

**UNIT 2 - INFLUENCES
ON A BUSINESS**

**GCSE
BUSINESS**

**THEORY AND EXAM
QUESTION REVISION
BOOKLET**

GCSE Business is assessed by two final exams and is broken down in the following way:

Paper 1: Influences of operations and HRM on business activity	+	Paper 2: Influences of marketing and finance on business activity
What's assessed <ul style="list-style-type: none">• Business in the real world• Influences on business• Business operations• Human resources		What's assessed <ul style="list-style-type: none">• Business in the real world• Influences on business• Marketing• Finance
How it's assessed <ul style="list-style-type: none">• Written exam: 1 hour 45 minutes• 90 marks• 50 % of GCSE		How it's assessed <ul style="list-style-type: none">• Written exam: 1 hour 45 minutes• 90 marks• 50 % of GCSE
Questions <ul style="list-style-type: none">• Section A has multiple choice questions and short answer questions worth 20 marks.• Section B has one case study/data response stimuli with questions worth approximately 34 marks.• Section C has one case study/data response stimuli with questions worth approximately 36 marks.		Questions <ul style="list-style-type: none">• Section A has multiple choice questions and short answer questions worth 20 marks.• Section B has one case study/data response stimuli with questions worth approximately 34 marks.• Section C has one case study/data response stimuli with questions worth approximately 36 marks.

The exams will measure how you have achieved the following assessment objectives.

AO1: Demonstrate knowledge and understanding of business concepts and issues.

AO2: Apply knowledge and understanding of business concepts and issues to a variety of contexts.

AO3: Analyse and evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions.

Unit 2: Influences on a business

Technology – What you need to know!

Target	3.2.1 Technology	Insecure	Developing	Secure
T43	Explain the impact of the changing use of ICT and how it influences business activity.			
T44	Explain what E-commerce is and how it gives businesses access wider markets.			
T45	Explain what digital communication is and how it is changing the way businesses communicate with stakeholders.			
T46	To know relevant examples of digital technology/ communication.			

Unit 2: Influences on a business

Technology - The theory

Key terms	Definition
Stakeholders	
Intranets	
Extranets	
E-Commerce	
M-Commerce	
Digital communication	
Webchat	
Apps (or applications)	
Social Media	
Computing cloud	

How is ICT used to communicate with different stakeholders?		
Stakeholder	What types of information do business exchange with the stakeholder?	What method of ICT could be used?
Suppliers		
Customers		
Employees		
Government		
Shareholders		

Explain how businesses use technology to collect huge amounts of data.

Explain what types of data businesses collect.

Explain how collection of data can improve the success of the business.

Explain the impact that developments in technology have had on functional areas of a business.

Operations	Human Resources
Finance	Marketing

E-commerce

Explain the difference between E-commerce and M-commerce.

Identify the benefits of E-commerce for a business:

- 1.
- 2.
- 3.

Digital Communication

Form of digital communication	How can this be used by a business to communicate with key stakeholder groups
Email	
Texts	
Apps	
Video conferencing	
Social media	

Unit 2: Influences on a business

Technology - Exam Questions

Fender® is an American company which produces musical instruments, such as electric guitars. Its most famous brands of guitars have been used by popular musicians such as Bruno Mars. Fender's most expensive guitars are manufactured using the finest raw materials such as wood from ash trees. These hand-made guitars are seen as some of the finest musical instruments in the world and are unique to each individual musician. As a result of using job production for its guitars, Fender is able to charge prices as high as £10 000 per guitar.

In 2012 Fender started using 3D printing, a process of making three-dimensional (3D) solid objects from a digital model. Fender uses 3D printers to trial new designs for its guitars. Ideas for new guitar models can now be printed-off in Fender's factory, instead of using a specialist model-building company.

CONNECT WITH FENDER

Home / Connect with Fender



Figure 2

1. Outline one impact on Fender of using 3D printers to print out ideas for new guitar models. (2 marks)

2. Outline one possible benefit to Fender from using social media. (2 marks)

3. Analyse the impact on Fender of charging high prices for its musical instruments. (6 marks)

Argos and Sainsbury's are familiar brands in the UK.

