c. The difference between internal and external stakeholders.

d. What Bill Gates, co-founder of Microsoft Corporation, meant by “*Your most unhappy customers are your greatest sources of learning.*”

e. The sources of conflict in large organizations such as Walmart or American Airlines.

f. The types of decisions that are made by the Board of Directors of a company

Task 4 – Multiple Choice Questions

1. Stakeholders are
 - A. All those parties directly working in an organization and are affected by its operations
 - B. Individuals, groups or organizations that are affected by the behaviour of businesses
 - C. People who can influence the behaviour of businesses
 - D. The people or organizations that own shares in the business

2. Which of the following are internal stakeholders?
 - A. Competitors
 - B. Creditors
 - C. Debtors
 - D. Shareholders

3. Which of the following groups is classified as external stakeholders?
 - A. Creditors
 - B. Manager
 - C. Owners
 - D. Workers

4. Which of the following groups is an example of external stakeholders?
 - A. Customers
 - B. Directors
 - C. Employees
 - D. Shareholders

5. Which of the following stakeholder groups is *least* likely to be an external stakeholder?
 - A. Competitors
 - B. The general public
 - C. The government
 - D. Trade unions

6. A business might want to become involved in community projects even though there are not necessarily any direct financial gains from doing so. Which option below does *not* provide a reason for this?
 - A. For staff professional development
 - B. The subsequent press coverage that it may attract
 - C. To boost staff morale and motivation
 - D. To enhance the image of the organization

7. Which of the following is not an internal stakeholder of the Industrial and Commercial Bank of China (ICBC)?
 - A. The Board of Directors
 - B. The Chinese government
 - C. The hourly-waged staff at ICBC
 - D. The shareholders of ICBC

8. Which statement below does not apply to the shareholders of a business?
 - A. They are internal stakeholders
 - B. They are the owners of limited liability companies
 - C. They have an interest in the operations and performance of the business
 - D. They receive dividends each year based on the number of shares they hold

9. An organization of individuals who unite to further their common interest to influence government policy and public opinion of a particular cause is known as a
- A. Campaigning group
 - B. Labour union
 - C. Pressure group
 - D. Trade organization
10. Lobbying groups would not typically support which one of the following?
- A. Anti-smoking
 - B. Deforestation
 - C. The fair treatment of workers
 - D. The protection of animals
11. Which of the following is *least* likely to be an objective of pressure groups?
- A. To change government macroeconomic objectives
 - B. To change government policies
 - C. To change opinions of the general public
 - D. To influence business and consumer behaviour
12. How do pressure groups primarily strive to achieve their goals or objectives?
- A. By getting the workforce to take industrial action
 - B. By lobbying the government for changes to the law
 - C. By organizing mass demonstrations to win public support
 - D. By raising as much publicity and awareness of their cause as possible
13. A socially responsible company has chosen to donate money to a charity. Some of the shareholders do not agree with this as it reduces their potential dividend payments. What is this an example of?
- A. Budgetary constraints
 - B. Compliance costs
 - C. Stakeholder conflict
 - D. Shareholder values
14. Which stakeholder group is most likely to have the following interests or needs: financial benefits, job security, good working conditions, and continuous professional development?
- A. Directors
 - B. Employees
 - C. Entrepreneurs
 - D. Managers

15. Boycotting is often used by pressure groups to achieve what?
- A. To create adverse publicity for a business by encouraging customers to shun (avoid or reject) the business
 - B. To prevent employees from being able to attend work
 - C. To push governments to introduce legislation desired by the pressure groups
 - D. To take a business to court for its socially undesirable behaviour
16. What arises because an organization cannot meet the needs of all its stakeholders at the same time?
- A. Conflict
 - B. Lobbying
 - C. Miscommunication
 - D. Mismanagement
17. Anti-piracy advertising against the illegal downloading of music and movies would be an example of a campaign promoted by
- A. Industry trade groups
 - B. Labour unions
 - C. Local communities
 - D. Pressure groups
18. Which statement does not apply to suppliers as a stakeholder group?
- A. They are an external stakeholder group
 - B. They offer preferential credit terms to all their customers
 - C. They provide other businesses with stocks, component parts and finished goods
 - D. They provide support services to their clients
19. Who are shareholders of a company?
- A. External stakeholders of a private limited company
 - B. Individuals or organizations with an investment interest in a particular business
 - C. The owners of limited liability companies
 - D. Those entitled to receive dividends each year irrespective of the profits made
20. Which management tool enables managers to deal with stakeholder conflict?
- A. Contingency planning
 - B. Crisis management
 - C. Perception mapping
 - D. Stakeholder mapping

Unit 1.5

Growth and evolution

Task 1 - Complete the missing words...

_____ growth refers to the increased size of a business by using its own resources, such as _____ profit. It is also known as _____ growth. In contrast, _____ growth occurs when a firm expands by merging with or _____ another firm. This method is also known as _____ growth.

Firms looking for quick growth and expansion will tend to use _____ growth strategies such as purchasing a majority stake in another company. This strategy is known as a _____. By contrast, a _____ is where two or more companies share the financial risks and rewards of a business project. The firms jointly establish and own a new business entity.

One benefit of organizational growth is economies of scale. These are _____ savings benefits due to large scale business operations, i.e. _____ costs of production fall as the level of _____ increases. The main types of economies include financial, managerial, _____ (or commercial) and marketing. The _____ (or best) size for a business depends on its goals, the structure of its costs and the size of the market.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order.

Key term	Definition
	A method of growth that involves buying a majority stake in another business in order to take control of the target business.
	Refers to the cost per unit of output. It is calculated by dividing total costs (TC) by the quantity of output (Q), i.e. TC/Q .
	Businesses that provide a diversified range of products and operate in an array of different industries.
	Growth strategy that involves payment of an initial fee and royalty payments in return for the use of another firm's trademarks, logos and products.
	External growth of firms through mergers and takeovers of other businesses.
	External growth method that occurs when two or more businesses split the costs, risks, control, and rewards of a business project. In doing so, they agree to set up a new legal entity.
	This is an agreement between two companies to form a single legal entity with its new or revised Board of Directors.
	This growth strategy involves two or more firms working together on a specific business venture. They form a legally binding contract without losing their individual corporate identities.

Task 3 – Economies and diseconomies of scale

- a. Explain why it is relatively easier to enter the restaurant industry than to enter the pharmaceutical manufacturing industry.

- b. Outline two causes of external diseconomies of scale.

- c. Explain whether a firm would experience economies or diseconomies of scale given the following information: total costs of production increase from \$5000 to \$6000 following an increase in output from 200 units to 300 units, with fixed costs at \$2000.

- d. Explain why 'average fixed costs' will continually fall with increased levels of output.

Task 4 – True or false?

	True / False
a. A conglomerate merger takes place between two firms that are in different lines of business.	
b. A demerger takes place when a firm splits into smaller firms or sells a number of its subsidiaries.	
c. A franchisee offers to sell a franchise agreement to a franchisor.	
d. Conglomerates tend to be large multinational companies that operate in multiple countries.	
e. Economies of scale refers to the reduction in the costs of production achieved through increased output.	
f. Expanding overseas is an example of diversification as a growth strategy.	
g. Growth through horizontal mergers or acquisitions does not represent any growth in the industry.	
h. Organic growth comes from increased sales revenue and profits, the latter of which is reinvested back in the business.	
i. Private limited companies cannot be taken over.	

Task 5 – Explain the difference between ...

- a. A franchisee and franchisor.

b. Acquisitions and mergers.

c. Internal and external economies of scale.

Task 6 – Multiple Choice Questions

1. Internal diseconomies of scale can be caused by
 - A. Being unable to purchase stocks at a discounted price
 - B. Higher advertising costs to a global audience
 - C. Management control being weakened with a larger workforce
 - D. Traffic congestion causing delays to the delivery of inventory

2. Which of the following is not a cause of internal diseconomies of scale?
 - A. Late deliveries due to congestion in busy locations
 - B. Less control, direction, and coordination of human resources
 - C. Poor communications between different departments
 - D. The lack of staff morale and motivation due to feeling disconnected

3. If a firm increases the amount of production but sees an increase in its average costs, what is this a sign of?
 - A. External diseconomies of scale
 - B. External economies of scale
 - C. Internal diseconomies of scale
 - D. Internal economies of scale

4. Which statement about internal economies of scale is true?
 - A. They generate lower unit costs of production
 - B. They increase unit costs due to growth of the industry as a whole
 - C. They reduce production costs in the short term
 - D. They result from changes in production techniques

5. What can external economies of scale arise from?
- A. Bulk purchases of raw materials and component parts at favourable prices
 - B. Lower interest rates, thus reducing the cost of borrowing to larger companies
 - C. Specialised back-up services available in a particular region
 - D. The introduction and use of advanced technologies
6. External economies of scale are cost savings available to the whole _____ as a result of its _____
- A. business, location
 - B. business, size
 - C. industry, location
 - D. industry, size
7. Suppose a firm doubles its use of resources in the production process and finds that output increases by 50%. What has the business experienced?
- A. External diseconomies of scale
 - B. External economies of scale
 - C. Internal diseconomies of scale
 - D. Internal economies of scale
8. If a firm uses more resources to raise the level of output but sees an increase in its average cost of production, what is this a sign of?
- A. External diseconomies of scale
 - B. External economies of scale
 - C. Internal diseconomies of scale
 - D. Internal economies of scale
9. Technological economies of scale can only be feasible for a business if
- A. Banks lend money for the purchase of highly expensive technology
 - B. Capital equipment is capable of producing mass units of a product in a short time
 - C. There is an economic boom
 - D. There is sufficient market demand for the product
10. Which one of the following is not a benefit of forming a conglomerate?
- A. Opportunities for economies of scale
 - B. A more focused marketing approach
 - C. Higher market power
 - D. Spreading of risks

11. In 2022, Frontier Airlines merged with Spirit Airlines in a deal worth \$6.6 billion. What is this an example of?
- A. A hostile takeover
 - B. Diversification
 - C. Horizontal integration
 - D. Vertical integration
12. The Walt Disney Company paid \$7.4bn to buy Pixar. What is this an example of?
- A. An acquisition
 - B. Diversification
 - C. Franchising
 - D. A strategic alliance
13. Which of the following is not a valid argument for pursuing growth as a business objective?
- A. To achieve internal economies of scale
 - B. To increase market share
 - C. To increase the chances of business survival
 - D. To minimise communication problems
14. Which of the following is least likely to be an advantage of forming a strategic alliance?
- A. Firms enjoy some of the advantages of mergers without losing their corporate identity
 - B. Profits from the strategic alliance can be shared equally
 - C. Strategic alliances are founded on friendly, cooperative and mutual agreements
 - D. They are not as expensive as takeovers or mergers
15. Suppose that several independent firms in the same office block share the use of a secretary and receptionist. What is this an example of?
- A. Economies of scale
 - B. Joint venture
 - C. Organic growth
 - D. Strategic alliance
16. Which of the following is an advantage of diversification?
- A. Additional finance is needed to fund the expansion plans
 - B. Extra time and resources are devoted to the new business venture
 - C. Required expertise, such as the knowledge of new markets
 - D. Risk-bearing economies of scale can be achieved

17. Which of the following is a disadvantage of diversification as a growth strategy?
- A. The degree of management control
 - B. Entering of new markets
 - C. Increased customer base
 - D. Spreading of risks
18. When does horizontal integration occur?
- A. When a firm acquires or merges with another firm at the same stage of production
 - B. When a firm acquires or merges with another firm operating at a different stage of production
 - C. When two or more firms decide to set up a separate business with its own legal status as an entity
 - D. When two or more firms that are not in direct competition decide to merge
19. Suppose a business grows in size due to its own finance and retained profits. What is this process known as?
- A. A conglomerate
 - B. An acquisition
 - C. External growth
 - D. Organic growth
20. Which statement applies to a franchise?
- A. A person or business that sells the right to others to promote their products
 - B. A person who buys the legal rights to use someone else's products or brands.
 - C. The agreement that gives a business the rights to trade using another firm's products, and brand name
 - D. The use of methods of external growth to enlarge a multinational corporation
21. A merger between two newspaper companies is an example of
- A. Conglomerate merger
 - B. Horizontal integration
 - C. Lateral amalgamation
 - D. Vertical integration
22. Organic growth cannot be achieved through increasing which option below?
- A. Capital expenditure (investment)
 - B. Labour turnover
 - C. Prices of price inelastic goods and services
 - D. Sales turnover

23. Which statement cannot be applied to internal growth?
- A. Financed through retained profits of a firm
 - B. Relatively cheaper method of growth
 - C. Relies on the production and marketing of a firm's products
 - D. Suitable for firms looking to grow rapidly
24. Which statement below does not explain why small firms can survive and flourish?
- A. Being able to provide a personalised service
 - B. Choice of finance options
 - C. Financial aid from the government
 - D. Local monopoly power
25. When two different organizations contribute resources to a shared project by forming a separate business, this is known as
- A. A joint venture
 - B. A strategic alliance
 - C. Collaboration
 - D. External growth
26. Which statement below does not apply to franchises?
- A. The failure rate is low as franchisees are generally very motivated
 - B. The franchisee can buy or lease a franchise
 - C. The franchisor can expand its business without incurring huge debts
 - D. The franchisors have little, if any, control over the way the business operates
27. One potential disadvantage of mergers is a change in
- A. Access rights to technology and human resources
 - B. Market power
 - C. Synergies
 - D. The corporate culture
28. Which of the following is an advantage to the buyer of a takeover bid?
- A. Changes to corporate cultures
 - B. Changes to the corporate identity
 - C. Possible staff redundancies
 - D. Potential market dominance

29. Which of the following is not a valid reason for a firm to choose to demerge (split up)?
- A. To avoid falling profits in the business
 - B. To enjoy economies of scale
 - C. To focus more specifically on a target market
 - D. To focus on a smaller range of products and services
30. Which option is not a valid reason for airline companies to form a strategic alliance?
- A. The airline companies keep their separate legal identities
 - B. They benefit from economies of scale from combined purchasing and marketing power
 - C. They can cover more destinations (flight locations) by joining forces
 - D. They can grow through diversification

Unit 1.6

Multinational companies

Task 1 - Complete the missing words...

A multinational company, sometimes referred to as a _____ company, is an organization that operates in _____ or more countries, with its Head Office usually based in the _____ country.

Globalization refers to the growing degree of _____ and interdependence of the world's economy. This means that decisions and actions taken in one part of the world will have a direct impact on those in other parts of the world. A key contributing factor of globalization is the growth and expansion of _____ (MNCs). There is increasing pressure for these global businesses to market their brands worldwide.

The growth in multinational companies has both positive and detrimental effects on the host country. For example, it stimulates _____ as there are more foreign businesses and products competing in the domestic market. At the same time, the _____ of trade restrictions (such as the removal of barriers to international trade) has allowed domestic businesses to enter overseas markets, thereby enabling these firms to benefit from a larger _____ base as well as _____ of scale (lower average _____ as a firm expands its operations).

Task 2 – True or false?

	True/False
a. Multinational companies are public limited companies that operate overseas.	
b. Multinational companies can minimise their tax bills by operating in overseas countries.	
c. Businesses of all sizes can compete with large multinational companies, particularly on the Internet.	
d. Large foreign MNCs can force domestic businesses to become more efficient in order to remain competitive in the market.	
e. Multinational companies can benefit from having greater brand awareness.	
f. Multinational companies can improve the domestic economy by providing employment opportunities in multiple industries.	
g. Multinational companies can introduce new ways of doing business in the host country, thereby spreading knowledge and skills transfer.	
h. An advantage of MNCs for the host country is that any profits are kept within the country for the improvement of the economy.	
i. A drawback of MNCs operating in foreign countries is the potential loss of cultural diversity.	
j. The presence and dominance of MNCs can significantly reduce the market share of domestic businesses.	

Task 3 – Multiple Choice Questions

- Multinational companies that market their products by expanding into overseas markets is an example of
 - Diversification
 - Market development
 - Market penetration
 - Product development

2. Which of the following is least likely to be a barrier to international trade?
 - A. Communication across geographical locations
 - B. Cultural differences
 - C. International business etiquette
 - D. Political and economic conflict

3. Which of the following is a potential drawback to a multinational company expanding overseas?
 - A. Different business etiquette and customs
 - B. Opportunities for economies of scale
 - C. The spreading of risks by not relying on trading in any single economy
 - D. Wage rates in low incomes countries

4. Which of the following is a disadvantage of MNCs operating in a host country?
 - A. Consumer choice
 - B. Economic growth
 - C. Profits are repatriated
 - D. Skills transfer

5. Which term describes the benefit of foreign multinational companies helping to develop the skills of domestic employees.
 - A. Economic growth
 - B. Infrastructure
 - C. Skills transfer
 - D. Training

6. Which statement below about MNCs is false?
 - A. Multinational companies can exploit cheap labour, especially in low-income countries
 - B. Multinational companies can reap the benefits of economies of scale
 - C. They have their headquarters in one country but have operations in different countries
 - D. They generate more benefits than drawbacks for host countries

7. Which option shows the advantage that multinational companies can have on a host countries?
 - A. Profits are likely to be repatriated to the home country
 - B. Their headquarters are based in their respective home country
 - C. They can help individuals in the host country to escape poverty
 - D. They take advantage of economies of scale by operating on a larger scale

8. How might large and powerful multinational companies be detrimental to a host country?
 - A. Governments can be customers of multinational companies
 - B. Governments may take part-ownership of some foreign multinational companies
 - C. There can be skills transfer due to the presence of the MNCs
 - D. They may try to influence government decision making

9. When does a domestic company become a multinational company?
 - A. When it hires foreign workers
 - B. When it makes foreign direct investment (FDI)
 - C. When it pays tax revenues
 - D. When it provides foreign aid

10. Which worldwide organization promotes freer trade between countries?
 - A. Microfinance providers
 - B. Multilateral development banks
 - C. The World Bank
 - D. The World Trade Organization

Unit 2.1

Introduction to human resource management

Task 1 – Complete the missing words

Human resource management (HRM) is the function of a business that is concerned with all aspects of using personnel to achieve its organizational _____. The human resources department aims to achieve success through improved management of its employees.

HR departments perform various roles. These include _____ the needs of the business in terms of the current and future workforce. This includes identifying the current and future number of employees required and the skills they should possess to execute their roles efficiently. It also includes _____ and selecting the right candidates for various job roles. A range of _____ and external recruitment methods can be used for this purpose.

Task 2 – Complete the missing words (change and resistance to change) ...

Businesses operate in a _____ (changing) environment and are required to continually review and revise their operations. Changes in competitive strategies, consumer expectations, _____ advancements, laws, regulations, political conditions and stakeholder expectations will all require adjustments to a firm's objectives and _____ (plan of action).

_____ are often reluctant to change in the workplace. This is due to various reasons, such as their fear of the unknown. Workers tend to be very comfortable with the current methods of operations and may view change as a _____. In addition, some people have a low tolerance for _____. Implementation of change often requires extra effort which they are unwilling to make. Some workers may not have the necessary _____ to meet the changing expectations of customers and the employer. A final reason is poor _____ about the need or rationale for change. In any case, an uncertain business environment increases anxiety amongst the workers.

Resistance to change is a very normal reaction and can be minimized by implementing effective _____ strategies. Leaders and managers play a key role in this process. They attempt to identify the impact of change, the extent of the impact, possible employee reactions and the strategies to reduce any negative reaction or resistance to change, _____ is an important aspect of this since it improves understanding and reduces concerns amongst the employees. Employee _____ and involvement in the change process can create a sense of ownership amongst the workers and increase the likelihood of success in implementing change. The use of _____ should only be used as a last resort to make employees accept change.

Task 3 – Explain ...

- a. The impact of increased demand for a firm's products on its human resource planning.

- b. How improvements in productivity levels can impact human resource planning.

c. The impact of changes in employment laws on human resource planning in an organization.

d. How automation of production processes is likely to impact human resource planning.

e. How a sustained increase in a country's birth rate impacts workforce planning.

f. How a change in the net migration rate is likely to impact workforce planning.

g. How workforce planning is impacted if the government decides to increase the national retirement age.

h. How labour immobility impacts the human resource department of a business.

Task 4 – Internal or External factors?

Place the following factors under the correct heading as internal or external factors affecting human resource planning in business organizations.

- Absenteeism
- Ageing population
- Change in employment patterns
- Changes in consumption patterns
- Corporate culture

- Demand for the firm's product
- Government regulations
- Human resource budgets
- Migration rates
- Mission and vision of the business
- Organizational structure
- Productivity levels of existing staff
- Staff retention rates
- Technological advancements
- Workforce demographics

Internal factors	External factors

Task 5 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers appear in alphabetical order.

Key Term	Definition
	Method of working in which the employee is free to choose the number of hours they work, so long as a certain core period is fulfilled, and the work gets completed on time.
	The extent to which labour can move to different locations for employment purposes.
	Labour markets that have employees working with short-term contracts or freelancers on flexible working hours in contrast to employees having permanent jobs.
	The practice of recruiting, employing, training and developing the employees of a business in order to meet its organizational objectives.

	The process of identifying the short-term and the long-term staffing needs of an organization and meeting these requirements effectively.
	The international movement of people to a country in which they do not have citizenship in an attempt to settle as permanent residents for employment opportunities and prospects.
	The extent to which labourers are flexible in changing to different jobs or occupations.
	The overall process of identifying, sourcing, screening, shortlisting, and interviewing candidates for jobs within an organization.

Task 6 – Multiple Choice Questions

- Which of the following is not a task of human resource planning?
 - Payment of wages and salaries
 - Recruitment
 - Staff dismissal
 - Staff retention
- The ability of a business to keep its employees working for the firm, rather than to seek employment elsewhere, is known as
 - Internal recruitment
 - Motivation
 - Retention
 - Selection
- Advantages of working from home are least likely to include which of the following options?
 - Ability to balance personal life and work life
 - Autonomy in decision-making
 - Tax allowances for using personal property for business use
 - Time and money saved by not having to commute to and from the workplace
- A teleworker can benefit most from
 - Costs of electricity being shared by the employer
 - Interactions with family members at home
 - The reduction in certain company policies, such as dress code
 - Working in isolation every day
- Which of the following is not an effect of an ageing working population?
 - A decline in the dependent population
 - Changing patterns of employment and consumption
 - Lower levels of labour productivity
 - Reduced occupational and geographical labour mobility

6. The supply of labour for a business is least likely to be affected by
 - A. An ageing population
 - B. An increase in the examination standards (entry requirements) set by the industry
 - C. The dynamics of the internal workforce
 - D. Training and development programmes offered by the business

7. Which of the following is not a demographic trend in the labour market?
 - A. More people are self-employed
 - B. More people are taking up part-time jobs
 - C. More people are working at the office rather than from home
 - D. More women are joining the workforce

8. The human resources management function of a business does not directly deal with
 - A. Appraisals
 - B. Product design and development
 - C. Recruitment and selection
 - D. Training and development

9. Which option below does not necessarily reduce the supply of labour within an organization?
 - A. Government legislation
 - B. Redeployment
 - C. Retirement
 - D. Rival employers

10. The inability of a worker to switch from one job to another due to a lack of expertise or qualifications is known as
 - A. Geographical immobility
 - B. Labour immobility
 - C. Occupational immobility
 - D. Structural unemployment

11. Which of the following does not represent flexible working practices?
 - A. Homeworking
 - B. Part-time employment
 - C. Team working
 - D. Teleworking

12. Which statement applies to flexitime workers?
- A. They are employed in a number of different jobs, carried out simultaneously
 - B. They are in part-time employment
 - C. They choose to work whenever it suits them, rather than the employer choosing
 - D. They must work a minimum number of hours as required by their employer
13. Which of the following is not a reason for resistance to change in the workplace?
- A. Low tolerance
 - B. Manipulation and co-option
 - C. Misinformation
 - D. Self-interest
14. Which of the following is not a human resource strategy used to reduce the resistance to change?
- A. Explicit and implicit coercion
 - B. Interpretations of circumstances
 - C. Manipulation and co-option
 - D. Participation and involvement
15. Which of the following is not an internal factor affecting human resource planning?
- A. The corporate culture
 - B. The gig economy
 - C. The strategic direction of the organization
 - D. The size of the organization

Unit 2.2

Organizational structure

Task 1 – Complete the missing words...

The _____ of control refers to the _____ of workers that a line manager is responsible for. For example, the manager of a large department will have a _____ span of control. A manager with a narrow span of control means that he or she is responsible for relatively fewer people. There has been much debate about the _____ (or best) size for a manager's direct span of control. There is no consensus on this as there are advantages and disadvantages to both wide and narrow spans of control.

A _____ hierarchical structure tends to give more responsibility to workers and can therefore lead to a higher level of motivation. _____ occurs when a line manager passes on _____ to others to perform a role or task. The line manager retains overall _____ but the work is carried out by empowered subordinates. By contrast, a _____ organizational structure offers greater opportunities for promotion, closer management and supervision, _____ chains of command and a _____ span of control.

Charles Handy's _____ organization theory suggests that organizations face continual change and hence need to be able to adapt accordingly. The changing organization comprises of three 'leaves' of workers: _____ workers, peripheral workers and outsourced workers.

Task 2 - Explain two reasons why...

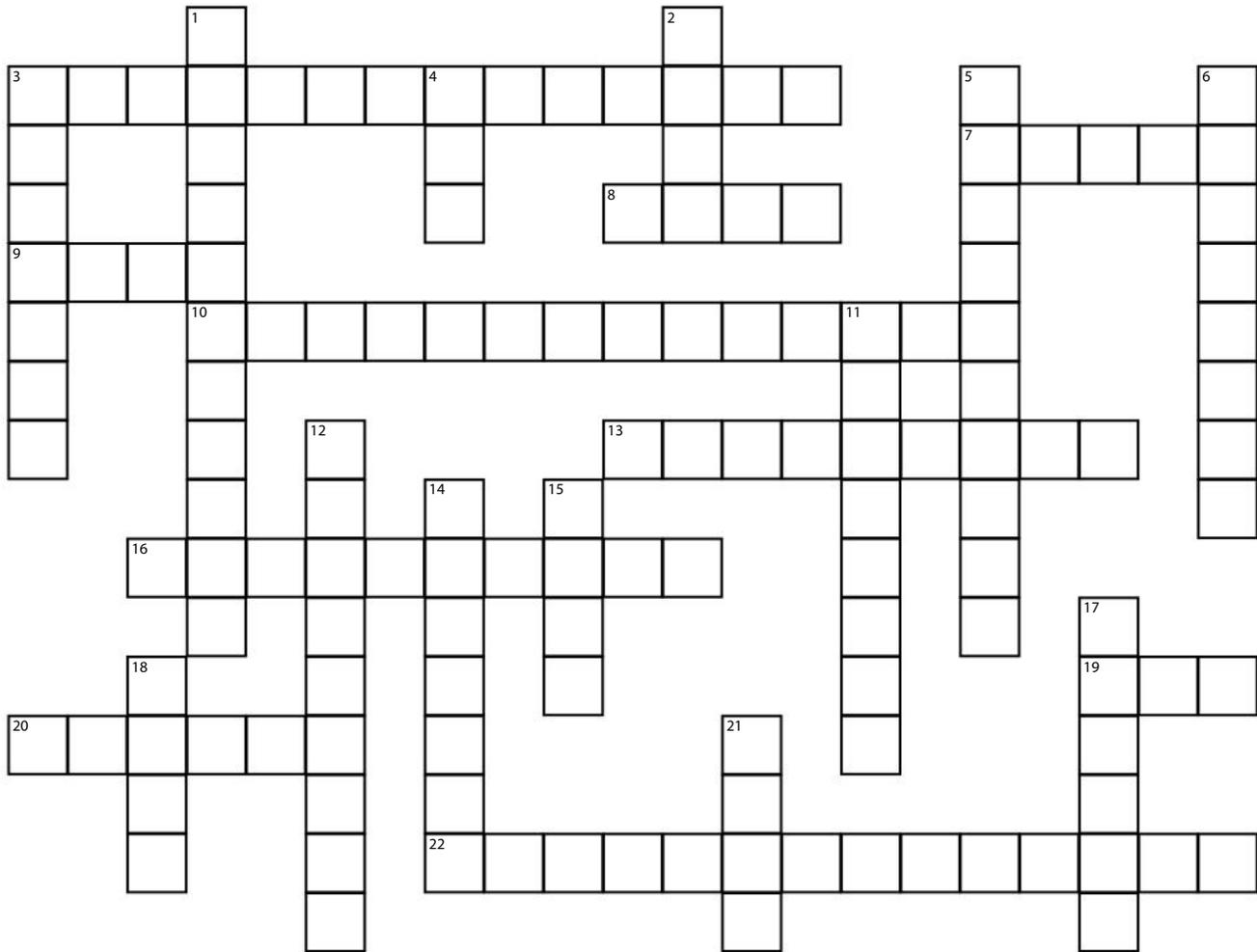
a. Many firms choose to use delayering.

b. Effective delegation may help to motivate workers.

c. It is important for businesses to understand their informal structures.

d. A matrix structure might cause problems for a business.

Task 3 – Organizational structure crossword



Clues across	Clues down
3. The official path that instructions are passed on	1. The person directly above you in the organization
7. Electronic form of written communication	2. Structure with many levels in the hierarchy
8. Such structures help to improve communication	4. The highest ranking person in a company
9. Personnel organized into a group	5. Removing layers in the hierarchy to cut costs
10. Holding someone responsible for their actions	6. Structure that caters well for part-time practices
13. The size (number) of the firm's employees	11. Teams formed naturally, through unofficial means
16. The act of passing down authority to others	12. The levels or ranks in an organization
19. The yearly meeting held for all key stakeholders	14. Person with authority and responsibility for staff
20. Person who inspires their team and staff	15. Span of control that encompasses many people
22. A sense of duty for others in your team	17. Flexible organizational structure for projects
	18. A particular job that needs doing
	21. Type of authority over those directly below you

Task 4 – True or False?

	True / False
a. A drawback of tall hierarchical structures is the potential for miscommunication problems due to the large number of layers in the organization.	
b. A driving force for delayering is to improve communication flows.	
c. A flat organization has few layers of management.	
d. A wide span of control requires effective delegation of authority and responsibility.	
e. Authority cannot be delegated to subordinates.	

f.	Bureaucracy refers to official administrative rules and regulations of an organization that govern its operations.	
g.	Delegation comes with extra financial rewards, e.g. pay rises.	
h.	Line managers have a wide span of control in tall hierarchical structures.	
i.	Responsibility cannot be delegated, i.e. it always remains with the line manager.	
j.	The span of control is inversely related to the number of layers in an organization.	

Task 5 – Distinguish between...

a. Accountability and responsibility.

b. The role of directors and the role of managers.

c. Hierarchical and flat structures.

Task 6 – Multiple Choice Questions

- Who is a senior manager directly accountable to?
 - Directors
 - Shareholders
 - Supervisors
 - The Chief Executive Officer (CEO)
- The person at the top of an organizational hierarchy is known as the
 - Chief Executive Officer
 - Chief Operations Officer
 - Executive Director
 - Non-executive Director
- Which term is used to describe the system of organizing people within a business in terms of their rank?
 - Chain of command
 - Decentralization
 - Hierarchy
 - Span of control

4. Which option is an advantage of a wide span of control?
 - A. Communication is enhanced as there are more managers
 - B. It is more cost effective due to less hierarchical levels
 - C. Managers are freed up giving them time to time to deal with other tasks
 - D. Workers become more motivated as there are promotional prospects

5. Which of the options below is the most likely benefit of delayering to a business?
 - A. Improved motivation
 - B. Increased delegation to subordinates
 - C. Shorter chains of command
 - D. Wider spans of control

6. Which of the following features applies to organizations with flat structures?
 - A. A large number of managers
 - B. Good opportunities for promotion of staff
 - C. Narrow spans of control
 - D. Suitable when employees are multi-skilled

7. Decentralization means
 - A. Informal communication between staff from various departments
 - B. Orders are sent from the Board of Directors as they need to oversee corporate strategy
 - C. Passing responsibility and authority away from the Board of Directors to individual departments
 - D. Removing decision-making power from managers

8. As a business grows, managers need to relinquish some of their roles and responsibilities. What is this known as?
 - A. Decentralization
 - B. Delayering
 - C. Delegation
 - D. Empowerment

9. Which type of organizational structure is based on personal relationships and social networks?
 - A. Centralized
 - B. Hierarchical
 - C. Informal
 - D. Project-based

10. Groups that are not an official part of an organization but arise from people having similar interests are known as
 - A. informal groups
 - B. lobbying groups
 - C. quality circles
 - D. specialist interest groups

11. Drawbacks of informal organizational structures do not include
 - A. confidential information being exposed
 - B. misinterpretation of the correct information
 - C. reduced bureaucracy
 - D. the spreading of rumours

12. Which type of flexible organizational structure is based on different departments temporarily working together to achieve an organizational objective?
 - A. Decentralized structure
 - B. Outsourced structure
 - C. Project-based structure
 - D. Shamrock structure

13. What is the term used to describe the execution of tasks that are governed by official administrative and formal rules of an organization?
 - A. Accountability
 - B. Bureaucracy
 - C. Centralization
 - D. Delegation

14. What term is used to describe decision-making power that is kept in the hands of a few people within an organization?
 - A. Accountability
 - B. Bureaucracy
 - C. Centralization
 - D. Delegation

15. Advantages of project-based organizational structures do not include
 - A. Decentralized decision-making
 - B. Flexibility
 - C. Improved control
 - D. Inter-departmental team working

16. Which of the following is a drawback of using project-based organizational structures?
- A. Conflicting interests from having more than one line manager
 - B. Narrower spans of control
 - C. Reduced employee empowerment
 - D. Taller hierarchical structures
17. In Charles Handy's shamrock organizations, what name is given to the group consisting of full-time professional workers who are crucial to the organization's operations, survival and growth?
- A. Contingent workforce
 - B. Core staff
 - C. Outsourced workers
 - D. Peripheral staff
18. What name is given to the group of workers consisting of part-time, temporary and portfolio workers who are employed as and when they are needed?
- A. Contingent workforce
 - B. Core staff
 - C. Outsourced workers
 - D. Peripheral staff
19. What occurs when the size of the core workforce in the shamrock organization is reduced?
- A. Bureaucracy
 - B. Decentralization
 - C. Downsizing
 - D. Globalization
20. The optimal organizational structure is least likely to depend on
- A. Management attitudes and preferences
 - B. Organizational and corporate culture
 - C. The chain of command in the organization
 - D. The size of the organization

Unit 2.3

Leadership and Management

Task 1 – Complete the missing words...

Management refers to the process of getting things done through other people in order to achieve the _____ of a business. This is likely to involve planning, organizing, co-ordinating, commanding and controlling the various operations and _____ within a business.

Managers and leaders adopt different _____ to tackle organizational objectives and execute different strategies. For example, _____ leaders make decisions independently of others and delegate very little, if any, responsibility to their subordinates. By contrast, _____ leaders encourage others to be involved in decision-making (by a process of consultation and consideration of the views of the workforce) before they implement any changes. _____ leaders are those who have minimal direct input in the work of their staff. Instead, they allow subordinates to make their own decisions and to complete tasks in their own way. _____ leadership also suggests that managers and leaders must be able to change and adapt their style to different situations. Managers may adopt a _____ approach when inducting new staff or when dealing with staff with personal difficulties.

There are various factors that influence a person's style of management and leadership. These influences include: the nature of the _____ (e.g. whether it is routine or a major undertaking that requires strategic leadership), the nature of the _____ (e.g. his/her experience, qualifications, training and personality) and the organizational _____ (i.e. the 'way' things are done in the organization).

Task 2 – Explanations...

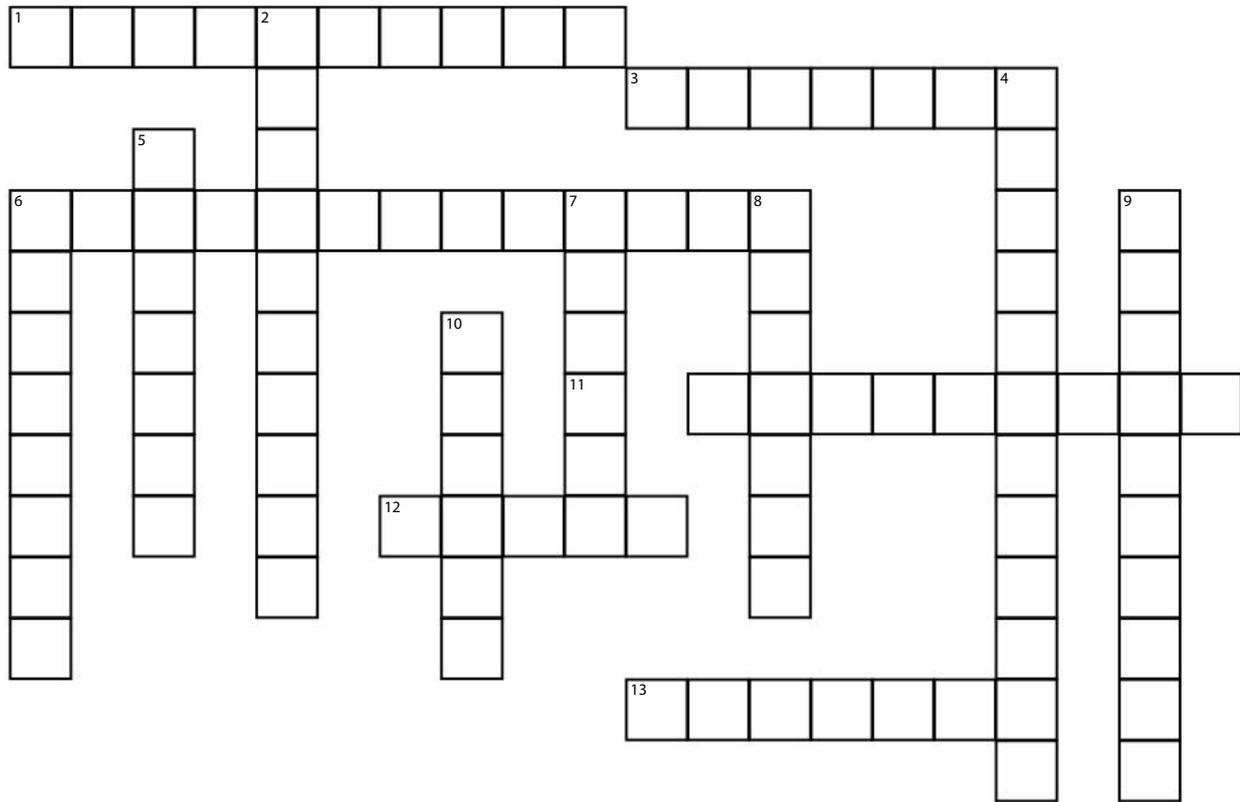
- a. Outline two factors that could influence someone to adopt an autocratic leadership style.

- b. What do you think management guru Warren Bennis meant when he said "*Failing organizations are usually over-managed and under-led*".

- c. Outline two core competencies that leaders must develop to be successful.

- d. If a leader needs to seek the advice from others when making a key strategic decision, is this a sign of weak leadership?

Task 3 – Leadership and Management



<u>Clues across</u>	<u>Clues down</u>
1. An authoritarian style of management	2. One of the key roles of any manager
3. A key role of management	4. Style of management most suited to firms with highly skilled and competent staff
6. Managers who act in a way they believe to be in the best interest of their subordinates	5. The type of consideration that is based on the leader's personal values and moral judgment
11. Only senior managers make these types of decisions	6. All managers participate in this key role
12. Targets and objectives, in short, should be: specific, measurable, agreed, realistic and time constrained	7. The highest-ranking level of managers
13. Charles Handy describes such a person to be a general practitioner, confronter of dilemmas and balancer of cultural mixes	8. The customs and norms within an organization
	9. Management styles will affect the level of this driving force in an organization
	10. An official leader or manager established by the organization, rather than through natural flair or charisma

Task 4 – True or False?

	True / False
a. A paternalistic management style tends to be suitable when dealing with new and inexperienced workers.	
b. Authoritarian managers make decisions on their own without discussion or consultation with subordinates.	
c. Autocratic leaders tend to be ineffective as they cannot motivate workers.	
d. Corporate culture is an important factor in determining a person's management and leadership style.	
e. The roles of management include the planning, organizing, commanding, coordinating, and controlling of business operations.	
f. Laissez-faire leadership is based on managers and leaders having minimal direct input into the work of their employees.	

g.	Leaders are the people at the top of an organization.	
h.	Paternalistic leaders treat their employees as if they were family members, guiding them and acting in the best interest of their subordinates.	
i.	Since laissez-faire managers allow employees to work towards their own objectives, this tends to be the most effective management style today.	
j.	The best managers are those who are compassionate towards their staff.	
k.	The level of risks involved in decision-making is a key difference between leaders and managers.	

Task 5 – Multiple Choice Questions

1. A key difference between managers and leaders is that
 - A. Leaders are those at the very top of an organization
 - B. Managers are professionally qualified
 - C. Managers conform to the organizational culture
 - D. Managers have subordinates

2. Leadership is not directly concerned with
 - A. Cohesiveness in the workplace
 - B. Guiding people
 - C. Influencing people
 - D. Training and developing people

3. The management style that sees the leader allowing subordinates to achieve targets in their own way is known as
 - A. Autocratic
 - B. Democratic
 - C. Laissez-faire
 - D. Paternalistic

4. Which management or leadership style is most suitable during a hostile takeover?
 - A. Autocratic
 - B. Democratic
 - C. Laissez-faire
 - D. Paternalistic

5. Which statement does not apply to an autocratic style of management?
 - A. It is suitable when quick decision-making is required
 - B. Senior managers make all the decisions
 - C. Senior managers monitor and direct workers
 - D. Useful when working with highly skilled workers

6. Autocratic leaders excel when dealing with
 - A. A very small number of workers
 - B. An unexpected crisis
 - C. Experienced workers who want to have an input
 - D. Trusted employees

7. A democratic management style exists when managers
 - A. Direct workers
 - B. Ignore the views of subordinates
 - C. Leave workers to achieve their targets in their own way
 - D. Trust their employees

8. An autocratic leader does not
 - A. Delegate much, if any, responsibility to subordinates
 - B. Maintain overall authority in decision making
 - C. Make all the decisions alone
 - D. Work well during a time of emergency or crisis

9. Which leadership style encourages workers to get involved in decision making?
 - A. Democratic
 - B. Paternalistic
 - C. Laissez-faire
 - D. Situational

10. Which of the following factors does not affect the style of management or leadership?
 - A. Corporate culture
 - B. Personality
 - C. Specialisation and division of labour
 - D. The nature of the task

11. When critical decisions need to be made, which management style is most appropriate?
 - A. Autocratic
 - B. Democratic
 - C. Laissez-faire
 - D. Paternalistic

12. Which type of leader consults staff and makes decisions based on such consultation?
- A. Democratic
 - B. Laissez-faire
 - C. Paternalistic
 - D. Situational
13. Which of the following statements relates best to an autocratic manager?
- A. Centralized decision-making
 - B. Considers the welfare of the workforce before making key decisions
 - C. Makes decisions that are believed to be in the best interest of the staff, even if this means being unpopular
 - D. Seeks the opinions of workers before making key decisions
14. Which of the following is least likely to be a key role of management?
- A. Controlling people
 - B. Measuring productivity and performance
 - C. Organizing people
 - D. Setting clear business goals
15. Which management style treats their workers as household or family members, making decisions believed to be in the best interest of their employees?
- A. Authoritarian
 - B. Democratic
 - C. Paternalistic
 - D. Situational
16. Which management style requires managers to be flexible enough to adapt themselves to different circumstances?
- A. Authoritarian
 - B. Democratic
 - C. Paternalistic
 - D. Situational
17. Which leadership and management style is most likely to encourage workers to be complacent due to the lack of control and coordination?
- A. Autocratic
 - B. Laissez-faire
 - C. Paternalistic
 - D. Situational

18. Which of the following is least likely to have a direct impact on the effectiveness of leadership and management?
- A. Financial budgets
 - B. Organizational culture
 - C. The nature of the task
 - D. The skills and experience of the workers
19. Which management style is least appropriate when dealing with unskilled workers?
- A. Autocratic
 - B. Democratic
 - C. Paternalistic
 - D. Situational
20. Which option is least likely to influence the leadership or management style adopted by a situational leader or manager?
- A. The dominant organizational culture
 - B. The level of skills and experience of the workforce
 - C. The organizational structure
 - D. The remuneration package of leaders and managers

Unit 2.4

Motivation and demotivation

Task 1 – Complete the missing words...

