

**UNIT 3 ~ OPERATIONS**

**GCSE  
BUSINESS**

**THEORY AND EXAM  
QUESTION REVISION  
BOOKLET**

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

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

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 3: Operations

### Production processes – What you need to know!

Target	3.3.1 Production processes	Insecure	Developing	Secure
T91	Define what job production is and explain its advantages and disadvantages.			
T92	Define what flow production is and explain its advantages and disadvantages.			
T93	Define lean production and explain how production can be made more efficient by using lean production techniques.			
T94	Identify and explain different types of lean production such as JIT and Kaizen.			

## Production processes - The theory

Key Term	Definition
Production (operations) management	
Production	
Job Production	
Flow(mass) production	
Specialisation	
Lean production	
Just - in - time production (JIT)	
Kaizen	

**Task:** put the following terms into the correct boxes to show the production process:



**Output/Input/Transformation process**

	<b>Job Production</b>	<b>Flow Production</b>
<b>Definition</b>		
<b>Features</b>		
<b>Example of a product made</b>		
<b>Benefits of using this method</b>		
<b>Drawbacks of using this method</b>		

## Unit costs:

What is the formula for calculating unit costs?

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**Task:** Complete the table

Output (units)	Variable cost	Fixed costs	Total costs	Unit cost
1,000		£5,600,000		
5,000		£5,600,000		
7,000		£5,600,000		
10,000		£5,600,000		

- Variable costs are £2.50 per unit

**Task:** Explain why the efficiency of a business will depend on the following factors:

Factor	Because...
How well the employees are managed	
How good the suppliers are	
Investment in machinery and technology	
The way in which the products are produced	

**Lean production:** techniques aimed at reducing the amount of waste in a business.

**Types of waste:**

- Too much is produced
- Wasted time
- Faulty products
- Holding stock

<b>Lean production technique</b>	<b>What it involves</b>	<b>How the technique will help a business to be more efficient.</b>
<b>Just in time (JIT)</b>		
<b>Kaizen</b>		

## Production process – Exam Questions

### Item F – How to Make it Work

John, a budding entrepreneur, owns and successfully operates a business that produces upmarket business cards. He has invested in sufficient ICT to allow him to design, at his own discretion, specific business cards appropriate to a requested order. However, he also has a backup supply of generic designs of business cards for customers, e.g. gardeners, accountants, solicitor, etc. to which he can simply add the customer's personal details.

However, John's business is very small in terms of both financial clout and market size as he is servicing a niche market and he is facing strong competition. Consequently, he hopes to overcome these obstacles by getting repeat orders from existing satisfied customers and by attracting new customers.

Eventually, John intends to diversify his business by attempting to successfully 'break into' the moderately lucrative 'personalised' greeting card market.

As well as having a moral obligation to provide customers with a 'fit-for-purpose' product and service, John knows that this makes good business sense and keeps him on the right side of national and international consumer protection laws.

John knows that it would be prudent to invest in additional information communications technology (ICT) in order to maintain and improve his business' productive efficiency and continued provision and development of good customer services. John envisages that the facilitation of e-commerce will be a growing imperative of his and other businesses in the future.

1. Identify two factors that might influence John's method of production for his upmarket business cards. (2 marks)

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2. John decides to use a system of job production for his business cards. Would you agree with this decision? Give reasons for your answer. (9mark)

<b><u>How to structure your answer:</u></b>	
<b>Paragraph 1: Benefit of using job production</b>	
<b>Paragraph 2: Drawback of using job production</b>	
<b>Use the steps below:</b>	
<b>Step 1 (P) - Make one point</b>	
<b>Step 2 (E) - Explain why/how your point is relevant.</b>	
<b>(C) Put your answer in Context by using evidence from the text to support the explanation of your point.</b>	
<b>Step 3 (An) - Analyse by writing about the impact and/or the consequence of your point.</b>	
<b>Paragraph 3: Conclusion</b>	
<b>A - Answer the question set. Make clear your decision.</b>	
<b>J - Justify your decision</b>	
<b>I - consider what the success of your decision depends on and the impact on the short and long term on the business.</b>	
<b>M - State the most important reason why you've come to your judgement</b>	

### Item E – Production, Growth and Quality

At present, Blue-Print Limited simply supply and fit flat-pack kitchen units and electrical kitchen appliances to their customers as and when the job arises. They have access to a large selection of quality flat-pack kitchen units and a wide variety of appliances from their supplier. They keep a relatively small range of stock at their business premises, but can quickly get what the customer wants from trusted, reliable and efficient suppliers.