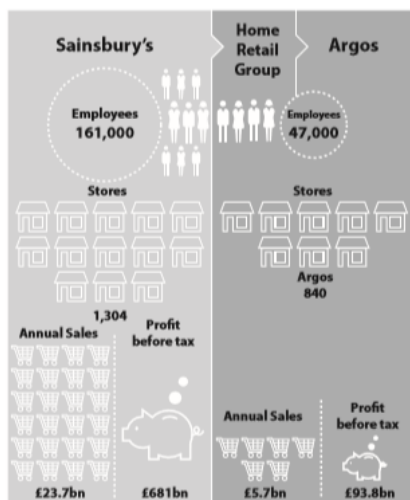


Figure 4

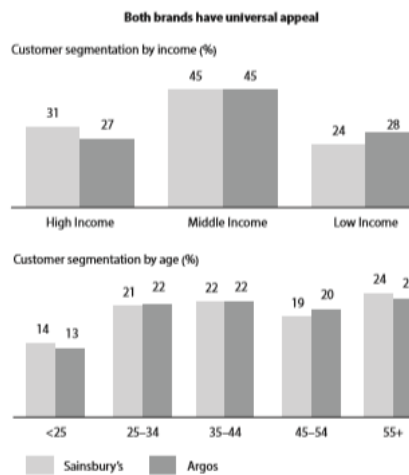


Figure 5

In February 2016, Home Retail Group plc, the owners of the high-street catalogue store Argos, agreed to be taken over by Sainsbury's plc in a £1.3bn deal. The takeover has arisen because market conditions have changed in high-street retailing. The move towards smaller, more convenient supermarkets such as those provided by Lidl and Aldi has left Sainsbury's plc with overly large stores which consumers increasingly do not want to use. Argos also found itself in an increasingly competitive market place and was struggling to compete against the giant e-tailer Amazon.com on both price and speed of delivery.

The takeover of Argos by Sainsbury's plc will create the UK's largest non-food retailer and will allow Sainsbury's plc the ability to open Argos stores within the unused space in Sainsbury's supermarkets. This will result in Argos' stores on the high street closing. The combined company will also be able to improve its home delivery operation with grocery items and non-food items now being delivered to homes only four hours after the order was originally placed.

(Source: J Sainsbury plc and <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/12096740/sainsburys-home-retail-group-argos-homebase-mike-coupe-takeover-explained.html>, accessed on 12/2/16)

1.Outline one reason why being an e-retailer gives Amazon an advantage over Argos. (2 marks)

AS plc plans to build a new factory to produce these more fuel-efficient engines. It wishes to build the factory in Bowton. There have been lots of letters to the Bowton Gazette about the social benefits and costs of the AS plc factory development. AS plc will use 'state-of-the-art' technology in the factory. However, there is a shortage of skilled engineers in the UK who could work with the new technology. AS plc has, therefore, recruited skilled engineers from other EU countries such as Germany and France. It will also look to recruit more engineers from abroad when the new engine plant is built, though this could be expensive. AS plc may also retrain some of the workers it currently employs on its assembly line. In addition to paying for the new factory and the machines, AS plc will need to pay for the materials used to produce the engines, the electricity used to power the machines and the cost of disposing of waste.

Discuss whether or not AS plc is correct in introducing 'state-of-the-art' technology to make the new engines. You should refer to the advantages and disadvantages of using new technology in your answer.

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Unit 2: Influences on a business

Ethical and environmental considerations – What you need to know!

Target	3.2.2 Ethical and environmental considerations	Insecure	Developing	Secure
T47	Define what ethical means Identify how being ethical could impact on profits Identify examples of ethical behaviour Benefits and drawbacks of a business behaving ethically.			
T48	Environmental considerations: • impact on traffic congestion • recycling • disposing of waste • noise and air pollution. Be able to explain how business and consumers need to accept greater environmental responsibility in their decision-making.			
T49	Sustainability: • global warming • using scarce resources. Able to identify and analyse where there may be a possible trade-off between sustainability and profit.			

Unit 2: Influences on a business

Ethical and environmental considerations - The theory

Key terms	Definition
Ethics	
Profit	
Fair trade products	
Social responsibility	
The environment	
External costs	
Non-renewable resources	
Global warming	
A pressure group	
Environmental responsibility	
Sustainability	
Recycling	

Explain how a business can behave in an ethical manner in each of their functional areas

Operations	Human Resources
Finance	Marketing

What impact can a business behaving in an ethical manner have on its profits?