Motivation refers to the _____ (or desire) to work or to complete a particular task. This drive can come from the satisfaction of work itself (such as teaching or photography) and/or from the desire to achieve one's _____ (such as to earn money, to gain recognition or to achieve greatness). Methods of motivation can be classified as _____ methods (e.g. salaries, commission and profit-related pay) and _____ - _____ methods (e.g. empowerment, teamwork and job enrichment).

_____ can be costly to a business because absenteeism, labour _____, lower _____ (output per worker), wastage and disciplinary problems are likely to increase. By contrast, high levels of motivation lead to job _____ and improved industrial _____.

Abraham Maslow's theory of motivation differs markedly from that of F.W. Taylor's in that _____ considered the human side of work. He put forward the theory of a hierarchy of human needs which have to be fulfilled in order to motivate a person. At the base of the hierarchy are _____ (basic) needs and at the top of the hierarchy are _____ - _____ needs.

Herzberg argued that _____ factors must be met to prevent dissatisfaction in the workplace, but they alone do not motivate workers. Having a well-paid job but without a sense of recognition or opportunities for advancement. In contrast, _____ are the factors that lead to the psychological growth of workers, and hence increase job _____ and performance in the workplace.

Task 2 – The theorists' theories

a) Place the following examples of Herzberg's motivators and hygiene factors under the correct heading:

- Achievement
- Administration and company policies
- Advancement
- Job security
- Opportunity for promotion
- Paperwork
- Recognition
- Responsibility
- Rules and regulations
- Self-realization
- Supervision
- Wages

Hygiene factors	Motivators

b) Arrange the following factors into Maslow's hierarchy of needs:

- Acceptance
- Accomplishment
- Achievement
- Affection
- Basic necessities
- Biological needs
- Develop fully
- Fulfil potential
- Fitting in
- Friendship
- Group identity
- Job security
- Pay
- Reputation
- Personal growth
- Predictability
- Respect
- Responsibilities
- Stability
- Status
- Steady job
- Survival

Self-actualisation	Esteem needs	Love and belonging needs	Safety needs	Physiological needs

c) Place the following considerations under the heading of the correct theorist (HL only):

- Autonomy
- Need to grow
- Effort versus Reward
- Equity theory
- Competence
- Perceived fairness
- Psychological relatedness
- Social comparison

Deci and Ryan's self-determination theory	J.S. Adams

d) Name the motivational theorist from the given clues:

Theorist	Content of theory
	Workers naturally compare their efforts or rewards to those of others in the workplace (HL only).
	Two factor theory based on hygiene factors and motivators.
	Hierarchy of needs ranging from physiological needs to self-actualization.
	Individuals have three main emotional needs, namely the need for achievement, power, and affiliation (HL only).
	Standardized output for piece-rate payment, based on scientific management techniques.

Task 3 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

a) Training and Appraisal

Key Term	Definition
	Process of collecting information and evidence to assess the performance of an employee. (HL only)
	Training provided for new employees to introduce them to the premises, to meet new colleagues and to be more familiar with their new job roles. (HL only)
	A form of training that happens when trainees are actually doing the job.
	A type of written description of an employee's performance at work, summarizing what s/he has done and achieved during the year. (HL only)
	The process of providing opportunities for workers to acquire employment-related skills and knowledge.

b) Recruitment and Labour turnover (HL only)

Key Term	Definition
	The number of people away from work as a percentage of the size of the workforce in a business, per period of time.
	A document outlining an applicant's education, employment history, skills, and professional qualifications
	The study of what is included in a job, such as the tasks, responsibilities, and skills involved.
	Measures the rate in change of human resources within an organization, per period of time.
	A document detailing the required skills, qualifications, and experience of the ideal candidate for a job.
	Measures the output of workers; often expressed as the output per worker.
	The process of hiring suitable workers, to ensure the best candidate is hired for a particular job or role.
	The process of providing opportunities to the employees to acquire skills required for a particular job or increase their existing knowledge.

Task 4 – True or False?

	True / False
a. According to Herzberg, hygiene factors such as pay can cause motivation.	
b. Contrary to what Maslow predicted, not all people want a promotion or want to stretch themselves to self-actualization.	
c. Health insurance, company cars, paid holidays and housing allowances are examples of fringe benefits.	
d. Induction training is intended for new employees to acquaint them with the organization and key personnel.	
e. Job enrichment means allowing employees more control over their jobs.	
f. Overtime pay usually attracts a higher rate of pay.	
g. Performance-related pay links payment to the level of profits of the firm.	
h. Piece rate rewards workers who are more productive.	

i.	Taylor's scientific management considered the human aspects of the workplace.	
j.	The document that gives the profile of the ideal candidate for a job is called the job description. (HL only)	
k.	The main method of selection is via interview. (HL only)	
l.	One major benefit of training and development is lower levels of staff retention. (HL only)	
m.	A zero rate of labour turnover is desirable. (HL only)	
n.	McClelland concluded that motivation works best with financial rewards. (HL only)	
o.	Adam's equity theory said that to motivate employees rewards they receive should be fair and similar to the ones received by their peers. (HL only)	

Task 5 – Vocabulary Quiz

State the key terms from the given definitions. *Hint:* all answers appear in alphabetical order.

Key Term	Definition
	Salespeople are often paid by this payment system which rewards employees according to the number of products they sell.
	A non-financial motivator that grants workers the authority to make various decisions and to execute their own ideas.
	These perks are received by employees in addition to their standard wage or salary, e.g. free meals and work uniforms.
	This form of motivation (and multi-skilling) involves increasing the number of tasks involved in a particular job.
	This method of motivation gives employees more responsibilities and decision-making power.
	This form of motivation involves employees working on different tasks in turn (sequence) in order to add variety to their jobs.
	Payment system based on rewarding individual employees who meet certain performance targets.
	This payment system pays people according to how much they actually produce or sell, thus giving workers an incentive to be more productive.

Task 6 – Distinguish between...

a. Salaries and wages.

b. Performance-related pay and profit-related pay.

c. Time-based and piece-rate payment systems.

d. Job enrichment and job enlargement.

e. Motivation and movement, according to Professor Frederick Herzberg.

Task 7 – Explain...

a. Two non-financial incentives used to motivate workers.

b. Why improved maternity and paternity rights should help to reduce the absence rate of workers with young children.

c. Why job enrichment tends to be more motivating than job enlargement or job rotation.

d. How contributions to a worker's pension (retirement) fund is an example a hygiene factor.

e. Why share options schemes may not necessarily motivate a firm's workforce.

f. How grievances and poor punctuality are both indicators of poor motivation in a business.

g. How and when each of the following leadership and management styles can motivate a workforce.

i. Autocratic

ii. Democratic

iii. Paternalistic

h. Two advantages to a business that encourages teamwork.

i. Why training and development are important to a *business*.

j. Why training and development are important for *employees*.

k. Two advantages of on the job training.

l. Two disadvantages of on the job training.

m. Two advantages of internal recruitment, including the internal promotion of employees. (HL only)

n. What is meant by an appraisal interview. (HL only)

o. Whether an appraisal should be linked to pay. (HL only)

p. Two advantages to a business in using external recruitment. (HL only)

q. Two benefits of low staff turnover. (HL only)

r. Which of the following ought to be high (from an organization's viewpoint). (HL only)

- i. Absenteeism
- ii. Labour turnover
- iii. Staff retention

s. How an increasing labour turnover rate impacts human resource planning. (HL only)

Task 8 – Odd One Out (Herzberg)

Explain the odd one out in each case:

a.	Responsibility	Sense of achievement	Nature of the job	Work conditions
b.	Wages	Supervision	Responsibility	Company policies
c.	Responsibility	Company policies	Autonomy	Authority

a. _____

b. _____

c. _____

Task 9 – High or Low? (HL only)

Explain whether the following measures of personnel effectiveness should, ideally, be high or low.

a. Absenteeism

b. Labour turnover

c. Productivity

d. Wastage

e. Staff retention

Task 10 – Multiple Choice Questions

1. Reasons why people work do not include
 - A. To earn money to satisfy physiological needs
 - B. To feel a sense of belonging
 - C. To maintain skills and employability
 - D. To reduce absenteeism

2. A highly motivated workforce will not lead to higher levels of
 - A. Customer service
 - B. Labour productivity
 - C. Labour turnover
 - D. Product quality

3. Which scenario below is not an example of absenteeism?
 - A. Phil delegates his work to an assistant as he attends all-day meetings with his team of managers
 - B. Marge does not feel well and has permission from the doctor to refrain from attending work
 - C. Pravin wakes up late and decides it would be better to stay at home as the boss does not like poor punctuality
 - D. With consent given by her employer, Buki attends her daughter’s graduation ceremony

4. Which theorist suggested that workers should be paid for the actual work that they do rather than for their mental ability?
 - A. F. Herzberg
 - B. F.W. Taylor
 - C. A. Maslow
 - D. V. Vroom

5. Which of the following features is not part of F.W. Taylor’s motivation theory?
 - A. Alienation of the workforce
 - B. High degree of specialisation and division of labour
 - C. Job satisfaction
 - D. Repetitive jobs

6. Which of the following characteristics cannot be applied to Taylor's theory of scientific management?
 - A. Piece rate can be used to motivate workers
 - B. Workers are motivated by pay
 - C. Workers are motivated by the working environment
 - D. Workers specialise in order to maximise output

7. According to Taylor, what is the most effective type of payment system?
 - A. Pay based on the qualifications and experience of workers
 - B. Piece rate payment systems
 - C. Time based payment systems
 - D. Wages and salaries

8. Which statement applies to Taylor's theory of motivation?
 - A. Financial rewards are not enough to motivate the workforce
 - B. Non-financial motivators are as important as financial ones
 - C. Workers should be empowered to increase their levels of motivation
 - D. Workers should specialise so that they can master their craft

9. Which statement best applies to Taylor's theory of motivation?
 - A. All workers are motivated by the same types of needs and wants
 - B. Managers should closely monitor, control and supervise their employees
 - C. Managers view workers as being lazy and motivated by monetary reasons
 - D. Workers are motivated by job enrichment, team working and job enhancement

10. Which of the following is a maintenance factor, rather than a motivator, under F. Herzberg's theory of motivation?
 - A. Advancement
 - B. Personal Growth
 - C. Responsibility
 - D. Salaries

11. According to F. Herzberg, which of the following is not a hygiene factor?
 - A. Job security
 - B. Policies and administration
 - C. Recognition
 - D. Status

12. According to F. Herzberg, any factor that does not directly motivate a worker, but when not present or addressed will directly demotivate someone, is known as
- A. Demotivator
 - B. Hygiene factor
 - C. Motivator
 - D. Two-factor theory
13. According to F. Herzberg, factors that can actually motivate an employee to work harder include
- A. Job security
 - B. Pay
 - C. Recognition
 - D. Working conditions
14. Which statement cannot be applied to Maslow's hierarchy of needs theory?
- A. Lower level needs do not have to be satisfied in order for people to be motivated
 - B. People are not motivated by money alone
 - C. People's ultimate goal is self-actualisation
 - D. Workers can move down as well as up the hierarchy of needs
15. Several groups of people are unlikely to go through Maslow's hierarchy of needs in a chronological order. Which group is most likely to be the exception to this?
- A. Charity volunteers
 - B. Freelance writers
 - C. Religious leaders
 - D. Television celebrities
16. Security needs in Maslow's hierarchy of needs can be met by offering employees
- A. Employment contracts
 - B. Money (salaries and wages)
 - C. Piece rate payments
 - D. Promotional opportunities
17. According to Maslow, identification with and acceptance from a particular group can help to meet which level of human needs?
- A. Security
 - B. Self esteem
 - C. Social
 - D. Survival

18. Making a job more challenging is an example of
- A. Job enlargement
 - B. Job enrichment
 - C. Job retrenchment
 - D. Job rotation
19. Empowerment could be seen if a manager
- A. Allocates a particular task to a team
 - B. Delegates decision-making authority to subordinates
 - C. Gives workers more jobs to complete
 - D. Provides more interesting jobs for workers
20. Which statement below is not necessarily a benefit of having a highly motivated workforce?
- A. Higher productivity
 - B. Increased rivalry among the workforce
 - C. Lower levels of absenteeism
 - D. Reduced levels of staff turnover
21. Which facility would not directly address a worker's social needs as a form of motivation?
- A. Departmental offices and work areas
 - B. New Year party for all staff
 - C. Observation of anti-racial discrimination laws
 - D. Training and development opportunities
22. Which option is *least* likely to be a potential problem for a firm of solicitors uses financial incentives to improve motivation?
- A. It can prove to be very expensive for the partners of the firm
 - B. It could reduce the quality of service as the solicitors now focus on output
 - C. It may be seen as divisive rather than promoting teamwork
 - D. It may encourage employees to be less productive
23. J.S. Adams' equity theory states that (HL only)
- A. Employees who treat their employers well will be rewarded
 - B. Every worker should be paid the same salary and benefits
 - C. Fairness exists when employers recognise efforts with rewards
 - D. Inequality will drive workers to perform better to secure pay rises

24. According to Deci and Ryan's self-determination theory, what is the term given to a person's urge or desire to be self-sufficient in directing their own life? (HL only)
- A. Autonomy
 - B. Competence
 - C. Purpose
 - D. Relatedness
25. Costs of high absenteeism in the short run include all the following except (HL only)
- A. The cost of hiring temporary cover staff
 - B. The costs of recruitment and training
 - C. The costs of reduced morale and team working
 - D. The loss of business due to lower productivity

Task 11 – Multiple Choice Questions - Motivation in Practice

1. Which statement below does not necessarily apply to wages?
- A. It is a type of time-based payment system
 - B. It is normally paid per time period, such as per hour worked
 - C. Overtime is paid at a rate higher than the wage rate for any extra hours worked
 - D. Wages do not motivate workers to be extra productive
2. The payment system that rewards workers for each item that they produce or sell is known as
- A. Commission
 - B. Perks
 - C. Piece rate
 - D. Time rate
3. Payment to employees on the basis of each item sold is known as
- A. Commission
 - B. Fringe benefits
 - C. Holiday pay
 - D. Time in lieu
4. A consequence of paying workers by piece rate is that
- A. High quality work is recognised and rewarded accordingly
 - B. It directly rewards people for the amount of time spent working
 - C. It promotes team building
 - D. Workers may ignore quality due to the emphasis on the speed of work

5. McDonald's pays its crew member staff different hourly wage rates. Which factor is not a legal justification for doing so?
 - A. Different genders
 - B. Different geographical locations
 - C. Extent of experience
 - D. Levels of responsibility

6. Which payment system is preferred for situations where quality *and* output cannot be easily measured?
 - A. Output based
 - B. Performance related pay
 - C. Piece rate
 - D. Time based

7. The payment system whereby employees receive a share of the company's profits is known as
 - A. Dividend payments
 - B. Performance-related pay
 - C. Profit-related pay
 - D. Retained profits

8. The method of motivating workers by giving them more responsibilities and more interesting tasks is known as
 - A. Delegation
 - B. Job enlargement
 - C. Job enrichment
 - D. Job rotation

9. Job enlargement is not concerned with
 - A. Boosting the morale of workers
 - B. Giving workers more complex tasks to do
 - C. Increasing the number of tasks performed by an employee
 - D. Multi-skilling the worker

10. What is the name given to the overall bundle of pay and perks of a job?
 - A. Contract of employment
 - B. Payment and conditions
 - C. Payment systems
 - D. Remuneration package

11. Teamworking does not tend to allow a business to benefit from
 - A. Higher labour productivity
 - B. Lower absenteeism
 - C. Lower labour turnover
 - D. Shorter decision-making time

12. The method of motivation that encourages workers to decide on their work priorities and to come up with their own solutions to problems is known as
 - A. Delegation
 - B. Empowerment
 - C. Job enlargement
 - D. Job rotation

13. Which statement does not apply to employee share ownership schemes?
 - A. Employees benefit financially if the company performs well
 - B. It is used as a form of financial reward
 - C. It is used as a way of retaining and motivating staff
 - D. Job empowerment is granted to these employees

14. Which of the following is an advantage of piece rate?
 - A. It acts as an incentive to work
 - B. It encourages teamwork
 - C. It is suitable for people who have autonomy in decision-making
 - D. It motivates highly skilled workers

15. The non-financial motivation method that involves broadening the number of tasks that are completed by a worker is called
 - A. Job description
 - B. Job enlargement
 - C. Job enrichment
 - D. Job rotation

16. Which of the following is not a disadvantage of piece rate payment systems?
 - A. There is difficulty in differentiating between the productivity of workers
 - B. They are difficult to apply to many professions where measuring output is complicated
 - C. They can be divisive and discourage teamwork
 - D. They have a negative impact on quality as some workers take short-cuts to complete tasks

17. Which of the following is most likely to be considered as a financial method of motivation?
- A. Empowerment
 - B. Job enlargement
 - C. Job enrichment
 - D. Housing allowances
18. Which of the following would not be classed as a fringe benefit?
- A. Company car
 - B. Education allowance
 - C. Salaries
 - D. Work uniform (work clothing)
19. According to Adams' equity's theory, which of the following is not a part of the input by employees? (HL only)
- A. Efforts
 - B. Enthusiasm
 - C. Experience
 - D. Remuneration
20. Which of the following theorists addressed three universal intrinsic needs (namely competence, autonomy, and psychological relatedness)? (HL only)
- A. Deci and Ryan's (self-determination theory)
 - B. Herzberg (motivation-hygiene theory)
 - C. Maslow (hierarchy of needs)
 - D. Vroom (expectancy theory)

Task 12 – Recruitment Multiple Choice Questions (HL only)

1. A person specification
- A. Identifies the personal achievements and employment history of a candidate
 - B. Lists the responsibilities of the post holder
 - C. Looks at the essential skills and knowledge required to carry out a specific job role
 - D. Specifies the requirements of what the ideal person needs to do in the job
2. A person specification is unlikely to include the _____ required from the ideal candidate.
- A. Aptitude
 - B. Experience
 - C. Responsibilities
 - D. Skills

3. Which of the following is least likely to appear in a person specification for someone working in new product design?
 - A. Creative
 - B. Innovative
 - C. Skilled in customer relations
 - D. Team player

4. A job description for a teacher is unlikely to include
 - A. A description of the role in relation to other staff in the organization
 - B. The additional duties of the teacher
 - C. The job title
 - D. The required level of teaching experience

5. Which of the following does not appear in a job description?
 - A. Job title
 - B. Main tasks and accountabilities
 - C. Responsibilities
 - D. Skills and qualifications

6. A job vacancy may arise due to
 - A. A decrease in sales revenue
 - B. Technological advances and automation
 - C. The internal promotion of a worker
 - D. Zero staff turnover

7. A workforce plan will determine what _____ exist in an organization and include a relevant job _____ and person _____ for each vacant position.
 - A. Jobs, description, statement
 - B. Jobs, outline, statement
 - C. Vacancies, description, specification
 - D. Vacancies, specification, description

8. Which of the following does not explain why businesses need to recruit workers?
 - A. Existing employees leave the firm due to retirement
 - B. The business is expanding due to increasing demand for its products
 - C. To avoid diseconomies of scale
 - D. To cover maternity and paternity leave

9. Interviews do not directly allow an employer to find out about an applicant's
- A. Ability to converse and articulate an argument
 - B. Ability to perform certain tasks
 - C. Level of enthusiasm to do the job
 - D. Work history
10. Which of the following is not a disadvantage of interviews as a form of recruitment?
- A. Detailed questions can be asked
 - B. Information given might be skewed (biased or dishonest)
 - C. They are time consuming
 - D. They do not reveal truly whether an applicant can do the job
11. Which option is not a reason for rejecting candidates based on their application form for a job?
- A. A mismatch of skills and qualifications
 - B. Insufficient work experience
 - C. Low score in aptitude assessment
 - D. The employer has set a limit on the number of candidates to shortlist
12. Which of the following is least likely to be a disadvantage for a business that experiences high labour turnover?
- A. Lack of continuity or expertise
 - B. Lost production during recruitment, induction and training
 - C. The cost of recruitment and selection
 - D. The wages needed to pay newly recruited staff
13. The document that acts as a final safety check to confirm the information given by an applicant is correct and truthful is known as the
- A. Curriculum Vitae
 - B. Job application
 - C. Personal statement
 - D. Reference
14. Objectives of recruitment advertising do not include
- A. Attracting as many applicants as possible to apply for the job
 - B. Dissuading unsuitable applicants
 - C. Informing potential candidates about job opportunities
 - D. Providing information about the organization to potential applicants

15. Which statement below best applies to most, if not all, recruitment adverts?
- A. They can be published internally and externally
 - B. They publish the full range of salary and benefits in order to attract applicants
 - C. They show the company website for those interested in finding out more information
 - D. They state the requirement of a curriculum vitae from applicants
16. The document that outlines the work history and achievements of a job applicant is known as the
- A. Application form
 - B. Curriculum vitae
 - C. Job description
 - D. Person specification
17. Using an existing worker to fill a vacancy of a senior position solves the problem of having to
- A. Advertise the job to suitable candidates
 - B. Assess the suitability of a candidate to fit into the culture of the organization
 - C. Find a suitable employee to fill the vacancy
 - D. Train the new worker in the job
18. Which of the following is a drawback of using internal recruitment?
- A. A potential lack of new ideas and creativity in the business
 - B. It reduces 'dead wood' (outdated practices) in the organization
 - C. The relative amount of time needed for recruitment
 - D. The relative cost of recruitment
19. The advertising of an internal position is most likely to be in the form of
- A. A meeting
 - B. A newspaper announcement
 - C. An internal email notification
 - D. An internet advertisement
20. Top Tutors Ltd. specialises in finding part-time and temporary work for teachers by matching the requirements of students who seek private tuition lessons. Top Tutors Ltd. is an example of a
- A. Consultancy firm
 - B. Headhunter
 - C. Job centre
 - D. Recruitment agency

Task 13 – Training Multiple Choice Questions (HL only)

1. Which option below would not be a feature of an induction programme?
 - A. Conducting an appraisal meeting
 - B. Having a tour of the workplace and premises
 - C. Learning about the responsibilities in the job
 - D. Meeting subordinates, the line manager and new colleagues

2. Induction training is unlikely to cover
 - A. Facts and figures of the organization, such as the number of employees
 - B. The basics of the job for the new recruit
 - C. The history and culture of the organization
 - D. Upgrading of ICT skills needed for the job

3. The length and type of induction training for a worker depends on
 - I. The size of the organization
 - II. The rank or position of the employee
 - III. The complexity of the job
 - A. I and II only
 - B. II and III only
 - C. I and III only
 - D. I, II, and III

4. Which of the following is least likely to be classed as a method of on the job training?
 - A. Attending specialist conferences
 - B. Demonstrations to show trainees how to do a particular job
 - C. Job rotation within the workplace
 - D. Mentoring between an experienced employee and the trainee

5. Which of the following is not a method of off the job training?
 - A. Attending evening classes
 - B. Attending training at a conference centre
 - C. Self-study or distance learning
 - D. Work shadowing

6. Off the job training refers to training that is
 - A. Carried out for newly appointed staff
 - B. Conducted at the place of work whilst the employee is not working
 - C. Conducted by specialist trainers not necessarily available at the workplace
 - D. Funded by the government or training colleges

7. Which of the following is not an aim of training and development?
 - A. Gain a higher budget allocation for the HRM Department
 - B. Improve customer service and customer relations
 - C. Improve the quality of people's work
 - D. Match the skills of people to the needs of the organization

8. Appraisals that involve gathering information concerning the appraisee from different groups of people who work with the employee are known as
 - A. 360-degree feedback
 - B. Formative appraisals
 - C. Self-appraisals
 - D. Summative appraisals

9. One problem with appraisal methods that use rating scales is that
 - A. Some traits that are scaled may not be directly relevant to job performance
 - B. They are not standardised which makes comparisons very difficult
 - C. They are relatively expensive to conduct compared to other appraisal methods
 - D. They lack structure in design

10. A post holder's existing job description and person specification are not used for
 - A. Appraisals
 - B. Identifying training needs
 - C. Job evaluation
 - D. Promoting employees

11. Interviews conducted by a group of interviewers all at the same time are known as
 - A. Face to face interviews
 - B. Panel interviews
 - C. Sequence interviews
 - D. Telephone interviews

12. The ability of a business to keep its employees working for the firm, rather than to seek employment elsewhere, is known as
 - A. Internal recruitment
 - B. Motivation
 - C. Retention
 - D. Selection

13. If the workforce of Baker & Geraghty Ltd. is 95 people and twenty workers resign this year, then the labour turnover rate at the company is
- A. 21.05%
 - B. 78.95%
 - C. 20 people
 - D. 75 people
14. Which of the following is likely to be a cause of high labour turnover?
- A. Attractive salaries and fringe benefits
 - B. High occupational mobility of the workforce
 - C. High staff morale
 - D. Investment in training and development
15. Which of the following is a benefit of high staff retention?
- A. New people and ideas come into the business
 - B. Recruitment and induction costs are reduced
 - C. Staffing costs are lowered
 - D. There is minimal continuity and stability

Unit 2.5

Organizational (corporate) culture (HL only)

Task 1 – Complete the missing words

Corporate culture refers to the shared _____, values and attitudes of the people within an organization. These norms subsequently determine the way in which the business operates on a daily basis. It also underpins corporate _____ and influences the organization's corporate image. Senior management will seek to create a positive culture in order to _____ workers to deliver a first-rate product or service to their customers. If people are united and committed to the organisation's _____ statement, then a _____ corporate culture will be developed.

Culture _____ exist when there is conflict or incompatibility between two or more cultures within an organization. This can exist when firms merge, when a business _____ overseas (if workers are ignorant of international cultural differences) or when there is a change in _____.

In Charles Handy's model of corporate culture, an organization may have more than just one culture. This is likely because the organization has different departments and sections, so sub-cultures may exist. Each department may be _____ differently so has its unique culture. According to Handy's theory, organizations can have _____ different corporate cultures within an organization. The model uses ancient Greek gods representing a particular trait or philosophy within the various sections of an organization. The names of these gods are Zeus, _____, Athena and Dionysus.

Task 2 – True or false?

	True / False
a. A culture gap tends to help strengthen corporate culture.	
b. An understanding and awareness of organizational culture is important to managing organizational change.	
c. Charles Handy suggested that there is no direct link between a firm's organizational structure and its corporate culture.	
d. Corporate culture informs employees of how things are done within an organization.	
e. Culture frequently resembles the dominant management style in an organization.	
f. If there is a lack of trust within an organization, this provides a valid reason for a necessary change in the corporate culture.	
g. Senior executive or directors strive to determine a corporate culture to reflect the vision or mission of the organization.	
h. The growth of firms through international mergers and acquisitions is a potential source of organizational conflict.	
i. The leaders of an organization establish organizational culture through their routine actions and strategic direction.	
j. Within an organization, only one culture is likely to exist.	
k. In event of a takeover, different leadership styles can lead to a cultural clash.	
l. A person culture exists where individuals believe that their organizations are superior to them, and they just follow the instructions of the managers.	
m. In a role culture, individuals have clearly defined roles and responsibilities, and they operate in a highly structured environment.	
n. Differences in the language due to workforce diversity within an organization can lead to a cultural clash.	
o. In a power culture, one individual or small group retains the decision-making control and authority.	

Task 3 – Match the following

Match the correct type of culture according to Charles Handy's Gods of Management model of organizational cultures.

Greek god		Nature of culture	
1	Apollo	A	Person culture
2	Athena	B	Club culture
3	Dionysus	C	Bureaucracy culture
4	Zeus	D	Task culture

Task 4 – Explain the following cultures

a. Power culture

b. Role culture

c. Task culture

d. Person culture

Task 5 – Suitability of organizational cultures

a. Explain the organizations in which a power culture can be found.

b. Explain the organizations in which a role culture can be highly suitable.

c. Explain the organizations in which a task culture may be highly appropriate.

d. Explain the situations in which a person culture is recommended.

Task 6 – Multiple Choice Questions

1. Which of the following has the largest impact on corporate culture?
 - A. The management and leadership styles in an organization
 - B. The rules and regulations set out by the prevailing government
 - C. The set of beliefs and values held by the people within an organization
 - D. The traditions and customs of a particular country

2. Cultural intelligence refers to a person's
 - A. Ability to fit into a particular culture
 - B. Degree of enthusiasm to blend into a culture
 - C. Level of cultural awareness
 - D. Willingness to comply with a particular culture

3. Although _____ have a large part in defining and determining organizational culture, all _____ contribute to the culture.
 - A. directors, stakeholders
 - B. executives, employees
 - C. leaders, stockholders
 - D. shareholders, stakeholders

4. Which of the statements below does not apply to team norms (or group norms)?
 - A. Effective interpersonal communication is critical to the functioning of the team
 - B. Since team norms are well established so do not change over time
 - C. Team members interact with one another based on an established culture
 - D. The way in which a team makes decisions influences the degree of its success

5. When management and employees of an organization have different beliefs and values, there is said to be
 - A. a culture gap
 - B. an industrial dispute
 - C. conflict
 - D. corporate diversity

6. Which of the following is the least likely reason for a necessary change in corporate culture?
 - A. Conflict is not being managed within the organization
 - B. Declining profits
 - C. The existing culture restricts organizational growth and evolution
 - D. There is a high degree of staff absenteeism and staff turnover

7. Organizational cultural change is often met with resistance for several reasons. Which option is not one of the valid reasons?
 - A. A significant event, such as a financial crisis, has occurred
 - B. Employees fear change
 - C. People find it difficult to change their behaviour to suit the newly desired culture
 - D. Stakeholders have not been informed or consulted

8. An organization without an agreed framework for decision-making is likely to face the potential of
 - A. Industrial action
 - B. Misunderstandings and conflict
 - C. Prompt decision-making
 - D. Redundancies and retrenchment

9. An organization with one dominant decision-making individual or group has what type of culture?
 - A. Person culture
 - B. Power culture
 - C. Role culture
 - D. Task culture

10. Which type of culture is resistant to organizational change because people hold negative views about change?
 - A. Adaptive cultures
 - B. Command and rule cultures
 - C. Inert cultures
 - D. Process cultures

11. Which of the following is least likely to be a cause of cultural clashes?
- A. A change in the senior leadership team
 - B. A common language of communication within the organization
 - C. A hostile takeover from a rival company
 - D. Inorganic growth and evolution of the organization
12. In Charles Handy's model of organizational culture, which god represents a power culture?
- A. Apollo
 - B. Athena
 - C. Dionysus
 - D. Zeus
13. Which of the following expansion strategy is most likely to result in a cultural clash?
- A. Expansion by introducing new products
 - B. Franchising
 - C. Hostile takeover
 - D. Joint ventures
14. Which of the following is not a consequence of cultural clashes?
- A. Demoralized and demotivated workers
 - B. High costs of retraining workers
 - C. Misunderstandings and miscommunications in the workplace
 - D. Past rivalries between workers
15. Which of the following is not a consequence of cultural clashes?
- A. Demoralized and demotivated workers
 - B. High costs of retraining workers
 - C. Misunderstandings and miscommunications in the workplace
 - D. Past rivalries between workers

Unit 2.6

Communication

Task 1 – Complete the missing words

_____ is the transfer of information from one party to another. Managers spend a significant part of their time communicating with both internal and external _____. The communication can take place within the same organization (known as _____ communication) or outside the organization (known as _____ communication). Different methods of communication are used in the organization to ensure that correct information is passed to different stakeholders.

Effective communication enables managers and workers to have a better understanding and control of what they do. However, cultural differences can have an impact on communication in an organization. For example, language proficiency, both _____ and oral, is a highly valued communication skill in today's ever-more competitive labour market. Cultural ignorance can cause offense to others and can cause messages to be misinterpreted or misunderstood. _____ in communication technologies also have an impact on communications in organizations, e.g. _____ technologies have reduced the cost of domestic and international communications.

_____ communication (such as interviews, meetings, presentations and feedback) allows the opportunity to seek clarification and understand the message appropriately. However, this type of communication can cause messages to be distorted or misunderstood if the messages are lost in translation. By contrast, _____ communication methods include written methods such as notices, memorandums, and executive summaries. These allow the creation of evidence that can be referred to at a future date. Detailed information can be collected as well. However, it can be extremely time consuming. _____ methods of communication (such as the use of pie charts, bar graphs and infographics) can add much value to the communication process and make it easier to convey the message.

Essentially, different factors influence the _____ of communication method, and the most optimal methods selected are the ones that meet the _____ of the communication, in line with the goals of the organization.

Task 2 – Formal and informal communication

Place the following methods of communication under the correct heading:

- Birthday cards
- Emails
- Gossip
- Legal documents
- Meetings
- Notices
- Open door discussions
- Peer interactions
- Publications
- Sales presentations
- Social gathering discussions
- WhatsApp text messages

Formal communication	Informal communication

Task 3 – Explain

a. Explain the meaning of grapevine communication.

b. Explain two advantages of oral communication.

c. Explain two disadvantages of oral communication.

d. Explain two advantages of visual communication.

e. Explain two advantages of informal communication.

f. Explain which of the following is *not* a form of non-verbal communication.

- Meetings
- Memorandums
- Notices
- Reports

g. Explain why visual aids might be used during a presentation.

- h. Explain which of the following is the odd one out: emails, letters, bulletins, telephone calls, or videoconferencing?

- i. Explain the best method of communication for sending weekly sales data to a Regional Director.

Task 4– True or False?

	True / False
a. Communication can be defined as the flow of information from one person to another.	
b. Noise is a cause of communication failure.	
c. A memorandum is used for passing on messages to external agencies and firms.	
d. A pie chart is used to present time-series data.	
e. Grapevine communication refers to informal communication, such as gossip, within an organization.	
f. Letters can be used for internal communications.	
g. Encouraging staff members to participate in decision-making leads to demotivation.	
h. Effective communication leads to poor coordination between the departments.	
i. Written communication allows the transmission of detailed data.	
j. Building in opportunities to provide feedback reduces communication barriers.	
k. Electronic methods of communication, such as video conferencing, reduce barriers caused by geographical distance.	

Task 5 – Identify two

- a. Barriers to effective communication

- b. Methods of written communication, other than letters.

- c. Visual methods of communication, other than posters.

d. Benefits of information technology as a method of communication.

Task 6 – Types of communication

Place the following communication methods into the correct category in the table below. Then place a tick(s) to identify whether the method is used as a form of internal and/or external communication.

- Appraisals
- Department meetings
- E-mails
- Faxes
- Feedback
- Grapevine
- Internet
- Memorandum
- Posters
- Presentations
- Reports
- Smartphones

Communication method	Internal	External
Written:		
Verbal:		
Informal:		
Electronic:		

Task 7 – Vocabulary Quiz

Identify the key terms from the clues given below. *Hint:* the answers are in alphabetical order!

Key term	Definition
	A method of improving communication by reducing the number of levels in an organizational hierarchy.
	A form of communication that occurs when people talk to each other in person, rather than virtually using an online platform.
	Using communication channels that are officially established by an organization, rather than through the grapevine.
	A written record of the discussions during a formal business meeting.
	The generic term for anything that causes communication breakdowns, such as jargon, ignorance, or computer failure.
	Type of communication that relies on the use of spoken words, such as interviews, meetings and telephone conversations.

Task 8 – Match the terms

Match each paper-based method of communication below with the most suitable purpose or task:

	Communication method
A	Email
B	Agenda
C	Notice
D	Letter
E	Two-way

	Purpose (task)
V	To remind staff of opportunities for training courses
W	To formally respond to a customer complaint
X	To notify staff of the matters to be discussed in a meeting
Y	To gain feedback from the receiver and sender
Z	To inform a manager of a change in an appointment time

Task 9 – Methods of communication

For each example below, suggest a suitable method of communication.

Example of communication	Method of communication
Safety procedures to be used by workers while operating a machine	
Facts about sales revenue growth	
Concerns about quality in production to be addressed to the employee	
Payment received from a customer for a sales purchase	
Conflict resolution in a particular team	
All employees to update their contact details	
Clarification about the order with a particular customer	

Task 10 – Multiple Choice Questions

- Which one of the following is not an objective of internal communication?
 - To encourage more trade with customers
 - To give feedback such as through appraisal interviews
 - To give instructions such as how to operate machinery
 - To provide information such as sales revenue figures

2. Which one of the following is least likely to be an objective of external communication?
 - A. To confirm orders by a specified time
 - B. To inform staff of a changed venue for a meeting
 - C. To provide information such as profit or loss figures
 - D. To receive feedback such as consumers' perceptions of a restaurant

3. Which of the following is not a disadvantage of using information technology for communication?
 - A. Expense of buying equipment
 - B. Records being backed up
 - C. Security issues, such as hackers
 - D. Training costs

4. Identify the option from the list below that does not refer to verbal communication.
 - A. Bulletin
 - B. Business meetings
 - C. Cascading
 - D. Grapevine

5. Identify the option that is not an example of formal communication
 - A. Departmental meetings
 - B. Grapevine communication
 - C. Staff appraisal
 - D. Trade union meetings

6. Which option is not an example of informal communication?
 - A. Emails to a supplier
 - B. Social outings
 - C. Staff discussions during break times
 - D. The spreading of rumours

7. Which option is not a likely cause of communication failure?
 - A. Geographical distance for global firms
 - B. Lack of interest in the message from the recipient, such as junk mail
 - C. Language and cultural awareness
 - D. Tall hierarchy within the organization

8. Which of the following statements about internal communication is false?
- A. Can be used to communicate to all members of the workforce
 - B. Communications that occur between employees of a business
 - C. Helps to ensure that employees work towards a common goal
 - D. Requires feedback from recipients
9. Which of the following is least likely to be an example of external communication?
- A. Above-the-line promotion
 - B. Below-the-line promotion
 - C. Minutes of a meeting
 - D. Press releases
10. Effective communication can help to motivate the workforce, except for which reason below?
- A. It gives direction and purpose to the employees
 - B. It gives employees opportunities to offer feedback and to give suggestions
 - C. It recognizes the achievements of employees and hence helps to reward them accordingly
 - D. It requires time and planning from senior management
11. Methods of obtaining feedback include the following, except
- A. Bulletin announcements
 - B. Face to face communication
 - C. Informal communication
 - D. Telephone conversation
12. The chain of command refers to
- A. The direct relationship between a superior and subordinates
 - B. The unofficial relationship between a superior and subordinates
 - C. The stages of production from primary to tertiary output
 - D. The instructions from a managing director
13. Communication that takes place outside of the business with individuals or organizations is called
- A. External communication
 - B. Formal communication
 - C. Oral communication
 - D. Two-way communication
14. The document that notifies attendees of a business meeting of the topics to be discussed is called the
- A. Agenda
 - B. Bulletin

- C. Memorandum
 - D. Minutes
15. The transfer of information from one party to another is known as
- A. Communication
 - B. Communication channels
 - C. Communication paths
 - D. Transmission mechanism
16. What are open channels of communication?
- A. Formal communication that is transferred from one person to another
 - B. Gossip in the workplace
 - C. Networking to get to meet business people and clients
 - D. Sharing access to non-confidential information
17. What is meant by a restricted channel of communication?
- A. When feedback is not required in communication
 - B. When information is confined to those who need to know
 - C. When only one channel of communication is used to pass on messages
 - D. When receivers have to pay for confidential and classified information
18. Which statement does not apply to feedback?
- A. Communication through advertisements in newspapers and magazines
 - B. Communication through letters and internal reports
 - C. Communication through meetings
 - D. Communication through speech
19. Which management / motivational theorist did not recognize the need for communication as a source of motivation in the workplace?
- A. J.S. Adams
 - B. F. Herzberg
 - C. A. Maslow
 - D. F.W. Taylor
20. Which of the following is not a consequence of poor communication in the workplace?
- A. Low morale
 - B. Lower absenteeism
 - C. Lower productivity
 - D. Reworking

Unit 2.7

Industrial and employee relations (HL Only)

Task 1 – Explain one reason why...

a. Corporate culture affects the degree of employer and employee relations at work.

b. Conflict might exist in the workplace.

c. Workers might join a trade union (labour union).

d. Reducing or minimising conflict in the workplace is in the best interest of an organization.

e. There has been a decline in union membership in many parts of the world.

f. Avoidance is a source of conflict resolution.

Task 2 – Explain the difference between...

a. Conciliation and arbitration.

b. Consultation and negotiations.

c. Closures and lock-outs.

d. Industrial action and work to rule.