Customers can call in at Blue-Print's showroom and view the range of kitchens and appliances there. They can also view additional examples from a well-produced catalogue. Specialist kitchen fitters can then call in at the customer's house to measure up for the installation.

Blue-Print's flat-pack kitchen unit suppliers are QK4U plc, a very large and publically listed company, based about 50 miles from Blue-Print's business premises. The supplier of their kitchen appliances is a local private company, KitApps Supplies Limited, which imports electrical kitchen appliances from a large multinational manufacturing company, Taiwan Electricals plc, based in Taiwan. All additional supplies are sourced from a local hardware store, as and when necessary.

Both QK4U and Taiwan Electricals use a flow production manufacturing system, as the management of both companies believe it appropriate for their business model and that this production technique can create an efficient use of resources. Both of these companies also believe that their business efficiency is improved and increased by using lean production techniques, such as a Just-In-Time management philosophy, and by implementing the practice of specialisation, that is, the division of labour.

QK4U and Taiwan Electricals are very large companies with an extensive share of their respective markets, which allows them to benefit from both internal and external economies of scale. Consequently, they have many internal and external ways to obtain a cost advantage over smaller rivals. However, during the growing of their businesses, the management of both companies realised that there were also disadvantages to growth.

The management of both QK4U and Taiwan Electricals put their continued market success down to advantages gained from economies of scale, the employment of lean production techniques and the achievement and maintenance of customer satisfaction by providing high-quality products and services. To maintain their market success both businesses employ a system of total quality management (TQM), including ongoing programmes of quality control and quality assurance.

1. Explain why flow production is not used by Blue-Print Limited. (2 marks)

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2. Identify two methods which QK4U and Taiwan Electricals could use to measure its efficiency. (2 marks)

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3. QK4U and Taiwan Electricals both implement the practice of specialisation. What does this mean? (2 marks)

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4. Discuss why large businesses like QK4U and Taiwan Electricals use flow production and not job production. Give reasons for your answer. (9 marks)

<b><u>How to structure your answer:</u></b>	
<b>Paragraph 1: Benefit of using flow production</b>	
<b>Paragraph 2: Disadvantage of using job production</b>	
<b>Use the steps below:</b>	
<b>Step 1 (P) - Make one point</b>	
<b>Step 2 (E) - Explain why/how</b> your point is relevant.	
<b>(C)</b> Put your answer in Context by using <b>evidence</b> from the <b>text</b> to support the explanation of your point.	
<b>Step 3 (An) - Analyse</b> by writing about the impact and/or the consequence of your point.	
<b>Paragraph 3: <u>Conclusion</u></b>	
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<b>M</b> - State the most important reason why you've come to your judgement	

## The role of procurement – What you need to know!

Target	3.3.2 The role of procurement	Insecure	Developing	Secure
<b>T95</b>	Be able to explain the difference between JIT (Just in time) and JIC (Just in case-approaches to managing stock.			
<b>T96</b>	Identify the factors that might influence the choice of supplier (price, quality & reliability).			
<b>T97</b>	Explain what procurement and logistics are and their effect on a business (efficiency and lower cost units).			
<b>T98</b>	Explain the benefits of reduced costs must be balanced against the quality of service.			
<b>T99</b>	Define and explain what a supply chain is and recognise the benefits of managing an effective supply chain.			

## Production processes - The theory

Key Terms	Definitions
Suppliers	
Procurement	
Supply Chain	
Just in case (JIC)	
Purchasing economies of scale	
Logistics	
Stock	
Unit cost	

**Task:** Complete the table to show your knowledge of the difference between these two stock control methods.

	JIT (just in time)	JIC (Just in case)
How does these methods of stock control work?		
Benefits		
Drawbacks		

## Procurement – Exam Questions

1. Name three costs associated with holding large quantities of stock. (3 marks)

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2. Why are supplier relationships important if a business operates just in time stock control? (3 marks)

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3. Explain why a business might not always opt to use the cheapest supplier they can find. (3 marks)

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## The concept of quality – What you need to know!