Explain the effects of business activity on the environment

Traffic congestions	
Air & noise pollution	
Scarce resources	
Global warming	

Explain how businesses and consumers can show environmental responsibility

Sustainable methods of production	
Disposing of waste	
Recycling	
New methods of transportation	

Advantages of environmental and ethical policies	Disadvantages of environmental and ethical policies

Unit 2: Influences on a business

Ethical and environmental considerations – Exam Questions

The EU is concerned about the environment and plans to improve the use of sustainable resources such as biofuels. In addition it is particularly concerned about the social costs which result from the use of the motor car. It has set targets for motor manufacturers to reduce the amount of CO₂ emissions produced by the cars which they manufacture. AS plc, in partnership with a local university engineering department, has developed engines which are more fuel-efficient than those of its competitors. It has taken out a patent on these engine designs.

- (a) Section Four, paragraph 1, of the case study reports that the EU is concerned about the environment.

Use a tick (✓) to show whether each of the following statements is true or false.

Statement	True	False
People benefit from the environment because it provides natural resources which are used to produce goods and services.		
There is no problem with the use of fossil fuels such as oil and coal because there is an unlimited supply of them.		
The CO ₂ emissions caused by motor cars are an example of pollution of the environment.		
One way of making production more sustainable is to develop the use of alternative technology such as biofuels.		

[4]

In 2013 Graham Moore saw an advertisement for a small empty hotel in a popular holiday resort on the Yorkshire coast. He had read that the number of people taking holidays in the UK was increasing, so he decided to use all his savings to buy the hotel. He had the hotel decorated, employed staff and bought the resources to operate the hotel.

Graham considers himself to be an entrepreneur

Graham is very much concerned about the environment and the sustainability of running his hotel.

1. Describe what is meant by the term sustainability. [2]

2. Describe one way in which Graham can operate his hotel business in a sustainable manner. [2]

Unit 2: Influences on a business

The economic climate of business – What you need to know!

Target	3.2.3 The economic climate on businesses	Insecure	Developing	Secure
T50	Define interest rates			
T51	Explain how businesses with loans and overdrafts might be affected by changes in the rate of interest rates.			
T52	Explain how changes in interest rates can affect consumer and business spending.			
T53	To identify how and why businesses might be affected by changes in levels of employment .			
T54	Consumer spending To explain how demand for products and services may change as incomes fluctuate (go up and down).			

Unit 2: Influences on a business

The economic climate of business - The Theory

Key Terms	Interest rates
The economy	
Economic Climate	
Interest rates	
Consumer spending	
Income elastic products	
Inflation	

Interest rates	
A fall in interest rates will have what effect on consumers savings?	
A fall in interest rates will have what effect on consumers spending?	
Falling interest rates will have what effect on a business?	
A rise in interest rates will have what effect on consumers savings?	
A rise in interest rates will have what effect on consumers spending?	
Rising interest rates will have what effect on a business?	

Levels of employment and consumer spending	
How will rising levels of employment lead to higher sales for businesses?	
How will rising levels of employment lead to increased costs for businesses?	
Why will consumer spending fall? What will be the consequences of this be for businesses?	
Explain products that are income elastic and give some examples.	
Explain products that are not income elastic and give some examples.	

Unit 2: Influences on a business

The economic climate of business - Exam Questions

Sally is a fitness instructor at a local sports centre (Figure 4). She is now considering setting up her own business as a personal trainer (Figure 5). Sally's research shows that people are more interested in health and fitness. Although there are a number of gyms in her local area, there are not many personal trainers.

Sally has conducted some research into who her main competitors will be. A summary of the research is shown in Figure 6.



Figure 4



Figure 5

	Price per hour session	Strength	Weakness
Competitor 1: 'Vitality' personal instructor	£22	Experienced personal trainer with good local reputation	Operates in only a small geographical area
Competitor 2: 'Bootcamp' personal trainer	£220 for an 11-session block	Ex-soldier using military training methods	Limited number of training methods used

Figure 6

Sally will charge £25 per hour. She is flexible in terms of the location of her customers and will travel within a 10-mile radius. She hopes to attract a younger market segment by using social media and online promotion. She aims to differentiate her service in a number of ways:

- Using social media to communicate directly with her customers, offering daily motivational reminders.
- Filming parts of the customer's training session and posting it online for them to evaluate their performance on their own device.