Task 3 – Multiple Choice Questions

1. Conflict is unlikely to be caused by which of the factors below?
 - A. Compromises between different stakeholders
 - B. Disagreements between different stakeholder groups
 - C. Incompatibilities between various stakeholders
 - D. Internal politics in the workplace

2. Unmanaged conflict can become a problem for businesses. Which of the following is unlikely to result from conflict in the workplace?
 - A. Higher absenteeism
 - B. Higher capacity utilization
 - C. Industrial action
 - D. Lower staff morale

3. Which of the following is not considered to be a form of industrial action?
 - A. Lock outs
 - B. Renegotiations
 - C. Strike action
 - D. Work-to-rule

4. Trade unions do not have a direct role in
 - A. collective bargaining
 - B. counselling
 - C. mediation
 - D. negotiations

5. The power of a labour union is not necessarily strengthened by which factor?
- A. Government legislation
 - B. Public understanding and support
 - C. The number of members
 - D. The quality of the leadership of the union
6. Employees who follow all the policies and procedures with the objective of disrupting production are engaged in which form of industrial action?
- A. Lock outs
 - B. No strike agreement
 - C. Voluntary strike action
 - D. Work-to-rule
7. The negotiations and relationships between trade union members and their employer is known as
- A. Arbitration
 - B. Collective bargaining
 - C. Conciliation
 - D. Industrial relations
8. The process by which pay and conditions of work are settled by negotiations between employers and employees, or by their respective representatives, is known as
- A. Arbitration
 - B. Collective bargaining
 - C. Conciliation
 - D. Cenegotiation
9. A directive from a trade union instructing its members to disengage in working as an extreme form of industrial action is known as
- A. Lock outs
 - B. Single union agreement
 - C. Strike action
 - D. Work-to-rule
10. Conciliation does not consider
- A. Cooperation
 - B. Litigation
 - C. Negotiations
 - D. Win-win situations

11. Arbitration is the process of
 - A. Improving working conditions to benefit both employers and employees
 - B. Resolving conflict by hiring a mediator to advise on the outcome of a dispute
 - C. Settling disputes by using an agreed third party whose decision is legally binding
 - D. Using an external arbitrator to negotiate a win-win outcome for those in conflict

12. Employers' associations
 - A. Deal with public relations issues in order to gain positive media coverage
 - B. Employ highly skilled managers to intimidate or pressure employees to cease any form of industrial action
 - C. Represent the views and interests of businesses within a specific industry
 - D. Represent the views of the media regarding an employer's treatment of its workers

13. Which of the following is not considered to be a reason for resistance to change in the workplace?
 - A. Industrial democracy
 - B. Low tolerance
 - C. Misinformation
 - D. Self-interest

14. Individuals or organizations that represent the management team in the collective bargaining process are called
 - A. Employer representatives
 - B. Industrial democracy
 - C. Single-union agreement
 - D. Trade unions

15. A no-strike agreement is an example of
 - A. Conflict resolution
 - B. Industrial action
 - C. Industrial democracy
 - D. Work-to-rule

Unit 3.1

Introduction to finance

Task 1 – Classification of the role of finance

Classify the following into either capital expenditure or revenue expenditure. Use ticks (☒) to indicate your answers.

Category	Capital expenditure	Revenue expenditure
Advertising and marketing		
Building and contents insurance		
Data storage and back-up		
Employers' liability insurance		
Internet technologies		
Office equipment and furniture		
Repairs and maintenance		
Salaries		
Software licenses		
Stocks (inventories)		
Wages		
Website hosting		

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given.

Key Term	Definition
	The day-to-day spending required for the running of a business, e.g. rent, raw materials and utility bills.
	The money that is available to an organization to fund its operations and business activities.
	The spending on items considered as non-current assets, e.g. land, buildings (premises), machinery and motor vehicles.

Task 3 – True or False?

	True / False
a. Capital expenditure (investment) is spending on fixed assets for the long term, e.g. buildings and machinery.	
b. Revenue expenditure is spending on items needed for the daily running of a business, e.g. raw materials and wages.	
c. Capital expenditure is used to pay for the working capital of an organization.	
d. Capital expenditure is used to pay for current assets which are expected to be productive assets for more than 12 months.	
e. Capital expenditure refers to the funds used by a business to purchase, update or maintain physical assets used in the production process.	
f. In general, capital expenditure is a one-off and large purchase of non-current assets that are expected to be used for revenue generation over a long period of time.	
g. Capital expenditures are used to fund the daily running of business operations.	
h. Revenue expenditure covers the spending on short-term costs used in the current trading period (typically within one year).	
i. Revenue expenditure typically refers to recurring costs of a business, rather than one-time purchases.	
j. Property taxes are an example of capital expenditure.	

Unit 3.2

Sources of finance

Task 1 – Classification of assets and liabilities

Classify the following into either assets or liabilities and whether they represent an expense or a source of income for a large book publisher. Use ticks (✓) to indicate your answers.

Category	Asset	Liability	Expense	Income
Bank interest receivable				
Bank loan interest				
Bank overdrafts				
Crowdfunding				
Insurance premiums				
Loan capital				
Microfinance				
Motor vehicles				
Overdrafts				
Rent accruals				
Retained profit				
Share capital				

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in reverse alphabetical order!

Key Term	Definition
	The most common type of shares issued by a limited liability company, which gives owners voting rights and dividends based on the company's profits.
	A long-term source of finance which requires the borrower to provide property and land as collateral (security guarantee) to the lender in case the borrower defaults on the loan.
	Organizations that grant finance to entrepreneurs of small businesses, especially females and those on low incomes.
	A category of sources of finance that incurs debt (borrowed funds), such as mortgages and long-term bank loans.
	Refers to the generation of finance from within an organization's own resources and funds, e.g. retained profit and the sale of assets.
	A source of finance, usually raised online, used for a specific business project or venture by raising funds from a large number of people who each contribute a relatively small amount.
	These are wealthy entrepreneurs who risk their own money by investing in small to medium sized businesses that have high growth potential.

Task 3 – Outline the differences between...

a. Personal funds and loan capital

b. Short-term and long-term sources of finance.

c. An overdraft and a bank loan.

d. A loan and a mortgage.

e. Ordinary shares and debentures.

f. Debt finance and equity finance.

Task 4 – True or False?

	True / False
a. A share issue by an existing limited liability company is considered to be an internal source of finance.	
b. Collateral acts as security to the lender in case a debtor defaults on their loans.	
c. Directors own the money of incorporated companies and use these on behalf of their shareholders.	
d. It is best if a business limits external financing from a variety of sources simply because this raises its financial risks.	
e. Overdrafts are easier to obtain than most other forms of external finance.	

f.	Permanent capital for a limited liability company is equal to the value of shareholders' funds, i.e. share capital.	
g.	Personal finance is the cheapest source of finance.	
h.	Relying on loan capital means the business is likely to suffer during times of rising interest rates.	
i.	Trade credit is a contractual agreement which requires the lessee to pay the lessor (owner) for the use of an asset, such as property and equipment.	
j.	Crowdfunding typically relies on the Internet to raise funds from a large number of people for a particular business project or venture.	

Task 5 – Multiple Choice Questions

- Which of the following is the most suitable reason for using personal finance?
 - Insufficient external sources of finance
 - Insufficient internal sources of finance
 - No interest obligations
 - To please the owners (shareholders) of a company
- Which of the following is not a feasible source of finance for an ordinary partnership?
 - Debt factoring
 - Initial public offering
 - Sale and leaseback
 - Secured bank loans
- Which of the following is not a valid advantage of internal finance?
 - Administrative procedures can be avoided
 - Greater choice of sources of finance
 - Greater flexibility in the use of finance
 - Tax concessions using internal profits
- Which of the following is the most feasible advantage of using internal funds to purchase a new office building?
 - Increased value of fixed assets
 - Limited impact on the firm's working capital
 - Lower level of gearing
 - The dilution of ownership
- Which option suggests that businesses might choose to use external sources of finance?
 - There are no interest charges
 - There is an expected rise in interest rates
 - There is insufficient retained profit
 - To avoid potential cash flow problems

6. Which of the following is not a source of external financing for a public limited company?
- A. Debentures
 - B. Overdraft
 - C. Retained profits
 - D. Share capital
7. Advantages of funding growth through a share issue include all those listed below except:
- A. An extra source of finance
 - B. Control of the company becomes diluted
 - C. It acts as a form of motivation for employees who own shares in the company
 - D. There is less financial risk to shareholders
8. Which of the following is a drawback to a business that issues debentures?
- A. Investors do not have any voting rights
 - B. Ownership is diluted
 - C. The value of liabilities increases
 - D. There is dilution of control
9. Microfinance providers
- A. Are a type of not-for-profit social enterprise
 - B. Charge extremely high rates of interest to entrepreneurs who cannot use commercial banks
 - C. Empower entrepreneurs of small businesses
 - D. Grant financial support to female entrepreneurs only
10. Debentures can best be described as a form of
- A. long term loan with a fixed interest rate
 - B. long term security giving the holder part ownership of the business
 - C. medium term loan with fixed interest rates
 - D. short term loan with variable interest rates
11. Which of the following is not a clear difference between debenture holders and shareholders of a company?
- A. Impact on the company's working capital
 - B. Interest and dividends as a form of financial return
 - C. Ownership of the company
 - D. Voting rights in the company

12. Which of the following is the least likely source of funds for a non-profit organization?
- A. Brand recognition
 - B. Charitable donations
 - C. Fund-raising events
 - D. Sponsorship deals
13. Which statement below best describes leasing?
- A. A contractual agreement between the borrower and owner of an asset
 - B. Hiring of capital equipment for a fixed period of time
 - C. Hiring out equipment owned by the business as a source of revenue
 - D. Repaying loans by making fixed regular payments to the lender
14. Which term describes the finance available to pay for the daily running of a business?
- A. Accumulated retained profit
 - B. Buffer stocks
 - C. Share capital
 - D. Working capital
15. Which of the following is a disadvantage of leasing capital equipment?
- A. Capital equipment needs replacing if technology is changing rapidly
 - B. It is cheaper in the long run to buy capital equipment
 - C. The firm might not have sufficient funds to purchase the equipment
 - D. The management of cash flow is easier with regular repayments

Unit 3.3

Costs and revenues

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	Any charge or expense incurred by a business in the production process.
	These are the costs that are clearly attributed to the production of a particular good or service.
	These production costs, such as loan repayments and salaries, do not change with the level of output.
	Also known as overhead costs, these costs cannot be clearly or easily attributed to the output of a particular product or department.
	Also known as the average revenue, this is the amount of money a product is sold for, i.e. the amount paid by the customer.
	The funds (money) received from the sale of a firm's output.
	The various sources of income generated from different business activities, e.g. sponsorship deals, merchandise income, membership fees, and royalties.
	Type of costs that has an element of both fixed costs and variable costs, e.g. power and electricity or salaried staff who also earn commission.
	This refers to the aggregate amount of money spent on production for any given level of output.
	The sum of all revenue streams for a business. It is calculated by multiplying the selling price of a product with the quantity sold.
	Also known as average costs, this concept is calculated by dividing the total costs of production by the level of output.
	Costs incurred directly from the production and sale of a particular product, e.g. raw materials and packaging costs.

Task 2 – Calculations

- a. Wallets-R-Us Ltd. has fixed overheads of \$500 and sells 250 units of output per month. Each item sells for \$35, with \$15 of direct costs.
- i. Calculate the total costs per month for Wallets-R-Us Ltd.

- ii. Calculate the company's monthly pre-tax profit.

- iii. Calculate the change in the average cost of production at 150 units and 250 units of output. Comment on why the value of the firm's unit cost has dropped.

- b. Chen's Candies has monthly fixed costs of \$3,000 and unit variable costs of \$2. Its current level of demand is 3,000 units each month. The average unit price is \$6.

- i. Calculate the firm's current average costs each month.

- ii. Calculate the margin of safety for Chen's Candies.

- c. The following data refers to the costs and revenues of Sangu Toys Ltd. when operating at 2,000 units of output per month:

Item	Costs and revenues (\$)
Price	\$15
Raw materials per unit	\$5
Overheads	\$500
Rent	\$2,000
Salaries	\$3,000

- i. Calculate the total cost of producing 2,000 units of toys.

- ii. Calculate the profit made by Sangu Toys Ltd. if it manages to sell all of its output.

- d. Rhapsody Sounds produces miniature speakers with the following monthly cost structures:

Total Output (speakers)	Total Costs (\$)
100	\$5 000
200	\$8 000
300	\$11 000

- i. Assuming constant unit costs, what is the value of the monthly fixed costs for Rhapsody Sounds?
-
- ii. What is the change in average costs of production if Rhapsody Sounds changes from producing 100 units per month to 300 units per month?
-
-
- iii. If Rhapsody Sounds manages to produce and sell 200 units per month and wishes to make a 150% profit margin, what price should each unit be sold for?
-
-

Task 3 – True or False?

	True / False
a. Advertising costs tend to be considered as a variable cost of production.	
b. Average costs of production will always fall when the level of output increases.	
c. Average revenue is mathematically the same as the price per unit.	
d. Donations are financial gifts from individuals or other organizations to an organization.	
e. Economies of scale are likely to reduce the overall costs of production for a firm.	
f. Fixed costs are those that do not change.	
g. Rent and advertising costs are considered as fixed costs for most businesses.	
h. Variable costs change with the level of output.	
i. Wages, salaries, insurance premiums and the cost of purchasing stocks (inventories) are all examples of running costs.	

Task 4 – Explain ...

- a. The difference between fixed costs and variable costs.
-
-
-
- b. Why average fixed costs (AFC) will continually fall with increased levels of output.
-
-
-

- c. Two alternative revenue streams to sales revenues for a business.

Task 5 – What type of cost?

Identify the following costs as either fixed or variable for a restaurant with a take-away service, using its own delivery motor cyclists, by placing a tick (✓) for each example of costs in the table below.

Type of cost	Fixed	Variable
Advertising/promotional materials		
Equipment and tools		
Food supplies		
Fuel for meal deliveries		
Furniture (e.g. tables and chairs)		
Management salaries		
Market research		
Telephone bills		
Packaging materials		
Rent on premises and buildings		
Staff wages		
Utility bills (e.g. gas and electricity)		
Vehicles (e.g. its own delivery bikes)		

Task 6 – Cost and Revenue Formulae

Identify the category of cost or revenue from the given formulae. *Hint:* answers appear in alphabetical order.

Type of Cost / Revenue	Formula
	Total costs ÷ Quantity produced
	Total fixed costs ÷ Quantity produced
	Total revenue ÷ Quantity sold
	Total fixed costs + Total variable costs
	Unit price x Quantity sold

Task 7 – Multiple Choice Questions

1. Costs that are totally independent of the output level are known as
 - A. Direct costs
 - B. Fixed costs
 - C. Total costs
 - D. Variable costs

2. Which of the following items is not classified as an expense (overhead)?
 - A. Cost of postage
 - B. Electricity bills
 - C. Raw material costs
 - D. Stationery costs

3. Which of the following is not a fixed cost for a cinema?
 - A. Air conditioning bills
 - B. Bank loan repayments
 - C. Rent to the property owner
 - D. Staff wages

4. Identify the start-up cost from the list below.
 - A. Communications equipment
 - B. Packaging materials
 - C. Raw materials purchase
 - D. Utility bills

5. Identify the running cost (on-going costs) from the options below.
 - A. Cost of licenses and permits
 - B. Deposit for purchasing a building
 - C. Interest on bank loans
 - D. Purchase of furniture

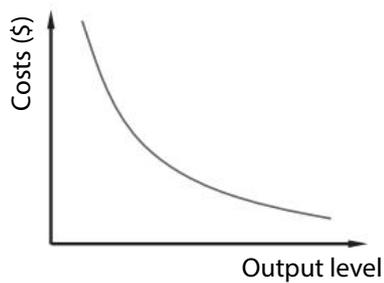
6. Costs that are incurred as a result of production are known as
 - A. Indirect costs
 - B. Fixed costs
 - C. Overhead costs
 - D. Variable costs

7. Examples of variable costs for a motor vehicle manufacturer do not include which of the following?
- A. Buildings insurance costs
 - B. Costs of component parts
 - C. Costs of purchasing raw materials
 - D. Piece rate payment to workers
8. As the production level of a firm increases, which cost will fall continuously?
- A. Average fixed costs
 - B. Average total costs
 - C. Average variable costs
 - D. Costs per unit
9. Which of the following best describes overheads?
- A. Costs from non-operating activities
 - B. Costs that are fixed in the short run
 - C. Costs that must be paid to generate output
 - D. Costs that vary with the level of output
10. If you were given the 'Average' value (e.g. average cost), which other variable would be required to determine the 'Total' value (e.g. total costs)?
- A. Currency
 - B. Price
 - C. Quantity
 - D. Unit of measurement
11. If a product has a selling price of \$10, average variable costs of \$4, and a sales volume of 1,200 per period of time, then the total revenue for this time period is
- A. \$10
 - B. \$4,800
 - C. \$7,200
 - D. \$12,000
12. If a firm has total costs of \$2,000 and fixed costs of \$1,100 for an output level of 600 units, then the average variable costs must be
- A. \$0.67
 - B. \$1.50
 - C. \$1.83
 - D. \$3.33

13. Calculate the fixed costs of production from the table below.

Output	Variable cost \$	Total costs \$
10	1,500	3,845
15	2,250	4,595

- A. \$750
 B. \$1,500
 C. \$1,595
 D. \$2,345
14. What is the change in average costs of production if total costs increase from \$5,000 to \$6,000 following an increase in output from 200 units to 300 units, with fixed costs at \$2,000?
- A. \$5
 B. \$10
 C. \$20
 D. \$25
15. Which cost curve is shown in the following diagram?



- A. Average costs
 B. Average fixed costs
 C. Average total costs
 D. Average variable costs

Unit 3.4

Final accounts

Task 1 – Complete the missing words...

All businesses need to be accountable to their owners and the authorities. One way to do this is to produce final accounts on an _____ basis. The _____ (statement of financial position) shows a snapshot of a firm's assets and liabilities at a particular point in time (usually at the end of the trading year). _____ are the property of a business, i.e. the resources that it owns. _____ refer to the money or debts owed by the firm to other people or organizations.

The _____ and _____ account (income statement) is a record of the firm's trading activities over a period of time (usually _____ months). It is split into three parts. The _____ account shows the value of a firm's gross profit, i.e. the difference between its sales revenues and the cost of _____. _____ are the overheads of a business that account for the difference between a firm's _____ profit and its profit before interest and tax. The remaining part of the P&L account shows the amount of _____ distributed to shareholders and the _____ payable to the government.

When reporting _____ assets (non-current assets), some businesses include _____ assets. These are non-physical assets that have a monetary value, such as goodwill, registered _____, brand value and investments in other companies.

Higher Level only:

_____ refers to the decline in the _____ of fixed assets (non-current assets) over time. It is most commonly calculated by spreading the _____ cost (the original cost) of a fixed asset over its expected useful lifespan, taking into account the scrap value (also known as the salvage or _____ value) of the asset. This method of calculating depreciation is known as the _____ line method. For example, if a printing machine costs \$10,000, has an expected residual value of \$1000, and is depreciated over its expected 5-year lifespan, the annual depreciation amounts to \$ _____.

The alternative method of calculating depreciation is the units of _____ method (or the units of production method). Using this method, the per unit depreciation expense is calculated by dividing the historic cost of the asset, less its scrap value, by the number of units the asset is expected to produce during its useful life. For example, suppose a large industrial photocopier costs \$5,000 and is expected to last 5 years and produce 2 million copies, with a residual value of \$1,000. The per unit depreciation rate is therefore \$ _____. So, if the firm makes 400,000 copies this year, the annual depreciation charge would be \$ _____.

Task 2 – True or False?

	True / False
a. 'Net assets' refers to the difference between a firm's total assets and its total liabilities over a given time period.	
b. A firm's capital expenditure can be interpreted from its balance sheet.	
c. Bank overdrafts and trade creditors are both examples of current liabilities.	
d. Current liabilities are a firm's short-term debts that are payable within 12 months of the balance sheet date.	
e. Equity is the net value of a business at any point in time, i.e. the amount of money that belongs to the owners if the business was liquidated.	
f. It is not a legal requirement for limited liability companies to show all their shareholders the sources and uses of finance.	
g. Sole traders and partnerships are not required by law to publish their final accounts publicly.	
h. The government is interested in a firm's final accounts to ensure it complies with tax regulations and the business pays the right amount of tax.	

i.	All fixed assets (non-current assets) depreciate over a period of time. (HL only)	
j.	The historic cost of a non-current asset is the original price that a firm paid for the purchase of the asset. (HL only)	

Task 3 – Place in the correct category

Place the following items in the correct final accounts in the table below:

• Cash	• Loan capital
• Cost of sales	• Overdraft
• Creditors	• Overheads
• Debtors	• Plant
• Equipment	• Sales revenue
• Gross profit	• Share capital
• Interest	• Tax

Profit and loss account	Balance sheet

Task 4 – Formulae

Identify the key term from each of the formulae given below. *Hint:* answers appear in alphabetical order.

Formula	Key Term
Opening stock + Purchases – Closing stock	
$(\text{Historic cost} - \text{Residual value}) \div \text{Lifespan of asset}$	
Profit for period – Retained profit	
Sales revenue – Cost of sales	
Fixed assets + Working capital – Long term liabilities	
Gross profit – Expenses	
Profit before interest and tax – Gross profit	
Total assets – Total liabilities	
Sales revenues – Total costs	
Profit for period – Dividends	

Task 5 - Explanations

Explain the purpose of accounts to the different stakeholders mentioned in the table below.

Stakeholder	Purpose
Employees	
Financial institutions	
Government	
Managers	
Potential investors	
Rivals (competitors)	
Shareholders	
Suppliers	

Task 6 – Vocabulary Quiz

Identify the key terms from the given clues. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	A person or a business to whom money is owed in the short run.
	Assets that are likely to be converted into cash in the short run such as inventories (stocks) and debtors.
	A person or a business that owes money to the business in the short run.
	The fall in the value of a non-current asset over time, due to wear and tear. (HL only)
	The sum of money paid regularly, usually twice a year, by a company to its shareholders based on the amount of profits.
	Non-current assets that are for long-term use and are unlikely to be converted into cash, e.g. land, buildings and capital equipment.
	An asset that is not physical, e.g. such as a patent, brand, trademark or copyright.
	The interest-bearing debts that are to be paid after twelve months from the date of the balance sheet.
	The ongoing expenses of a business, which excludes the direct costs related to the production of a good or service.
	The amount of money that belongs to the owners once all liabilities are accounted for. It is the sum of share capital and retained profit.
	The amount of money left over after a company pays dividends to its shareholders. This can then be used as an internal source of finance.
	The money that comes into the business from the sale of goods and services.
	Part of a company's capital that comes from the issue or sale of shares.

Task 7 – Explain ...

- a. Explain the advantage of retaining a larger percentage of profits per time period (as retained profit) instead of allocating a greater amount to shareholders (as dividends).

- b. Explain the difference between gross profit and profit before interest and tax.

- c. Explain the difficulty when comparing financial data between different businesses.

- d. Explain the reason for incorporated companies having to prepare and publish their final accounts.

- e. Explain the reason why a balance sheet must balance.

- f. Explain the difference between fixed (non-current) and current assets.

- g. Explain the reason why some fixed assets might depreciate in value. (HL only)

- h. Explain the way in which depreciation affects the profit and loss account. (HL only)

i. Explain an advantage of using the straight-line method of depreciation. (HL only)

j. Explain a disadvantage of using the straight-line method of depreciation. (HL only)

k. Explain an advantage of using the units of production method of depreciation. (HL only)

l. Explain a disadvantage of using the units of production method of depreciation. (HL only)

Task 8 – Complete the missing entries

a. XYZ Ltd. (non-profit entity)

Statement of profit or loss account for the year ended 31st December 20**

	\$m
Sales revenue	350
Cost of sales	...
.....	175
Expenses	(100)
Surplus before interest	...
Interest	(10)
.....	65
Tax	0
Surplus for the period	...
.....	65

b. ABC Ltd. (profit-making entity)

Statement of profit or loss account for the year ended 31st December 20**

	\$m
.....	900
Cost of sales	(450)
Gross profit	...
Expenses	...

.....	150
Interest	(10)
Profit before tax	140
Tax	...
Profit for the period	110
.....	(70)
Retained profit	40

c. XYZ Co. (profit-making entity)

Statement of financial position as at 31st December 20**

	\$m	\$m
Non-current assets		
Property, plant, and equipment	1000	
Accumulated depreciation	(100)	
Non-current assets		...
Current assets		
Cash	300	
Debtors	...	
Stock	100	
Current assets		500
Total assets		1400
Current liabilities		
Bank overdraft	100	
Trade creditors	200	
Other short-term loans	...	
Current liabilities		500
Non-current liabilities		
Borrowings - Long term	200	
Non-current liabilities		200
Total liabilities		700
Net assets		...
Equity		
Share capital	500	
Retained earnings	...	
Total equity		700

d. ABC Co. (non-profit entity)

Statement of financial position as at 31st December 20**

	\$m	\$m
Non-current assets		
Property, plant and equipment	600	
Accumulated depreciation	...	
Non-current assets		580
Current assets		
Cash	30	
Debtors	10	
Stock	10	

Current assets		...
Total assets		630
Current liabilities		
Bank overdraft	10	
Trade creditors	20	
Other short term loans	20	
Current liabilities		50
Non-current liabilities		
Borrowings- Long term	...	
Non-current liabilities		100
Total liabilities		150
Net assets		...
Equity		
.....	480	
Total equity		480

Task 9 – Calculate

- a. Slater Tiling Company has an opening stock of \$40,000, a closing stock of \$25,000, and has purchased stock during the year costing \$95,000. Calculate the firm's cost of sales (COS).
-
-
- b. Ortega Clothing Company has expenses of \$345,000 and a profit before interest and tax of \$543,000. Calculate the firm's gross profit.
-
-
- c. Tandy's Toys Ltd. purchased goods at \$30,000 and managed to sell these for \$68,000. State the value of the firm's:
- cost of sales,
 - sales revenue and
 - gross profit
-
-
-
- d. Calculate the value of profit from the following information for Mathieson Motors Co.: sales turnover = \$250,000; cost of sales = \$100,000; expenses = \$55,000; and interest payable = \$15,000.
-
-
-

Task 10 – Calculate (HL only)

- a. A business purchased a vehicle for \$40,000. The scrap value of the vehicle at the end of four years is \$6,000. Calculate the depreciation charge on the vehicle per annum.
-
-
-
- b. Using the figures provided in the part a, calculate the net book value of the vehicle at the end of two years.
-
-
-
- c. A business expands by investing in machinery worth \$50,000 with a manufacturing capacity of 100,000 units. The scrap value is \$5,000. Calculate the depreciation charge using the units of production method if the business produces 20,000 units.
-
-
-
- d. An asset worth \$70,000 is expected to produce 6,000 units of output. The residual value of the asset is \$10,000. The business produces 1,000 units every year. Calculate the net book value of the asset after two years.
-
-
-
- e. Pavlova Car Hire Co. bought a vehicle for \$35,000 with an expected useful life of 4 years. Its residual value is estimated to be \$7,000. Calculate the firm's depreciation per year using the straight-line method.
-
-
-

Task 11 – Profit & Loss Multiple Choice Questions

1. A business is not legally obliged to report which one of the following financial documents?
- A. Cash flow forecast
 - B. Cash flow statement
 - C. The balance sheet
 - D. The profit and loss account

2. What does the trading account gives details of?
 - A. Both current and non-current assets
 - B. The cost of sales
 - C. The current brand value of the organization
 - D. The profit before interest and tax (or loss) made during a trading period

3. If expenses are greater than gross profit for a business during a given time period, then the business
 - A. Can distribute a portion of the profits to shareholders
 - B. Has a positive profit before interest and tax payments
 - C. Has made an overall loss
 - D. Has performed well on financial performance indicators

4. In which account would overheads and expenses appear?
 - A. Appropriation account
 - B. Balance sheet
 - C. Profit and loss account
 - D. Trading account

5. The profit and loss account
 - A. Calculates the gross profit of a business
 - B. Lists all revenue and expenditure of a business over a trading period
 - C. Shows all assets of a business during a trading period
 - D. Shows the amount of money owed to other businesses

6. Which one of the following items does not appear in a profit and loss account?
 - A. Cost of sales
 - B. Expenses
 - C. Machinery and equipment
 - D. Overheads

7. On a profit and loss account, dividends represent
 - A. The numerical difference between retained profit and expenses
 - B. The numerical difference between tax and interest payments
 - C. The portion of profit for the period that is distributed to shareholders
 - D. The portion of profit for the period that is reinvested in the business

8. The appropriation account does not show
- A. Corporate tax
 - B. Dividends
 - C. Interest charges
 - D. Retained profits
9. Which statement below cannot be applied to gross profit?
- A. Appears on the trading account
 - B. Calculated as sales revenue minus the cost of goods sold
 - C. Calculated by total revenue minus the cost of sales
 - D. Expressed as a percentage to allow for historical and inter-firm comparisons
10. Expenses are the
- A. Costs of non-trading activities
 - B. Direct costs of non-trading activities
 - C. Direct costs of trading activities
 - D. Indirect costs of trading activities
11. Expenses do not include
- A. Cost of sales
 - B. Depreciation
 - C. Insurance premiums
 - D. Rent
12. Calculate a firm's cost of sales from the following information: Cost of stock per unit = \$20, Units of stock purchases = 800, Closing stock = 300 units, and Opening stock = 250 units.
- A. \$5,000
 - B. \$15,000
 - C. \$22,000
 - D. \$27,000

Questions 13 – 15 refer to the information below:

Cost of sales	\$35,000
Expenses	\$25,000
Retained profit	\$20,000
Tax	\$15,000
Sales turnover	\$110,000

13. What is the firm's gross profit?
- A. \$35,000
 - B. \$50,000
 - C. \$55,000
 - D. \$75,000
14. What is the firm's profit before interest and tax?
- A. \$50,000
 - B. \$55,000
 - C. \$70,000
 - D. \$75,000
15. What is the firm's total dividend pay-out to shareholders?
- A. \$5,000
 - B. \$10,000
 - C. \$15,000
 - D. \$20,000
16. Ekunda Grocers earns \$200,000 in sales revenue, has expenses of \$80,000, and cost of sales of \$90,000. What is the value of the firm's gross profit?
- A. \$30,000
 - B. \$110,000
 - C. \$120,000
 - D. \$170,000
17. Which of the following is not classified as an expense in the profit and loss account?
- A. Direct costs
 - B. Fixed cost
 - C. Indirect costs
 - D. Rent and administration
18. Use the following information to work out the profit before tax: cost of sales \$50,000; expenses \$30,000; interest payable \$1,000; and sales turnover \$100,000.
- A. \$19,000
 - B. \$20,000
 - C. \$49,000
 - D. \$50,000

19. Interest payable means
- A. Interest imposed on debtors for late payment
 - B. Interest payments made paid to debenture holders
 - C. Interest paid to financial lenders
 - D. Interest received from cash deposits at the bank
20. A firm can increase its gross profit by
- A. All of the below
 - B. Cutting advertising expenditure
 - C. Reducing management salaries
 - D. Using cheaper suppliers

Task 12 – Multiple Choice Questions

1. The publication of final accounts includes the following except for the
- A. Cash flow forecast
 - B. Cash flow statement
 - C. The balance sheet
 - D. The profit and loss account
2. The main purpose of constructing a balance sheet is to
- A. Allow stakeholders and investors to assess a firm's liquidity
 - B. Identify the correct amount of tax liability based on the value of the business
 - C. Provide financial data and information for shareholders
 - D. Show the value of a business at a particular point in time
3. Suppliers would be interested in the final accounts of a business in order to
- A. Assess business profitability and performance
 - B. Calculate corporate tax liabilities
 - C. Negotiate pay and productivity agreements
 - D. Secure external sources of finance
4. In which final account would you find shareholders' funds?
- A. Balance sheet
 - B. Cash flow forecast
 - C. Profit and loss account
 - D. Trading account

5. Which of the following items is not found in a balance sheet?
 - A. Intangible fixed assets
 - B. Liabilities falling due after one year
 - C. Profits before interest and tax
 - D. Trade creditors

6. Which item appears on the balance sheet of a sole trader?
 - A. Capital and reserves
 - B. Debentures
 - C. Owner's equity
 - D. Shareholders' funds

7. Money owed to other people or organizations in the long-term is shown in a balance sheet as
 - A. Current liabilities
 - B. Debtors
 - C. Liabilities
 - D. Net assets

8. Which of the following is not considered to be a fixed (non-current) asset?
 - A. Debtors
 - B. Fixed capital
 - C. Land
 - D. Trademarks

9. Fixed assets include all the following except
 - A. Finished goods for sale
 - B. Intangible assets
 - C. Investment expenditure
 - D. Physical assets

10. Current assets do not include
 - A. Creditors
 - B. Debtors
 - C. Inventories
 - D. Work-in-progress

11. Which of the following is most likely to be a long-term liability for a business?
- A. Debentures
 - B. Creditors
 - C. Loans
 - D. Overdraft
12. Which of the following is not a current liability?
- A. Creditors
 - B. Debtors
 - C. Dividends
 - D. Tax
13. Which of the following statements does not usually apply to fixed assets?
- A. Assets owned by a business for more than 12 months
 - B. Assets that a business intends to keep for more than 12 months
 - C. Assets that generate cash sales for a firm
 - D. Intangible assets such as brands, logos and slogans
14. If a firm buys a delivery vehicle with cash, how will this be reflected in the balance sheet?
- A. An increase in depreciation charges and a fall in the cash balance
 - B. An increase in the net cash outflow
 - C. An increase in the value of fixed assets with a corresponding fall in the value of cash
 - D. An increase in the value of net assets
15. Which statement about tangible assets is true?
- A. Assets that are not always possible to value, such as brands
 - B. Assets that depreciate in value over time
 - C. They are physical assets owned by the firm for long term use
 - D. They represent the use of funds of a business
16. A patent
- A. Gives the exclusive rights to the use of a brand name, symbol or slogan
 - B. Is a type of physical fixed asset that does not necessarily appear on a balance sheet
 - C. Provides legal protection against those copying the printed work of others
 - D. Provides legal protection for an inventor to prevent others from copying it

17. Which of the following is not an intangible asset?
- A. Cash deposits at the bank
 - B. Copyrights and trademarks
 - C. Goodwill
 - D. Investments
18. Which statement cannot be applied to goodwill?
- A. It can only be truly measured once a business is sold at a premium to its book value
 - B. It includes the value of labour such as their market value if they were headhunted
 - C. It is a type of intangible fixed asset
 - D. It is a value of the firm's customer and staff loyalty
19. Intangible assets are
- A. Current assets that add value to a business
 - B. Non-physical fixed assets that add value to a business
 - C. Physical fixed assets that add value to a business
 - D. Services that add value to a business
20. Intangible assets include all the following except
- A. Brand names
 - B. Goodwill
 - C. Services
 - D. Trademarks
21. Net assets is calculated by which formulae?
- A. Fixed assets + Current assets
 - B. Fixed assets + (Current assets – Current liabilities)
 - C. Total Assets – Total liabilities
 - D. Total assets – Working capital
22. Owners' equity does not include the calculation of
- A. Fixed assets
 - B. Ordinary share capital
 - C. Retained profit
 - D. Shareholders' funds

23. Suppose a firm has opening stock of \$5,000, purchases of \$6,000, and cost of sales valued at \$8,000. What is the value of its closing stock?
- A. \$3,000
 - B. \$7,000
 - C. \$9,000
 - D. \$19,000
24. Physical assets tend to depreciate over time. Which asset below does not generally follow this trend? (HL only)
- A. Brands
 - B. Cash
 - C. Land
 - D. Machinery
25. An increase in the value of certain fixed assets, such as land and buildings, is known as what? (HL only)
- A. Advances
 - B. Appreciation
 - C. Depreciation
 - D. Enlargement

Unit 3.5

Profitability and liquidity ratio analysis

Task 1 – Complete the missing words...

_____ is a financial management tool used to analyze and evaluate the _____ performance and position of an organization. A business will compare the same financial ratio over different time periods (historical comparisons) to determine any patterns and trends.

Furthermore, the firm will want to compare its financial performance with its closest _____ in the market. These inter-firm comparisons allow the business to determine _____ and identify how well the business is performing in the industry.

_____ ratios compare the profits made by a business with other indicators such as the firm's sales revenue, assets and capital employed. These include the _____ profit margin (GPM), profit margin and return on _____ employed (ROCE). _____ ratios determine the ability of the business to pay its short-term debts. These include the _____ ratio and _____ test ratio (or quick ratio).

Task 2 – Stakeholders and financial ratios

Different stakeholders are interested in calculating and using profitability and liquidity ratios. The section below lists the interests of different stakeholders in the financial performance of a business. Identify the stakeholder group in each case.

- _____ - These people or organizations are interested in the return on their investment, so will be interested in financial ratios related to the firm's profitability.
- _____ - The personnel of a business are interested in the profitability of the organization because this will influence their pay and job security.
- _____ - The leadership team is interested in the firm's financial ratios to measure financial performance and to support strategic decision-making.
- _____ - These stakeholders are interested in the liquidity position of the business because this affects the firm's ability to pay for its goods and services.
- _____ - Commercial banks, for example, are interested in the long-term liquidity position of a business to judge its ability to repay loans.
- _____ - Rival firms in the market are interested in gauging the performance of the business. This is often used as part of their benchmarking practice.
- _____ - The state (authorities) look at the financial performance of a business to ensure that proper accounting procedures are followed (to prevent fraudulent reporting of finances) and to calculate the correct amount of tax owed by the firm.

Task 3 – Suggest

- a. Suggest how a business can improve its gross profit margin (GPM).

- b. Suggest how a firm's profit margin can be improved.

- c. Suggest how a business can improve its return on capital employed (ROCE).

- d. Suggest two ways to improve a firm's current ratio.

- e. Suggest how a business can improve its acid-test ratio.

Task 4 – Explain...

Explain the error(s) made in each of the following statements about the definition of return on capital employed (ROCE):

- a. "ROCE is profit expressed as a return on capital employed".

- b. "ROCE is the profit made that is greater than the capital spent".

- c. “ROCE is the profit that covers all of a firm’s set-up costs”.

- d. “ROCE shows the amount of profit that a firm makes”.

Task 5 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in reverse alphabetical order!

Key Term	Definition
	This important ratio measures a firm’s profitability in relation to its size (as measured by the capital employed).
	Also known as the acid-test ratio, this liquidity ratio measures a firm’s ability to meet its short-term debts. It ignores stock because some inventories are hard to turn into cash in a short time frame.
	Ratios that examine the level and value of a firm’s profits.
	This measures the overall profit (after all costs have been deducted) as a percentage of sales revenue.
	A category of financial ratios that looks at a firm’s ability to pay its debts.
	This profitability ratio shows gross profit expressed as a percentage of sales revenue.
	This short-term liquidity ratio calculates the ability of a firm to meet its debts within the next twelve months.
	The total value of non-current liabilities and equity.
	This ratio measures a firm’s ability to meet its short-term debts. It ignores stocks as not all inventories can be easily turned into cash.

Task 6 – Calculate

Using the information below, calculate the following financial ratios:

XYZ Ltd (Profit making entity)

Statement of profit or loss account for the year ended 31st December 20**

	\$m
Sales revenue	1,000
Cost of sales	(500)
Gross profit	500
Expenses	(100)
Profit before interest and tax	400
Interest	(0)
Profit before tax	400
Tax	(100)
Profit for the period	300
Dividends	50
Retained profit	250

Statement of financial position as at 31st December 20**

	\$m	\$m
Non-current assets		
Property, plant, and equipment	1,000	
Accumulated depreciation	(200)	
Non-current assets		800
Current assets		
Cash	500	
Debtors	500	
Stock	100	
Current assets		1,100
Total assets		1,900
Current liabilities		
Bank overdraft	100	
Trade creditors	200	
Other short-term loans	200	
Current liabilities		500
Non-current liabilities		
Long-term borrowings	200	
Non-current liabilities		200
Total liabilities		700
Net assets		1,200
Equity		
Share capital	950	
Retained earnings	250	
Total equity		1,200

Financial ratio	Answer
Gross profit margin	
Profit margin	
Return on capital employed	
Current ratio	
Acid test ratio	

Task 7 – True or False?

	True / False
a. Ratio analysis is a quantitative management tool for analysing and judging the financial performance of a business.	
b. A firm that has a long working capital cycle will tend to use the acid test ratio to measure its liquidity.	
c. A liquidity crisis exists when a business is unable to pay its short-term debts.	
d. Capital employed is the sum of equity capital and long-term liabilities.	
e. Profitability ratios are used to see the amount of profit earned by a business.	
f. Profitable firms that lack sufficient liquidity are unlikely to survive in the long run.	
g. Shareholders are more concerned about dividend earnings than capital growth.	
h. The higher the profit margin, the greater the financial return as a percentage of the firm's sales revenue.	
i. The ROCE ratio can be improved by strategies that increase the level of a firm's sales revenues.	

j.	When the value of a firm's stock (inventory) increases, the acid test ratio will fall.	
k.	The ideal current ratio is 1:1	
l.	The higher the acid test ratio, the better it is for the business.	
m.	The ROCE of a business can be increased by increasing profits and using the assets purchased by the business more efficiently.	

Task 8 – Complete the table

Use the information given in the table below to identify the ratio and the type of ratio (profitability or liquidity).

Formula	Ratio	Type of ratio
$(\text{Current assets} - \text{Stock}) \div \text{Current liabilities}$		
$(\text{Gross profit} \div \text{Sales revenue}) \times 100$		
$(\text{Profit before interest and tax} \div \text{Capital Employed}) \times 100$		
$(\text{Profit before interest and tax} \div \text{Sales revenue}) \times 100$		
$\text{Current assets} \div \text{Current liabilities}$		

Task 9 – Multiple Choice Questions

- Which of the following is not a financial performance ratio?
 - Acid test ratio
 - Labour turnover rate
 - Profit margin
 - Return on capital employed
- Calculating the return on capital employed (ROCE) provides information on a firm's
 - Effectiveness in its use of capital resources
 - Financial return to potential investors and shareholders
 - Liquidity (or solvency)
 - Profitability position
- Which ratio would a business prefer not to be very high in value?
 - Current ratio
 - Gross profit margin
 - Profit margin
 - Return on capital employed
- The acid test ratio can be used to identify a firm's
 - Ability to pay its long-term liabilities
 - Ability to pay its short-term debts
 - Financial return on the use of fixed assets
 - Profitability position

5. The profit margin can be used to identify a firm's
- A. Ability to control its overheads
 - B. Ability to pay its debts
 - C. Amount of return to its shareholders
 - D. Profitability position
6. If a firm has a gross profit of \$3 million, sales revenue of \$5 million, and expenses of \$1 million, then the profit margin would be
- A. 40%
 - B. 60%
 - C. \$1 million
 - D. \$2 million
7. The ratio that measures a firm's profit in relation to its size is called the
- A. Gross profit margin
 - B. Profit before interest and tax
 - C. Profit margin
 - D. Return on capital employed
8. If a business has a gross profit of \$100m, overheads of \$10m and capital employed of \$200m, then its return on capital employed is
- A. 45%
 - B. 50%
 - C. 55%
 - D. 220%
9. Firm A has profit before interest and tax of \$135m from its capital employed of \$300m. Firm B has profit before interest and tax of \$175m from its capital employed of \$420m. Which firm has the better profitability ratio?
- A. Firm A, as its profit is almost 30% higher than that of Firm B
 - B. Firm A, as its ROCE is 45% compared to Firm B's ROCE ratio of less than 42%
 - C. Firm B, as its ROCE is 45% compared to Firm A's ROCE ratio of less than 42%
 - D. Firm B, as it has earned \$40m more than Firm A
10. Calculate the current ratio using the following information for a business: cash = \$100,000, debtors = \$60,000, stocks = \$140,000, overdrafts = \$50,000 and trade creditors = \$70,000.
- A. 40%
 - B. 250%
 - C. 2.5 : 1
 - D. \$180,000

11. Capital employed is equal to
- A. Assets employed minus long-term liabilities
 - B. Net assets minus liabilities
 - C. Shareholders' funds minus long-term liabilities
 - D. Shareholders' funds plus long-term liabilities
12. Which of the following ratios can be 'too high' (undesirable) from a firm's point of view?
- A. Current ratio
 - B. Gross profit margin
 - C. Profit margin
 - D. Return on capital employed
13. The ability of a firm to pay its short-term debts without having to sell any of its stock (inventory) is shown by which ratio?
- A. Current ratio
 - B. Liquidity ratio
 - C. ROCE ratio
 - D. Quick ratio
14. Ratio analysis cannot address which question below?
- A. Can the firm pay its liabilities?
 - B. Has the firm's market share improved?
 - C. How does the firm's performance compare to its nearest rivals?
 - D. How profitable is the business?
15. Which option below is not a reason for conducting a financial ratio analysis?
- A. Best practice benchmarking
 - B. To support management decision-making and control
 - C. To calculate the value of a firm's profit over time
 - D. To improve the accountability of a business

Unit 3.6

Efficiency ratio analysis (HL only)

Task 1 – Complete the missing words...