Target	3.3.3 The concept of quality	Insecure	Developing	Secure
<b>T100</b>	Able to explain customer expectations of quality in terms of production of goods and the provision of services.			
<b>T101</b>	Describe how to identify quality problems and how businesses measure quality and the consequences of these issues.			
<b>T102</b>	Be able to identify the methods of maintaining consistent quality and be able to identify the advantages to a business of using TQM.			
<b>T103</b>	Identify and explain the costs and benefits of maintaining quality such as: additional sales, image/reputation, higher price, inspection costs, staff training, product recalls and the provision of services. <b>Particularly if outsourcing and franchising is used.</b>			



## The concept of quality - The theory

Key Terms	Definitions
Quality	
Total Quality Management (TQM)	

**Task:** list and explain the Key aspects of quality that customers look for:

1.

2.

3.

4.

5.

6.

7.

**Measuring quality** Businesses can measure quality through methods such as:

Method	How does it help a business to measure quality?

Benefits of maintaining quality to a business	Consequences of poor quality to a business

**Task:** Explain how TQM can be used to achieve better levels of quality.

## The concept of quality – Exam Questions

### Item E – Production, Growth and Quality

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The management of both QK4U and Taiwan Electricals put their continued market success down to advantages gained from economies of scale, the employment of lean production techniques and the achievement and maintenance of customer satisfaction by providing high-quality products and services. To maintain their market success both businesses employ a system of total quality management (TQM), including ongoing programmes of quality control and quality assurance.

1. Identify two ways that QK4U and Taiwan Electricals could monitor the quality of their production outputs and the provision of their services. (2 marks)

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2. Identify two possible quality issues the QK4U and Taiwan Electricals might face as their businesses grow in size. (2 marks)

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3. To maintain their market success both businesses, employ a system of TQM. Identify two features of TQM. (2 marks)

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4. Explain two benefits of QK4U and Taiwan Electricals, improving the quality of their products and services. (4 marks)

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**Question paper 1 – Item C – LazerTazer Ltd**

LazerTazer Ltd is an independent laser tag game played in a themed multi-level arena, which provides single games and birthday parties. It is located on the outskirts of a large town and is easy to reach by car, with a large car park, and is on all the major bus routes.

LazerTazer Ltd employ 20 part-time staff who help out at the centre. They cook the meals for the birthday parties, they work the reception desk and they help out in the gamezone area. Few of the staff work all year round, as business seems to trail off when the children are in school. School holidays are the busiest, which is when LazerTazer Ltd employ the most staff. In school holidays, the centre is open from 9am for young children ('early birds') right through to 10pm for 'zap and snap' groups which are over 16s only. The staff work long hours for a few days a week and are on zero-hour contracts. This means they often do not know until the morning of the working day whether they have to go into work. The staff feel very unhappy about this arrangement and think that the LazerTazer Ltd managers only care about money and not their staff.



Profits for the business have been dropping and LazerTazer Ltd managers are finding it hard to retain staff, who seem to be leaving all the time. The staff are only on minimum wage and LazerTazer Ltd find they have to constantly recruit and train new staff, which is very costly and time-consuming.

1. Recommend the best action for LazerTazer Ltd to take to reduce costs and provide a quality service. Give reasons for your recommendation. (9 marks)

<b><u>How to structure your answer:</u></b>	
<b>Paragraph 1: What action they should take</b>	
<b>Paragraph 2: Why is this better than other options</b>	
<b>Use the steps below:</b>	
<b>Step 1 (P) - Make one point</b>	
<b>Step 2 (E) - Explain why/how your point is relevant.</b>	
<b>(C) Put your answer in Context by using evidence from the text to support the explanation of your point.</b>	
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<b>I - consider what the success of your decision depends on and the impact on the short and long term on the business.</b>	
<b>M - State the most important reason why you've come to your judgement</b>	

## Good customer service - What you need to know!

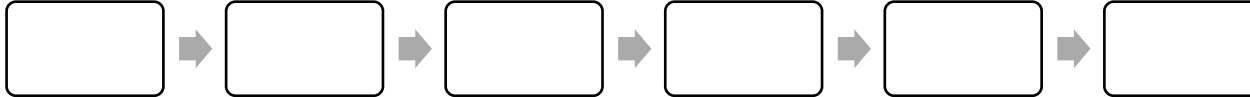
Target	3.3.4 Good customer services	Insecure	Developing	Secure
<b>T104</b>	Show understanding of the sales process.			
<b>T105</b>	Be able to identify and explain methods of good customer service: product knowledge, customer engagement (creating a positive experience for the customer) and post sales services (e.g. user training, help lines, servicing).			
<b>T106</b>	Identify and explain the benefits of good customer service, including: increase in customer satisfaction, customer loyalty, increased spend and profitability.			
<b>T107</b>	Identify and explain the dangers of poor customer service, including: dissatisfied customers, poor reputation via word of mouth and a reduction in revenue.			
<b>T108</b>	Explain how advances in ICT have allowed customer services to develop: websites, e-commerce and social media.			