Sally is currently well paid and has saved up enough money to start up on her own. She is considering buying a franchise. There are a number of national franchise operators that she could use. However, she is concerned about the current economic climate. She has seen reports that unemployment is rising and that consumer incomes are falling.

1. Outline two ways in which the economic climate might impact on Sally's business.

2. Identify which of Sally's competitors is the most expensive per hour.

The costs of many of the components which AS plc buys from businesses in other EU countries have been rising because of inflation. AS plc is considering how to deal with this rise in costs. It will, for example, need to consider the inflation rate in other countries around the world.

1. Using the information above explain two strategies which AS Plc might use in order to deal with these increases in costs (6 marks)

In 2013 Graham Moore saw an advertisement for a small empty hotel in a popular holiday resort on the Yorkshire coast. He had read that the number of people taking holidays in the UK was increasing, so he decided to use all his savings to buy the hotel. He had the hotel decorated, employed staff and bought the resources to operate the hotel.

Graham considers himself to be an entrepreneur

Graham's business has been affected by economic factors.
Describe how Graham's business may have been affected by:

1. A rise in unemployment in the UK. [2]

2. A fall in interest rates in the UK. [2]

Unit 2: Influences on a business

Globalisation – What you need to know!

Target	3.2.4 Globalisation	Insecure	Developing	Secure
T55	Define what globalisation is			
T56	Explain how UK businesses compete internationally, offering: • better designs • higher quality products at lower prices.			
T57	The benefits and drawbacks that it offers UK businesses.			
T58	Define what exchange rates are.			
T59	Understand the impact of exchange rates on the profit and sales of those businesses that import and/or export.			

Unit 2: Influences on a business

Globalisation - The Theory

Key Term	Definition
Globalisation	
A multinational company	
International trade	
Exports	
A Tariff	
Growth	
Economies of scale	
Inward investment	
A takeover	
Product design	
Quality	
Price	
Exchange rates	
Imports	

Benefits of globalisation	Drawbacks of globalisation

If the exchange rate changes so that the <u>currency appreciates</u> , then it will be worth more.	If <u>a currency depreciates</u> then it will be worth less (devaluation) and be cheaper for other countries and businesses to buy
<u>This will be bad for a business</u> that exports because....	<u>This will be bad if a business imports</u> raw materials because...
<u>Good if a business imports</u> because...	<u>Good for a business that exports</u> because...
<u>Good for consumers</u> because...	<u>Bad for consumers</u> because...

Unit 2: Influences on a business

Globalisation - Exam Questions

As Plc is a manufacturing business producing expensive sports cars. It is based In Bowton.

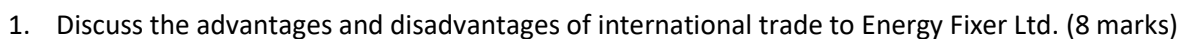
AS plc is a multi-national corporation because it owns the business in China which makes the body panels for its cars. It raised the money to buy the Chinese business by selling additional shares on the UK and Chinese stock markets.

AS plc plans to build a new factory to produce these more fuel-efficient engines. It wishes to build the factory in Bowton. There have been lots of letters to the Bowton Gazette about the social benefits and costs of the AS plc factory development. AS plc will use 'state-of-the-art' technology in the factory. However, there is a shortage of skilled engineers in the UK who could work with the new technology. AS plc has, therefore, recruited skilled engineers from other EU countries such as Germany and France. It will also look to recruit more engineers from abroad when the new engine plant is built, though this could be expensive. AS plc may also retrain some of the workers it currently employs on its assembly line. In addition to paying for the new factory and the machines, AS plc will need to pay for the materials used to produce the engines, the electricity used to power the machines and the cost of disposing of waste.

To finance the construction of the factory, AS plc is considering the use of its retained profits and, possibly, a loan from a bank, as well as grants from the UK government. AS plc already has a loan from a bank in France. It is hoped that one of the grants would cover part of the cost of building the factory. Once the factory is completed, AS plc recognises that there will be a time before it receives revenue from the sales of its cars with the new engines. This may cause problems for the business.