Efficiency ratios measure how well the resources of a business have been used, including _____ turnover, _____ days, creditor _____ and the _____ ratio. The stock turnover ratio measures the number of times a firm sells its _____ (or inventory) during a given time period. The _____ days ratio measures the number of days the business takes to collect money owed from its debtors. The number of days a business takes to pay its suppliers is measured by the _____ days ratio. The long-term liquidity position of a business can be measured by the _____ ratio.

Task 2 – Complete the table

Use the information given in the table below to identify the correct name of the efficiency ratio.

Formula	Ratio
$(\text{Non-current liabilities} \div \text{Capital employed}) \times 100$	
$(\text{Creditors} \div \text{Cost of sales}) \times 365$	
$(\text{Debtors} \div \text{Total sales revenue}) \times 365$	
$\text{Cost of sales} \div \text{Average stock}$	

Task 3 – Explain...

- a. Explain two possible strategies to improve a firm's stock turnover ratio.

- b. Explain how a business can improve debtor days.

- c. How a business can improve its creditor days ratio.

d. Whether the creditor days ratio should, ideally, be high or low.

f. Whether the stock turnover rate should, ideally, be high or low.

g. Whether the gearing ratio should be high or low (Hint: 'it depends').

h. Whether the debtor days ratio should, ideally, be high or low.

i. How high gearing might be profitable for some businesses.

j. Which company represents the higher risk to potential investors, given the limited amount of data.

	JJ Clothing Ltd	LL Clothing Ltd
Capital employed	\$1,000,000	\$1,100,000
Debentures	\$100,000	\$150,000
Mortgage	\$350,000	\$280,000

k. Why highly geared firms are more exposed to the pressures of an economic downturn (recession).

Task 4 – Differences

Complete the following table outlining the difference between insolvency and bankruptcy.

Parameter	Insolvency	Bankruptcy
Meaning		
Indicators (symptoms)		
Impact on the legal status of a business		
Impact on credit rating		
Strategies to resolve insolvency or bankruptcy		
State (permanent or temporary)		

Task 5 – Calculations

The questions that follow refer to the following financial statements for XYZ Ltd., a profit-making business entity.

Statement of profit or loss account for the year ended 31st December 20**

	\$m
Sales revenue	950
Cost of sales	(450)
Gross profit	500
Expenses	190
Profit before interest and tax	310
Interest	(110)
Profit before tax	200
Tax	20
Profit for period	180
Dividends	(70)
Retained profit	110

Statement of financial position as at 31st December 20**

	\$m	\$m
Non-current assets		
Property, plant, and equipment	600	
Accumulated depreciation	(100)	
Non-current assets		500
Current assets		
Cash	50	
Debtors	200	
Stock	250	

Current assets		500
Total assets		1,000
Current liabilities		
Bank overdraft	10	
Trade creditors	150	
Other short-term loans	40	
Current liabilities		200
Non-current liabilities		
Long-term borrowings	300	
Non-current liabilities		300
Total liabilities		500
Net assets		500
Equity		
Share capital	390	
Retained earnings	110	
Total equity		500

a. Calculate the stock turnover ratio, expressed in the number of days for XYZ Ltd.

b. Calculate debtor days ratio, expressed in the number of days for XYZ Ltd.

c. Calculate the creditor days ratio, expressed in the number of days for XYZ Ltd.

d. Calculate gearing ratio for XYZ Ltd.

Task 6 – True or False?

	True / False
a. Efficiency ratios look at how well a firm uses its resources.	
b. Efficiency ratios show how well an organization's resources have been used to generate profit from the available capital of the business.	
c. A highly geared firm is generally vulnerable to higher interest rates.	

d.	A highly geared firm is more at risk during an economic recession.	
e.	It is considered too risky to invest in a firm with a gearing ratio of 50% or above.	
f.	Profits tend to be more volatile in businesses with high gearing.	
g.	Highly geared firms are seen as being risky investments as they are unlikely to make much profit.	
h.	The creditor days ratio is measured by using the formula $(\text{Creditors} \div \text{Cost of Sales}) \times 365$.	
i.	The stock turnover ratio is measured using the formula $\text{Stock} \div \text{Cost of sales}$.	
j.	When the value of creditors rises, the creditor days ratio will also rise.	
k.	The debtor days ratio is measured by the formula $(\text{Debtors} \div \text{Sales revenue}) \times 365$	
l.	The creditor days ratio measures the number of days it takes, on average, for a business to pay its lenders (financiers).	
m.	A business selling goods only for cash will have a high debtor days ratio.	
n.	The gearing ratio can be reduced by issuing share capital or using retained profits.	
o.	Ratio analysis considers employment legislation and environmental policies.	

Task 7 – Multiple Choice Questions

- Which of the following is not a short-term liquidity ratio?
 - Acid test
 - Current
 - Gearing
 - Quick
- What does the gearing ratio measure?
 - The borrowing of a firm as a percentage of its total assets
 - The proportion of the firm's capital employed formed by interest-bearing debt
 - The value of a firm's long-term finances
 - The value of creditors in relation to a firm's capital employed
- Gearing can be calculated as
 - External sources of finance as a percentage of the total assets employed
 - Liabilities as a percentage of the capital employed
 - Loan capital plus other borrowings expressed as a proportion of the capital employed
 - Net assets minus long-term liabilities
- Which statement below cannot be applied to the gearing ratio?
 - Creditors prefer firms to have high gearing as it means they make more profit
 - Firms with a high gearing ratio are generally considered to be a risky investment
 - It is a long-term liquidity ratio
 - It uses the number of external sources of finance as part of the calculation

5. Which of the following sources of finance will increase the value of the gearing ratio?
- A. Bank overdraft
 - B. Debentures
 - C. Debt factoring
 - D. Share issue
6. The gearing ratio can be calculated by which formula?
- A. $(\text{Liabilities} \div \text{Capital employed}) \times 100$
 - B. $(\text{Long-term liabilities} \div \text{Capital employed}) \times 100$
 - C. $(\text{Long-term liabilities} \div \text{Sales revenue}) \times 100$
 - D. $(\text{Short-term liabilities} + \text{Long-term liabilities}) \div \text{capital employed}$
7. It is generally desirable for a firm to have a relatively low value for which of its financial ratios?
- A. Debtor days
 - B. Gross profit margin
 - C. Profit margin
 - D. Stock turnover rate
8. The debtor days ratio shows
- A. Credit sales as a percentage of sales turnover
 - B. How long it takes, on average, for a firm to collect its debts from customers
 - C. How long it takes, on average, for a firm to pay its debts to suppliers and creditors
 - D. The value of debtors as a percentage of sales turnover
9. The creditor days ratio shows
- A. Credit sales a percentage of sales turnover
 - B. How long it takes, on average, for a firm to collect its debts from customers
 - C. How long it takes, on average, for a firm to pay its debts to suppliers and creditors
 - D. The value of creditors as a percentage of sales turnover
10. Suppose a firm has sales revenue of \$150,000, cost of sales valued at \$70,000, and debtors to the value of \$30,000. What is the average debt collection period for the firm?
- A. 27 days
 - B. 73 days
 - C. 97 days
 - D. 243 days

11. Which business would be least pleased with a stock turnover ratio of 95 days?
- A. Boeing (aircraft manufacturer)
 - B. Honda Motor Company (cars)
 - C. McDonald's (fast food restaurants)
 - D. Reebok (sports apparel)
12. A business is most likely to prefer a _____ debt collection period with a _____ creditor days ratio
- A. Long, large
 - B. Long, small
 - C. Short, large
 - D. Short, small
13. What does the stock turnover ratio measure?
- A. How much stock is purchased per time period
 - B. Sales revenue as a percentage of the average stock level
 - C. The level of stock compared with the sales turnover
 - D. The number of times a business sells its stocks in a given time period
14. If a firm has sold stocks valued at a cost of \$120,000 (the cost of sales) and owes \$36,000 to its trade creditors, what is the creditor days ratio?
- A. 6 days
 - B. 17 days
 - C. 110 days
 - D. 83 days
15. Which statement below cannot be applied to short-term liquidity ratios?
- A. They compare the ratio of current assets to current liabilities
 - B. They involve calculating the ability of firms to pay their short-term debts
 - C. They look at the level of gearing within firms
 - D. They measure the ability of businesses to meet their short-term liabilities

Unit 3.7

Cash flow

Task 1 – Complete the missing words...

Cash is a _____ asset of an organization and is required to pay for the daily activities of running the business. Cash is often confused with profit. _____ is the positive difference between total _____ and total cost. It is important that a business is profitable as well as having sufficient cash to survive.

A firm's cash flow position must be managed properly. A cash flow _____ is a financial document that shows the predicted movement of cash into and out of a business for a given period of time. Constructing this document allows better planning and identification of potential _____ problems so that funds can be arranged to manage any anticipated periods of financial difficulties.

Cash flow problems arise due to several reasons such as overtrading, poor stock _____, increased borrowing or any negative change in the external environment. These issues can be solved by methods that increase the firm's cash _____, reduce its cash _____ or by seeking alternative _____ of finance (be they internal or external methods).

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* answers appear in alphabetical order!

Key Term	Definition
	The most liquid of current assets, this is the actual money a business has, either in hand or held at the bank.
	A quantitative technique used to predict how cash is likely to flow into and out of a business in the foreseeable future.
	Short-term assets of an organization that can be converted into cash within a year, e.g. stocks, debtors and cash.
	Refers to the money owed to creditors and financiers that are repayable within the next twelve months.
	Customers (people or other organizations) who owe money to the business as they have purchased items on credit. This is a category of current assets.
	This dilemma is caused by a lack of cash because the firm's net cash flow is negative.
	This is calculated by using the formula Cash inflow minus Cash outflow per time period.
	A financial service that allows pre-approved customers to temporarily take out more money than the amount available in their bank account.
	The yield (return) that is calculated by subtracting total costs from total revenues.
	Also known as 'net current assets', this is the cash or liquid assets available for the daily running of a business.

Task 3 – Cash inflow and cash outflow

Place the following items in the correct category

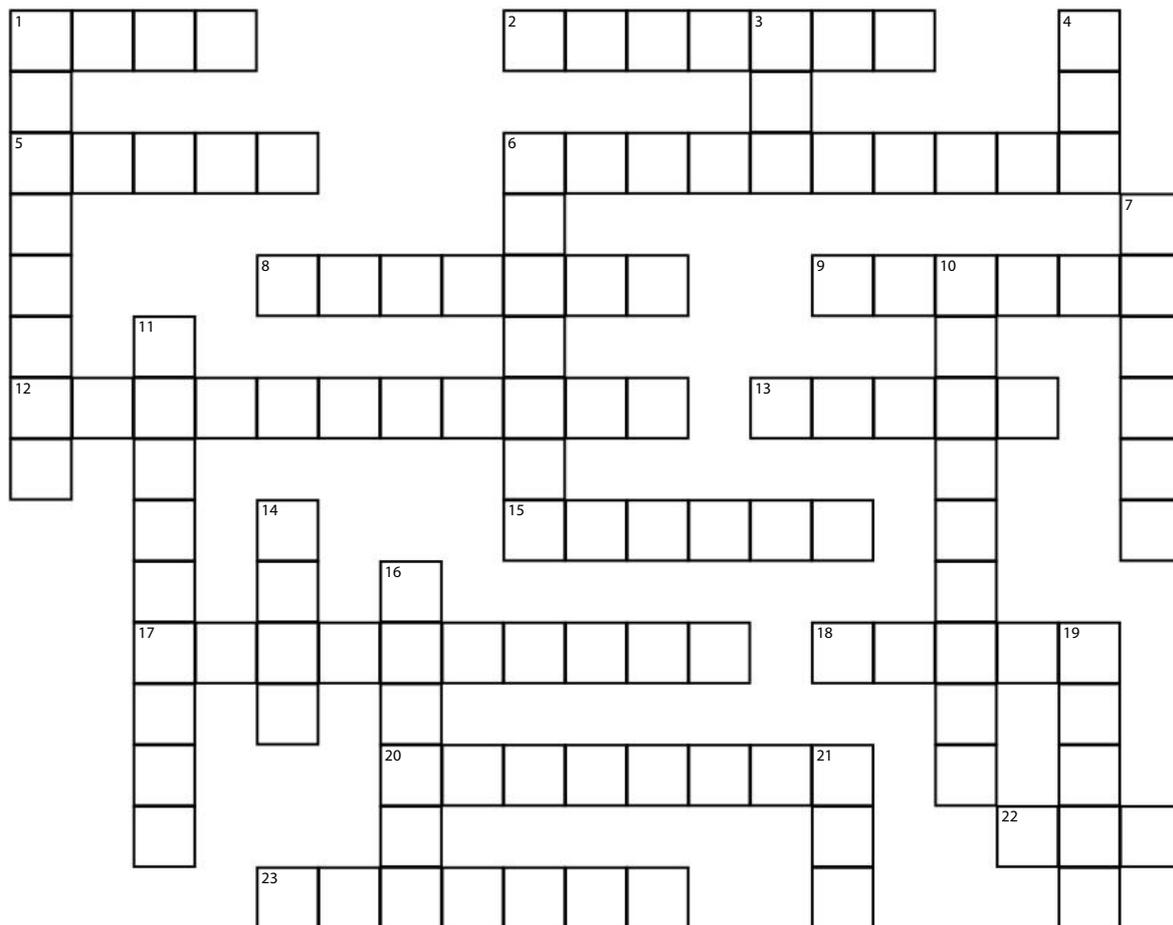
Advertising costs	Heating and lighting	Rent paid
Cash sales	Interest from savings	Salaries
Credit sales	Loan sanctioned	Tax refund
Delivery	Packaging	Wages
Donation received	Payment by debtors	

Cash inflow	Cash outflow

Task 4 – True or False?

	True / False
a. A cash flow forecast is used to show the final profit of a business for the end of a trading period.	
b. A cash flow statement records the cash streams in and out of a business, usually over the past year.	
c. A firm with a high level of borrowing has a large percentage of interest-bearing capital.	
d. Negotiating shorter payment periods with trade creditors can help to improve a firm's cash flow position.	
e. Net current assets is another term for working capital.	
f. Profit is more important than cash to a business.	
g. The higher the liquidity of an asset, the easier and quicker it is to turn the asset into cash.	
h. There is a positive correlation between a firm's cash flow position and its profit.	
i. Tight credit control is vital if a business wants to avoid cash flow problems.	
j. Without adequate stocks (inventory), manufacturers would not be able to survive for very long.	
k. A firm's working capital can be negative, but only in the short term.	

Task 5 – Cash Flow Crossword



Clues Across	Clues Down
1. The most liquid of all assets (4)	1. Refers to the money flowing into and out of a business (4,4)
2. The situation when cash inflow equals cash outflow (7)	3. Value of the closing balance when opening balance + receipts = payments (3)
5. Another term for revenue or turnover (5)	4. Lenders of financial services will often insist on charging this (3)
6. Another term for closing balance - cash flow (10)	6. Cash balance at the end of the month (7)
8. Firms or people who owe money to another firm (7)	7. These could be sold to raise cash (6)
9. Part of a firm's liquid assets (6)	10. Service that allows a business to withdraw more money than exists in its account (9)
12. Occurs if a business attempts to expand too rapidly, without a sufficient financial base (11)	11. Sale and (9) - a method of improving cash flow for firms with liquidity issues
13. One of the largest outflows for most businesses (5)	14. Banks do this to help firms with a cash flow problem, for a fee of course (4)
15. Firms that are highly (6) have to pay out a lot in interest payments	16. Do not confuse this surplus with cash (6)
17. What a firm faces in extreme and prolonged cases of cash flow problems (10)	19. Another name for revenue (5)
18. A possible interest-bearing solution to resolving a cash flow deficit, offered by banks (5)	21. Business rates, as a compulsory levy, are an example of this type of cash outflow (3)
20. To predict the cash flows of a business (8)	
22. Cash inflow minus cash outflow = ... cash flow (3)	
23. Cash leaving a firm (7)	

Task 6 – Complete the cash flow forecast below

Complete the cash flow forecast for XYZ Ltd. for the first three months of 20**

All figures in \$m	January	February	March
Opening balance	10		(90)
Cash inflow			
Cash sales revenue	300	300	300
Tax refund	0	0	10
Total cash inflows	300	300	
Cash outflows			
Rent	10	10	10
Packaging	20	20	20
Salaries and wages	60	60	60
Cost of sales		240	240
Heating and lighting	10	10	10
Delivery	10	10	10
Total cash outflows	350		350
Net cash flow		(50)	
Closing balance	(40)		(130)

Task 7 – The advantages and disadvantages

The table below lists the strategies to resolve cash flow problems. List out an advantage and disadvantage for each strategy:

Strategy	Advantage	Disadvantage
Seeking overdraft		
Improved product offerings		
Extended credit facilities		
Cash payments only		
Leasing of assets		
Short-term loans		

Task 8 – Outline

- a. Outline two reasons why a new restaurant is likely to have poor cash flow in its first few months of operation.

- b. Outline three different ways that a business might be able to improve its cash flow position.

c. Outline the difference between sales revenue and profits.

d. Outline why a firm's debtors are considered to be an asset.

e. Outline two major causes of cash flow crises for a business.

f. Outline two ways that a hotel might be able to improve its net cash flow.

Task 9 – Explain the difference between...

a. A cash flow statement and a cash flow forecast.

b. Debtors and creditors.

c. Current assets and non-current assets.

d. Cash and profit.

Task 10 – Multiple Choice Questions

1. Which statement below does not apply to the sources of finance in a publicly held company?
 - A. Cash used to buy current assets
 - B. Long-term bank loans
 - C. Retained profits
 - D. Share capital

2. Which of the following is a current liability?
 - A. Cash
 - B. Debentures
 - C. Overdrafts
 - D. Stocks

3. What are debtors?
 - A. Businesses that have sold items and are awaiting cash payment
 - B. Customers who have bought products but have not yet paid for them
 - C. Individuals or businesses in debt
 - D. People or businesses that have sold items on credit

4. Current assets do not include
 - A. Copyright, trademarks and patents
 - B. Raw materials
 - C. Unfinished goods
 - D. Unsold finished goods

5. The legal responsibility of a business for the money it owes to other parties due in more than 12 months' time from the balance sheet date is called
 - A. External financing
 - B. Long-term loans
 - C. Non-current liabilities
 - D. Security (or collateral)

6. Which of the following is not a current liability?
 - A. Corporate tax
 - B. Interest charges
 - C. Trade creditors
 - D. Work-in-progress

7. Which of the following would not be classed as a current asset?
- A. Cash at the bank
 - B. Debtors
 - C. Stocks
 - D. Trade creditors
8. Which of the following is a non-current asset?
- A. Cash in hand
 - B. Fixtures and fittings
 - C. Raw materials
 - D. Work-in-progress
9. The majority of stock held by a retailer will be in the form of
- A. Cash
 - B. Finished goods
 - C. Working capital
 - D. Work-in-progress
10. Working capital can be defined as
- A. The difference between a firm's total assets and its total liabilities
 - B. The difference between the assets and liabilities of a business
 - C. The money that is available for the daily operations of a business
 - D. The value of the money that belongs to a business
11. How is working capital calculated?
- A. Cash inflow less Cash outflow
 - B. Current assets less Current liabilities
 - C. Net assets less Net liabilities
 - D. Opening balance plus Net cash flow
12. Hanley Sports Equipment has produced a cash flow forecast which predicts a closing year-end balance of \$50,000. The firm later discovers that an order for \$8,000 was ignored from the sales figure and that a utility bill for \$3,000 was unpaid. What should the new closing balance be?
- A. \$3,000
 - B. \$39,000
 - C. \$55,000
 - D. \$61,000

13. What is the net cash flow for K. Reed & Co, given the following financial information?
- K. Reed & Co. annual cash flow statement (excerpts):
- Opening balance: \$35,000
Cash inflow: \$95,000
Cash outflow: \$50,000
- A. \$45,000
B. \$75,000
C. \$80,000
D. \$110,000
14. What would a contingency fund be used for?
- A. To entice customers to pay by cash rather than on credit
B. To fund business growth
C. To improve liquidity during unforeseen events
D. To pay suppliers and other creditors
15. Which of the following is not a sign of a business that is overtrading?
- A. A fall in the value of trade debtors
B. An increase in liquidity problems
C. Higher than usual amounts of work-in-progress
D. Higher than usual levels of finished goods
16. The financial document that shows how cash has flowed into a business and what it has spent the cash on is known as the
- A. Cash flow forecast
B. Cash flow statement
C. Profit and loss account
D. Sales budget
17. In the worst-case scenario, what can firms sell if they are struggling to survive due to insolvency issues?
- A. Debentures
B. Non-current assets
C. Share capital
D. Venture capital
18. One major purpose of constructing a cash flow forecast is to
- A. Identify the sources of cash inflows and cash outflows
B. Present information on the sources of sales revenues and costs of production
C. Provide a planning and decision-making tool for managing a firm's cash flows
D. Show the value of profit made by a firm at the end of each trading session

- 19.** Causes of cash flow crises are not likely to include
- A.** High gearing
 - B.** Money tied up in stocks and inventory
 - C.** Overtrading
 - D.** Tight credit control
- 20.** Which of the following is most likely to improve a firm's cash flow position?
- A.** Greater value of debtors
 - B.** Higher interest rates
 - C.** Longer credit periods
 - D.** Using hire-purchase

Unit 3.8

Investment appraisal (some HL only)

Task 1 – Complete the missing words...

Investment refers to the _____ that increases the productive capacity and operations of a business. It includes the purchase of _____ (or fixed) assets, such as buildings, plant, equipment, machinery, computers and motor vehicles.

The _____ (PBP) method of investment appraisal measures the length of time it takes for an investment project to generate enough _____ to recoup the initial investment cost. It is quick to calculate but does not tend to favour _____ projects, i.e. those that have a long payback period.

The _____ rate of return (ARR) measures the annual profit generated from an investment project, expressed as a _____ of the initial investment cost. The _____ the ARR, the better the return from the investment.

(HL only)

_____ (NPV) considers the opportunity cost of money from an investment project, because money received in the future is worth _____ than if it were received today. This is particularly the case when there is _____ in the economy, meaning an increase in average prices over time. _____ (DCF) are used to express the _____ value of money in today's monetary terms. In general, an investment project is financially feasible if its NPV is _____.

Task 2 – Outline the relationship between...

a. Contribution and the payback period.

b. Interest rates for savings and the average rate of return.

c. Interest rate charges and the level of gearing. (HL only)

d. Time and discount factors. (HL only)

- e. The discount rate and the net present value. (HL only)

Task 3 – True or False?

	True / False
a. Bad debts occur when debtors are unable to pay their invoices (bills).	
b. Investment appraisal is a forward-looking decision making tool.	
c. The payback period uses the future flow of profits to assess the feasibility of an investment.	
d. Profit is the value of sales revenue after all costs have been accounted for.	
e. Sales revenue is the value of goods and/or services sold to customers.	
f. The higher the value of the average rate of return (ARR), the more financially feasible an investment project tends to be.	
g. Discounting is important to account for the future value of cash flows. (HL only)	
h. The average rate of return (ARR) and the net present value (NPV) methods of investment appraisal are expressed in percentage terms. (HL only)	
i. Considering the future value of money, the higher the interest rate, the lower the value of money received in the future. (HL only)	
j. The net present value is relatively easier to calculate than the payback period. (HL only)	

Task 4 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	An investment appraisal technique that calculates the typical annual profit of an investment project, expressed as a percentage of the initial sum of the money invested.
(HL only)	A technique that reduces the value of the money a business receives in future years. Money loses its value over time, so this method expresses money at the current (present-day) value for the money expected to be received in the future.
	The money spent by a business on non-current assets with the potential to generate future financial benefits, e.g. upgrading computer equipment or the purchase of an office building.
(HL only)	An investment appraisal technique that calculates the total discounted cash flows, minus the initial cost of an investment project. If this figure is positive, then the investment is viable on financial grounds.
	This is an investment appraisal technique that calculates the estimated length of time that it will take to recoup the initial costs of an investment project.
	Also known as the historic cost , this is the original amount of money invested in a particular project.
	Non-quantitative techniques used to judge whether an investment project is worthwhile, such as whether an investment decision is compatible with the firm's business objectives and organizational culture.

Task 5 – Multiple Choice Questions

1. Which of the following is an example of investment in a business context?
 - A. Borrowing money from a bank
 - B. Paying dividends to shareholders
 - C. Purchasing new machinery
 - D. Saving money in a bank

2. Factors that affect a multinational company's investment decision are least likely to include
 - A. Leadership and management styles
 - B. Organizational objectives
 - C. The impact on human relations
 - D. Unquantifiable risks

3. Which of the following investment appraisal techniques uses *time* as its unit of measurement?
 - A. Average rate of return
 - B. Discounted cash flows
 - C. Net present value
 - D. Payback period

4. Which investment appraisal method allows a firm to see whether it will break-even on the purchase of a non-current asset before it needs to be replaced?
 - A. Average rate of return
 - B. Discounted cash flows
 - C. Net present value
 - D. Payback period

5. The average rate of return can best be described as an investment appraisal technique that
 - A. Calculates the average annual profit of a project as a percentage of the principal
 - B. Calculates the total profit of a project as a percentage of the initial investment cost
 - C. Measures the accounting period for which a project will break-even and earn a profit
 - D. Measures the future value of net cash flows for an investment project

6. Which quantitative factor applies to a firm considering investing in a new computerized stock control system?
 - A. Consideration of upgradeability and compatibility with future technologies
 - B. Staff training concerns and issues
 - C. The firm's cash flow position
 - D. Time to implement the new computerized system

7. Which of the following is least important to firms that use the payback period method of investment appraisal?
- A. Firms seeking a quick return on their investment
 - B. Firms that focus on profitability rather than short term cash flows
 - C. Firms that focus on time as a priority
 - D. Firms that see liquidity as more important than profitability
8. Which statement below does *not* apply to the payback period?
- A. It favours projects that have high profitability over time
 - B. It is simpler to calculate and understand than other investment appraisal methods
 - C. The timing of net cash flows is largely ignored
 - D. Time, rather than profit, is the focus of attention
9. Which business situation would most suit the payback period method of investment appraisal?
- A. A new multi-complex cinema and entertainment centre
 - B. Firms that can afford to use cash to raise the necessary finance for investment
 - C. Manufacturing processes where technology changes frequently
 - D. The building of a new international airport
10. The payback period is least favourable as a measure of investment appraisal when
- A. Costs of investment need to be regained quickly
 - B. Firms have a poor cash flow position
 - C. Projects are expected to return a profit in the medium to long term
 - D. Time is a major priority
11. Qualitative factors to consider in an investment appraisal do not include
- A. Alternative investment projects and their potential yields (returns)
 - B. External factors such as the state of technology
 - C. The aims and objectives of the business
 - D. The organizational culture, such as the degree of employee participation
12. Which limitation applies specifically to the average rate of return?
- A. It does not consider quantitative factors
 - B. It favours only short term investment projects
 - C. It focuses on time rather than profit
 - D. It ignores the timing and pattern of cash flow

13. Which of the following is not a qualitative factor affecting investment appraisal?
- A. Expected changes in interest rates, thereby affecting the real value of money
 - B. New competing products being launched by rival firms
 - C. The state of the economy, such as the rate of inflation and unemployment
 - D. Uncertainties about the future
14. The net present value of an investment helps to establish the value of _____ flows of income and expenditure. The _____ the numerical value of the discount factor, the lower the value of future cash flows in real terms. (HL only)
- A. future, higher
 - B. future, lower
 - C. present, higher
 - D. present, lower
15. Which investment appraisal method is not a measure of profit or profitability? (HL only)
- A. Average rate of return
 - B. Discounted cash flows
 - C. Net present values
 - D. Payback period
16. If interest rates are 5% per annum, what is the present value of \$100 received next year? (HL only)
- A. \$95.00
 - B. \$95.24
 - C. \$96.45
 - D. \$105.00
17. Which term below refers to the number used to work out the present value of a sum of money received in the future? (HL only)
- A. Discount factor
 - B. Discounted cash flows
 - C. Net cash flow
 - D. Net present value
18. Which of the following is not a quantitative investment appraisal technique? (HL only)
- A. Average rate of return
 - B. Discounted cash flows
 - C. Payback period
 - D. Variance analysis

- 19.** Limitations of the net present value method of investment appraisal do not include (HL only)
- A.** Changes in interest rates will alter the NPV figure
 - B.** It accounts for medium to long term projects
 - C.** NPV can be tedious to calculate
 - D.** The difficulty of forecasting cash flows in the distant future
- 20.** Which statement does not apply to the use of net present values? (HL only)
- A.** A positive NPV means that the investment decision is justifiable on financial grounds
 - B.** It relies on the use of discounted cash flows
 - C.** The NPV is expressed in percentage terms to allow for easier benchmarking
 - D.** The NPV value will fall if interest rates rise

Unit 3.9

Budgets (HL only)

Task 1 – Complete the missing words...

_____ refers to the art of financial control in an organization. A _____ is a financial plan that an organization strives to achieve as it allows it to check its progress against the budgeted (planned) targets. A budget should reflect the _____ of an organization, e.g. if the firm plans to replace expensive capital equipment, then the amount should be incorporated into the budget. Budgets can be used for any quantitative variable, such as _____ revenue, costs, profit, staffing, advertising expenditure and capital expenditure on _____ assets.

Budgeting also provides a sense of _____ for the workforce and holds managers _____ for the performance of their teams. However, regular monitoring is required to ensure that the plans are executed effectively, which can include the need to use _____ measures if required.

In reality, it is likely that there will be deviations from the budget plan. _____ analysis is a management tool used to calculate differences in the actual and _____ figures. A _____ variance occurs when the _____ outcome is better than the budgeted (planned) outcome. By contrast, an _____ variance occurs when the actual outcome is _____ than the budgeted plan. The analysis also looks at the reasons for the differences that occur and can therefore be a useful analytical tool in assessing the success of a strategy.

Managing the finances of a business becomes more difficult as a business grows in size. Costs and _____ from different areas of the business become harder to account for. Hence, cost centres and/or profit centres are established, with a manager being held responsible for the costs and/or revenues incurred for each department (or centre). All _____ centres are also _____ centres, but _____ centres are not necessarily _____ centres.

Task 2 – True or False?

	True / False
a. A favourable variance exists when the difference between the budgeted and actual outcome is financially beneficial.	
b. Budgeting ignores qualitative factors that affect the financial performance of an organization.	
c. Budgeting is more difficult for businesses with seasonal fluctuations in demand and where production costs are harder to predict.	
d. Budgets are backward-looking as they are based on past trends, such as last year's budgeted sales revenue figures.	
e. Budgets can be inaccurate due to unforeseen changes that can cause large differences between the budgeted figures and the actual outcomes.	
f. Budgets help businesses to have better financial control.	
g. It is more useful for budgeting purposes to have profit centres in an organization than it is to have cost centres.	
h. Organizations that have an open and entrusting corporate culture tend to use budgets as a form of empowerment and motivation.	
i. Budgeting is the most important function of the finance department and does not require coordination amongst departments.	
j. Zero-based budgeting is a method of budgeting in which the managers justify all their expenses so require approval for each new trading period.	
k. Budgeting is an important aspect of a manager's planning and control for organizations operating in the private sector only.	
l. Budgeting requires setting up specific goals for business operations and comparing the actual results regularly with the targets set.	
m. Budgeting is based on forecasts and estimates, so this limits the usefulness of its implementation.	

Task 3 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	This occurs when costs are greater than what has been budgeted or revenues are lower than expected.
	This is a financial plan of expected revenues, sales or expenditure for a department or an organization, for a given period of time.
	Refers to an area or department of a business that costs can be clearly attributed to (for reasons of accountability).
	Differences in the budgeted and actual figures for the period that are beneficial for the organization.
	Refers to a department or strategic business unit within an organization that functions autonomously and is held accountable for its own costs and revenues.
	Refers to discrepancies between actual outcomes and budgeted outcomes.

Task 4 – Explain...

- a. Explain the difference between budgets and forecasts.

- b. Explain why it is incorrect to refer to 'positive' variances in the context of budgeting.

- c. Explain one key advantage of zero budgeting.

- d. Explain the difference between cost centres and profit centres.

e. Explain the role of cost and profit centres.

f. Explain the limitations of budgeting and variance analysis in decision-making.

Task 5 – Complete the missing values

a. Budget for XYZ Co. for the period ended 20XX

All figures in \$m	Budgeted figures	Actual figures	Variance (Favorable/ Adverse)
Income			
Sales revenue	600	620	
Interest earned	10	5	5 (A)
Total income	610		
Expenses			
Salaries and wages	80	85	5 (A)
Materials		160	10 (A)
Rent	13	15	
Advertising	10	11	1 (A)
Electricity	22		13 (F)
Total expenses	275	280	
Net income			
		345	

b. Budget for XYZ Inc. for the period ended 20XX

All figures in \$m	Budgeted figures	Actual figures	Variance (Favorable/ Adverse)
Income			
Sales revenue	350	300	
Interest earned	10	20	
Total income	360	320	
Expenses			
Salaries and wages	20	30	
Materials	130	150	
Rent	40	40	
Advertising	10	10	
Electricity	20	30	
Total expenses	220	260	
Net income			
	140	60	

Task 6 – Calculations and analysis

- a. Complete the missing figures for Vivien Jack Hair Salon.

Variable	Budgeted (\$)	Actual Outcome (\$)	Variance (\$)	Variance (F/A)
Wages	4,000	4,200		Adverse
Salaries	4,500	4,500		-
Stock	1,800	1,850		
Revenue	15,750		290	Favourable
Direct costs		2,950	250	Favourable

- b. Give two examples of stock (inventory) that are likely to be held by Vivien Jack Hair Salon.

- c. Give two examples of direct costs likely to be incurred by Vivien Jack Hair Salon.

Task 7 – Multiple Choice Questions

- Which of these statements best describes a budget?
 - Forecast inflows and outflows of cash over the next twelve months
 - The financial plan for the next twelve months
 - The money available to a business for its daily operations
 - The spending by the different departments of a business
- Which statement about budgets is incorrect?
 - Help managers to control operational expenses
 - Help managers to plan, monitor and control business activities
 - They are historical (backward-looking) financial plans
 - They are set in line with the aims of the business organization
- The budgeting system that requires budget holders to justify the money that they wish to spend is known as
 - Budgetary constraint
 - Flexible budgets
 - Incremental budgets
 - Zero budgeting
- The budget cycle usually lasts for which period of time?
 - 1 week
 - 1 month
 - 6 months
 - 12 months

5. The difference between actual results and budgeted results is known as
 - A. Conflict
 - B. Deviation
 - C. Discrepancy
 - D. Variance

6. Which of the following is not a direct function of budgeting?
 - A. To anticipate costs and revenues
 - B. To assess performance related pay of managers
 - C. To ensure that managers plan ahead
 - D. To review progress on a regular basis

7. Which type of budget allows an organization to adjust to changes in the business environment?
 - A. Financial budgets
 - B. Flexible budgets
 - C. Master budgets
 - D. Zero budgeting

8. When actual advertising costs are more than the budgeted figure, there is said to be a/an
 - A. Favourable variance
 - B. Negative variance
 - C. Positive variance
 - D. Unfavourable variance

9. Which of the following is least likely to be a factor that affects how a budget is set?
 - A. Employer-employee negotiations
 - B. Historical benchmarking
 - C. The availability of finance
 - D. The budget holder's length of experience

10. When cash receipts are higher than expected or staffing costs are less than anticipated, the result is
 - A. Favourable variances
 - B. Higher profitability
 - C. Higher revenue expenditure
 - D. Shorter cash flow cycles

11. Variance analysis is calculated by use of:
- A. All below
 - B. Direct material and direct labor
 - C. Interest received
 - D. Sales
12. The total cost variance for direct materials can be determined by which of the following?
- A. Efficiency variance
 - B. Labor variance and usage variance
 - C. Price and usage variance
 - D. Usage variance
13. Identify the cause(s) of a favourable variance for raw materials purchased by a producer.
- A. All below
 - B. Alternative cheaper suppliers were used
 - C. Purchasing economies of scale were experienced
 - D. Unit costs were cheaper than predicted
14. Identify the cause(s) of an adverse variance in the use of materials for a manufacturer.
- A. All below
 - B. Increased wastage rates
 - C. Poor handling of material
 - D. Poor quality material
15. Identify the possible cause of a favourable variance in raw materials usage.
- A. Higher wastage rate
 - B. Improved training and quality assurance
 - C. Poor production methods
 - D. Substandard quality output

Unit 4.1

Introduction to marketing

Task 1 – True or false?

	True / False
a. Advertising is what gets a product sold.	
b. Consumer markets are the products directly aimed at private individuals and households.	
c. Goods and services are marketed in the same way.	
d. Market leaders are firms with the highest market share within an industry.	
e. Market orientated businesses are always more financially successful than product orientated firms.	
f. Marketing is concerned with selling goods and services to consumers.	
g. Marketing is the same as advertising and selling.	
h. Markets can exist without physical locations.	
i. Product orientation focuses on making products a business makes well, rather than on the needs and preferences of potential customers.	
j. Market growth refers to the business with the highest market share in a specific industry.	

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order, and all begin with the letter M!

Key Term	Definition
	Increases in the size of a particular market or industry, usually expressed as the percentage increase in the market size over a given period of time.
	A marketing approach that places the needs and wants of customers as the key to success.
	A measure of a firm's market power, which is measured by calculating the firm's sales revenue as a percentage of all sales in the market.
	The business function of determining the products required to meet the needs and wants of customers, in a profitable or sustainable way.
	A document outlining the marketing mix of an organization in order to achieve its marketing objectives.

Task 3 – Explain...

a. The meaning of marketing.

b. How businesses might calculate their market share.

- c. One advantage and one disadvantage to a business that plans to launch new products in rapidly growing markets.

- d. The difference between product orientation and market orientation.

Task 4 – Calculating market share

- a. Complete the missing figures in the table below for a market valued at \$150 million.

Company	Sales (\$m)	Market share (%)
A	60	
B	30	
C		22
D		18

- b. Based on your answers to the above, calculate and comment on the two-firm concentration ratio.

Task 5 – Multiple Choice Questions

1. Marketing is *not* about
 - A. Customer relations management
 - B. Meeting the needs and wants of consumers
 - C. Recruiting the best salespeople
 - D. Understanding the needs and wants of customers

2. Which statement cannot be applied to the nature of marketing?
 - A. Customers are of central importance to marketing
 - B. It affects all functional aspects of a business
 - C. It is all about selling products to meet the needs of customers
 - D. Marketing is far more than advertising

3. The size of a market is not measured in terms of
 - A. Marketing budgets
 - B. Sales revenue
 - C. Sales volume
 - D. The number of customers

4. Which of the following is not part of the marketing mix for physical goods?
 - A. Distribution
 - B. People
 - C. Product
 - D. Promotion

5. The marketing mix for services does not necessarily include
 - A. Packaging
 - B. People
 - C. Physical evidence
 - D. Price

6. Which of the following is not part of the marketing mix for services?
 - A. People
 - B. Physical evidence
 - C. Place
 - D. Production

7. A key difference between goods and services is that services are
 - A. Homogeneous
 - B. Perishable
 - C. Purchased by the owner
 - D. Tangible

8. Market orientation is a marketing strategy that involves
 - A. Developing products based on an organization's production capabilities
 - B. Primary research to find out about customers' wants and needs
 - C. Producing goods that are innovative to meet the needs of the market
 - D. Researching consumers' needs in order to develop new products

9. Which statement does not apply to market oriented businesses?
 - A. Customer buying habits enable a firm to use appropriate promotional strategies
 - B. Pricing decisions consider what customers are prepared and able to pay
 - C. The products made by a market orientated businesses are what customers actually want or need
 - D. There is a lot of spending on research and development

10. Which feature cannot be applied to market oriented businesses?
- A. Distribution networks make it convenient for customers to make purchases
 - B. Price is based on customers' ability and willingness to pay
 - C. Products are designed according to what the producer feels will sell
 - D. Research is conducted about people's needs and wants
11. Product oriented marketing means
- A. Basing all marketing decisions on the needs of customers
 - B. Producing and marketing products that the firm believes will sell
 - C. Using a firm's assets to increase the marketing budget
 - D. Using a firm's strengths such as its brand image to market existing and new products
12. The tangible element in the marketing of a service is known as the
- A. Added value
 - B. Packaging
 - C. Physical evidence
 - D. Physical product
13. Market share can be described as
- A. The number of suppliers in a particular market
 - B. The percentage of total sales in a market that can be attributed to a firm
 - C. The relative size of a particular market
 - D. The total sales, as measured by value or volume, in a market
14. An advantage of higher market share is that
- A. It can lead to market leadership
 - B. It requires economies of scale to be earned
 - C. The firm will operate more productively
 - D. There will be less competitors in the market
15. The marketing objectives of non-profit organizations is *least* likely to include
- A. To gain higher market share
 - B. To generate a financial surplus
 - C. To improve brand recognition
 - D. To increase sales turnover

Unit 4.2

Marketing planning

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	A particular customer group within a market for a product which has shared characteristics and needs that are targeted by marketers.
	The systematic process of devising marketing objectives and appropriate marketing strategies to achieve these objectives.
	The approach taken by an organization in order to achieve its marketing objectives.
	Industries that buy and sell products for a large and broad range of target markets, e.g. fruits and vegetables, canned drinks and printing paper.
	Industries that buy and sell highly specialised goods and/or services that cater for a small and select target market, e.g. wakeboarders and fencers.
	A technique that shows how a product is perceived in relation to other products or brands that are available in the same market.
	A clearly identifiable group of customers that an organization focuses its marketing efforts on.
	An exclusive customer benefit that no other organization can claim for its product.

Task 2 – True or False?