## The concept of quality - The theory

Key Terms	Definition
Customer service	
Customer satisfaction	
Customer loyalty	
Customer engagement	
Post-sales servicing	

**Complete the stages of the sales process using the information below:**

- Concluding the sale
- Respond to customer feedback
- Ensuring speed and delivery of the product/service
- Knowledge of the product/service
- Engaging the customer
- Post-sales service



**Identify the different ways a business can demonstrate good customer service:**

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Benefits of good customer service	Dangers of poor customer service

**Explain how the methods of ICT can help businesses to offer good customer service:**

**Websites:**

**E-Commerce & M-Commerce:**

**Social Media:**

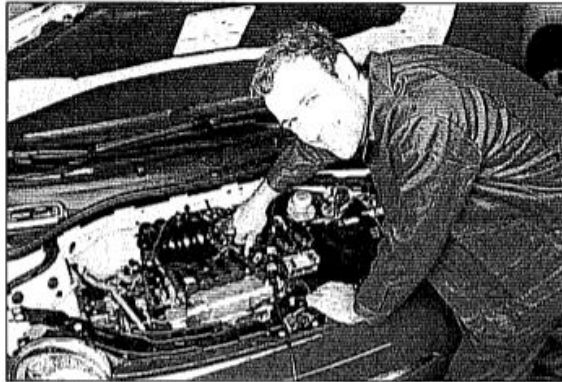
**Data analysis:**



## Good customer service – Exam Questions

### Question paper 1 – Item B – Tom's Midnight Garage

Tom Crews has been running a successful garage in his local town for over 10 years. He specialises in repairs and servicing of high-end sports cars, and opens until midnight two nights a week so that customers working late can drop off their cars. However, he noticed last year that his revenue through income was falling. He thinks the cause may be the new, larger garage that has opened in the same town, which is offering MOTs and repairs of any car. Due to the increased competition, he has had to reduce the hours of his five mechanics and one receptionist that he employs, so staff morale is currently very low. Tom is now considering his next move and whether he should change his business objectives; he thinks he may need a new business plan.



So that he can be competitive in the town, he is considering reducing the price of his standard car services that car owners need to have every year. He is also considering opening an MOT bay to start taking advantage of the many requests he gets to do MOT testing on his regular customers' cars. He would need to hire two new specialist mechanics for this, or consider retraining the ones that he has already. He hopes this will increase demand for his garage services and improve business.

1. Explain how Tom's Midnight Garage would benefit from improving their customer service. (4 marks)

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**Question Paper 2 – Item C – It's the Pitts Cleaning Services**

Angelina and Brad started their cleaning business back in 2007 when they realised that there was a gap in the market for providing cleaning services to people with allergies. This included shops, offices and schools who wanted their premises deep cleaned by the pair.



Angelina and Brad have both worked for other cleaning companies for years, so services that they could provide included after-school cleaning for colleges and also night cleaning for offices. It's the Pitts cleaning services were able to charge high rates per hour because of their specialism in removing all potential allergens and pollen. However, schools and colleges are very slow to pay and Brad often has to chase up the school secretaries on the phone to get them to pay the bills. This makes it hard for It's the Pitts cleaning services to pay their own suppliers of cleaning materials and chemicals, who insist on payment when they collect the items. Angelina is worried that if Brad takes action against the schools and colleges that are late to pay they will lose valuable cleaning contracts. Most of It's the Pitts' customers come through word-of-mouth recommendations made by satisfied customers who have had their offices deep cleaned. It's the Pitt's cleaning services are also considering starting a website so customers can see their details online, similar to that of other competitors who are also cleaning companies. Angelina is also keen to swap the website for her having to answer the phone all day to potential customers; she is hoping to replace that with an online 'contact us' form for them to get in touch with their enquiry. This will free her up to manage the current clients and improve their customer service.

1. Angelina and Brad pride themselves in providing good customer service. Explain how It's the Pitts could provide good customer service. (4 marks)

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