1. Using the information in the case study, explain two ways in which globalisation affects AS Plc. (4 marks)

The business began by just selling to British customers, mainly around the London area, which remains an important market to them. However they soon realised the potential of selling internationally and started to sell to other countries. Their drinks are very popular in Europe. The high quality of their products and their ability to keep to delivery dates meant that sales have grown.

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Unit 2: Influences on a business

Legislation - What you need to know!

Target	3. 2.5 Legislation	Insecure	Developing	Secure
T60	Employment Law National minimum wage/living wage. The Equality Act (2010)/Discrimination Legislation. Health and Safety at Work Act (1974). Contract of Employment			
T61	To assess the impact of legislation on businesses, for example cost, training needs, recruitment and the consequences of failure to follow legislation for the business.			
T62	Consumer Law Health and Safety Law Consumer Right Act Trade Descriptions Act			
T63	To assess the impact of legislation on businesses, for example cost, quality, fit for purpose and reputation. The consequences of failure to follow legislation for the business.			

Unit 2: Influences on a business

Legislation - The Theory

Key Term	Definition
Legislation	
National Living Wage	
Discrimination	
A contract of employment	

The National Minimum Wage and National Living Wage	Consumer Rights Act 2015
Equality Act 2010	The Trades Description Act
Health and Safety	Using information incorrectly Computer Misuse Act 1990 Data Protection Act 1998

Explain how consumer laws affect businesses:

In a positive way:

In a negative way:

Explain how employee laws affect businesses:

In a positive way:

In a negative way:

Unit 2: Influences on a business

Legislation - Exam Questions

1. A consumer is entitled to buy products that are fit for purpose. What does this mean? (1 mark)

2. What is the aim of the Consumer Rights Act? (1 mark)

3. What is the role of the Trading Standards Authority? (2 marks)

4. What does it mean when a business treats employees free from discrimination? (4 marks)

5. Explain two benefits of a business ensuring it complies with employment and consumer legislation. (6 marks)

Item E – The Human Factor

John was working with a computer repair company for a number of years. One day he decided that he needed a change in his work-life balance and so had the idea of starting up his own independent 'for-profit' business making 'upmarket' business cards.

John considered that he was best to start his business as a sole trader, he being the only person owning and working in it. However, he does realise that at some time in the future he might have to take on extra help.

This extra help might be sought on a full-time or part-time basis and might come from within his immediate family or externally. Irrespective of the type or source of additional help, John must ensure that all new employees are appropriately remunerated and motivated.

John regards treating employees fairly as his moral responsibility. However, he is also very aware that staff employed by him, in any capacity, are also protected by legislation.

1. Explain an employment law which John must abide, if he takes on staff. (2 marks)

2. When John employs additional staff, they will have rights as employees. Identify two rights that John's employees will have. (2 marks)

3. Identify two factors that John will need to consider when deciding what wage levels he should offer his employees. (2 marks)

4. Apart from gender identify two other types of possible employment discrimination that John should be aware of. (2 marks)

Unit 2: Influences on a business

The competitive environment – What you need to know!

Target	3.2.6 Competitive environment	Insecure	Developing	Secure
T64	Understand the meaning of a market and competition			
T65	Can understand the main sections of a business plan.			
T66	Analyse potential impacts of competition on businesses and identify situations when businesses face minimal or no competition.			
T67	Understand the risks businesses face and the reasons why all businesses face uncertainty.			
T68	Internal risks such as bad publicity, employees refusing to work, poor quality products or services.			
T69	External risks - New competitors, natural disasters, Government laws.			
T70	The reason why entrepreneurs embark on running businesses and the activities businesses can undertake to minimise risks.			

Unit 2: Influences on a business

The competitive environment - The Theory

Key Term	Definition
Markets	
Competition	
Monopoly	
Market share	
Uncertainty	
Risk	
Business Plan	
Diversification	

Different levels of competition		
Type of competition	Description	Effect on Business
Direct		
Indirect		
None		

Explain the difference between risk and uncertainty:

What are the reasons businesses fail?

- How businesses can minimise risk?
- Prepare a business plan. WHY?
 - Invest in training. WHY?
 - Using experts and consultants. WHY?
 - Selling in different markets. WHY?

Unit 2: Influences on a business

The competitive environment - Exam Questions

1. Explain one disadvantage to a business of operating in a competitive environment (3 marks)