	True / False
a. A marketing plan is a document outlining a firm's marketing objectives and the marketing strategies to be used to achieve these objectives.	
b. A perception map is a graphical illustration of customer perception of a business, its products or brands in comparison to rivals in the same industry.	
c. A product is a physical good sold by a business.	
d. In marketing, 'place' is used to describe the methods of distributing products to customers, e.g., wholesalers, retailers and vending machines.	
e. Marketing plans cannot work effectively without all four elements of the traditional marketing mix.	
f. Niche markets are those that provide goods and services that appeal to an extensive number of customers.	
g. Prices in niche markets tend to be relatively low due to the amount of competition that exists.	
h. Psychographic segmentation splits the market according to people's lifestyle choices and personal values.	
i. Geographic segmentation involves characterising consumers in relation to their geographical base.	
j. Mass markets focus on supplying goods and services to wide-ranging groups of market segments.	

Task 3 – Explain the difference between...

a. Marketing objectives and marketing strategies.

b. Niche marketing and mass marketing.

c. Market segments and market segmentation.

d. Targeting and market segmentation.

Task 4 – Multiple Choice Questions

1. Which of the following is least likely to feature in a marketing plan?
 - A. Marketing budgets
 - B. Marketing objectives
 - C. Product extension strategies
 - D. SWOT analysis

2. Which term describes the process of distinguishing a firm's goods and services from rival products in the market?
 - A. Differentiation
 - B. First mover advantage
 - C. Product extension strategy
 - D. Promotional mix

3. Which of the following is not a marketing objective?
 - A. Market leadership
 - B. Market positioning
 - C. Market segmentation
 - D. Market share

4. The marketing of services does not directly include
 - A. Packaging
 - B. People
 - C. Physical evidence
 - D. Processes

5. If a firm uses a segmentation strategy based on characteristics such as religion, gender and marital status, then it is using which type of segmentation?
 - A. Demographic
 - B. Ethnicity
 - C. Geographic
 - D. Psychographic

6. The collective name for all groups of customers who have the same needs and wants for a particular product is known as a
 - A. Focus group
 - B. Market
 - C. Market segment
 - D. Target group

7. The study of human population dynamics and trends is known as
 - A. Demography
 - B. Geography
 - C. Marketing
 - D. Psychology

8. The perception of a product or brand in relation to other products or brands in the same market is known as
 - A. Branding
 - B. Physical evidence
 - C. Positioning
 - D. Segmentation

9. Which statement below cannot be applied to market segmentation?
 - A. Demographics is the most common method of segmentation
 - B. It is used for primary research only
 - C. Segmentation acknowledges the fact that customers are different
 - D. Segmentation allows a firm to fine-tune its marketing mix

10. Which concept refers to any distinctive aspect or feature of a product that differentiates it from others that are available in the market?
- A. Branding
 - B. Competitive rivalry
 - C. Market power
 - D. Unique selling point
11. Segmentation can bring about potential advantages except
- A. The ability to identify suitable advertising media
 - B. The ability to spread risks
 - C. The time involved to determine target markets
 - D. There being less waste due to focused marketing
12. Segmentation can be split into different categories. Which option below is not one of the methods?
- A. Academics
 - B. Demographics
 - C. Geographic
 - D. Psychographics
13. Demographic segmentation can be done in all the following ways except
- A. Age
 - B. Gender
 - C. Lifestyle
 - D. Religion
14. The strategy that involves changing the perception of a product or brand relative to those offered by rival firms is known as
- A. Market mapping
 - B. Perception mapping
 - C. Positioning
 - D. Repositioning
15. A product's location on a position map is determined by
- A. Competitors
 - B. Consumers
 - C. Producers
 - D. Suppliers

Unit 4.3

Sales forecasting (HL only)

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. Choose from the options below.

- Cyclical variations
- Random variations
- Sales forecasting
- Seasonal variations
- Time series

Key term	Definition
	These are predictable and periodic fluctuations in sales revenues over a specified time period, such as certain months or times of the year.
	These are unpredictable fluctuations in sales revenues, caused by erratic and irregular factors that cannot be practically anticipated.
	A statistical technique that identifies trends in historical data, often adjusted for seasonal and cyclical fluctuations.
	A quantitative management technique used to forecast a firm's level of sales over a given time period.
	The recurring fluctuations in sales revenues due to the trade cycle (or business cycle).

Task 2 – True or False?

	True / False
a. As a quantitative decision-making tool, the culture of an organization or the sub-culture of the sales department has no impact on sales forecasting.	
b. External influences, such as an economic recession and changes in exchange rates, can cause large discrepancies and inaccuracies in sales forecasts.	
c. Marketers can use sales forecasts to make decisions about expanding to overseas markets.	
d. Sales forecasting is a statistical technique used to predict the level of sales over a given period of time.	
e. Seasonal variation is a forecasting technique that identifies the trend by using past data and extending this trend to predict future sales.	
f. The range is the numerical difference between the highest and the lowest values in a data set.	

Task 3 – Multiple Choice Questions

1. Which option best describes sales forecasting?
 - A. A decision-making tool used to calculate sales data
 - B. A management tool used to extrapolate trends in certain variables
 - C. A qualitative management decision-making tool
 - D. A statistical tool used to predict a firm's sales level based on historical data

2. Benefits of sales forecasting do not include the direct ability to
 - A. Improve productive efficiency
 - B. Improve stock control
 - C. Improve the management of a firm's cash flows
 - D. Increase market share

3. Time series sales data is not feasible during which stage of a product's life cycle?
 - A. Decline
 - B. Growth
 - C. Launch
 - D. Maturity

4. Which of the following products is least likely to face seasonal fluctuations in demand?
 - A. Banking services
 - B. IB examiners and moderators
 - C. School bus services
 - D. Umbrellas and raincoats

5. Which of the following is not a limitation of sales forecasting?
 - A. Forecasts are rarely perfect
 - B. Forecasts become less accurate the longer the time period under consideration
 - C. The data make it difficult to extrapolate sales trends
 - D. They are more accurate for predicting sales of single items rather than for a group of items

6. Which of the following is not an example of time series data?
 - A. Budgetary variations
 - B. Cyclical fluctuations
 - C. Random variations
 - D. Seasonal variations

7. Which of the following is most likely to be a form of quantitative sales forecasting?
- A. Consumer panels
 - B. Consumer surveys
 - C. Focus groups
 - D. Historical benchmarking data
8. The fundamental difference between seasonal variations and cyclical variations is
- A. The assumptions behind the variations in sales revenues
 - B. The duration of the repeating pattern of variations in sales revenues
 - C. The magnitude of the variations in sales revenues
 - D. The time of year that the variations in sales revenues occur
9. Which term refers to predictable fluctuations, repeated on a regular basis, in the values of sales?
- A. Cyclical
 - B. Irregular
 - C. Random
 - D. Seasonal
10. Which term refers to variations in sales revenues that are irregular or erratic due to unexpected forces?
- A. Cyclical
 - B. Irregular
 - C. Random
 - D. Seasonal

Unit 4.4

Market research

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	Type of secondary market research, namely publications that contain the latest educational research and scholarly theory.
	Marketing activities designed to discover the beliefs, perception, feelings, and opinions of potential and existing customers.
	Occurs when an inappropriate sampling methodology is used, namely mistakes that are not attributed to human errors in market research design.
	The term used to refer to the total number of people in a given market.
	Also known as field research or bespoke research , this is market research that involves gathering new data, first-hand for a specific purpose.
	The most common form of primary research that uses a series of questions in order to collect data from a representative sample.
	The practice of selecting a small group or segment of the population for a particular market for research purposes.
	Also known as desk research, this involves the collection of second-hand data and information that already exists, gathered by others.

Task 2 – True or False?

	True / False
a. Market research can reduce risks in business decision-making because it provides better information to managers.	
b. Desk research involves collecting new data that are in a useable format for a firm.	
c. Field research tends to be cheaper to collect and collate than desk research.	
d. Questionnaires can be used to collect qualitative <i>and</i> quantitative data.	
e. Sampling is used to conduct secondary market research.	
f. Skilled interviewers are required to conduct qualitative market research which can be expensive as they have to be paid for their time and expertise.	
g. Results from secondary market research is more reliable than findings from primary research.	
h. Sampling is used for market research purposes as asking every person in the population to respond would be too time consuming and costly.	

Task 3 – Sampling

Identify the sampling method from the given clues below.

Description	Sampling method
Uses subjects that are easy (simple) to reach, e.g., students often use their classmates and friends in a research study.	
Sampling a given number of people who share similar characteristics, e.g., teenagers, parents, smokers, or students.	
Method that allows everyone an equal chance of being selected for sampling.	

Task 4 – Explain the difference between...

a. Qualitative and quantitative market research.

b. Quota sampling and random sampling.

c. Academic journals and market analyses.

Task 5 – Multiple Choice Questions

- What is the name given to the process of gathering, recording, and analyzing of data related to a good or service in order to make more informed marketing decisions?
 - Market development
 - Market research
 - Marketing planning
 - Market segmentation
- Which of the following is *not* a potential problem associated with primary research data?
 - Costs
 - Focus
 - Researcher bias
 - Sample size

3. Primary data is _____ research that collects _____ data for a specific purpose.
- A. desk, existing
 - B. desk, new
 - C. field, existing
 - D. field, new
4. Primary research is about
- A. Collecting new data for a specific purpose
 - B. Data that has not been processed by a firm
 - C. Using experiments and observations to find out about what customers want or need
 - D. Using questionnaires to collect quantitative data
5. Why might a business carry out primary research?
- A. To discover their customers' needs and wants
 - B. To gain more market share
 - C. To gather data required that does not already exist
 - D. To produce better goods or services for their customers
6. Which of the following is an example of primary research?
- A. Customer suggestions and feedback
 - B. Economic forecasts for the next twelve months
 - C. Information from media articles
 - D. Newly published government reports
7. Primary data has an advantage over secondary data because
- A. It is normally less time consuming to gather
 - B. It is unique to the purpose of the research
 - C. It saves time on data analysis
 - D. The data already exists so is cheaper to gather
8. Primary data can be gathered from the use of
- A. Academic journals
 - B. Government statistics
 - C. Group interviews
 - D. Internet websites

9. Primary data can be best gathered by
 - A. Government publications
 - B. Observations and surveillance
 - C. Quantitative research
 - D. Trade research and development

10. Which of the following is unlikely to be a drawback of primary research?
 - A. Findings come from unrepresentative samples
 - B. Inappropriate questions may be asked
 - C. Primary research may lack specific focus
 - D. Respondents may exaggerate their views

11. Primary research can be obtained by several methods except for
 - A. Academic publications
 - B. Focus groups
 - C. Observations
 - D. Photographic evidence

12. Secondary data can be gathered from the use of
 - A. Focus groups
 - B. Observations
 - C. Social trends
 - D. Suggestion boxes

13. Desk research can be conducted by
 - A. Accessing company annual accounts
 - B. Personal interviews
 - C. Surveys mailed through the post
 - D. Telephone interviews

14. Which statement below does not apply to secondary research?
 - A. Data are often provided by specialist market research firms
 - B. It includes the latest findings from industry surveys
 - C. It includes the use of survey and interview findings conducted by the firm
 - D. It uses existing data and information for market research purposes

15. Existing market research data collected from third party sources is known as
- A. Desk research
 - B. Field research
 - C. Primary research
 - D. Quantitative research
16. Which of the following is not a source of secondary data?
- A. Company annual reports
 - B. Government publications
 - C. Observations
 - D. Reference books
17. The difference between quantitative and qualitative market research is that
- A. Only the former method can be statistically analysed
 - B. The former method uses a large sample size
 - C. The former relies on primary research whilst the latter relies on secondary research
 - D. The latter method relies on a much larger number of respondents to get a statistically valid set of answers
18. Market research that gathers the opinions, ideas, views, and thoughts of consumers in a non-statistical manner is known as
- A. Desk research
 - B. Field research
 - C. Qualitative research
 - D. Quantitative research
19. Research carried out via in-depth interviews in order to determine the reasons behind consumers' attitudes and opinions is best described as
- A. Market research
 - B. Qualitative research
 - C. Quantitative research
 - D. Secondary research
20. Market research that gathers statistical data is known as
- A. Desk research
 - B. Field research
 - C. Qualitative research
 - D. Quantitative research

21. The main purpose of a researcher using qualitative market research is to
- A. Communicate statistical analysis of factual findings
 - B. Formulate organizational decision-making
 - C. Gather the views of a small group of people before the mass launch of a product
 - D. Understand the behaviour, attitudes, and perceptions of selected sample
22. Which statement below cannot be applied to quantitative market research?
- A. Deals with questions such as 'how much?', 'how many?' and 'how often?'
 - B. Is based on numerical data and information
 - C. Is based on only using primary research techniques
 - D. Uses hard data and facts to aid statistical analyses
23. What is the term given to a representative group of the population being used for market research?
- A. Demographic group
 - B. Market
 - C. Sample
 - D. Segment
24. Sampling is used in market research because
- A. A sample can be used to increase the confidence level of statistical findings
 - B. A sample's views are used to represent the population's views
 - C. It can be easier to identify trends from the sample findings
 - D. It is cheaper and quicker to use a sample than to survey the whole market
25. The sampling method used to interview a given number of respondents with given characteristics, such as their age and gender, is known as
- A. Convenience
 - B. Quota
 - C. Random
 - D. Stratified
26. Which sampling method gives each member of the public an equal chance of being selected as part of a sample?
- A. Convenience
 - B. Quota
 - C. Random
 - D. Stratified

27. Which method of sampling is based on the ease of access to research respondents?
- A. Convenience
 - B. Quota
 - C. Random
 - D. Stratified
28. Which of the following is not a feature of quota sampling?
- A. Choosing a specific number of people in a market segment
 - B. It is relatively cheap to select the sample
 - C. Likely to be very representative of the population
 - D. Samples are collected on a non-random basis
29. Which of the following is not a source of sampling error?
- A. A small sample size being selected
 - B. Dishonesty of respondents
 - C. Errors made in recording data
 - D. Researcher bias
30. Sampling errors are likely to occur if
- A. A representative sample is selected
 - B. Random sampling is used
 - C. The sample size is significantly large
 - D. There are sampling discrepancies

Unit 4.5a

The seven Ps of the marketing mix

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	The strategy of growing and expanding a trademark to build market share for a particular brand or product.
	This occurs when customers buy their preferred brand of a particular product, and they are reluctant to switch to another brand or product.
	Long-lasting products purchased by individuals for personal use, e.g. cars, furniture, games consoles, smartphones and washing machines.
	These methods are used to lengthen the product life cycle of a particular good or service.
	A unique graphical representation (such as a symbol, font or graphic) of a business or its brand.
	The stage in the product life cycle when sales revenues are at, or near, their maximum and there is little scope for any further growth.
	A marketing strategy that tries to give a product a unique or distinctive element so that it stands out from other goods or services in the market.
	Marketing theory that depicts the phases a typical product goes through during its commercial existence, from launch to withdrawal.

Task 2 – True or False?

	True / False
a. The term 'product' can refer to both a physical good and an intangible service.	
b. Most of the new products launched by well-known multinational companies are commercially successful.	
c. Rapid changes in technology and fashion (trends) have shortened the life cycles of products in many industries.	
d. Brands are more likely to succeed than fail.	
e. Brand leaders are the most popular brands in the view of the general public.	
f. M&M's chocolates are made by Mars. M&M's is therefore a brand label of the Mars company.	
g. Packaging can be used as a form of product differentiation.	
h. A firm's product portfolio refers to its collection of all the goods and/or services offered to its customers.	

Task 3 – Multiple Choice Questions

1. Products that are sold from one business to another to further the production process are known as
 - A. Capital goods
 - B. Consumer goods
 - C. Durable goods
 - D. Perishable goods

2. Non-durable products, such as fresh ice cream, are also known as
 - A. Consumer products
 - B. Convenience products
 - C. Perishable products
 - D. Speciality products

3. Which feature does not necessarily apply to fast-moving consumer goods (FMCGs)?
 - A. Products that are not durable
 - B. Products that have low profit margins
 - C. Products that rely on customer repurchases
 - D. Products that sell in high volumes

4. Convenience products that are sold in retail outlets on a daily basis are known as
 - A. Capital goods
 - B. Consumer goods
 - C. Fast moving consumer goods
 - D. Perishable goods

5. Products that require minimal thought, effort and expense from customers are known as
 - A. Consumer goods
 - B. Convenience goods
 - C. Durable goods
 - D. Perishable goods

6. Speciality products do not include which of the following goods?
 - A. Designer jewellery
 - B. Exclusive sports cars
 - C. Gourmet foods
 - D. Mathematics textbooks

7. Which of the following is a perishable consumer product?
- A. Fresh foods
 - B. Fridge freezers
 - C. Lego toys
 - D. Motor vehicles
8. White goods (a type of consumer durable product) do not include
- A. Cookers
 - B. Games consoles
 - C. Microwave ovens
 - D. Washing machines
9. The marketing strategy used to give a product a unique or distinctive aspect so that customers can distinguish it from those offered by competitors is known as
- A. Brand awareness
 - B. Brand development
 - C. New product development
 - D. Product differentiation
10. Pre-launch activities in the product life cycle do not include
- A. Generating new ideas
 - B. Market research
 - C. Perception mapping
 - D. Test marketing
11. Which of the following activities does not take place during the research and development (R&D) stage of the product life cycle?
- A. Market research
 - B. Monitoring of competitors
 - C. Prototypes
 - D. Publicity
12. The stage in a product's life cycle that requires significant investment yet often incurs losses is known as
- A. Decline
 - B. Launch
 - C. Maturity
 - D. Withdrawal

13. Features of the launch stage for most products do not include
- A. Extensive promotion and advertising
 - B. Low sales volume
 - C. Market research
 - D. Negative cash flow
14. Which of the following is a possible reason for an increase in the sales revenue of a product?
- A. A smaller channel of distribution
 - B. Lower prices for products with few substitutes
 - C. Newer and better alternatives become available on the market
 - D. Redesigned packaging to increase the emotional value of the product
15. Possible strategies to reverse a decline in the sales of a product do not include
- A. Additional features added to the product, such as special or limited editions
 - B. Expanding into new markets overseas
 - C. Increasing prices to improve the image (perception) of the product
 - D. Increased use of promotional strategies
16. The technique of using an existing brand name to launch a new or modified product is known as
- A. Brand extension
 - B. Branding
 - C. Repositioning
 - D. Product differentiation
17. Which of the following is not an extension strategy?
- A. Advertising used to remind and entice customers to make a purchase
 - B. Exporting to overseas markets
 - C. Producing new products to sell abroad
 - D. Reducing prices to attract more customers
18. Decline in the product life cycle refers to
- A. A fall in a firm's sales revenue
 - B. A fall in the output of the economy
 - C. Falling sales revenue at a rate faster than the costs of production
 - D. The last stage of a product's life cycle when sales fall
19. A brand cannot be represented by which of the following?
- A. Logos
 - B. Products

- C. Symbols
 - D. Trademarks
20. Which of the following is not part of new product development?
- A. Market research
 - B. Product extension strategies
 - C. Research and development
 - D. Test marketing
21. The objectives of new product development are least likely to include
- A. To gain a competitive edge
 - B. To increase market share
 - C. To increase sales turnover
 - D. To raise brand awareness
22. Which statement does not refer to the importance of branding?
- A. It allows firms to charge above-average prices
 - B. It allows firms to charge lower prices to attract more sales
 - C. It creates a unique character or association for a product
 - D. It encourages repeat purchases and customer loyalty
23. What is the name given to a product that has the largest market share in a particular industry?
- A. Brand leader
 - B. Brand loyalty
 - C. Customer loyalty
 - D. Premium brand
24. When customers are reluctant to switch away from purchasing their favourite brand of a particular product, this is known as
- A. Brand awareness
 - B. Brand loyalty
 - C. Brand development
 - D. Brand leadership
25. Brands such as Gucci, Tiffany & Co., Rolex and Rolls Royce, are perceived as being of high in quality and high in price. Which term best describes these brands?
- A. Brand value
 - B. Economy brands
 - C. Premium brands
 - D. Value added

Unit 4.5b

The seven Ps of the marketing mix – Price

Task 1 – Complete the missing words...

_____ is the amount that the customers pay to purchase a good or service. Setting the right price is crucial to encouraging sales. Setting a price that is too _____ will reduce the ability and willingness of customers to buy the product, so negatively affect the sales. Setting a price that is too _____ may negatively impact the perception of customers and the profits of the business.

It is important to understand the determinants affecting the price of a product, such as the _____ of producing or providing the product. The existence of _____ in the market is also another example, as this is likely to force businesses to be more competitive to attract customers. In contrast, a dominant market leader is likely to have the freedom to set prices due to limited rivalry from competitors. Related to this, businesses with a positive corporate _____ can charge higher prices. Deteriorating economic conditions, such as _____ will make it more challenging for businesses to increase their prices.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Explanation
	Adding a fixed amount or percentage to the costs of production in order to determine the selling price.
	A pricing method in which a product is sold below its cost in an attempt to encourage sales of other profitable goods or services.
	Setting a very low price in order to gain access to a market.
	Charging a very low price, perhaps below costs, to harm the sales of competitors in the market.
	Pricing one of the product or services is high to encourage favourable perception amongst the buyers based on the price itself.
(HL only)	Setting prices based on the prices set by rival businesses.
(HL only)	Pricing method in which the price of the product is charged on the basis of its contribution to cover the fixed costs it incurs even if to a minimal level.
(HL only)	Pricing method in which businesses set flexible prices for products or services based on current market demands.
(HL only)	The extent to which the quantity demanded changes with the change in its price.

Task 3 – True or False?

	True / False
a. If consumers are able to buy directly from the manufacturer, then the price of the product would be lower.	
b. Prices of a product tend to fall in the decline stage of the product's life cycle.	
c. The loss leader pricing method is used by supermarkets to encourage walk-in customers to buy impulse purchases of other products.	
d. The price decision will influence the customer's view or perception of a product's quality.	
e. The percentage or a specified amount added to the costs of production is known as the per unit profit margin or mark-up.	
f. Any pricing method can only be successful if it is supported by other elements of the marketing mix.	

g.	Whichever pricing method is used, a business must cover its costs of production in the long term.	
h.	Predatory pricing involves temporarily setting prices so low that rival firms cannot compete in a profitable way.	
i.	All firms can use dynamic pricing as a pricing method. (HL only)	
j.	Price elasticity of demand measures the responsiveness of demand due to changes in income. (HL only)	
k.	Competitive pricing may not enable all businesses to set a price that covers all costs incurred during the production process. (HL only)	
l.	A product is likely to have a high price elasticity of demand if there is high brand loyalty for the product. (HL only)	
m.	Dynamic pricing has allowed firms and workers in the gig economy to charge prices based on the level of demand at any point in time. (HL only)	
n.	Competitive pricing is applicable for businesses that have minimal market power. (HL only)	
o.	Effective promotion, as part of the marketing mix, can help to make the demand for a product more price inelastic. (HL only)	

Task 4 – Multiple Choice Questions

- The mark-up on a product is also known as
 - Average sales revenue
 - Competitive pricing
 - Loss leader
 - Profit margin per unit
- Which statement cannot be applied to penetration pricing?
 - Aims to establish higher market share
 - Involves setting a relatively low price
 - Prices are set according to the average price level
 - Used when there are existing rivals in the market
- Which short-term pricing method can be used by a business that is potentially threatened by the entry of a new supplier?
 - Cost-plus (mark-up) pricing
 - Loss leader
 - Penetration pricing
 - Predatory pricing
- One purpose of using premium pricing is to
 - Enter a new market
 - Maximize profit margins
 - Maximize short-term sales revenue
 - Prevent other firms from entering the market

5. When might a business be most likely to use loss leader pricing?
- To encourage customers to purchase additional products
 - To establish greater market share
 - To remove smaller competitors from the market
 - When it is the market leader in the industry
6. Study the data in the table below. If the price is set at \$6 per unit, then what is A2 Bakery's mark-up per unit?

Costs of raw materials for A2 Bakery in June

Flour	\$10,600
Whipped cream	\$12,000
Fresh fruits	\$25,000
Output	11,900 units

- \$4
 - \$6
 - 50%
 - 100%
7. The pricing method that involves a firm setting its price so low that smaller competitors are forced out of the market is known as
- Loss leader pricing
 - Penetration pricing
 - Predatory pricing
 - Premium pricing
8. Supermarkets and other retailers often sell their own branded products at a price below the respective costs in order to boost the sales of other more profitable products. What is this pricing method known as?
- Cost-plus pricing
 - Loss leader pricing
 - Mark-up pricing
 - Premium pricing
9. Price wars are associated with which pricing method?
- Mark-up pricing
 - Penetration pricing
 - Predatory pricing
 - Premium pricing

10. Which pricing method involves a dominant firm in the market reducing the prices of its goods or services below their costs in the short-term to gain competitive advantages?
- A. Cost-plus pricing
 - B. Penetration pricing
 - C. Predatory pricing
 - D. Premium pricing
11. Which options suggests the price elasticity of demand for a product will be low? (HL only)
- A. A large market exists for the product
 - B. A small market exists for the product
 - C. There is a large number of close substitutes
 - D. There is a small number of close substitutes
12. Which of the following products is likely to have the highest value of price elasticity of demand? (HL only)
- A. Bananas
 - B. Driving tests
 - C. Petroleum
 - D. Tobacco products
13. When the same product, usually a service, is sold at different prices based on surges or plunges in demand, what is this known as? (HL only)
- A. Dynamic pricing
 - B. Loss leader pricing
 - C. Penetration pricing
 - D. Price elasticity of demand
14. Which pricing method is based on the prices set relative to the prices charged by rival firms in the same market? (HL only)
- A. Competitive pricing
 - B. Cost-plus pricing
 - C. Mark-up pricing
 - D. Price elasticity of demand
15. What does price elasticity of demand measure? (HL only)
- A. The price of a product as a percentage of consumer incomes
 - B. The relationship between the demand for Product A and the price of Product B
 - C. The responsiveness of price to a change in quantity demanded
 - D. The responsiveness of quantity demanded to a change in price

Unit 4.5c

The seven Ps of the marketing mix – Promotion

Task 1 – Complete the missing words...

Promotion is about communicating marketing messages, such as adverts, with the intention of selling the _____ of a business. There are various media that can be used for this purpose, e.g. television, radio, newspapers, magazines and the _____ (for social media marketing). Promotion is important to ensure that a product has a high chance of succeeding in the marketplace. However, the spending must be _____-effective as promotion can be highly expensive. The objectives of promotion are to _____ (notify) and to _____ (retell) customers about a firm's products and to _____ them to purchase the products.

Promotion is often categorized as _____ (ATL), _____ (BTL), or _____ (TTL). _____ promotion refers to paid-for promotion, e.g. commission being paid to an advertising agency for creating a television advertising campaign. All other forms of promotion are known as _____ promotion. Unlike ATL promotion, the firm has direct control over BTL promotional activities such as: direct mail, exhibitions, _____ (POS) displays and sales promotions. TTL promotion refers to a combination of both ATL and BTL methods. For example, digital promotional strategies combine online banner adverts (ATL promotion) with social media posts and blogs (_____ promotion) as an integrated marketing approach to target a range of market segments.

Task 2 – Above or Below the line promotion?

Place a tick (✓) in the relevant column to identify whether each of the listed promotional techniques are above the line (ATL) or below the line (BTL).

Promotional technique	ATL	BTL
Billboard posters		
Branding		
Cinema		
Direct mail		
Free samples		
Internet adverts, e.g. Google and Facebook		
Magazines		
Merchandising		
Newspapers		
Packaging		
Personal selling		
Point of sale displays		
Public relations		
Radio		
Sales promotion		
Social media, e.g. Twitter and Instagram		
Sponsorship deals		
Television		
Trade journals		
Website (company-owned)		

Task 3 – Short answer questions...

a. Explain the importance of promotion in the marketing mix.

b. Distinguish between persuasive and informative advertising.

c. Despite their global dominance, explain why well-established market leaders such as Coca-Cola, Adidas, and McDonald's, continue to advertise.

d. Suggest why television advertising is not a feasible promotional method for sole traders.

e. Outline two reasons why BOGOF (buy one get one free) deals are not feasible for most businesses or products.

Task 4 – True or False?

	True / False
a. National television advertising is usually too expensive as a form of promotion for most businesses to use.	
b. Advertising is another word for promotion.	
c. The Internet is an example of below the line promotion.	
d. Direct marketing does not include media advertising.	
e. Below the line promotion includes direct mail, point of sales displays and flyers (handouts).	
f. Advertising clutter is a drawback of using magazines as a form of above the line promotion.	
g. Promotion is defined as business activities aimed at establishing and protecting the desired image of an organization.	
h. Social media marketing is conducted via the Internet, e.g. social media platforms and social networks.	

Task 5 – Multiple Choice Questions

1. Which of the following is not part of promotion?
 - A. Advertising
 - B. Branding
 - C. Price reductions
 - D. Public relations

2. Below the line promotion does not include
 - A. Branding
 - B. Cinema advertising
 - C. Direct mail
 - D. Point of sale displays

3. Telesales and telemarketing are examples of
 - A. Above the line promotion
 - B. Direct marketing
 - C. Paid-for advertising
 - D. Through the line promotion

4. Promotion carried out through independent media, such as commercial radio, is known as
 - A. Above the line
 - B. Advertising
 - C. Below the line promotion
 - D. Through the line promotion

5. Above the line promotion is
 - A. Any form of commercial television or radio promotions
 - B. Any form of persuasive or informative promotion of a firm's products
 - C. Promotional techniques within the control of the organization
 - D. The use of promotion via the mass media

6. Direct marketing is
 - A. Any form of above the line promotion
 - B. Any form of below the line promotion
 - C. The marketing process of selling straight to potential and known customers
 - D. Using radio, television, and newspapers to sell directly to customers

7. Sales promotion can be best described as
 - A. Advertising using mass media to attract customers to buy a firm's products
 - B. Marketing techniques aimed directly at selling to customers
 - C. Selling products at reduced sales prices to attract customers
 - D. The process of persuading people to buy a firm's products

8. The catchphrase "Have it your way" is used by Burger King. What is this an example of?
 - A. Corporate slogans
 - B. Direct marketing
 - C. Patent
 - D. Through the line promotion

9. Which option best defines a business logo?
 - A. A registered trademark of a business
 - B. A sign or symbol that represents a business and its products
 - C. A sign or symbol that represents the products sold by a business
 - D. A verbal representation of a business

10. Direct mail, point of sale displays, and sales promotions, are all examples of
 - A. Above the line promotion
 - B. Advertising
 - C. Below the line promotion
 - D. Direct marketing

11. Advertising, as a method of promotion, is least likely to consider which of the following?
 - A. Customer relations management
 - B. Finance or budgetary constraints
 - C. The costs of producing and broadcasting the campaign
 - D. The types of media to be used

12. The use of gaining Internet traffic through online platforms and digital apps, such as Facebook and Twitter, is called
 - A. Public relations
 - B. Social media marketing
 - C. Viral marketing
 - D. Word of mouth marketing

13. Above the line advertising techniques do not include
- A. Celebrity or hero endorsements
 - B. Magazine advertising
 - C. Use of catchphrases and slogans
 - D. Personal selling techniques
14. Firms such as Adidas, Pepsi, Police (sunglasses), Gillette, and Marks & Spencer use celebrities to promote their products. What is this an example of?
- A. Hero endorsement
 - B. Publicity stunts
 - C. Sales promotion
 - D. Sponsorship deals
15. When a business pays to be associated with a particular event or cause (such as the FIFA World Cup or the Olympic Games) in return for prominent publicity, what is this known as?
- A. Charitable donations
 - B. Financial aid
 - C. Social marketing
 - D. Sponsorship
16. What is meant by public relations?
- A. Activities aimed at establishing and protecting the corporate image of a business
 - B. Activities aimed at getting the business mentioned in the media
 - C. The relationship between workers and employers of an organization
 - D. The relationship between customers and the business
17. Using sales material, including posters and display stands, in order to promote a product in the place where it can be bought is an example of
- A. Above the line promotion
 - B. In-store advertising
 - C. Sales material
 - D. Sales promotion
18. Which statement below does not apply to informative advertising?
- A. It allows customers to know about a product's characteristics, purpose and functions
 - B. It attempts to let customers be aware of the availability of a product
 - C. It focuses on promoting the brand or the company itself rather than a product
 - D. It is used by non-profit organizations to influence people's attitudes and behaviour

19. Advertisements that attempt to get customers to purchase a product are known as
- A. Above the line
 - B. Below the line
 - C. Persuasive
 - D. Pester power
20. Introductory offers, such as 3 months free viewing of online streaming services such as Netflix or Spotify, are examples of which type of promotion?
- A. Above the line
 - B. Sales promotion
 - C. Television advertising
 - D. Through the line

Unit 4.5d

The seven Ps of the marketing mix – Place

Task 1 – Complete the blanks...

Place, or _____, is the component of the marketing mix that deals with getting the right product to the right customer in the most convenient and most cost-effective way. Firms do this through the use of distribution _____, such as wholesalers, sales agents and retailers.

_____ are people or organizations that act on behalf of sellers and buyers. _____, for example, are the buyers of products from a manufacturer and resell these products in smaller units to _____ (commercial businesses that sell products to the general public).

_____ refers to the distribution channel that relies on telephone calls to sell products directly to potential customers. This method is highly popular with insurance companies and commercial banks. An advantage of using this approach is that it reduces the need for sales people to make personal visits, thereby travel _____ and money.

Task 2 – Explain...

- a. One advantage and one disadvantage to a customer of using the Internet to order fresh fruits and vegetables from a local supermarket.

- b. The pricing method that wholesalers are most likely to use.

- c. Why a long chain of distribution is not suitable for businesses that sell perishable products.

Task 3 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	The means by which a product gets from the manufacturer to the consumer, such as through retail outlets or distributors.
	Part of a firm's promotional mix that relies on making direct contact with existing and potential customers.
	Also known as place in the marketing mix, this is the process of getting the right products to the right customers at the right time and location.
	Agents or firms that act as middle persons in the chain of distribution between the producer and consumers of a product.
	Specialist storage machines that stock a small range of products. These can be easily placed in almost any location.

Task 4 – True or False?

	True / False
a. A shorter distribution channel ensures the manufacturer has more control over the marketing of its products.	
b. E-commerce (business via the Internet) is a form of distribution channel.	
c. Cost-cutting is an important element of supply chain management.	
d. Manufacturers use intermediaries because they do not sell directly to consumers.	
e. Distribution is one of the seven main elements of any marketing mix.	
f. There are only two parties involved in a two-channel chain of distribution.	
g. Intermediation will tend to raise the marketing costs to a business.	

Task 5 – Multiple Choice Questions

- Traditional channels of distribution do not include
 - Agents
 - Retailers
 - Warehouses
 - Wholesalers
- Which of the following distribution channels is most suitable for luxury products such as designer clothing?
 - Electronic commerce
 - Manufacturers
 - Online websites
 - Specialist retail outlets
- Placement in the marketing mix does not refer to
 - Distributors
 - Location of business
 - Retailers
 - Wholesalers
- The channel of distribution used to sell products to an end user is known as a
 - Distributor
 - Purchaser
 - Retailer
 - Wholesaler

5. Features of a wholesaler do not include
 - A. They have the ability to benefit from economies of scale
 - B. They purchase in large quantities and sell in smaller quantities
 - C. They charge commission for their services
 - D. They are suppliers to retailers

6. Which of the following is not an example of an agent?
 - A. Travel insurance broker
 - B. Financial advisor
 - C. Cashier at a supermarket
 - D. Residential real estate negotiator

7. Consumer durable goods (such as fridges, cookers and microwave ovens) are usually distributed using
 - A. Agents
 - B. Direct marketing
 - C. Hypermarkets
 - D. Retailers

8. Wholesalers buy products from manufacturers in large quantities and sell these onto retailers in smaller units. What is this service known as?
 - A. Breaking bulk
 - B. Direct selling
 - C. Distribution
 - D. Economies of scale

9. Businesses that offer online payment methods via their Internet website are using which form of placement strategy?
 - A. Direct
 - B. Indirect
 - C. Specialist retail
 - D. Vending machines

10. Wholesaling is popular in which of the following industries?
 - A. Bakeries
 - B. Motor vehicles
 - C. Newspaper and magazines
 - D. Retailing

11. Which channel of distribution trades directly with household customers?
- A. Distributors
 - B. Retailers
 - C. Vendors
 - D. Wholesalers
12. Which statement does not apply to retailers?
- A. They are an intermediary in the chain of distribution
 - B. They are focused on consumer markets
 - C. They deal directly with the end-user
 - D. They rely on the expertise of distributors and agents
13. A key advantage of using vending machines as a distribution method is that
- A. Sales people are not required to sell the product, which saves on labour costs
 - B. They are highly dependent on the machinery working properly
 - C. They rely on the expertise of distributors and agents
 - D. Typically, the storage capacity of vending machines is low
14. Which distribution channel is *least* likely to be used by a producer of expensive products?
- A. Agents
 - B. E-commerce
 - C. Retailers
 - D. Wholesaler
15. Which statement relates to the use of direct marketing?
- A. Customers tend to read most direct mail as it is targeted at them
 - B. It reduces the need for an intermediary
 - C. The costs of distribution material are minimal
 - D. There is a high response rate

Unit 4.5e

The seven Ps of the marketing mix – People, Processes, Physical evidence

Task 1 – Explain...

a. The difference between a service and a good.

b. The difference between the marketing of goods and the marketing of services.

c. The importance of employee-customer relationships in the marketing of a service.

d. Why waiting (queuing) time is an important aspect of process in the marketing mix for services.

Task 2 – True or False?

	True / False
a. 'People' in the marketing mix refers to the employees who interact and deliver a service to customers.	
b. A service is a tangible product supplied by a business, e.g. taxi rides, library facilities, theatre shows and healthcare services.	
c. Culture (be it corporate culture and/or regional cultures) have no direct impact on how people (employees) interact with customers.	
d. Inadequacies in employee-customer relationships make it more difficult for the business to market its products and services.	
e. People, processes and physical evidence can all be vital in determining whether customers make repeat purchases.	
f. Physical evidence refers to the tangible aspects of a service, such as the décor of a hotel building.	
g. Process in the extended marketing mix refers to the way in which a service is provided or delivered to customers.	
h. Service-orientated businesses tend to be labour-intensive, which can be costly to the service provider.	
i. Services are heterogeneous whereas goods can be homogeneous.	
j. The provision of good quality services relies on the goodwill of all employees.	

Task 3 – Multiple Choice Questions

1. Which of the following is not a service?
 - A. Assistance to seats in the local cinema
 - B. Purchasing popcorn and drinks at the local cinema
 - C. Using the washroom facilities at the local cinema
 - D. Watching a movie at the local cinema

2. Which of the following is not a feature of a service?
 - A. Durability
 - B. Intangibility
 - C. Perishability
 - D. Variety

3. The effectiveness of people in marketing or delivering a service can be measured or determined by
 - A. Customer feedback
 - B. Physical evidence associated with the service
 - C. The firm's training budget
 - D. The number of employees in the firm

4. Process in the extended marketing mix is about
 - A. Demonstrating the benefits of a particular service to customers
 - B. Payment methods available to customers to pay for the service they receive
 - C. The norms (or way things are done) within an organization
 - D. The way in which a service is provided or delivered by a business

5. The management of attentiveness, care and politeness of employees towards the customers of the business is termed as
 - A. After-sales customer care
 - B. Customer relations management
 - C. Delivery processes
 - D. Human resource management

6. The tangible aspects of a service are known as
 - A. Packaging
 - B. Paraphernalia
 - C. Physical evidence
 - D. Processes

7. Which organization is least likely to rely on physical evidence in its marketing mix?
 - A. Amazon
 - B. Barcelona Football Club
 - C. Cambridge University
 - D. Delta Air Lines

8. 'People' in the marketing mix is least likely to be affected by
 - A. Flexible working practices
 - B. Leadership and management styles
 - C. Organizational culture
 - D. Training and development

9. Why do service-orientated businesses have to pay increasing attention to internet technologies?
 - A. International marketing provides many more opportunities for growth and evolution
 - B. International marketing relies heavily on Internet technologies
 - C. Internet technologies help to reduce cultural differences in consumer purchasing habits
 - D. Social media platforms have empowered customers globally

10. Quality assurance is important for service-orientated businesses because
 - A. Correcting mistakes is highly expensive
 - B. Labour costs are very high
 - C. Measuring productivity is difficult
 - D. Motivating people is difficult

Unit 4.6

International marketing

Task 1 – Explain...

a. The difference between exporting and direct investment.

b. The difference between international marketing and global marketing.

c. Why fish and chips, The Royal Family, Harry Potter, James Bond and The Beatles are examples of British cultural exports.

d. Why ethics and business etiquette should be considered when a business engages in international marketing.

Task 2 – True or False?

	True / False
a. Branding is integral to a firm's international marketing strategy.	
b. Business etiquette refers to the mannerisms and customs by which business is conducted in different parts of the world.	
c. Businesses need to take account of different laws and regulations when marketing their goods and services in overseas markets.	
d. Cultural exports only account for a small proportion of a country's GDP.	
e. Franchising is a technique used by some firms to enter foreign markets.	
f. Globalization has created many marketing opportunities for businesses.	
g. International marketing is also known as global marketing.	
h. 'Opportunities' are factors in the external business environment that create prospects or openings for international marketers.	
i. The growing presence of foreign competitors has made international marketing more important to businesses.	
j. The mannerisms and customs (traditions) by which business is conducted in different countries is known as business ethics.	

Task 3 – Odd one out

Explain the odd one out in each of the list of options below.

a.	Copyrights	Patents	Exchange rates	Health and Safety
b.	Tariffs	Quotas	Embargoes	Language
c.	Exporting	Joint ventures	Mergers	Takeovers
d.	Exchange rates	Legislation	Unemployment	Inflation

- a. _____

- b. _____

- c. _____

- d. _____

Task 4 – Multiple Choice Questions

- Difficulties faced when exporting goods overseas do not include
 - Cultural differences
 - Fluctuating exchange rates
 - Language barriers
 - The potential quantity of suitable customers
- Which of the following is not a cultural consideration for international marketers?
 - Business etiquette
 - Languages
 - Local laws
 - Local preferences
- Which of the following is not a socio-economic consideration for international marketers?
 - Age distribution
 - Attitude towards working hours
 - Gender distribution
 - Income levels

4. The widespread use and availability of American products overseas, such as Coca-Cola beverages or McDonald's fast food, is an example of
 - A. Americanisation
 - B. Cultural exports
 - C. Free international trade
 - D. Globalization

5. Which of the following is a natural barrier to international trade and exchange?
 - A. Business etiquette
 - B. Health and Safety regulations overseas
 - C. Import taxes
 - D. Trade embargoes

6. Businesses that benefit from being able to market their products in exactly the same way all across the world are engaged in
 - A. External economies of scale
 - B. Global marketing
 - C. International marketing
 - D. Multilateral trade agreements

7. The mannerisms and customs by which business is conducted in different countries and areas of the world is known as
 - A. Business etiquette
 - B. Business protocol
 - C. Culture
 - D. Internationalism

8. Which of the following is not an artificial barrier to international trade?
 - A. Customs duties
 - B. Embargoes
 - C. Language and local culture
 - D. Quantitative limits

9. Opportunities of international marketing include
 - A. Extending a product's life cycle
 - B. Finding new labour
 - C. Large scale production
 - D. Marketing costs

10. Which of the following is not a cultural export?
- A. American pop culture
 - B. Japanese just-in-time production methods
 - C. Mobile phones from South Korea
 - D. Pasta and pizza meals from Italy
11. External considerations for businesses planning to market their goods overseas do not include
- A. External sources of finance
 - B. International business etiquette
 - C. Local customs and cultures
 - D. Trade protectionist measures
12. Which of the following methods of trade protection would not be welcomed by foreign firms if *reduced*?
- A. Administrative procedures
 - B. Export restraints
 - C. Quotas
 - D. Tariffs
13. Tariffs are taxes on _____ goods and services. They are used by a government to try to _____ the supply of products into the country.
- A. exported, raise
 - B. exported, reduce
 - C. imported, raise
 - D. imported, reduce
14. Benefits to a firm that sells its products internationally do not include
- A. Increased sales and profits
 - B. Lower costs through international marketing
 - C. Lower prices being charged
 - D. Opportunities to enjoy economies of scale
15. Barriers to effective international marketing include all the following except
- A. Different business laws and legislation
 - B. Divergence in business etiquette
 - C. Globalization of markets and cultures
 - D. Socio and political differences

Unit 5.1

Introduction to operations management

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	The process that takes place during production when the value of output to consumers is greater than the costs of production to the firm.
	Approach to operations management that involves a firm relying mainly on the use of machinery and equipment, rather than labour, to produce its output.
	Capacity of the natural environment to cope with meeting the needs of the current generation without jeopardising those of subsequent generations.
	The ability of the economy to develop in such a way that it meets the economic well-being needs of the current and subsequent generations.
	Approach to operations management that involves a firm relying mainly on the use of labour, rather than machinery and equipment, to produce its output.
	The function of business concerned with providing the right goods and services in the right quantities and of the right quality in a cost-effective way.
	The ability of the society to develop in such a way that it meets the social well-being needs of the current and future populations.
	The concept that production and consumption today should not jeopardize production and consumption for future generations in terms of social, ecological and economic terms.

Task 2 – True or False?

	True / False
a. Ecological sustainability requires efficient and sensible use of the economy's scarce resources so that they do not become exhausted (overused).	
b. Green technologies and recycling have an important role in ensuring sustainable production to meet the needs of people today and those of future generations.	
c. Inefficient firms can be profitable, but not in a sustainable way.	
d. Labour intensive production means that firms hire more people than any other factor of production.	
e. Modern management thinking has led business strategy to consider more efficient and sustainable production.	
f. Operations management refers to the process of organizing production resources in order to manufacture goods and/or provide services.	
g. Social sustainability enables production to optimize the quality of life for people and their descendants.	
h. The role of operations management impacts all functional areas of a business.	
i. The role of operations management is to turn factors of production into the output of goods and services in a cost-effective way.	
j. The tertiary sector provides services, so is not considered to be part of operations management.	

Task 3 – Multiple Choice Questions

1. Which stage of production does operations management apply to?
 - A. All of the below
 - B. Primary
 - C. Secondary
 - D. Tertiary

2. Operations management strategies and practices do not include
 - A. Ecological sustainability
 - B. Economic sustainability
 - C. Social sustainability
 - D. Technological sustainability

3. The manufacturing or provision of a product that relies heavily on human resources, such as teaching and legal services, is known as
 - A. Capital intensive production
 - B. Labour intensive production
 - C. Operations management
 - D. The transformation process

4. Categories or types of factors of production do not include
 - A. Capital
 - B. Entrepreneurship
 - C. Innovations
 - D. Labour

5. Which of the following is not an example of labour?
 - A. Entrepreneurship
 - B. Intellectual ideas
 - C. Manual workers
 - D. Skilled labourers

6. Which production concept promotes intergenerational equity (fairness)?
 - A. Continuous improvements
 - B. Production planning
 - C. Quality management
 - D. Sustainability

7. Which of the following is not an example of sustainable business practices?
 - A. Circular business models
 - B. Cradle to cradle manufacturing
 - C. Cradle to grave manufacturing
 - D. Recycling, reusing, and reducing

8. What is the fundamental barrier to sustainable production in the world economy?
 - A. Limited sources of finance
 - B. Population growth
 - C. Unethical business practices
 - D. Vague business objectives

9. Which business concept measures how well an organization uses its resources in the production process?
 - A. Conservation
 - B. Efficiency
 - C. Production planning
 - D. Sustainability

10. Which of the following is not a role of operations management?
 - A. To add value in the transformation process
 - B. To ensure there are quality management processes
 - C. To hire the best (most suitable) production workers
 - D. To investigate the most cost-effective production methods

Unit 5.2

Operations methods

Task 1 – Complete the missing words...

There are several operations methods (or methods of production). _____ production involves the customization of an individual product, from start to finish, to meet the specific requirements of a _____. Clients are likely to pay relatively _____ prices for the purchase of such _____ products.

_____ production and mass production methods both benefit from _____ of scale through larger levels of _____. However, the marketing mix will differ, as there is less uniqueness or exclusiveness with _____ production. However, _____ production, in particular, suffers from the _____ of output and hence relatively lower prices are charged (so relatively lower _____ margins are earned).

_____ combines mass production and job production. This benefits the business from the _____ of mass production whilst enabling customers to _____ individual products to their own preferences from a limited range of options and specifications.

Task 2 – True or False?

	True / False
a. Large scale (mass) production typically involves the customization of products.	
b. Manufactured output tends to be more cost effective when using labour-intensive methods.	
c. Customized production suffers from the high costs of labour intensity.	
d. Labour productivity can be improved by investing in better training, capital equipment and motivation in the workplace.	
e. Mass production is ideal for the production of homogeneous products.	
f. Private tuition for examination preparation is an example of job production.	
g. Production, or operations management, refers to the manufacture of a physical good.	
h. With flow production, when one task is finished, the next task must start immediately.	

Task 3 – Case study

Tomiyasu Taylor Clothing Co. designs and manufactures fashion clothing for teenagers in a variety of designs, colours and sizes.

- a. Identify the operations method that is most likely to be used by Tomiyasu Taylor Clothing Co.

- b. Outline two benefits of this operations method to Tomiyasu Taylor Clothing Co.

- c. Explain why a high level of work-in-progress means Tomiyasu Taylor Clothing Co. is likely to face liquidity problems.

Task 4 – Multiple Choice Questions

1. Which of the following is not an advantage of job production?
 - A. Each item can be uniquely designed and produced
 - B. Economies of scale can be enjoyed due to the size of the project
 - C. Products can be made to match customer specifications
 - D. Workers may be motivated by the variety and challenge of the project

2. All of the following are involved in job production except for
 - A. Architects
 - B. Bakers
 - C. Painter and decorators
 - D. Private tutors

3. Which of the following is not a feature of job production?
 - A. Likely to be a unique, one-off product
 - B. Likely to be relatively expensive
 - C. Meets the specific requirements of a customer
 - D. Relatively quick to produce

4. An important feature of job production is the
 - A. Distinctive quality and output
 - B. High and stable levels of demand
 - C. High levels of output for a mass market
 - D. Repetitive and monotonous tasks

5. Job production is likely to involve
 - A. A high number of orders
 - B. Extensive economies of scale
 - C. Labour intensity
 - D. Low profit margins

6. Which of the following is not necessarily a disadvantage of job production?
 - A. Economies of scale are very limited if at all attainable
 - B. Highly skilled (and expensive) labour is used
 - C. Production is capital-intensive
 - D. Production is relatively expensive and time consuming

7. Clothing companies that specialise in producing casual clothing for the general public are most likely to use which method of production?
 - A. Batch
 - B. Flow
 - C. Job
 - D. Mass customization

8. Which business is least likely to use batch production?
 - A. Ducie's Fruit Farm
 - B. Goff's Hair Salon
 - C. Sharma's Seafood Buffet
 - D. Steven's Bakery

9. Mass production does not suffer from high
 - A. Average costs
 - B. Fixed costs
 - C. Running costs
 - D. Set-up costs

10. Which of the following is not associated with flow production?
 - A. Capital intensity
 - B. Exclusivity
 - C. Production line
 - D. Standardization

11. Mass production does not benefit from
- A. Large volumes of standardised output
 - B. Lower average costs of production through economies of scale
 - C. Stockpiling of manufactured products
 - D. Use of easily recruited and trained workers
12. Mass production does not involve
- A. Large scale production
 - B. Standardization of production
 - C. Use of a highly skilled labour force
 - D. Use of capital-intensive technologies
13. Which option best describes mass customization as an operations method?
- A. Production based on capital-intensive methods
 - B. Production based on labour-intensive methods
 - C. Providing customers with multiple options for various components, features or configurations
 - D. Specialization and division of labour in the production process
14. Which of the following is least likely to be standardized in the production process?
- A. A monthly bridal magazine
 - B. Canned carbonated soft drinks
 - C. McDonald's Happy Meals
 - D. School reports
15. What are 'idle' resources?
- A. Machinery and equipment that have broken down
 - B. Old or outdated machinery and capital equipment
 - C. Poor quality resources
 - D. Resources that are not used in a cost-effective way
16. Which of the following is most likely to be of greater concern to a business that is deciding whether to become more capital-intensive?
- A. Whether the financial returns from the investment justifies the expenditure
 - B. Whether the investment will speed up production and increase productive capacity
 - C. Whether the management will be able to manage the change process
 - D. Whether there will be increased efficiency and, therefore, less wastage

17. Which of the following industries is the most capital-intensive?
- A. Fashion design
 - B. Management consultancy
 - C. Steel manufacturing
 - D. Travel and tourism
18. Which of the listed occupations is the least labour-intensive?
- A. Hairdressers
 - B. Painters and decorators
 - C. Printers and publishers
 - D. Teachers
19. The division of a large task or project into smaller tasks, allowing individuals to concentrate on an area of expertise is known as
- A. Job production
 - B. Mass customization production
 - C. Production
 - D. Specialization
20. Which operations method tends to be the most expensive for a business?
- A. Batch production
 - B. Flow production
 - C. Job production
 - D. Mass customization production

Unit 5.3

Lean production and quality management (HL only)

Task 1 – Complete the missing words...

Quality _____ (QA) requires the implementation of processes and systems to make certain that quality standards are met, thereby ensuring customer _____. QA is used by a business to give customers greater _____ in the quality of the products that they buy from the organization. A firm that is able to meet QA standards will publicize this, usually with the use of international quality assurance trademarks, such as ISO _____ (the world's most best-known quality management standard).

At the heart of quality management are concepts such as _____ production (the elimination of _____) and _____ - _____ - _____ (a production system that removes the need to use buffer stocks by having stocks and components delivered as and when they are needed in the _____ process). Quality management also involves all members of an organization striving to make small, continuous adjustments and improvements. This philosophy is known as _____, the Japanese term for 'change for the better' or '_____ improvements'.

One other way used by businesses to manage quality is by comparing their practises or performance indicators with those of the best in the industry. This method is known as _____ (BPB), or simply 'benchmarking' for short. BPB is as a continuous process in organizations that make every effort to achieve _____ assurance.

Task 2 – True or False?

	True / False
a. An objective of quality assurance is to reduce the need for huge Research & Development spending.	
b. Andon is a lean production method that uses a visual control system to indicate the status of an aspect of the production process.	
c. Cradle to cradle manufacturing is a sustainability model of production, based on natural processes which benefit the natural environment.	
d. Kaizen and zero defects are central principles of any total quality culture.	
e. Kaizen usually involves the implementation of quality circles.	
f. Kanban is a lean production method that uses a card system with an inventory number attached to each component in the production process.	
g. Lean production is the process of streamlining operations management to reduce all forms of waste and to achieve greater efficiency.	
h. Poor quality means that a firm's prices are higher than the industry average.	
i. Quality is a source of global competitiveness.	
j. Quality means that a product is high-class and one of the best in its industry, such as Rolls Royce cars or Rolex watches.	
k. The 'Kitemark' is a quality assurance standard recognised throughout the world.	
l. The implementation of total quality management tends to reduce the level of employee motivation.	

Task 3 – Explanations...

- a. Explain how each of the following cases outlines poor quality
 - i. Poor customer service at the cinema
 - ii. A laptop that keeps breaking down
 - iii. Food that is overcooked in a restaurant.

- b. Explain which of the following is least likely to be a measure of quality.
 - i. Reliability
 - ii. Staff turnover
 - iii. Safety
 - iv. Efficiency

- c. Explain two costs to a firm that strives to achieve quality assurance.

- d. Explain two advantages to a washing machine manufacturer that is accredited with international quality standards certification such as the ISO 9000.

Task 4 – Multiple Choice Questions

1. Which of the reasons below does not explain why quality is important to a business?
 - A. Quality can provide a competitive advantage to the business
 - B. Quality is essential in order to satisfy customers
 - C. Quality means less stress to employees due to the reduced workload
 - D. Quality raises the confidence level of customers

2. A product that serves its purpose in fulfilling a customer's need or desire is known as
 - A. Best practise benchmarking
 - B. Continuous improvement
 - C. Fit for purpose
 - D. Quality management

3. The customer's perception of product quality is ultimately measured by
 - A. Build quality
 - B. Corporate image
 - C. Price
 - D. Value for money

4. The effect of substandard quality includes
 - A. Higher standards of customer services
 - B. Higher wastage levels
 - C. Improved customer relations
 - D. Lower costs of production

5. Which benefit does not apply to lean production?
 - A. Fewer mistakes being made
 - B. Flexibility in meeting sudden changes in consumer demand
 - C. Improved quality assurance
 - D. Reduced costs of holding inventory

6. Which of the following is not a method of lean production?
 - A. Just-in-time production
 - B. Kaizen
 - C. Mass production
 - D. Quality circles

7. Which of the following is not a method of waste minimisation?
 - A. Cradle to cradle manufacturing
 - B. International quality standards
 - C. Just-in-time production
 - D. Total quality management

8. An essential feature of total quality management is
 - A. Corporate social responsibilities
 - B. Just-in-case production
 - C. Lower prices
 - D. Zero defects

9. The use of traditional methods to inspect quality against required standards is known as
 - A. Benchmarking
 - B. Efficiency
 - C. Quality control
 - D. Wastage

10. Which of the following is not a method of quality management?
 - A. Benchmarking
 - B. Quality circles
 - C. Research and development
 - D. Total quality management

Unit 5.4

Location

Task 1 – Complete the missing words...

The location decision is vitally important for a business because it has a direct and long-lasting impact on its costs, revenues and therefore its _____. Good location decisions require in-depth research and analysis of the costs and _____ of different places, taking both quantitative and _____ factors into consideration.

In an ever globalized business world, re-organizing production takes place both nationally and internationally. There are three main ways to do this:

_____ is the use of an organization's own people and resources to accomplish a certain function or task which would otherwise have been _____.

_____ involves relocating business functions and processes overseas. These functions can remain within the business (operating in overseas markets) or outsourced to an overseas organization.

_____ (or subcontracting) is the practice of transferring internal business activities to an external organization, in order to reduce _____ and increase _____.

Task 2 – True or False?

	True / False
a. Allowing foreign firms to locate in the domestic country is harmful to the economy as there will be unemployment.	
b. Economically assisted areas are identified as areas in need of regeneration in order to boost employment opportunities.	
c. E-commerce and Internet technologies have enabled many more businesses to become footloose.	
d. Ethics do not have a purpose when making international location decisions.	
e. Firms may choose to locate overseas to exploit lower costs of labour.	
f. High sunk costs can be a key reason for deterring relocation decisions.	
g. Insourcing is the practice of transferring internal business activities to an external organization to reduce costs and increase productivity.	
h. Offshoring is often associated with unethical practices, e.g. the exploitation of labour in low-income countries or the use of child labour.	
i. Outsourcing is the practice of transferring internal business activities to an external organization in order to reduce costs and to increase productivity.	
j. The location decision is irreversible.	
k. The time and cost of transportation is considered by managers to be more important than the physical distance between locations.	

Task 3 – Explain two reasons why...

- a. The cost of land in busy city centres is higher than that in more remote locations.

- b. Grants, subsidies, and/or tax concessions from the government might be available to businesses that locate in areas of low income and/or high unemployment.

- c. The Internet has made the location decision less of an issue for many businesses.

Task 4 – Multiple Choice Questions

- 1. Which of the following is least likely to affect the location decision for a business?
 - A. Availability and quality of land and hence its rental value
 - B. Financial incentives, such as tax allowances and government subsidies
 - C. Infrastructure, such as access to motorways, railways and ports
 - D. The need to be physically located near customers

- 2. Which of the following would not attract a business to a particular location?
 - A. External economies of scale
 - B. Internal economies of scale
 - C. Nearness to market
 - D. Nearness to raw materials

- 3. Which of the firms below would be classified as a weight-losing business?
 - A. Cottam’s Bouncy Castles
 - B. Larkin’s Beer Company
 - C. Morris Bakeries
 - D. Nixon Oil Company

- 4. Weight-losing businesses locate near the source of raw materials in order to
 - A. Benefit from economies of scale
 - B. Gain from easy access to customers
 - C. Gain from mass production
 - D. Reduce transportation costs

5. Access to air transportation is considered better than access to rail or water transport for the hauling of which product?
 - A. Bulky products
 - B. Durable products
 - C. Extremely dangerous products
 - D. Highly expensive products

6. Rail transportation is most suitable for the transportation of
 - A. Bulky expensive products
 - B. Heavy, bulky and durable items
 - C. Items of great urgency to the client
 - D. Perishable products

7. For businesses such as hypermarkets and wholesalers, the most important consideration when choosing a business location is the
 - A. Closeness to raw materials
 - B. Cost of purchasing or renting land
 - C. Local infrastructure
 - D. Proximity to customers

8. Government incentives for location or relocation do not include
 - A. Grants and subsidies to reduce costs of production
 - B. Low or interest-free loans to encourage investment
 - C. Taxes imposed on harmful by-products to protect the local community
 - D. Training and development programmes for the local workforce

9. Which of the following is most likely to be a qualitative factor affecting the location decision?
 - A. Availability of land
 - B. Labour costs
 - C. Nature of local infrastructure
 - D. Transportation costs

10. Which of the following is not a quantitative factor affecting the location decision?
 - A. Government financial assistance
 - B. Management preferences
 - C. The availability of highly skilled workers
 - D. The cost of land

11. The international location decision is least likely to be affected by issues regarding
 - A. Cultures and etiquette
 - B. Industrial inertia
 - C. Language and cultural differences
 - D. The stability of exchange rates

12. When businesses locate near to other organizations that function in similar or complementary markets, this is known as
 - A. Clustering
 - B. External economies of scale
 - C. Infrastructure
 - D. Special enterprise zones

13. The name given to people or organizations that carry out outsourced work more cost-effectively than the business itself, without compromising quality, is
 - A. Contractors
 - B. Insourced manufacturers
 - C. Outsourced manufacturers
 - D. Subcontractors

14. A footloose business is one that
 - A. Benefits by relocating from place to place to benefit from access to raw materials
 - B. Cannot gain any cost advantage from a particular location
 - C. Gains by relocating from place to place to benefit from access to different markets
 - D. Moves from one country to another

15. The location decision for a footloose business does not depend on
 - A. Access to labour
 - B. Government grants and incentives
 - C. Proximity to the market
 - D. The costs of a give business location

Unit 5.5

Break-even analysis

Task 1 – Complete the missing words...

Break-even occurs when a firm's _____ revenue equals its _____ costs. The firm will make a _____ if it operates below its break-even level of output. By contrast, if it is able to generate more _____ than costs incurred in production, then it will make a _____. Profit is the positive difference between sales revenues and the _____ of production, i.e. total revenues _____ total costs.

To calculate break-even, it is common to use the _____ method by dividing the total _____ costs by the difference between the product's selling price and its _____ costs of production. For example, if a manufacturer has fixed costs of \$5,000 per month, with an average variable cost of \$15 and a selling price of \$35, then its break-even level of output would be _____ units per month. Contribution analysis can help a business to identify products or projects that are relatively profitable and ones that might need more attention.

Task 2 – True or False?

	True / False
a. A limitation of break-even analysis is that firms may have to, in reality, lower their prices to sell more units of output.	
b. As the price of a product increases, the break-even level of output will fall.	
c. Cutting price will mean more sales and therefore a firm can reach its break-even point quicker.	
d. If selling price is \$10, unit variable costs are \$4 and fixed costs are \$9,000 then the break-even level of output is 1,400 units.	
e. Profit can be calculated using the formula: Total contribution – Total fixed costs.	
f. The margin of safety can be negative.	
g. The usefulness of break-even analysis depends on the manager's accuracy in predicting costs, revenues and production levels.	
h. Unit contribution is calculated using the formula: Price – Unit variable costs.	
i. When total costs rise, the margin of safety will fall.	
j. When variable costs rise, the break-even level of output will fall.	

Task 3 – Calculating break-even

Smash Racquets Co. makes a profit of \$20,000 on sales revenue of \$60,000. Its fixed costs are \$10,000 and sales volume is 1,000 units per month. Calculate Smash Racquets Co.'s:

- a. Selling price.

- b. Variable cost per unit.

c. Break-even level of output.

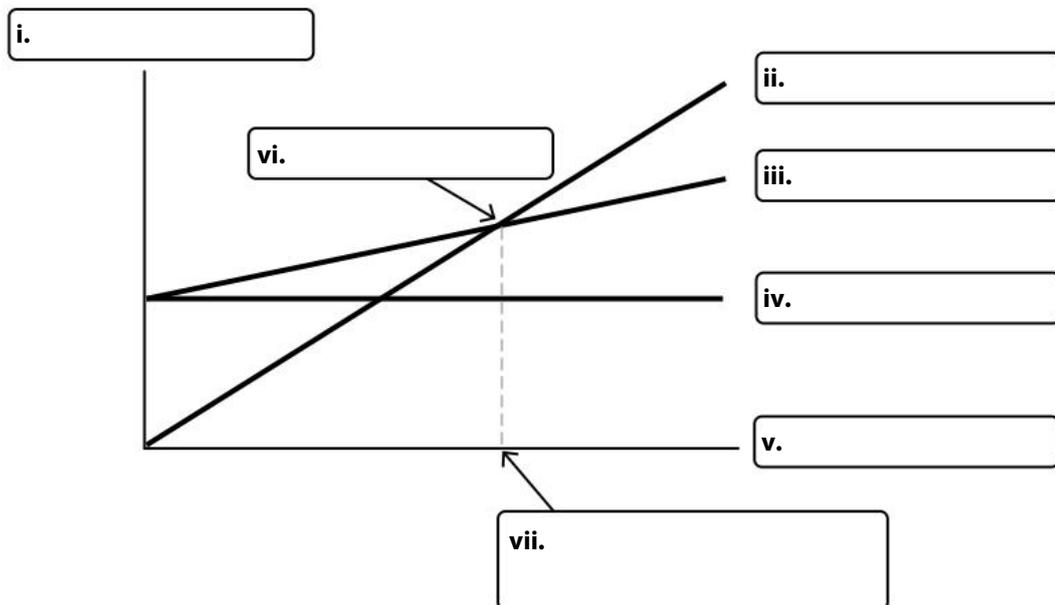
d. The margin of safety if Smash Racquets Co. expects to sell 500 units per month.

Questions 3e and 3f refer to the following information: Fit-it Tyres Ltd. has fixed costs of \$100,000. Its average selling price is \$40 with unit variable costs of \$15. Use this information to calculate its:

e. Unit contribution.

f. Break-even level of output.

g. Complete the missing labels in the break-even chart below.



h. Explain why it is difficult to construct a break-even analysis for a multi-product firm.

- i. Outline two possible causes of a fall in a firm's margin of safety.

Task 4 - Multiple Choice Questions

1. Which of the following is not a direct cost of production for a car manufacturer?
 - A. Depreciation of machinery
 - B. Factory rental costs
 - C. Production workers' wages
 - D. Raw materials

2. Which of the following is a direct cost to a computer retailer?
 - A. Advertising costs
 - B. After-sales care
 - C. Depreciation of vehicles
 - D. Rental costs

3. Contribution per unit is calculated by _____ price minus the _____ variable costs.
 - A. average, total
 - B. selling, average
 - C. selling, total
 - D. total, average

4. Contribution per unit is calculated by using the formula
 - A. Price minus average fixed costs
 - B. Price minus average variable costs
 - C. Total revenue minus total costs
 - D. Total revenue equals total costs

5. Total contribution is the difference between
 - A. Total revenue and total variable costs
 - B. Total revenue and total costs
 - C. Price and total costs
 - D. Price and variable costs

6. Which of the following is a strength of break-even analysis?
- A. It assumes that all the output is sold
 - B. It accounts for variances in actual sales and planned output
 - C. It assumes that all output is sold at one price
 - D. It accounts for both fixed and variable costs
7. A premium hotel can raise its revenues in a number of ways, except for:
- A. Reducing fixed costs
 - B. Reducing its prices
 - C. Reducing labour costs
 - D. Raising prices during peak periods
8. What can be worked out from calculating the price of a product and its variable costs?
- A. Break-even point
 - B. Profit per unit
 - C. Total contribution
 - D. Unit contribution
9. A firm has sales revenue of \$5 million from sales volume of 4,000 units. Its average costs are \$600. Fixed costs are \$1 million. What is the total contribution for the firm?
- A. \$1.6 million
 - B. \$2.4 million
 - C. \$2.6 million
 - D. \$3.6 million
10. Which of the following costs will continually decline for a taxi driver as the mileage covered increases?
- A. Average fixed costs
 - B. Average variable costs
 - C. Total fixed costs
 - D. Total variable costs
11. Any output sold _____ the break-even point will generate a _____ for the business.
- A. near, loss
 - B. above, profit
 - C. above, loss
 - D. below, profit

12. If a business raises its price, which of the following is most likely to occur?

- A. Break-even output will fall
- B. Break-even output will rise
- C. Profits will fall
- D. Profits will increase

13. Which of the following statements applies to the margin of safety?

- A. It can be increased if a firm becomes more liquid
- B. The firm does not make a profit or a loss
- C. The firm operates at a level higher than its break-even
- D. The firm produces at the break-even level of output

Questions 14 – 17 refer to the following information: Parc Oasis Ltd. has fixed costs of \$15,000 per month, with unit variable costs of \$200 and a selling price of \$500 per unit.

14. What is the total cost of production to Parc Oasis Ltd. if it produces 100 units of output each month?

- A. \$15,200
- B. \$15,700
- C. \$35,000
- D. \$65,000

15. What is the average cost of producing 200 units per month?

- A. \$275
- B. \$500
- C. \$40,000
- D. \$55,000

16. What is Parc Oasis Ltd.'s break-even level of output per month?

- A. 21
- B. 30
- C. 50
- D. 75

17. If Parc Oasis Ltd. wanted to earn a profit of \$50,000 on the sale of 100 units per month, what selling price should be set?

- A. \$500
- B. \$575
- C. \$700
- D. \$850

Questions 18 – 21 refer to the following information: Jade Villa offers holiday accommodation at a beach resort. It has fixed costs of \$22,500 per time period. The variable cost per letting averages at \$250.

18. If the average villa is let out (hired) for \$1,000, how many villas must the firm hire out to break-even?
- A. 23
 - B. 25
 - C. 30
 - D. 32
19. What is the value of Jade Villa's total revenue at the break-even point?
- A. \$22,500
 - B. \$25,000
 - C. \$28,500
 - D. \$30,000
20. If Jade Villa hires out 50 villas per time period, what is the average cost per letting?
- A. \$250
 - B. \$450
 - C. \$700
 - D. \$1,000
21. If Jade Villa planned to earn a contribution of \$1,000 per letting, what price should it charge, on average?
- A. \$1,000
 - B. \$1,250
 - C. \$2,000
 - D. \$2,275
22. Which of the following is not an assumption of break-even analysis?
- A. Average variable costs are constant
 - B. Economies of scale can only occur as the firm expands output
 - C. The forecasts are only as good as the data used to make these
 - D. Productivity levels are held constant
23. A key limitation of break-even analysis is that
- A. Average fixed costs are very difficult to calculate in reality
 - B. Calculating the desired contribution at different sales levels is cumbersome
 - C. It cannot allow for changes in fixed costs of production
 - D. It is a static model that does not cater well for the dynamic nature of business

24. Which of the following is not a criticism of using break-even analysis?
- A. In reality, costs are unlikely to be linear
 - B. Multi-product firms cannot make use of break-even analysis
 - C. Prices are unlikely to be constant across all levels of sales
 - D. Unit costs are unlikely to remain constant across all levels of output
25. The concept of break-even analysis can help in the following business decisions, except for
- A. Make or buy decisions
 - B. The payback period
 - C. Qualitative decision-making
 - D. Special order decisions

Unit 5.6

Production planning (HL only)

Task 1 – Complete the missing words...

Production planning involves managers overseeing and controlling the level of stock in a business. Stocks can come in three forms: raw materials, work-in _____ and finished goods. The _____ (EOQ) is the level of stock that minimises the firm's average costs. Firms need to balance the costs of holding large volumes of stock (known as _____) with the drawbacks of holding insufficient quantities of stock (known as a _____ - _____).

Delays in the _____ (the period of time taken for a supplier to process and deliver a stock order) will mean that stocks fall below the desired minimum level and the firm has to rely on its _____ stock.

_____ stock control systems rely on the use of buffer stocks in order to meet changing levels of demand. By contrast, _____ systems have stocks delivered immediately the moment that they are required for production. This helps to improve the firm's _____ capital since money is not tied up in stocks (which might not be highly liquid).

The _____ chain (or logistics) refers to the sequence of activities from the production of a good or service to it being _____ to the consumer. A long supply chain increases the chances of things going wrong, so effective supply chain management helps to _____ costly mistakes to the business.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order.

Key term	Meaning
	A reserve of an inventory that is maintained to offset price fluctuations.
	A measure of the extent to which a business uses its available productive capacity.
	Measures the output per unit of value of non-current assets used in the production process.
	The percentage of output that does not meet a quality standard or specification.
	A traditional stock control system in which a large number of stocks are kept to account for fluctuations in supply or demand.
	A stock management system in which goods are delivered for production as and when required in the process rather than relying on buffer stocks.
	A measure of workers' efficiency, calculated by the value of output produced by a worker per labour hour.
	The period between placing an order for stocks and receiving them for production.
	The measure that determines the impact of an increase in sales revenue on the profit of the business, depending on its level of fixed costs.
	The generic measure of how well the resources of a business are used in the production process, such as output per worker or revenue per salesperson.
	The inventory level at which the business needs to place orders for additional stocks.
	The number of units ordered to replenish the supplies of a particular inventory.
	Describes the series of activities from the production of a good or service to finally getting it delivered to the consumer.

Task 3 – Production planning formulae

Complete the table by identifying the correct term from the given formula.

Formula	Terminology
$(\text{Defects} \div \text{Output tested}) \times 100$	
$(\text{Actual output} \div \text{Productive capacity}) \times 100$	
$(\text{Total output} \div \text{Total input}) \times 100$	
$(\text{Total output} \div \text{Total workers employed})$	
$(\text{Output} \div \text{Capital employed}) \times 100$	
$\text{Quantity} \times (\text{Price} - \text{Variable cost per unit})$ $\text{Quantity} \times (\text{Price} - \text{Variable cost per unit}) - \text{Fixed cost}$	

Task 4 – True or False?

	True / False
a. A business with a higher cost to make (CTM) than the cost to buy (CTB) should choose to produce the products.	
b. A firm with higher capacity utilization will tend to have lower average fixed costs.	
c. An efficient supply chain does not require a strong relationship with suppliers.	
d. Buffer stock is the level of stock that is kept in case of emergencies, such as an increase in demand or delay in the delivery of new stock.	
e. Businesses with high operating leverage must cover a larger part of fixed costs per time period, irrespective of the number of units sold.	
f. The cost to buy (CTB) is the sum of total fixed cost and the total variable cost.	
g. Productivity is the ratio of inputs to outputs during the production process.	
h. Measuring and monitoring defect rates can be used to control the production process and improve quality assurance.	
i. Just-in-case stock control reduces the downtime caused due to a potential stock out.	
j. Just-in-time inventory management requires the business to have a high degree of automation and highly skilled employees.	
k. Operating leverage is used to calculate a firm's break-even point in order to set an appropriate price to cover all costs.	

Task 5 – Explain

- a. Explain the difference between just-in-case (JIC) and just-in-time (JIT) stock control systems.

- b. Explain the difference between outsourcing and offshoring.

c. Explain how it is possible to outsource production internationally yet keep the business growing domestically.

d. Explain the probable effect on the organizational structure of a firm that subcontracts a significant portion of its operations.

e. Explain the difference between capacity utilization and productive capacity.

f. Suppose a firm has fixed costs of \$100,000 and a productive capacity of 50,000 units per month. Calculate and explain the change in the average fixed costs of production if the firm operates at only 85% capacity compared to operating at full capacity.

g. Explain two advantages of implementing just-in-time stock control.

h. Explain two functions of supply chain management.

i. Explain two benefits of high capacity utilization for a business.

j. Explain two drawbacks of high capacity utilization for a business.

- k. Explain how businesses can reduce their defect rate.

- l. Explain how a business can improve its labour productivity rate.

Task 6 - Calculate

- a. A firm has the capacity to produce a maximum of 5 million units. The actual annual output is 4 million units. Calculate the capacity utilization rate.

- b. A garment manufacturer produces 4,000 shirts in a month and 10 fail the quality tests. Calculate the defect rate.

- c. Workers in a factory produced 30 units of output in 5 hours. Each unit is sold at \$30. Calculate labour productivity in terms of the value of output per labour hour.

- d. The table below indicates the number of haircuts by two employees last week. Identify the one who is most productive.

	John	Gavin
Haircuts completed	28	25
Number of days worked	4	5

- e. Using the information below, calculate the productivity of the employees in terms of units produced per hour.

	Value
Output produced	160,000
Number of workers	20
Number of months	3
Number of working days per month	20
Number of working hours per day	8

f. A business sells 500,000 units at a per unit price of \$5. The total fixed costs are \$700,000. The average variable cost of manufacturing is \$1. Calculate the firm's operating leverage.

g. A firm has the capacity to operate for ten hours per day during a six-day working week. Last week, it operated for 48 hours. Calculate the capacity utilization rate for the firm during that week.

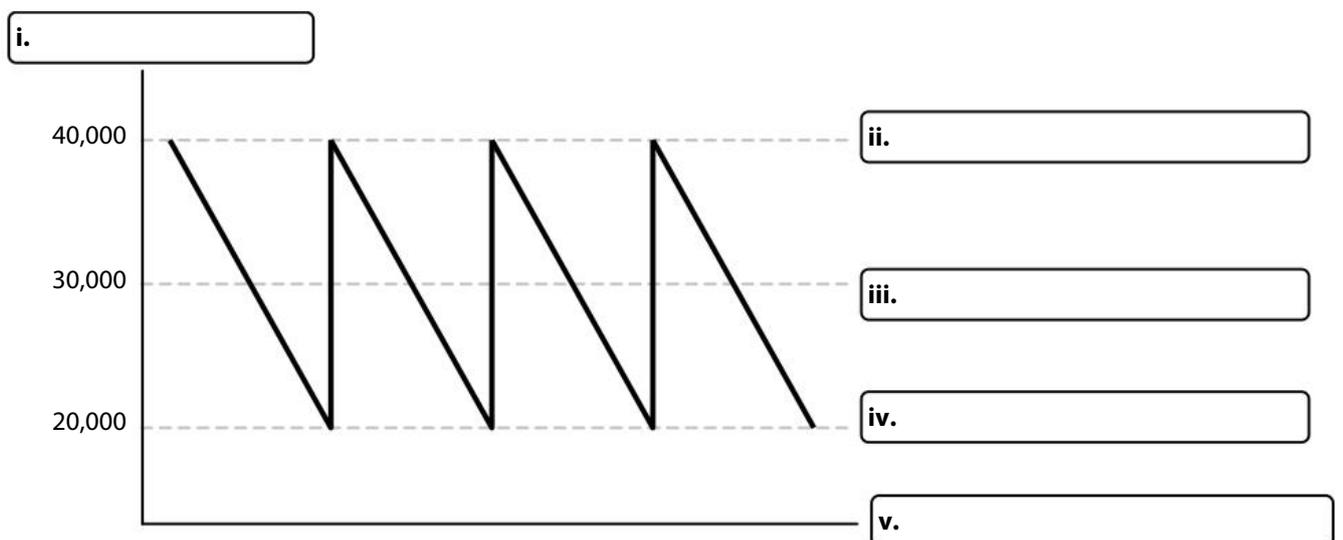
h. Calculate the labour productivity for a business using the following data:

Total output per week (units)	50,000
Number of workers employed	40
Average yearly salary per employee (\$)	20,000

i. The total output produced by workers of a company in a year is 1,800 units. The labour productivity rate for the year is 12 units. Calculate the average number of workers employed during the year.

Task 7 – Interpreting JIC stock control diagrams

a. Identify the missing labels in the diagram below.



- b. Identify the i). buffer stock, ii). re-order quantity and iii). re-order level from the above diagram.

Task 8 – Multiple Choice Questions

1. Which of the following is not a type of stock for a business?
 - A. Finished goods
 - B. Raw materials
 - C. Shares capital
 - D. Work-in-progress

2. Costs of a stock-out do not include
 - A. Disgruntled customers
 - B. Loss of sales
 - C. Negative impact on cash flows
 - D. Storage costs

3. Stockpiling means that a business
 - A. Builds up excessive levels of inventory
 - B. Operates at a level lower than its buffer stock
 - C. Plans for a safe safety margin
 - D. Produces on a larger scale to benefit from cost savings

4. A drawback in holding too much stock is
 - A. Inflexibility in production levels
 - B. Share prices are likely to drop due to excess supply
 - C. Stocks are highly liquid assets
 - D. Working capital is tied up

5. One advantage in using a just-in-case stock management system is that
 - A. Buffer stocks can be minimized
 - B. Productive efficiency is encouraged
 - C. Stockpiling is less likely to occur
 - D. There is flexibility to meet sudden changes in demand

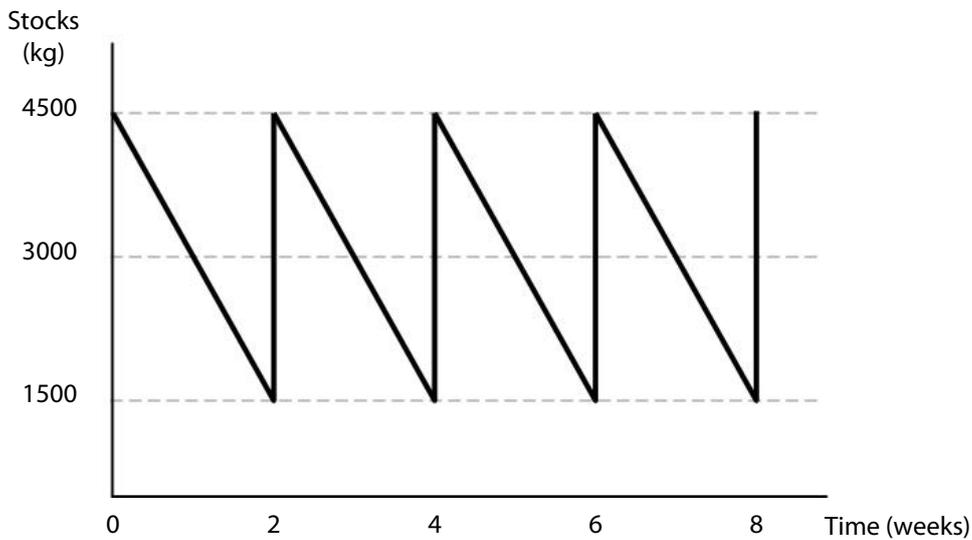
6. The stock handling method based on having stocks being delivered only when they are needed is known as
 - A. Just-in-case
 - B. Just-in-time
 - C. Reorder levels
 - D. Usage rate

7. Supply chain management does not involve
 - A. Cost-cutting
 - B. Increasing levels of stock
 - C. Logistics
 - D. Outsourcing

8. JIT as a method of stock management does not suffer from which limitation?
 - A. High administrative costs
 - B. Higher levels of wastage and reworking
 - C. Inflexibility in meeting unexpected changes in demand
 - D. Total reliance on third party suppliers

9. Which incident might cause a firm to have to rely on its buffer stocks?
 - A. A sudden increase in demand
 - B. Lower costs of production
 - C. Shorter lead times
 - D. Timely deliveries from suppliers

Questions 10 - 11 refer to the diagram below Atkinson Farms Ltd:



10. What is the lead time for Atkinson Farms Ltd?
- A. 8 weeks
 - B. 6 weeks
 - C. 2 weeks
 - D. 1 week
11. What is the reorder quantity of Atkinson Farms Ltd?
- A. 4,500 kilogrammes
 - B. 3,000 kilogrammes
 - C. 1,500 kilogrammes
 - D. Zero
12. A disadvantage of low capacity utilization for a firm is
- A. Higher average fixed costs of production
 - B. Higher fuel and energy bills
 - C. Higher indirect costs of production
 - D. Overtime payment to staff
13. If a firm's maximum productive capacity is 35,000 units per month but it actually produces 28,000 units per month, then its capacity utilization is
- A. 125%
 - B. 80%
 - C. 25%
 - D. 20%
14. Firms with _____ profit margins and _____ levels of break-even will benefit from high capacity utilization
- A. high, high
 - B. high, low
 - C. low, high
 - D. low, low
15. Capacity utilization for a business facing high growth rates could be improved by
- A. Holding lower levels of stock
 - B. Reducing lead times
 - C. Subcontracting work
 - D. Using JIT stock control

16. A drawback for a restaurant that operates at full capacity is that
- A. Food quality will fall
 - B. Queuing times will rise
 - C. Staffing costs will rise
 - D. Working capital will be stretched
17. Which of the following is not a quantitative method that can be used to help with 'make or buy' decisions?
- A. Break-even analysis
 - B. Cost benefit analysis
 - C. Investment appraisal
 - D. Ratio analysis
18. If a business is operating at 80% of its capacity, which of the following statements is correct?
- A. Fixed cost is less than what it could be at full capacity
 - B. More employees must be hired to increase production
 - C. The firm is making losses
 - D. There is excess capacity
19. Which of the following is not the reason for under-capacity utilization?
- A. Downsizing the workforce
 - B. Fall in the quantity demanded
 - C. Inefficient production methods
 - D. Strike by the workers
20. Which of the following is not an advantage of operating at a full capacity?
- A. Better corporate image
 - B. Higher job security amongst the workers
 - C. Increase maintenance and insufficient time for training employees
 - D. Reduced average cost
21. Capacity utilization can be defined as
- A. The use that a business makes from its existing resources
 - B. $(\text{Maximum possible output} \div \text{current output}) \times 100$
 - C. The ease by which an asset can be converted into cash
 - D. Output produced in line with the demand

22. A firm is operating at a full capacity and decides to further subcontract the production to meet increased demand. Which of the following is not an advantage of this decision?
- A. Increased flexibility
 - B. Increased productivity
 - C. Loss of quality control
 - D. The reduced average cost of production
23. Which of the following is not the cost of stock out?
- A. Stock becoming obsolete
 - B. Machines not being used
 - C. Loss of customers
 - D. Negative brand image
24. Which of the following changes would be least likely to increase the productivity of a business?
- A. Capital-intensive production techniques
 - B. Hiring more workers
 - C. Using automation to achieve technical economies of scale
 - D. Using greater specialisation and division of labour
25. Productivity can best be improved by
- A. Investing in production technologies
 - B. Paying higher wages to all staff
 - C. Removing an overtime policy in the workplace
 - D. Replacing workers with capital equipment

Unit 5.7

Crisis management and contingency planning (HL only)

Task 1 – True or False?

	True / False
a. A properly prepared contingency plan is the first step to being prepared to manage a crisis.	
b. Careful planning can help an organization to reduce the risks of a crisis.	
c. Contingency planning is also known as crisis management.	
d. Contingency planning uses up valuable management time and resources, thereby increases costs at least in the short term.	
e. Crisis management is about dealing with threats and disasters facing a business.	
f. Crisis management occurs during and after an event, such as the outbreak of a fire.	
g. Effective communication with all key stakeholders is critical in a crisis situation, such as contacting the emergency services and insurers.	
h. Having insurance is a possible solution to a crisis situation.	
i. Irrespective of their size, all businesses face threats.	
j. It is important to select an appropriate team to handle disaster recovery.	
k. Public relations play a vital part in crisis management.	

Task 2 – Multiple Choice Questions

- The way in which an organization responds to a crisis is known as
 - Business planning
 - Contingency planning
 - Crisis management
 - Operational management
- The systematic attempt to prevent or to manage crises should they occur is known as
 - Contingency planning
 - Crisis management
 - Damage recovery management
 - Workforce planning
- Which of the following is not a characteristic of a crisis to an organization?
 - Anticipated
 - Element of surprise
 - Threatening
 - Unpredictable
- A crisis is least likely to occur in which of the following cases?
 - Conflict with key contractors

- B. Industrial espionage
 - C. Public relations savvy managers
 - D. Resentful customers
5. Which of the following is least likely to cause a crisis in an organization?
- A. Bribery and corruption
 - B. Harassment
 - C. Hostile takeover
 - D. Rumours and gossiping
6. A public relations disaster can be prevented by
- A. Crisis prevention through foresight
 - B. Crisis prevention through hindsight
 - C. Having larger marketing budgets
 - D. Preparing a better business plan
7. Which event is least likely to be part of a large publishing firm's contingency plan?
- A. Absenteeism issues
 - B. Copyright infringements
 - C. Information sabotage
 - D. Product recalls
8. Which of the following is not a potential drawback of contingency planning?
- A. Contingency planning can be expensive
 - B. Some risks are not quantifiable, thereby making planning difficult
 - C. The incident planned for is less likely to occur over time
 - D. The incident planned for might not ever happen
9. Quantifiable risks are those that are
- A. Difficult or impossible to measure
 - B. Expensive to insure against
 - C. Financially measurable threats
 - D. Natural in occurrence
10. Which of the following is most likely to be an unquantifiable risk for a cinema?
- A. A natural disaster that destroys the cinema
 - B. Assault from customers
 - C. Copyright infringements
 - D. Loss of valuable stock

Unit 5.8

Research and Development (HL only)

Task 1 – Complete the missing words...

_____ is about investigating the unknown, such as new products or processes. _____ is about using research findings to create new products that might be commercialised. The purpose of _____ and _____ (R&D) is to provide continual advancements in production and to launch new products to satisfy customer needs in a _____ way. _____ is the commercialization of these new processes, products or projects.

In order to provide inventors with an incentive to innovate, the legal system controls and enforces the use of _____ rights (IPRs), such as c_____ p_____ and t_____. People or firms wishing to use the IPR of others must first seek the legal permission of the IPR holder. For instance, _____ give an entrepreneur or a business the exclusive and legal right to produce a new product or to use a particular production process. Intellectual property rights are recorded on a firm's _____ under the section of intangible non-current assets.

Task 2 – True or False?

	True / False
a. Changing the context of a product by a repositioning strategy is known as positioning innovation.	
b. Copyright is legal protection for written pieces of work such as literature to protect the property rights of the creator.	
c. Expenditure on research and development leads to higher sales revenues.	
d. Innovation usually stems from creative ideas.	
e. Making modifications or improvements to existing products is known as product research.	
f. Operating in an unfilled niche market is an example of innovative business practice.	
g. Patents give the registered owner the exclusive right to commercialise a particular invention, for an agreed length of time.	
h. Research and development expenditure is justified in sunset industries.	

Task 3 – Explain...

- a. Why direct marketing is more suitable than television advertising for marketing products to early adopters of new innovations.

- b. Why research and development is usually a prerequisite to the successful launch of a new product.

- c. Two limitations of research and development to a firm with minimal market share.

- d. Two benefits of innovation for a business.

Task 4 – Multiple Choice Questions

1. Research and development is unlikely to include which of the following?
 - A. Market research
 - B. Position mapping
 - C. Prototypes
 - D. Test marketing

2. The most likely purpose of spending huge amounts of money on research and development is to
 - A. Diversify the activities of a business
 - B. Gain rights to patents, trademarks or copyrights
 - C. Increase the earning potential of the business in the future
 - D. Remove competition

3. Research and development expenditure is often used as a barrier to entry by large businesses that dominate the market. What are these firms known as?
 - A. Market leaders
 - B. Process innovators
 - C. Sunrise businesses
 - D. Sunset businesses

4. Innovation is best described as
 - A. Market-orientated processes
 - B. New products that are launched onto the market
 - C. The commercial development and use of an idea or process that appeals to consumers
 - D. The development of new ideas and working practises

5. Benefits of innovation do not include
 - A. Brand switching
 - B. Growth opportunities
 - C. Productivity gains
 - D. Reduced product failure rate

6. Which of the following is the least likely long-term benefit to an innovative firm?
 - A. Establishing a unique selling point
 - B. Establishing brand loyalty
 - C. Growth opportunities
 - D. Improved competitiveness

7. Which of the following is not a constraint of innovation?
 - A. Budgetary constraints
 - B. High failure rate
 - C. High R&D costs
 - D. Impact on competitiveness

8. Which type of innovation refers to changes in the way that production takes place, i.e. how production takes place?
 - A. Paradigm innovation
 - B. Positioning innovation
 - C. Process innovation
 - D. Product innovation

9. Which of the following would not qualify to be protected by copyrights?
 - A. Hollywood movies
 - B. Medicines and vitamins
 - C. Photographs
 - D. Radio broadcasts

10. A newly invented process or product that is legally and exclusively assigned to the producer is known as a
 - A. Copyright
 - B. Patent
 - C. Property right
 - D. Trademark

11. German car manufacturer Volkswagen uses the 'VW' logo as part of its marketing. What does this represent to the company?
- A. A copyright
 - B. A patent
 - C. A trademark
 - D. An invention
12. In which financial account do companies record their intellectual property rights?
- A. Balance sheet
 - B. Cash flow forecast
 - C. Income statement
 - D. Profit and loss account
13. Which term is associated with making adjustments or improvements to a product or process that already exists?
- A. Development
 - B. Disruptive innovation
 - C. Incremental innovation
 - D. Research
14. Which term is associated with creating completely new products or work processes?
- A. Development
 - B. Disruptive innovation
 - C. Incremental innovation
 - D. Research
15. Which of the following is unlikely to be directly associated with the research and development process?
- A. Market research
 - B. Operating leverage
 - C. Prototypes
 - D. Test marketing

Unit 5.9

Management information systems (HL only)

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key Term	Definition
	The use of smart machinery and computer systems to perform tasks rather than natural or human intellect.
	This refers to the extensive amounts of raw and structured data available from a wide range of different sources.
	Unlawful and malicious activities carried out intentionally to steal, damage or destroy computer hardware and/or software systems.
	The process of looking out raw and unstructured data to establish meaningful relationships and patterns.
	Using management information systems to improve labour productivity by monitoring and managing workers in an orderly and precise way.
	Sophisticated and interlinked computer systems and technologies for problem solving and decision-making in business organizations.
	The use of computer-generated simulations and environments that enable people to have practical experiences in a superficially real world.

Task 2 – True or False?

	True / False
a. The management process of using data for forecasting purposes is known as big data.	
b. Management information systems (MIS) rely on sophisticated computer systems to collect, collate and examine data in order to produce meaningful information to support business decision making.	
c. For businesses, customer loyalty schemes can create customer devotion to their organization and brand, thereby giving these firms a competitive advantage.	
d. Data centres provide services such as data back-up and archiving of a vast range data.	
e. Data analytics cannot make accurate predictions about erratic events such as uncertainties in the political environment that impact businesses.	
f. In the long-term, moving away from reliance on data centres to cloud computing platforms should enable businesses to improve their cash flow.	
g. Cybersecurity refers to any illegal online activities, such as credit card fraud.	
h. Data mining is the management process of turning large data sets into meaningful information, such as identifying and summarizing patterns and correlations.	
i. The quality of data used in management information systems is just as important as what businesses choose to do with it.	

Task 3 - Multiple Choice Questions

1. Which of the following is a valid limitation of databases?
 - A. They are prone to cybercrime
 - B. They cannot be used to assess opportunities for organizational growth
 - C. They do not enable managers to evaluate corporate strategies
 - D. They do not provide possible reasons for under performance of a particular product or department of the business

2. Which of the following is the most plausible limitation of cloud computing?
 - A. Hacking the cloud will expose business, making them vulnerable
 - B. Maintenance expenses of cloud computing are higher than that for data centres
 - C. The high costs compared to data centres
 - D. The limited storage space available on most cloud computing platforms

3. A hacker that uses data or computer system to hold a business to ransom has engaged in which act?
 - A. Cybercrime
 - B. Cybersecurity
 - C. Data analytics
 - D. Data mining

4. Which system enables users, such as employees or customers, to interact and experience things in a seemingly realistic way created by computer systems?
 - A. Cloud computing
 - B. Critical infrastructures
 - C. The Internet of Things
 - D. Virtual reality

5. Management information systems used to track customer purchasing habits are used to develop
 - A. Customer loyalty programmes
 - B. Data analytics
 - C. Data mining to inform decision making
 - D. Digital Taylorism

6. Which term refers to the use of management information systems to monitor and measure aspects of employees' work and productivity levels?
 - A. Artificial neural networks
 - B. Big data
 - C. Cybersecurity
 - D. Digital Taylorism

7. Which system uses data and algorithms processing methods to simulate the way humans analyse and process information?
 - A. Artificial intelligence
 - B. Artificial neural networks
 - C. Data analytics
 - D. Data mining

8. Which term refers to large and complex data sets that require management information systems to capture, manage and process into meaningful information for a business?
 - A. Big data
 - B. Data mining
 - C. Critical infrastructures
 - D. Digital Taylorism

9. Which term refers to a network of computer servers used by businesses to store their data?
 - A. Big data
 - B. Data centres
 - C. Data mining
 - D. Databases

10. Which system uses smart technologies and machine learning to support decision-making?
 - A. Artificial intelligence
 - B. Big data
 - C. Digital Taylorism
 - D. Virtual reality

Unit 6.1

Business Management Toolkit 1 - SWOT analysis

Task 1 - Complete the missing words

SWOT analysis is a strategic _____ tool that can help managers to reduce the _____ involved in decision-making. SWOT analysis involves exploring the current position of a product, department or the whole organization in terms of its internal _____ and _____, and to identify potential _____ and _____ in the external environment.

It is common to find a SWOT analysis within a _____ plan. The tool can be a powerful one for helping managers to identify competitive opportunities for improvement in ever-changing markets. Ultimately, the main purpose of a SWOT analysis is to help managers to develop a comprehensive awareness of all the most relevant factors involved in making a business _____.

In terms of strategy, a business will strive to build on its _____, counteract or minimize the _____, take advantage of the _____ and minimise its _____.

Task 2 – True or False?

	True / False
a. A SWOT analysis identifies areas of a business that could be at risk.	
b. A limitation of SWOT analysis is that the list of factors can become very long.	
c. A SWOT analysis identifies areas of a business that could be improved.	
d. Opportunities are openings or chances for something positive to happen, thereby putting the organization in a favourable position.	
e. Examples of threats in a SWOT analysis include price wars, oil crises, recession, natural disasters and infectious diseases.	
f. The advantages that an organization has over its rival organizations are collectively known as opportunities.	
g. A SWOT analysis identifies areas of opportunity for a business.	
h. Weaknesses are anything that can negatively affect a business from within the organization.	

Task 3 – Explain...

Explain whether the following factors are strengths, weaknesses, opportunities or threats.

- a. High gearing ratio.

- b. High market share.

c. Reduced entry barriers to the industry.

d. New overseas markets to enter.

Task 4 – Multiple Choice Questions

1. Which of the following would not be considered as a strength in a SWOT analysis for a firm?
 - A. A broad product portfolio
 - B. A high market share
 - C. A high staff turnover rate
 - D. A wide customer base

2. Which of the following is least likely to be an opportunity in a SWOT analysis for a firm?
 - A. A merger with a rival firm
 - B. Entering new overseas markets
 - C. High levels of staff retention
 - D. The development of new products

3. Which of the following would not be considered as a threat in a SWOT analysis?
 - A. A hostile takeover bid from another company
 - B. Industrial action from the workforce
 - C. Lower entry barriers in the industry
 - D. Lower interest rates in the economy

4. Which of the following is most likely to be considered as a threat?
 - A. Cash flow problems
 - B. Demotivated employees
 - C. Low productivity
 - D. Supply-chain problems

5. Which term refers to the things that an organization does particularly well?
 - A. Opportunities
 - B. Strengths
 - C. Threats
 - D. Weaknesses

6. Which term describes the long-term actions that an organization takes in order to achieve its business objectives?
 - A. Mission statement
 - B. Strategy
 - C. Tactic
 - D. Vision statement

7. Which of the following is not a valid benefit of using SWOT analysis?
 - A. Determine the main reasons that drive change and the forces that restrain change
 - B. Help a business to create or update its business plan
 - C. Help a business to decide whether to introduce a new good or service to the market
 - D. Support managers in their strategic planning

8. Which of the following statements is not a valid limitation of SWOT analysis?
 - A. It can generate too many ideas
 - B. It does not enable a business to make meaningful improvements
 - C. It does not prioritize issues
 - D. It does not provide any solutions

9. Which question is not asked when conducting a SWOT analysis?
 - A. Does the business have any unique or distinctive selling points?
 - B. What does the business do well?
 - C. What external dangers does the business face?
 - D. When can a particular business project get completed by?

10. Which of the following is not classified as a threat in a SWOT analysis?
 - A. Higher interest rates
 - B. Increased tax rates
 - C. Low market share
 - D. Outbreak of a pandemic

Unit 6.2

Business Management Toolkit 2 - Ansoff's matrix

Task 1 – Fill the missing words

Ansoff's matrix is a framework for devising _____ strategies for a business. In the model, market _____ is the least risky strategy for business growth. An example is persuading existing customers to buy more, through improved methods of _____, such as advertising or special promotional offers. The highest risk strategy for growth is called _____.

Selling existing products in new geographical markets, such as regional, national or international expansion, is an example of _____ development. A business that has a well-established brand and brand loyalty can extend the goodwill to new products through a _____ development growth strategy.

Task 2 – True or False?

	True / False
a. The Ansoff matrix is a tool mainly concerned with various business growth strategies.	
b. The growth strategy of selling new products in existing markets is called market development.	
c. Market penetration is a strategy that involves a business trying to get customers to buy more of its existing products.	
d. Market development is the strategy that involves introducing new ways to attract new customers in new markets.	
e. In the Ansoff matrix, if more existing products are sold in existing markets this strategy is called market development.	
f. 'Buy One Get One Free' offers will help a business to increase its market share.	
g. Persuading customers to switch from competitors is an example of market development.	
h. Making a firm's products available through additional distribution channels is an example of market development.	
i. Product development is a strategy that can be used in response to a new product being launched by a key rival in the market.	
j. Ansoff's matrix is a tool that illustrates how firms can grow through various methods of increasing sales opportunities.	

Task 3 – Short questions

- a. Fill in the missing table below using the four growth strategies from Ansoff's matrix.

		Markets	
		New	Existing
Products	New		
	Existing		

b. Explain why it is difficult to penetrate a highly saturated market.

c. Explain why diversification carries potentially huge risks for a business as a growth strategy.

Task 4 – Multiple Choice Questions

1. In the Ansoff matrix, which growth strategy is a way to take advantage of the existing customer base?
 - A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development
2. Which of the following is not a growth option in the Ansoff matrix?
 - A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Mergers and acquisitions
3. In the Ansoff matrix, the low-risk growth option where firms operate in a known market with familiar products is called
 - A. Market growth
 - B. Market penetration
 - C. Market-orientation
 - D. Product development
4. The introduction of salads and alternative burgers at McDonald's has helped it to raise sales in existing markets. Which of Ansoff's growth strategies does this describe?
 - A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development

5. In Ansoff's matrix, _____ is the marketing of existing products in existing markets.
- A. Market development
 - B. Market growth
 - C. Market penetration
 - D. Market share
6. Product extension strategies, used to prolong the demand for goods and services, is most suitable for which growth strategy?
- A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development
7. Innovation and new ideas are features of which strategy for achieving growth?
- A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development
8. According to Ansoff, aiming to increase market share would be a feature of which growth strategy?
- A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development
9. Risk-bearing economies of scale can be enjoyed if a business pursues which growth strategy?
- A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development
10. In the Ansoff matrix, new products sold in the existing markets are classified as which growth strategy?
- A. Diversification
 - B. Market development
 - C. Market penetration
 - D. Product development

Unit 6.3

Business Management Toolkit 3 - STEEPLE analysis

Task 1 – Complete the missing words...

STEEPLE analysis stands for the S _____, T _____, E _____, E _____, P _____, L _____, and E _____ factors that affect businesses, all of which are beyond an individual firm's control. STEEPLE analysis is a tool that gives managers an overview of the _____ business environment.

STEEPLE analysis provides a simple brainstorming framework of the external opportunities and _____ faced by a business. It promotes proactive and forward thinking, rather than static opinions based on _____ (gut feelings). Hence, STEEPLE analysis enables managers to be more informed and prepared to deal with external influences that affect business operations and to make more informed _____.

Task 2 – Explain why...

- a. A higher exchange rate can present both an opportunity and threat to domestic businesses.

- b. Sustainable inflation (which makes prices rise) does not necessarily make employees worse off.

- c. The introduction of a national minimum wage may be both a threat and an opportunity for businesses.

- d. Businesses that do not initiate change are still at risk due to the external business environment.

Task 3 – Understanding STEEPLE analysis

- a. The table below shows examples of different external factors that affect businesses. Identify the correct category of STEEPLE for each of the examples below. An example has been done for you.

Example	External Factor	Example	External Factor
Ageing population	Social	Tariffs and quotas	
Average family size changes		Consumer protection rights	
Consumer confidence levels		Oil price changes	
E-commerce developments		Scientific development	
Employment laws		Interest rates changes	
Exchange rate fluctuations		Moral business behaviour	
Fiscal and monetary policies		Natural disasters	

- b. Identify the **type** of external factors (i.e., the STEEPLE factors) that affect businesses from the examples below:

Type of external influence	Examples
	Consumers go 'green' and recycle in order to conserve the planet.
	Decision to spend more money on education and public health care services.
	Increasing number of older and retired people in the country.
	Interest rate hikes dampen purchase of private and commercial property.
	More businesses devote money to developing their e-commerce strategies.
	Smoking bans in restaurants, shopping malls and public parks.
	Businesses choose to adopt environmental practices and to meet their corporate social responsibilities.

Task 4 – True or False?

	True / False
a. A government is likely to raise interest rates during times of inflationary pressure.	
b. An appreciation of the British pound (£) against the euro (€) will tend to lead to a fall in UK exports to the rest of Europe.	
c. Chinese importers will benefit from bilateral trade if the US dollar appreciates against the Chinese yuan.	
d. Deflation is good for the economy as prices are falling.	
e. Falling rates of inflation will lead to lower prices in the economy.	
f. France has a maximum working week of 35 hours. This is an example of an economic constraint on businesses in the country.	

g.	If a government attempts to reduce unemployment, it could consider cutting interest rates and/or reducing taxes.	
h.	If the exchange rate between the British pound and the Hong Kong dollar changes from £1 = \$11 to £1 = \$12, then the pound has strengthened.	
i.	Inflation will tend to damage a country's international competitiveness.	
j.	The central bank of a country can boost economic growth by cutting interest rates.	

Task 5 – Vocabulary Quiz

All the key terms below refer to external factors that present either threats or opportunities for businesses. Identify the key term from the given definitions. *Hint*: all key terms appear in reverse alphabetical order.

Key Term	Definition
	As a form of protectionism, this tax is imposed on imported products (foreign goods and services). It is levied by a government to reduce the competitiveness of imports.
	Occurs when there has been a decline in the level of economic activity for at least two consecutive quarters (6 months), caused by lower levels of consumption and investment expenditure in the economy.
	Any form of government measure used to defend domestic businesses (and hence jobs) from international competition, e.g. imposing a tariff on imports.
	A government policy designed to control the economy by managing the money supply, mainly via changes in interest rates and exchange rates.
	The cost of money to consumers and firms. The higher this is, the lower the amount of borrowing tends to be, as firms delay investment projects due to the higher costs.
	A macroeconomic objective which measures the percentage change in the general price level of a country over the preceding 12 months.
	A category of tax that is charged on the sale of goods and services, e.g. VAT, GST and excise duties.
	An increase in the value of a country's total output of goods and services (GDP), per year.
	A type of tax that is paid straight from the income, wealth or profit of an individual or a business, e.g. income tax and corporate tax respectively.
	The series of fluctuations in the GDP of an economy over time. The phrases 'recession', 'slump', 'recovery' and 'boom' are dependent on the level of employment, income and wealth in a country.

Task 6 – The economic environment

a. Describe how an increase in interest rates should dampen the rate of inflation in the economy.

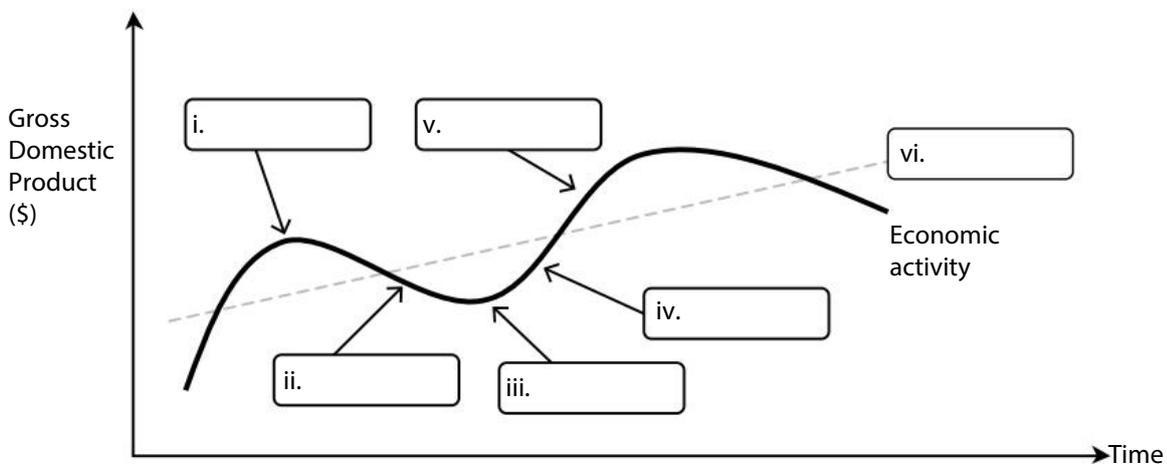
b. Explain why a higher exchange rate is not necessarily good for the economy.

c. Explain the positive correlation between a change in interest rates and a change in the exchange rate.

d. Outline why inflation might make a country less internationally competitive.

e. Describe how an increase in income tax rates could help to reduce inflationary pressures in a country.

f. Identify the missing labels in the diagram below:



Task 7 – Multiple Choice Questions

1. Which of the following is not a political factor that affects businesses?
 - A. Exchange rates
 - B. Import taxes
 - C. Legislative changes
 - D. The government's relationship with other nations

2. Social factors in the external business environment take account of changes in
 - A. Business cycles
 - B. Customs, habits, and tastes
 - C. Exchange rates
 - D. Tax rates

3. Economic variables affecting businesses do not include changes in the level of a country's
 - A. Education and training
 - B. Inflation
 - C. International trade
 - D. Unemployment

4. The study of population structures and population trends and their likely impact on business activity is known as
 - A. Ageing populations
 - B. Demography
 - C. Social trends
 - D. Social-cultural studies

5. An ethical business is unlikely to
 - A. Minimize waste
 - B. Pay attention to the natural environment
 - C. Pay enormous bonuses to its directors
 - D. Treat its employees with respect

6. Which of the following strategies could be best used to deal with the problems caused by a short-term recession?
 - A. Lowering prices to maintain sales revenue
 - B. Moving to cheaper premises
 - C. Redesign products to cater for price-sensitive customers
 - D. Reducing the size of the workforce

7. Deregulation is
 - A. Imposing regulations to control the activities of businesses

- B. Privatising businesses in the public sector
 - C. The decline in the manufacturing sector
 - D. The removal of controls in a particular industry
8. Which of the following is a direct tax?
- A. Alcohol, tobacco, and petrol taxes
 - B. Excise duties
 - C. Sales taxes
 - D. Taxes on income from interest and dividends
9. Corporate tax is an example of a(n)
- A. Direct tax
 - B. Excise Duty
 - C. Import tariff
 - D. Indirect tax
10. Which of the following taxes is least likely to directly affect a business in the hotel and catering industry?
- A. Corporate tax
 - B. Excise duties
 - C. Income tax
 - D. Local government taxes
11. If the exchange rate of the pound (£) changes from £1 = \$1.4 to £1 = \$1.5, then the currency has
- A. Deflated
 - B. Inflated
 - C. Strengthened
 - D. Weakened
12. Which of the following is not a valid reason for government intervention in business activity?
- A. To encourage healthy competition between firms in a market
 - B. To protect consumers through legislation
 - C. To protect the environment through imposing fines on polluters
 - D. To supply services such as healthcare to compete with private sector providers
13. Fiscal policy is about
- A. Changing exchange rates to influence business activity
 - B. Increasing the level of spending in an economy
 - C. Taxation and government expenditure policies
 - D. Using exchange rates to affect the level of spending in the economy

14. Gross Domestic Product (GDP) measures
- A change in prices of a representative basket of goods and services
 - The amount of a country's production each year
 - The level of unemployment in an economy during the year
 - The total value of a country's output during a year
15. Business ethics are not concerned with
- Interest rates
 - Moral codes of practice
 - Providing a safe working environment
 - Social responsibilities
16. Inflation can be caused by
- A fall in the level of business and consumer confidence
 - A rise in a country's productive capacity
 - A rise in the prices of vital imported raw materials
 - An increase in a country's productivity rate
17. What is the most likely consequence of higher interest rates in the economy?
- An increase in the volume of exports
 - Higher levels of investment
 - More applications for bank loans
 - Weakened consumer spending
18. Study the table below and calculate the amount of direct tax revenue collected by the government:

	\$ millions
Corporation tax	52,350
Customs duties	32,550
Excise duties	42,250
Goods and services tax	63,505
Income tax	245,500

- \$245,500 million
 - \$297,850 million
 - \$361,355 million
 - \$372,650 million
19. If a government wants to stimulate economic growth, which of the following would it be most likely to increase?
- Exchange rates
 - Government spending
 - Income tax
 - Interest rates

20. Which of the following is not a stage in the business cycle?
- A. Boom
 - B. Decline
 - C. Recession
 - D. Recovery
21. Which of the following is not considered to be an external constraint?
- A. An oil crisis raises the production costs for most industries
 - B. Cash-flow problems harming international expansion plans
 - C. Higher than expected unemployment causing a fall in domestic sales
 - D. The outbreak of a war
22. Employment practices that take a more positive attitude towards women in terms of pay and promotional opportunities is an example of
- A. Economic change
 - B. Legal change
 - C. Political change
 - D. Social change
23. Views on the rights of women, children, animals, and religions are examples of which STEEPLE factor?
- A. Economic
 - B. Ethics
 - C. Political
 - D. Social
24. Changes in social attitudes towards climate change is an example of which STEEPLE factor?
- A. Environmental
 - B. Ethics
 - C. Legal
 - D. Technological
25. Anti-discrimination laws are an example of which type of legislation affecting business activity?
- A. Competition laws
 - B. Consumer protection legislation
 - C. Employee protection laws
 - D. Environmental protection legislation

Unit 6.4

Business Management Toolkit 4 - The Boston Consulting Group (BCG) matrix

Task 1 – Fill in the blanks...

The Boston Consulting Group matrix is a marketing tool for analyzing the product _____ (the full range of products and brands offered by a business to its customers) by looking at the _____ share and whether there is high or low market _____ for each product or brand of the business. The BCG matrix positions each product or brand into four categories based on these two dimensions:

- _____ are products with high market share in slow-growth or mature markets. These products are at the _____ phase of the product life cycle.
- _____ are products with low market share and in markets with low growth. These products are at the _____ phase of the product life cycle.
- _____ (or question marks) are products with relatively low market share in fast-growing markets. These products are at the _____ phase of the product life cycle.
- _____ are products with high market share in fast-growing markets. These products are at the _____ phase of the product life cycle.

Task 2 – True or False?

	True / False
a. The Boston Consulting Group matrix can be useful for a business trying to manage a diverse range of products in its portfolio.	
b. Products that have low market share in a high growth market are known as question marks.	
c. Assuming that stars maintain their relative market share, they will eventually become cash cows.	
d. Product portfolio management is the responsibility of all managers in an organization	
e. According to the Boston Consultancy Group, a business that has too many dogs will suffer from poor cash flow.	
f. Question marks are a category of products that have high or rising market share within a growing market.	
g. During the launch phase of a product, there is likely to be a period of sustained negative cash flow.	
h. A dog in the BCG matrix suffers from low market share in a declining market.	
i. Extension strategies can be useful as keeping a best-selling brand or product going is far less expensive and less risky than launching a new one.	
j. Saturation refers to when a brand's sales revenue starts to stabilize at the end of the growth stage of the product's life cycle.	

Task 3 – Multiple Choice Questions

1. Portfolio management is not used to achieve which of the following goals?
 - A. Determine customer perceptions of the product portfolio
 - B. Maximise the profitability of the product portfolio
 - C. Provide balance in a firm's product portfolio
 - D. Support the overall corporate strategy of an organization

2. Products that have suffered from relatively inferior marketing or product quality are known as
 - A. Cash cows
 - B. Dogs
 - C. Stars
 - D. Wild cards

3. Products that have high market share in a low growth market are known as
 - A. Cash cows
 - B. Dogs
 - C. Problem children
 - D. Stars

4. A 'premium brand' is a product that is perceived by consumers to offer
 - A. High quality at a high price
 - B. High quality at a low price
 - C. Low quality at a high price
 - D. Low quality at a low price

5. A 'cowboy brand' is a product perceived by consumers to offer
 - A. High quality at a high price
 - B. High quality at a low price
 - C. Low quality at a high price
 - D. Low quality at a low price

6. At which phase in the product life cycle does a business turn a new product idea into an actual product available for customers to purchase?
 - A. Growth
 - B. Launch
 - C. Research and development
 - D. Saturation

7. At which phase of the product life cycle are cash flows entirely outflows?
 - A. Decline
 - B. Maturity
 - C. Research and development
 - D. Saturation

8. Which category of products in the BCG matrix refers to goods or services that have no room for market growth but are currently hugely profitable for a business?
- A. Cash cows
 - B. Dogs
 - C. Question marks
 - D. Stars
9. Which strategy seeks to extend a product's profitable life span?
- A. Market development strategy
 - B. Product development strategy
 - C. Product differentiation strategy
 - D. Product extension strategy
10. Within the Boston Consulting Group matrix, which product has a small share of a growing market?
- A. Cash cow
 - B. Dog
 - C. Problem child
 - D. Star

Unit 6.5

Business Management Toolkit 5 - Business plan

Task 1 – Complete the missing words

A business _____ is a business management tool used to report how a business intends to achieve its strategic goals. It requires _____ to consider the use of marketing, finance and human resources in order to meet these business _____. As a formal written _____ a business plan provides a description and overview of the organization's objectives and the _____ to be used to achieve these goals. Essential matters that are typically addressed in a business plan include details about:

- The organization vision or mission _____
- Business _____, both short-term and long-term
- Target _____ and market segments
- Competitor analysis
- How the business intends to be competitive, profitable and raise _____ share
- Financial information, including sources of _____
- Human _____
- Marketing _____
- Operations _____ plan
- Where the business sees itself in the near future (say, one, five or ten years' time)

Task 2 – True or False?

	True/False
a. A business plan should provide an outline of the organization, its objectives and action plan (business strategy).	
b. A business plan is a static document.	
c. A business plan is typically used to pitch to investors to raise finance to fund the business project.	
d. A business plan helps managers and decision makers to prepare for the challenges of conducting business.	
e. A business plan is a formal document that clearly defines an organization's goals and how it intends to achieve them.	
f. Business planning helps to eliminate the risks of conducting business.	
g. Business plans are typically used by start-up companies to attract investors and external sources of finance.	
h. A business plan is used as an internal guide to keep the board of directors and employees focused on and working toward short- and long-term objectives.	
i. Whilst it is good to include details to add clarity, business plans should be concise to engage readers.	
j. Business plans can still lead to business failure, even if the business sticks to the plan.	

Task 3 – Multiple Choice Questions

1. Which stakeholder group is least likely to be interested in the business plan of an organization?
 - A. Customers
 - B. Directors (executives)
 - C. Employees
 - D. Managers

2. Which of the following is not a benefit of business planning?
 - A. Outlining all possible costs and drawbacks
 - B. Thinking through ideas before investing money into a project
 - C. Time and effort involved in creating a useful business plan
 - D. Working through potential obstacles to success

3. Which reason does not explain why business plans can fail?
 - A. Cash flow problems
 - B. Inflexibility
 - C. Management insight and experience
 - D. Unrealistic goals and targets

4. Which quantitative technique is least likely to be used in a business plan for a start-up company?
 - A. Break-even analysis
 - B. Cash flow forecast
 - C. Investment appraisal
 - D. Ratio analysis

5. Which of the following is a quantitative business management tool that is likely to be included in a business plan?
 - A. Ansoff's matrix
 - B. Boston Consulting Group matrix
 - C. Circular business models
 - D. Descriptive statistics

6. Which of the following is a purpose of writing business plans?
 - A. To convince investors that the business idea is feasible
 - B. To ensure business success
 - C. To evaluate the financial performance of a business
 - D. To evaluate various growth strategies

7. Which statement about business plans is incorrect?
- A. They are suitable for businesses seeking additional sources of finance
 - B. They help to reduce potential risks
 - C. They identify challenges and obstacles to achieving business objectives
 - D. They rely on quantitative data and analysis
8. Which statement is correct about business plans?
- A. Business plans are rigid (fixed) once completed
 - B. Established businesses do not typically use business plans
 - C. It is common to include a description of the organization in the business plan
 - D. Large multinational companies do not tend to use business plans
9. Which of the following is not a valid advantage of a business plan?
- A. It allows the business to measure success against the plan, with the flexibility to make changes where necessary
 - B. It can help the business to secure external sources of finance
 - C. It enables new and established businesses to be profitable
 - D. It reduces risks as the plan guides the business through the anticipated challenges
10. Which of the following is not a valid disadvantage of business plans?
- A. Business plans are only as good as the people who create them, so a lack of managerial experience can be detrimental
 - B. No matter how well the plan is designed, the future is still uncertain, so the plan of action may not be successful
 - C. They are inflexible, so do not cater for changes in the external business environment
 - D. They take time and effort to create, which can be expensive, especially for new and small businesses

Unit 6.6

Business Management Toolkit 6 - Decision trees

Task 1 – Complete the missing words

A _____ is a visual representation of the probable outcomes (in monetary terms) resulting from the various decisions that a business can pursue. As a decision making tool, decision trees reflect the situation that businesses frequently face regarding strategic _____ and uncertainties or risks.

Conventionally, decision trees are constructed and read from _____ to _____. In a decision tree diagram, decision nodes are represented by _____. Chance nodes or probability nodes are represented by _____. The lines coming from the squares in a decision tree diagram represent the possible _____. The probability of all outcomes must add up to _____.

Task 2 – Constructing decision trees

The management team at *Barker Property Inc.* is deciding whether to spend money on a new advertising campaign (at a cost of \$80m) or spend more money on the existing campaign (which would cost \$30m) in an attempt to increase sales revenue. The probabilities of these two options are shown below.

- There is an estimated 60% chance of success if the new advertising campaign is chosen, which is expected to gain *Barker Property Inc.* \$130m in sales revenue.
- There is a 40% chance of failure for the new advertising campaign, with expected revenues of only \$75m.
- If current advertising campaign sticks with the current advertising campaign, there is an 80% chance of success of earning \$80m.
- If the current advertising campaign fails, for which there is a 20% chance, the likely outcome is revenue of just \$35m.

a. Use the information above to construct a decision tree for *Barker Property Inc.*

- b. Comment on the findings shown in the decision tree.

Task 3 – Multiple Choice Questions

- In a decision tree diagram, what is used to show the estimated likelihood of a given outcome?
 - Circles
 - Lines
 - Probabilities
 - Squares
- What is used to show that there are outcomes as a result of a choice?
 - Circles
 - Lines
 - Probabilities
 - Squares
- In a decision tree diagram, what is used to represent a decision has to be made?
 - A circle
 - A line
 - A probability (percentage)
 - A square
- Which term refers to the weighted average of a given choice in a decision tree diagram?
 - Chance node
 - Decision node
 - Expected value (EV)
 - Probabilities
- Which advantage does not apply to the use of decision trees?
 - They are based on important intuitive and qualitative factors that affect decision making
 - They force managers to assess the risks made in pursuing certain decisions
 - They provide a quick and visual interpretation of the likely outcomes of decisions that need to be made
 - They set out decision-making problems in a clear and logical manner

6. Which of the following is not a drawback of using decision trees?
- A. The probabilities are only estimates, so the outcomes are therefore uncertain
 - B. They ignore intuitive decision-making
 - C. They ignore social factors and legal constraints in the decision-making process
 - D. They ignore the financial costs of investment decisions
7. What is meant by the expected value of an outcome in a decision tree?
- A. The average outcome if the decision was made many times over
 - B. The choice that should be pursued on financial grounds
 - C. The financial cost of the decision
 - D. The probability of success or failure for each decision
8. What is calculated by adding together the expected value (EV) of each outcome and deducting the cost associated with the decision?
- A. Net gain
 - B. Net present value
 - C. Profit
 - D. Variance
9. Which of the following is not a valid drawback of decision trees?
- A. Decision trees do not necessarily reduce the amount of risk in decision making
 - B. Probabilities are just estimates so are prone to error
 - C. They do not show choices set out in a logical way
 - D. They ignore qualitative aspects of decision making
10. Which of the following is not a valid advantage of decision trees?
- A. They allow managers to set out decisions in a clear and logical manner
 - B. They enable managers to consider the risks involved in decision-making
 - C. They facilitate scientific and objective decision making
 - D. They reduce the amount of risk involved in decision making

Unit 6.7

Business Management Toolkit 7 - Descriptive statistics

Task 1 – Complete the missing words

Descriptive statistics is a business management tool used to organize, summarize and present a given set of data in a manner that is useful for an audience to understand. The information presented can be a representative of the entire population or a _____ of the population. Descriptive statistics include measures of central tendency and measures of variability. Measures of central tendency include statistical techniques that represent the single value of a dataset such as _____ mode, and median. Measures of variability such as standard _____, variance and range, allow users to measure the degree of irregularity of data within the set.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. *Hint:* the answers are in alphabetical order!

Key term	Definition
	A visual tool presenting the data in the form of rectangular bars with heights or lengths proportional to the values that they represent.
	Visual representations of data and information in a clear and eye-catching way to the audience.
	The most common form of expressing an average, by calculating the sum of all numbers in a data set divided by the number of items in the data set.
	The number at the middle position in a data set that has been arranged in ascending order.
	The value that appears more often than any other value in a set of data.
	A circular statistical graphic that is divided into slices illustrating a numerical proportion of the quantity they each represent.
	The statistical technique that divides values in a data set into four parts, with the data arranged according to the distribution of values.
	This statistical technique measures the difference in the value of a variable from the mean value in a given data set.

Task 3 – Calculations

- a. Calculate the mean from the sales data below.

	January	February	March	April	May	June	July	Aug
Sales \$	2,000	2,500	3,000	3,500	4,000	4500	5,000	5,500

- b. Complete the table below:

Number	Data	Median
1	25, 20, 30, 35, 32	
2	40, 43, 38, 48, 32, 33	
3	68, 61, 62, 65, 66	

- c. Identify the mode from the following data set: 1, 3, 9, 5, 9, 20, 23, 3, 9

- d. Calculate the deviation from the mean for the data set below that shows the annual wages of six employees at a firm (figures in \$'000). Comment on what this information shows to a manager.

Employee	Sales ('000)	Mean	Deviation from mean
1	9		
2	10		
3	11		
4	18		
5	14		
6	16		

- e. Cosmo Body Toner (CBT) is a specialist health gym operator. The owner plans to introduce a new form of Tabata workout for its existing members. To encourage trials, CBT will offer money off vouchers to its customers. CBT has generated the following information from its primary research.

Figure 1 - Number of members per week

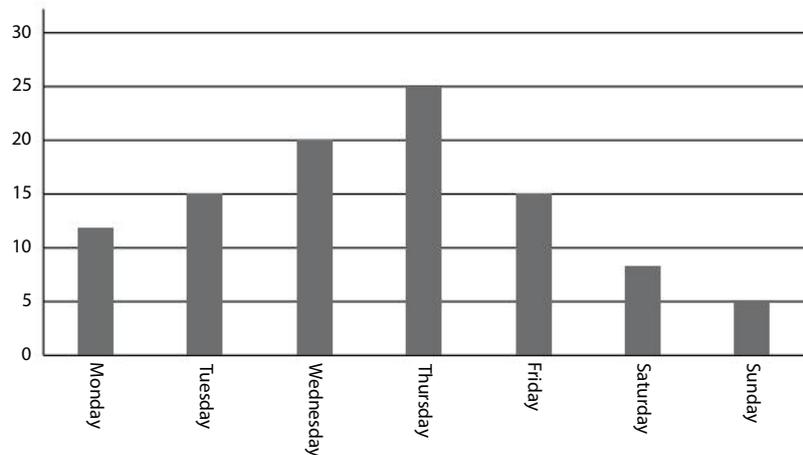
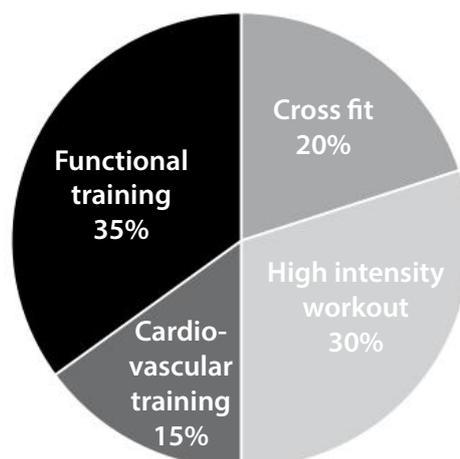


Figure 2 - Different forms of workouts used



i. Using Figure 1, identify the day the gym is visited the most and the number of customers.

ii. Using Figure 1, calculate the number of customers visiting the gym on the two least popular days.

iii. Using Figure 2, identify the most popular workout for CBT’s members.

iv. If CBT wishes to offer a free trial on a particular day in the week, which day is likely to have the least (minimum) cost?

Task 4 – True or False?

	True/False
a. The mean is the most common measure of an average, by dividing the sum of all the numbers in a data set by the number of items in that data set.	
b. Bar charts are useful for presenting frequencies and for ease of comparison.	
c. Pie charts are used for expressing percentages, such as data on market share.	
d. Calculation of the mean price of houses in an area enables a person to identify the price that they can expect to buy or sell a house.	
e. Median refers to the value that occurs most frequently in a set of data.	
f. The human resource manager can calculate the median salary for workers in a particular field to fix approximate salaries for different job roles.	
g. Bar charts cannot be used for comparison over time or different items.	
h. The inter-quartile range is calculated by subtracting the value at the third quartile from the value at the first quartile.	
i. The range is the difference between the highest and the lowest value in a data set.	
j. Bar charts and pie charts are visual tools use to present information by combining information and graphics.	

Task 5 – Multiple Choice Questions

1. The number that occurs more frequently than any other value in a data set is called the

- A. Mean
- B. Median
- C. Modal
- D. Range

Using the data below, answer Questions 2 and 3.

Household income (\$)	Number of households (frequency)
0-10,000	5
10,001-20,000	15
20,001-30,000	12
30,001-40,000	10
40,001-50,000	8

2. What is the mean income of households?
- A. 10,001-20,000
 B. 20,001-30,000
 C. 25,200
 D. 25,300
3. What is the modal income of the household?
- A. 10,001-20,000
 B. 20,001-30,000
 C. 30,001-40,000
 D. 40,001-50,000

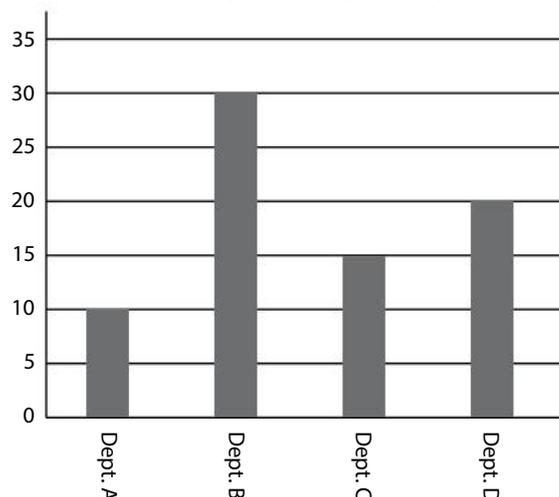
4. Identify the median age from the following frequency table.

Age	10	20	30	40	50	60
Number of people	2	10	22	30	45	40

- A. 36 years
 B. 40 years
 C. 45 years
 D. 50 years

The bar chart below shows the number of employees in the 4 different departments of a company.

Number of employees per department



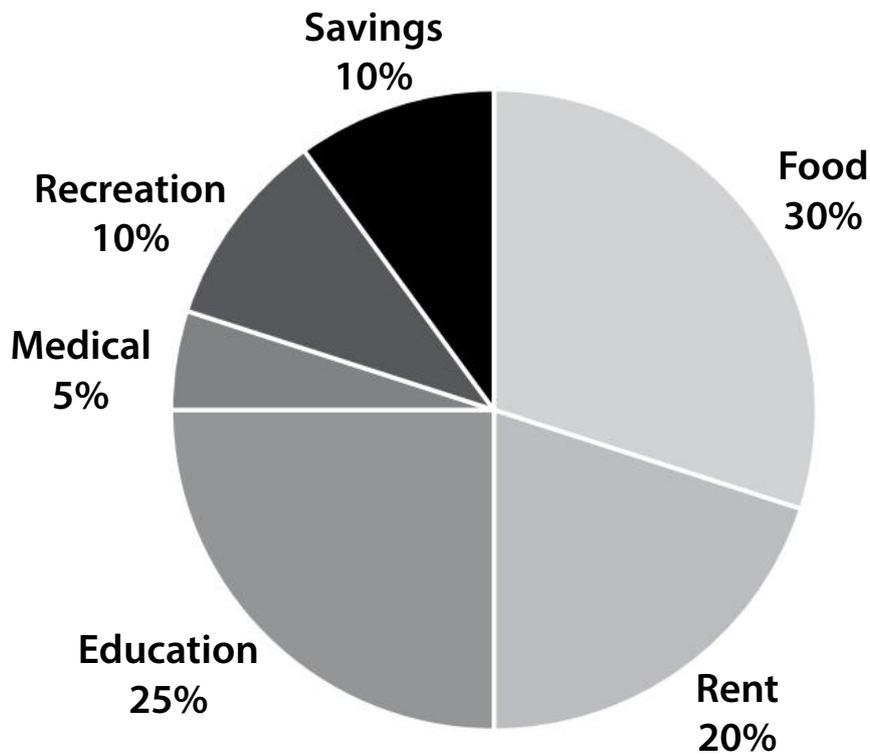
- 5. How many employees work at the company?
 - A. 30
 - B. 50
 - C. 75
 - D. 80

- 6. What is the difference in the number of workers in the largest and smallest departments?
 - A. 10
 - B. 15
 - C. 20
 - D. 30

- 7. What is the percentage difference between the number of employees in Department 3 compared to the number of workers in Department 1?
 - A. 5%
 - B. 50%
 - C. 100%
 - D. 150%

Use the information below to answer Questions 8 -10.

The total monthly income of a particular family is \$5,000. The domestic monthly expenditures are shown in the pie chart below:



8. Calculate the amount spent on food per month.
- A. \$700
 - B. \$800
 - C. \$1,500
 - D. \$2,000
9. Calculate the annual savings of the household.
- A. \$500
 - B. \$2,000
 - C. \$5,000
 - D. \$6,000
10. Suppose all spending items remain constant this month except for food accounting for 20% of the household's expenditure. Calculate the amount saved this month.
- A. \$500
 - B. \$600
 - C. \$800
 - D. \$1,000

Unit 6.8

Business Management Toolkit 8 - Circular business models

Task 1 – Complete the missing words

Circular business models (CBMs) represent different methods of production and consumption of goods and services in a resource-efficient and _____ manner. These models reduce the _____ impacts and pressures on the planet's _____ resources caused by economic activities. CBMs aim to generate less industrial and consumer _____. The process of manufacturing and consumption is reviewed to reduce the _____ footprint of consumers and producers. CBMs emphasise the use and reuse of existing materials and resources as _____ as compared to traditional business models that use and dispose, thereby damaging the natural _____ and ecosystems. Different circular business models are used for a more circular economy. These include circular _____ models, resource _____ models, product life _____ models, sharing models and product _____ system models (see Task 2).

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given.

Key term	Definition
	The circular business model based on replacing traditional material inputs with renewable, biodegradable and recyclable materials to sustain the circular production and consumption of goods or services.
	The CBM that aims to increase the useful life of a product, and its utilization, thereby increasing the value derived from the product in an attempt to reduce resource extraction and the generation of waste.
	The CBM that aims to provide services for more efficient product usage, green product designs and cleaner production processes that have favourable environmental outcomes.
	This CBM aims to convert waste into secondary raw materials, thereby reducing the need for and reliance on new or virgin resources.
	The circular business model in which businesses share underutilized assets to increase the value derived from these and hence reduce the demands for new products and resources.

Task 3 – Match the following

Match the business organization with the correct circular business practise. You can use the Internet to complete this task.

	Business organization		Circular business practice
A	Urban Mining Co.	T	A subscription-based service for baby clothing and maternity wear
B	H&M	U	Allows customers to return old devices in exchange for a discount on next purchase
C	Globechain	V	Designed the first running shoe made to be remade
D	Adidas	W	Provides a marketplace for reuse of assets across different industries
E	IWG plc	X	British holding company that provides serviced offices
F	Circos	Y	Takes used clothes from customers who get discount vouchers for future purchases
G	Vodafone	Z	Recycles rare magnets commercially

Task 4 – True or False?

	True / False
a. In a circular society, waste is considered a liability and hence must be disposed of.	
b. The transaction costs from traditional business models to circular business models limit the shift to adopting such models in the short term.	
c. Circular supply models focus on supplies that are biodegradable and recyclable as inputs in order to sustain circular production and consumption systems.	
d. Circular business models aim to improve efficiency in the use of resources through reducing, repairing, reusing and recycling.	
e. Couchsurfing, peer-to-peer lending, ride-sharing and co-working are all examples of product life extension models.	
f. Implementation of a single or combination of circular business models allows businesses to increase their natural resource productivity.	
g. Circular business models focus on profit maximization and cost-cutting through increased efficiencies.	
h. Circular business models aim to reduce waste by using resources more efficiently in an attempt to reduce the environmental footprint.	
i. Product life extension strategies can allow a business to prevent consumers from moving to rival brands.	
j. Circular business models refer to manufacturing processes only.	

Task 5 – Multiple Choice Questions

- Which of the following is not a key element of circular business models?
 - Recycling
 - Reducing
 - Refinancing
 - Reusing
- A business allows customers to return their used gadgets in exchange for a new one at a discount. The returned items are then resold or recycled. Which circular business model applies to this practice?
 - Circular supply models
 - Product life extension model
 - Resource recovery models
 - Sharing models
- Which of the following is not a feature of circular business models?
 - Defect identification after the product is manufactured
 - Encouraging recycling of the product
 - Sharing idle assets
 - Using recyclable inputs
- Which of the following is not a benefit of circular business models?
 - Helps to control climate change
 - Helps to limit waste and pollution

- C. Improves sustainability
 - D. Reduces competitiveness
5. Which of the following is not a strategy used in the product life extension model?
- A. Creating multiple uses for each product
 - B. Producing modular products
 - C. Recycling of products
 - D. Using plastic bags for packaging
6. Which of the following is likely to occur to a business that uses a linear business model compared to rivals in the same industry that use circular business models?
- A. Better control of inputs
 - B. Improved customer relationships
 - C. Increased use of scarce resources
 - D. Negative media publicity
7. Which category of circular business models helps to recycle waste into secondary raw materials that can be reused, thereby reducing waste, and lowering the extraction of natural resources?
- A. Product life extension models
 - B. Product service system models
 - C. Resource recovery models
 - D. Sharing models
8. Which of the following is not an example of sharing models as a circular business model?
- A. Allowing the use of space machine capacity
 - B. Allowing the use of an unused asset
 - C. Recycling of waste
 - D. Sharing factory space
9. Which circular business model aims to provide a cohesive distribution of products in order to have favourable environmental outcomes?
- A. Circular sharing models
 - B. Product life extension models
 - C. Product service system models
 - D. Resource recovery models
10. Which of the following is not an example of resource recovery models?
- A. Pooling of fixed assets
 - B. Recovering oil
 - C. Recovering wastewater
 - D. Reusing heat from product destruction

Unit 6.9

Business Management Toolkit 9 - Gantt charts (HL only)

Task 1 – True or False?

	True / False
a. Gantt charts show the quickest time in which projects can be completed if tasks are sufficiently well-planned and carried out efficiently.	
b. Gantt charts are used to help decision makers minimize the resources needed in order to complete a project in the quickest time possible.	
c. By looking vertically (down) at a Gantt chart, managers can identify periods of peak activity during a project.	
d. A Gantt chart is a useful way of showing different activities or tasks for an event or project, displayed against time.	
e. Each activity in a Gantt chart is represented by a vertical bar.	
f. A Gantt chart is particularly useful for simplifying complex projects.	
g. A limitation of Gantt charts is that dependencies (interrelated activities or tasks) cannot be shown.	
h. Using a Gantt chart enables businesses to determine and allocate their resources for different tasks and activities.	
i. A Gantt chart illustrates how tasks in a project might overlap, thereby identifying peak periods.	
j. A limitation of Gantt charts is they do not allow managers to set realistic deadlines and expectations.	

Task 2 – Multiple Choice Questions

- In a Gantt chart, what is shown along the horizontal section?
 - Activities
 - Cost
 - Revenue
 - Time
- In a Gantt chart, what is shown along the vertical section?
 - Activities
 - Cost
 - Revenue
 - Time
- In a Gantt chart, what does the position and length of a bar show?
 - The duration of the activity
 - The end time of the activity
 - The start time of the activity
 - The start time, duration and end time of the activity
- Which statement does not apply to Gantt charts?
 - The time scale is shown on the vertical axis of the chart

- B. They allow managers to complete a project in the quickest time available
 - C. They are used to schedule tasks of a project
 - D. They give project managers an instant overview of a particular project
5. The rules used to construct and interpret Gantt charts do not include
- A. Each bar shows the start date, duration and end date of an activity
 - B. Each horizontal bar shows the start and finish dates
 - C. Tasks that can be carried out simultaneously are combined on a bar in the chart
 - D. The length of each bar in the Gantt chart shows the duration of the task
6. The ultimate purpose of producing a Gantt chart is to
- A. Allow managers to set out problems in a clear and logical manner
 - B. Identify the shortest amount of time needed to complete a particular project
 - C. Plan tasks in a logical sequence so that all different processes can be completed
 - D. Weigh up the advantages and disadvantages of a decision
7. Timelines and tasks in a project are represented by
- A. A circle
 - B. A horizontal bar
 - C. A square
 - D. A vertical bar
8. Which of the following is not a valid advantage of Gantt charts?
- A. Allows managers to anticipate the risks and problems in a project
 - B. Caters for contingency plans for unforeseen problems
 - C. Enables managers to identify all the tasks for a given project
 - D. Helps managers to determine and allocate resources to different tasks in a project
9. Which stakeholder group is least likely to find value in the use of Gantt charts?
- A. Customers
 - B. Directors
 - C. Employees
 - D. Managers
10. Which of the following is not a valid disadvantage of Gantt charts?
- A. The length of a bar in a Gantt does not indicate the amount of work required for each task
 - B. They can be time consuming to set up
 - C. They do not allow managers to track progress of a project
 - D. They do not emphasize the priority of any particular activity

Unit 6.10

Business Management Toolkit 10 - Porter's generic strategies (HL only)

Task 1 – Complete the missing words...

According to Michael Porter, a firm's competitive strength can arise from two aspects - either cost advantages or differentiation. Porter's model suggests that businesses can choose to focus either on the broad market or a narrow segment. The three generic strategies are _____ leadership, _____ and focus.

_____ refers to the generic strategy in which a business sets out to be the lowest cost provider in the industry. _____ is the generic strategy of offering something unique in the industry to gain a _____ advantage, such as introducing a unique or special feature, product design, packaging, after-sales care, warranties and so forth. _____ is the generic strategy of paying close attention to the needs of specific target audiences (customers). This strategy requires businesses to focus on the needs and preferences of their target markets and to satisfy these _____. Porter argued that businesses cannot be good (competitive) at everything and in all market segments, so need to choose one of these _____.

Task 2 – Complete the following table

Identify the correct generic strategy from the table below. Choose from: cost focus strategy, cost leadership strategy, differentiation focus, and differentiation strategy.

Target market (Scope)	Competitive advantage: Low cost	Competitive advantage: Differentiation
Broad (Entire market)		
Narrow (A particular market segment)		

Task 3 – Explain...

- a. Explain how a business can become a cost leader.

- b. Explain how a business can use differentiation strategies.

- c. Explain two advantages for a business that operates in a niche market.

d. Explain two disadvantages of a business operating in a niche market.

e. Explain two advantages for a business that targets a mass market.

f. Explain one limitation of Porter’s generic strategies as a business management tool.

g. Explain two disadvantages for a business that targets a mass market.

Task 4 – True or False?

		True / False
a.	Porter’s generic strategies is a model that examines the five factors that determine the attractiveness of an industry in which a business operates.	
b.	In reality, cost leadership may still require a differentiation strategy as it may be copied by competitors in the industry.	
c.	The bargaining power of suppliers is one of the strategies in Porter’s generic strategies.	
d.	Aston Martin is an example of a car manufacturer that uses a focused differentiation strategy.	
e.	According to Porter’s generic strategies, if a business does not follow either cost leadership or a differentiation strategy it is stuck in the middle.	
f.	In Porter’s generic strategies model, a focus strategy involves selling a limited product offering.	
g.	According to Michael Porter, a firm’s strengths can arise from either cost advantages or a broad product portfolio.	
h.	A focus strategy relies on the use of non-price aspects of a firm’s products.	
i.	A business with a unique product and targeting a niche market segment should implement a differentiation focus strategy.	
j.	Competitive advantages can be achieved by inexpensive manufacturing processes and low-cost suppliers.	
k.	A business that integrates differentiation and cost leadership can be easily dominated by its rivals in the industry.	
l.	To achieve cost leadership, businesses spend more on process-related research and development than on product-related innovations.	
m.	Small firms can create a niche by successfully differentiating their goods or services in an attempt to compete with market leaders.	

Task 5 – Multiple choice questions

1. Porter's generic strategies include:
 - A. Cost leadership, focus strategy, and differentiation strategy
 - B. Cost leadership, focus strategy, differentiation strategy, and low-cost focus strategy
 - C. High price, focus, and differentiation strategy
 - D. Low price, focus, and differentiation strategy

2. Which of the following is a focus strategy according to Porter's model of generic strategies?
 - A. Selling high-end products
 - B. Selling in one region or area
 - C. Selling selected products
 - D. Selling to a narrow customer segment

3. Which of the following generic strategies refers to making a product unique or special compared to other competitors or substitutes in the market?
 - A. Cost focus
 - B. Cost leadership
 - C. Differentiation
 - D. Differentiation focus

4. A large-scale manufacturer can provide customers with low prices due to bulk buying from suppliers and the most efficient method of distribution. Which strategy is this categorized as?
 - A. Cost leadership
 - B. Differentiation
 - C. Focus
 - D. Price leadership

5. Pearl Jewels sells sustainable jewellery to women in their twenties and thirties. Which strategy does the business use?
 - A. Cost leadership
 - B. Focus
 - C. Price differentiation
 - D. Product differentiation

6. A cosmetic company manufactures products made from natural ingredients that are not tested on animals. Which generic strategy does the business use?
 - A. Corporate social responsibility
 - B. Cost focus
 - C. Cost leadership
 - D. Differentiation

7. Which of the following methods does not enable a business to be a cost leader?
 - A. Access to cheaper raw materials
 - B. An efficient supply chain network
 - C. Implementing efficient business operations
 - D. Intensive promotion to showcase the exclusivity of a product

8. Which of the following is not a method of differentiation?
 - A. Better product design
 - B. Continual research and development
 - C. Exclusive after-sale services
 - D. Mass production to enjoy economies of scale

9. Which of the following is not an example of a focus strategy?
 - A. Creating a unique product for a small demographic
 - B. Producing products that rival firms already supply in the market
 - C. Providing value for money
 - D. Selling goods at cost-effective prices

10. The products manufactured by XYZ Ltd. are affordable to most customers in a mass market. Which generic growth strategy is used by XYZ Ltd.?
 - A. Cost focus
 - B. Cost leadership
 - C. Differentiation
 - D. Differentiation focus

Unit 6.11

Business Management Toolkit 11 - Hofstede's cultural dimensions (HL only)

Task 1 – Complete the missing words

Geert Hofstede in his study about corporate _____ presented links between organizational culture and international culture. His studies presented six cultural dimensions comprised of (i) power distance, (ii) individualism vs _____, (iii) masculinity vs femininity, (iv) uncertainty avoidance, (v) long vs short-term orientation and (vi) indulgence versus _____. Hofstede's research findings indicated that there can be _____ within an organization and that culture can be impacted by _____ cultures. The differences amongst subgroups with respect to culture, norms, beliefs and interests can lead to cultural misunderstandings and miscommunications.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given below.

Cultural dimension	Explanation
	The extent to which people feel they should care for family and society as a whole.
	Values usually dominated by women, e.g. modesty, relationships, and prioritizing quality of life.
	Cultural dimension whereby people feel they should care for themselves foremost.
	The tendency to fulfil desires, such as having fun and enjoying life.
	Values usually dominated by men, e.g. toughness, assertiveness, competitiveness and material success.
	The extent to which inequality exists and is accepted by subordinates in an organization or citizens in a country.
	The tendency to have rigid and controlled behaviour.
	The dimension that describes how well people can cope with anxiety or prefer structured practices over flexible structures.

Task 3 – Complete the following

Complete the following table by listing two characteristics for each aspect of Hofstede's cultural dimensions.

Cultural dimension	High	Low
Power distance		
Individualism versus collectivism		
Masculinity versus femininity		
Uncertainty avoidance		
Long term versus short term orientation		
Indulgence versus restraint		

Task 4 – True or false?

	True / False
a. An individualist is motivated by personal rewards and benefits.	
b. Collectivism places greater importance on the goals and interests of a group or team, rather than on an individual.	
c. High power distance indicates that a culture accepts power (hierarchical) differences, so indicates respect for authority.	
d. An individualist attaches high significance to personal goals rather than group goals.	
e. Hofstede's cultural dimensions as a business management model regards masculinity as a sign of high moral standards, cooperation and modesty.	
f. There are six dimensions to culture in Hofstede's model.	
g. In a country with a low power distance index, the leader would delegate to a greater extent and involve others in the decision-making process.	
h. Long-term orientation focuses on the present rather than the future and aims to achieve quick results.	
i. Restraint refers to a society that suppresses gratification amongst its individuals and controls them through strict social norms.	

Task 5 – Multiple Choice Questions

- How does Hofstede view masculinity in a given society?
 - As a representation of relationships and the quality of life
 - As a representation with high concern for oneself and others
 - Demonstrating values such as assertiveness, ambition and competitiveness
 - Having a high degree of concern for the community or society
- Which of the following dimensions is about how societies value shared goals or the goals of other people in society?
 - Individualism vs collectivism
 - Long vs short-term orientation
 - Masculinity vs femininity
 - Power distance
- Which of the following dimensions is about the degree to which society accepts inequalities?
 - Long-term orientation
 - Power distance
 - Short-term orientation
 - Uncertainty avoidance
- Which of the following is an aspect of Hofstede's cultural dimensions that measures how well people can cope with ambiguity and anxiety?
 - Adaptive cultures
 - Inert cultures

- C. Masculinity vs femininity
 - D. Uncertainty avoidance
5. Which of Hofstede's cultural dimensions defines the degree to which people are willing and able to act autonomously of others?
- A. Individualism
 - B. Long-term orientation
 - C. Short-term orientation
 - D. Uncertainty avoidance
6. Which of the following does not apply to countries with high uncertainty avoidance?
- A. A rigid code of conduct
 - B. Intolerance of new ideas
 - C. Strict rules and regulations
 - D. Tolerance for ambiguity
7. Which feature applies to organizations with a high power distance?
- A. A wide span of control
 - B. Flat structures
 - C. Increased levels of hierarchy
 - D. Two-way communications
8. Which form of leadership is found in countries with a high degree of masculine culture?
- A. Autocratic
 - B. Democratic
 - C. Laissez-faire
 - D. Paternalistic
9. The extent to which employees focus on the accomplishment of their own goals rather than meeting group objectives is referred to by which cultural dimension.
- A. Individualism vs collectivism
 - B. Long vs short-term orientation
 - C. Masculinity vs femininity
 - D. Power distance
10. Which of the following rewards best motivates employees in collectivist countries?
- A. Employee share ownership schemes
 - B. Opportunities for teamwork
 - C. Profit related pay
 - D. Wages and salaries

Unit 6.12

Business Management Toolkit 12 - Force field analysis (HL only)

Task 1 – True or False?

	True / False
a. In a force field analysis, driving forces push for change whilst restraining forces act against change.	
b. Force field analysis can help managers to improve the management of change within organizations.	
c. Force field analysis is used to deal with the forces for and against change.	
d. Driving forces promote change whereas restraining forces hinder change.	
e. Driving forces are driven by internal factors whereas restraining forces are driven by external factors.	
f. If the driving and restraining forces are not in balance, this creates an opportunity for change.	
g. A strength of force field analysis is that it helps managers to communicate the reasons behind a decision, be it for or against a particular change.	
h. Force field analysis is a strategic planning tool.	
i. To help move towards a desired change, managers need to develop a strategy to minimize the impact of the restraining forces.	
j. When conducting a force field analysis, each driving and restraining force is weighted, typically using a scale of 1 – 5, with 5 being the most significant weight.	

Task 2 – Multiple Choice Questions

- In a force field analysis, the factors that push for change are known as
 - Driving forces
 - External forces
 - Market forces
 - Restraining forces
- In a force field analysis, the factors that act against change are known as
 - Driving forces
 - External forces
 - Market forces
 - Restraining forces
- At the initial stages of dealing with restraining forces, a business is most likely to
 - Carry out a STEEPLE analysis
 - Communicate the purpose of change
 - Conduct a SWOT analysis
 - Identify key barriers to change
- Force field analysis is
 - Not of any use to inward-looking organizations
 - Subjective as weights can be skewed in favour of management preferences

- C. Used to examine the reasons for change
 - D. Useful for examining external factors affecting change
5. Factors that push for change in an organization are known as
- A. Competitive forces
 - B. Driving forces
 - C. Motivating forces
 - D. Restraining forces
6. Which of the following cannot be identified from a force field analysis?
- A. Driving and restraining forces
 - B. The cost of implementing any change identified in the force field analysis
 - C. The individuals or stakeholder groups likely to be affected by a change
 - D. The supporters and opponents of the proposed change
7. Which statement is incorrect?
- A. A weakness of force field analysis is the subjective nature of the decision making tool
 - B. Based on the tool, where there is equilibrium between the driving and restraining forces, no change is pursued
 - C. Driving forces encourage change whereas restraining forces resist change
 - D. The need for change comes from internal factors, such as a desire to increase profitability
8. Which of the following is not a valid limitation of force field analysis?
- A. Not every driving and/or restraining force will be included, i.e. something may be overlooked
 - B. Stakeholder conflicts are likely to arise, so this requires further consideration for the management team
 - C. The allocation of weights to each force is often applied subjectively
 - D. The result of a force field analysis is often difficult to evaluate
9. Which of the following is an internal drive for change?
- A. Changing demographic trends
 - B. Disruptive technologies
 - C. Economic recession
 - D. The need to replace outdated machinery or products
10. Which of the following is an external drive for change?
- A. The aspiration to increase profitability
 - B. The desire to improve competitiveness
 - C. The need to change due to uncertain economic conditions
 - D. The need to increase operational efficiency

Unit 6.13

Business Management Toolkit 13 - Critical path analysis (HL only)

Task 1 - Complete the missing words...

Critical path analysis (also known as _____ analysis) is an important tool used in project management. This decision-making tool attempts to schedule all _____ and resources for a project in a systematic manner. It is generally used for routine tasks for which the _____ (or time) of each activity is known.

It is important to determine all the activities needed to complete the project and to identify all _____ tasks so as to complete the project in the _____ time possible. In order to improve operational efficiency, tasks that can be carried out _____ are also identified. This allows project managers to determine deadlines for different activities to ensure that the project is completed on time.

Once the network diagram for the project is constructed, the critical path can be identified to show the best course of action to take without causing any _____ to the completion of the project. This _____ the production costs of the project. The activities that cannot be delayed are called critical activities and appear on the _____ in the network diagram. Any disturbance to the completion of these activities will delay the completion of the entire project.

Task 2 – Vocabulary Quiz

Identify the key terms from the clues given. Hint: the answers are in alphabetical order!

Key Term	Definition
	The sequence of activities that cannot afford any delays without prolonging the operations of a particular project.
	A project management tool that schedules different activities, tasks, and resources to improve the operational efficiency in the production process.
	Shown as a dotted line in the network diagram to indicate a logical dependency between two indirectly linked activities in the project.
	The time when a particular activity can begin.
	The time when a particular activity should be completed to allow completion of the project on time.
	Circles in a network diagram, used to indicate the start and finish times of each activity within the project.
	The systematic process of planning, organizing and coordinating different activities to execute and complete a particular task or business venture.

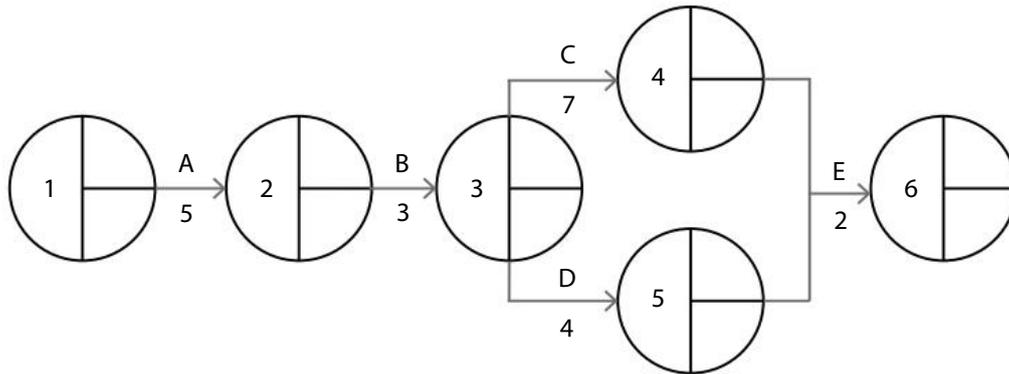
Task 3 – True or false?

	True / False
a. The duration of different activities in critical path analysis is not drawn to scale.	
b. There is no float time on the critical path.	
c. The critical path determines the shortest time possible that is needed to complete a project.	
d. The first stage in any network analysis is to estimate the completion time of each activity.	
e. The float is the amount of time that an activity can be delayed without affecting the duration of the whole project.	
f. Network analysis helps managers to allocate resources needed to execute a project.	

g.	Critical activities are the ones that have some float time.	
h.	The length of the critical path determines the minimum time required for project completion.	
i.	Dummy activities in critical path analysis indicate logical dependencies between activities but do not consume any resources or time.	
j.	The free float is calculated by subtracting the earliest start time (EST) of an activity from the latest finish time (LFT) of the activity.	

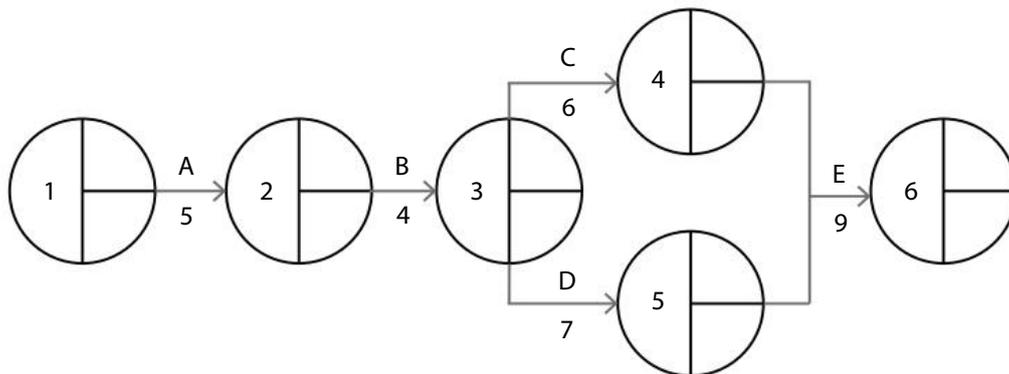
Task 4 – Constructing a network diagram

- a. Complete the missing numbers in the network below and identify the critical path.



Critical path = _____

- b. Complete the missing numbers in the network below and identify the critical path.



Critical path = _____

Task 5 – Multiple Choice Questions

1. Which of the following is not used to construct a critical path analysis?
- Cost of activities
 - Dependencies
 - Duration of activities
 - List of all activities

2. Network analysis is not so useful for
 - A. Decisions that rely on quantitative measures
 - B. Large projects with a long sequence of activities
 - C. Projects with uncertainty in completion times
 - D. Routine projects with minimal uncertainty

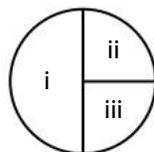
3. Activities that have a float
 - A. Can be delayed without prolonging the project
 - B. Cannot be delayed without making the project longer
 - C. Cannot be started in conjunction with other activities
 - D. Show the shortest possible time needed to complete a project

4. The key advantage of critical path analysis is that it
 - A. Eliminates wastage in activities
 - B. Helps managers to focus on the most important activities and to devote resources accordingly
 - C. Quantifies decision making
 - D. Reduces the risks of conducting business

5. Consequences of delays in a project do not include
 - A. Financial compensation paid to customers
 - B. Higher costs and hence loss of profits
 - C. Higher labour turnover
 - D. Lower staff morale

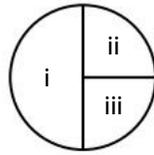
6. The earliest finishing time of a particular activity in a project is calculated by
 - A. The earliest start time for the activity minus the duration required to complete the activity
 - B. The earliest start time for the activity plus the duration required to complete the activity
 - C. The latest start time for the activity minus the duration required to complete the activity
 - D. The latest start time for the activity plus the duration required to complete the activity

7. Section 'iii' in the diagram below refers to the

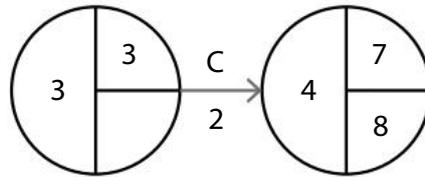


- A. Earliest start time
- B. Earliest finish time
- C. Latest finish time
- D. Latest start time

8. Section 'ii' in the diagram below refers to the



- A. Earliest start time
 B. Earliest finish time
 C. Latest finish time
 D. Latest start time
9. What is the value of the free float for activity C in the diagram below?



- A. 2
 B. 3
 C. 5
 D. 6
10. Which of the following statements is not a disadvantage of network analysis?
- A. Failure to identify certain activities in a project will render the critical path void
 B. It does not promote operational efficiency as much time is consumed in planning
 C. No amount of planning can guarantee that projects go smoothly and according to plan
 D. The critical path is only valid if all input data are correct, accurate, and up to date

Unit 6.14

Business Management Toolkit 14 - Contribution (HL only)

Task 1 – Vocabulary Quiz

Identify the key terms from the clues given.

Key term	Definition
	The decision making process that is based on comparing the cost of manufacturing (CTM) to the cost of buying (CTB) from a supplier.
	This costing method allocates all fixed costs and variable costs to products and services offered by a business.
	This costing method allocates only the direct costs, not overhead costs, to cost or profit centres.

Task 2 – Calculate

a. Using the table below, answer the following questions:

	Product A	Product B
Total quantity produced	30,000 units	40,000 units
Production department	(\$'000)	(\$'000)
Direct material	120	130
Direct labour	40	30
Testing department	(\$'000)	(\$'000)
Direct material	210	230
Direct labour	30	20
Research and development department	(\$'000)	(\$'000)
Direct labour	60	30
Total direct costs	460	440

The overhead costs for the business during the year amounted to \$300,000.

i. Calculate the total direct labour costs for each of the two products.

ii. Calculate the total direct labour costs for both products for the business.

- iii. Calculate the direct labour cost of each product as a proportion of total direct labour costs, expressing your answer to the nearest whole figure.

- iv. Allocate the firm's total overhead costs between the two products in proportion to the use of direct labour costs.

- v. Calculate the total costs attributed to Product A and Product B.

- vi. Using absorption costing, calculate the unit cost of producing each product, expressing your answers to 2 d.p.

- b. Using the data below, answer the following questions.

Product	A	B
Direct cost per unit	\$20	\$15
Selling price	\$40	\$30
Units produced	700	600
Proportion of overheads (Total overheads cost = \$20,000)	60%	40%

- i. Calculate the unit contribution for Product A and Product B.

- ii. Calculate the total contribution for Product A and Product B

- iii. Using the absorption costing method, calculate the profit or loss earned by Product A and Product B.

- c. A business intends to decide whether to buy or make 1,000 cabinets. These can be manufactured with the direct cost of \$100 per cabinet and fixed costs of \$25,000. The alternative way is to buy from a supplier at a price of \$150 per cabinet. Advise whether the business should make or buy these cabinets on a financial basis.

Task 3 – True or False?

	True / False
a. Absorption costing is more accurate than contribution costing in the allocation of costs.	
b. Absorption costing is more useful in pricing decisions for single-product firms.	
c. Contribution is the same as profit.	
d. Contribution costing is more suitable for businesses with excess capacity.	
e. If the cost to buy is less than the cost to make, the business should consider outsourcing.	
f. Contribution per unit is the difference between the selling price per unit and the variable cost per unit.	
g. Absorption costing is a method of costing that includes all direct costs and indirect costs incurred in manufacturing a product.	
h. Profit is calculated by deducting fixed costs or expenses from total contribution.	

Task 4 – Multiple Choice Questions

- Which of the following formulae is used to calculate contribution per unit?
 - Sales revenue minus total cost
 - Sales revenue minus total variable cost
 - Sales revenue minus cost of sales
 - Selling price minus average variable cost
- What will the impact be on a firm's profit following an increase in contribution of \$5 per unit?
 - Profit falls by \$2.5 per unit
 - Profit falls by \$5 per unit
 - Profit increases by \$5 per unit
 - There is no change to profit

3. While calculating contribution per unit, which of the following cost is not subtracted from the selling price?
- Direct cost of electricity
 - Direct labour cost
 - Direct materials cost
 - Fixed costs
4. The total cost for a firm that manufactures 5,000 units is \$400,000 which includes fixed costs of \$200,000. What is the total cost of manufacturing 4,000 units?
- \$220,000
 - \$300,000
 - \$360,000
 - \$400,000
5. Which of the following is not a method that can be used to help with 'make or buy' decisions?
- Break-even analysis
 - Investment appraisal
 - Ratio analysis
 - SWOT analysis
6. Which of the following is not an example of an indirect cost?
- Raw material
 - Rent
 - Utilities
 - Security

Using the following table, answer Questions 7 to 9

Units	Total variable cost (\$)	Total cost (\$)
0	0	3,000
100	1,000	
200	2,000	
300	3,000	

7. What is the correct formula for calculating profit?
- Contribution per unit \times Output
 - Total contribution – Total fixed cost
 - Total contribution – Total variable cost
 - Total revenue – Cost of sales

8. Identify the total fixed cost for the firm.
- A. \$0
 - B. \$1,000
 - C. \$2,000
 - D. \$3,000
9. What is the additional cost per unit if the firm increases output from 100 to 200 units?
- A. 0
 - B. \$5
 - C. \$6
 - D. \$10
10. Which option refers to the method of calculating the cost of a product by considering direct costs and indirect expenses?
- A. Absorption costing
 - B. Contribution costing
 - C. Cost to buy
 - D. Cost to make

Unit 6.15

Business Management Toolkit 15 - Simple linear regression (HL only)

Task 1 – True or false?

	True / False
a. Simple linear regression is a mathematical model that approximates the relationship between an independent variable and a dependent variable using a straight line.	
b. In the model, the variable a manager wants to predict is called the independent variable.	
c. In a scatter diagram, the line of best fit is drawn through the data points as a straight line.	
d. Both qualitative and quantitative variables are suitable for simple linear regression.	
e. Simple linear regression allows managers to estimate how a dependent variable changes as the independent variable changes.	
f. The line of best fit minimizes the discrepancies between predicted and actual output values in a scatter diagram.	
g. Simple linear regression can be used as a business management tool to support scientific thinking and decision making.	
h. Insights revealed from simple linear regression analysis can help managers and decision makers to anticipate times when sales will be high or low.	
i. A line of best fit works best with data sets with significant outliers.	
j. Extrapolation is a statistical technique that uses trends established by historical data sets to make predictions about future values.	

Task 2 – Multiple Choice Questions

- What is the purpose of correlation?
 - To establish a line of best fit for variables in a data set
 - To examine the degree of strength of a relationship between two variables
 - To make predictions about the future
 - To make sales forecasts
- Which statement about simple linear regression is false?
 - It is used to establish the relationship between two quantitative variables
 - It makes use of mathematical models to describe relationships between two variables
 - Linear regression works well even when there are non-linear relationships in data set
 - The variable a manager uses to predict the value of the second variable is called the independent variable
- What is used to show the relationship between the independent and dependent variable being linear?
 - Correlation
 - Extrapolation
 - Line of best fit
 - Scatter diagram

4. Which of the following is not a valid limitation of simple linear regression?
 - A. Data sets with significant outliers can make it challenging to establish any meaningful relationship
 - B. It cannot indicate the quality of the sampling methods used to gather the data
 - C. It ignores management experience and intuition
 - D. It is not possible to can take large amounts of raw data and transform them into actionable information

5. Which of the following statements is incorrect?
 - A. Correlations only identify a link or effect, i.e. they do not identify causes
 - B. Extrapolation is used to check if two sets of quantitative data correspond in some way
 - C. Once the data have been collected, they can be plotted in a scatter diagram
 - D. Simple linear regression can provide better insights to managers and decision makers by revealing patterns and relationships

6. Which statement is incorrect?
 - A. As simple linear regression assumes a linear relationship between two variables, the model fails to work for complex data sets
 - B. Data outliers can often lead to results and predictions with drastically low accuracy
 - C. It is not possible to update linear regression models.
 - D. In most real life situations, the relationship between variables in a data set is not linear

7. Which term describes anomalies or extreme values in a data set that deviate from the distribution of other data points?
 - A. Correlation
 - B. Extrapolation
 - C. Normal distribution
 - D. Outliers

8. Which of the following is not true about extrapolation?
 - A. It is a simple method of making forecasts
 - B. It relies on establishing a line of best fit in a scatter diagram
 - C. Not much data required is make accurate predictions
 - D. The basic assumption is that the pattern or trend will continue into the future

9. What is used to check to see if two sets of variables in a data set are related?
 - A. Correlation
 - B. Extrapolation
 - C. Line of best fit
 - D. Outliers

10. Which statement about extrapolation is incorrect?
- A. It assumes past trends will continue into the future
 - B. It ignores qualitative factors, such as changes in fashions, habits and tastes
 - C. It is a complicated method of forecasting future values
 - D. It is unreliable if there are significant fluctuations in historical data