

WORKBOOK

AQA A-LEVEL

Business

TOPICS 1–6



Samuel Stones

Contents

1 What is business?.....5

- Understanding the nature and purpose of business
- Understanding different business forms
- Understanding that businesses operate within an external environment

Exam-style questions.....15

2 Managers, leadership and decision making.....19

- Understanding management, leadership and decision making
- Understanding management decision making
- Understanding the role and importance of stakeholders

Exam-style questions.....28

3 Decision making to improve marketing performance33

- Setting marketing objectives
- Understanding markets and customers
- Making marketing decisions: segmentation, targeting, positioning
- Making marketing decisions: using the marketing mix

Exam-style questions.....45

4 Decision making to improve operational performance.....51

- Setting operational objectives
- Analysing operational performance
- Making operational decisions to improve performance: increasing efficiency and productivity
- Making operational decisions to improve performance: improving quality
- Making operational decisions to improve performance: managing inventory and supply chains

Exam-style questions.....67

5 Decision making to improve financial performance.....70

- Setting financial objectives
- Analysing financial performance
- Making financial decisions: sources of finance
- Making financial decisions: improving cash flow and profits




Exam-style questions.....84

6 Decision making to improve human resource performance88

- Setting human resource objectives
- Analysing human resource performance
- Making human resource decisions: improving organisational design and managing the human resource flow
- Making human resource decisions: improving motivation and engagement
- Making human resource decisions: improving employer–employee relations

Exam-style questions.....100

About this book

- 1** This workbook will help you to prepare for the AQA Business A-level exams.
- 2** Each exam is 2 hours long and includes a range of questions.
- 3** The first exam, Paper 1: Business 1, is divided up into four topics. Topic A is made up of 15 multiple-choice questions worth 1 mark each. Topic B is made up of a range of short-answer questions worth approximately 35 marks in total. Topics C and D each offer two essay questions and you must answer one from each section. These are worth 25 marks each. The second exam, Paper 2: Business 2, offers three data response stimuli and each has a selection of multi-part questions worth approximately 33 marks. The third exam, Paper 3: Business 3, is made up of one case study and approximately six questions. All three exams are synoptic, which means that they will assess your knowledge and understanding of the connections between the different topics you have studied.
- 4** The questions are divided by assessment objective, starting with AO1 (knowledge and understanding) and progressing to AO2 (application), AO3 (analysis) and AO4 (evaluation). Each topic ends with some exam-style questions, bringing all the knowledge and skills from the assessment together and applying this to what you would find in the exams.
- 5** Worked answers are included throughout the practice questions to help you understand how to gain the most marks.
- 6** Icons next to the question will help you to identify:
 -  where your calculations skills are tested
 -  where questions draw on synoptic knowledge, i.e. content from more than one topic
 -  how long this question should take you
- 7** You still need to read your textbook and refer to your revision guides and lesson notes.
- 8** Marks available are indicated for all questions so that you can gauge the detail required in your answers.
- 9** Timings are given for the exam-style questions to make your practice as realistic as possible.

10 Answers are available at: www.hoddereducation.co.uk/workbookanswers

Topic 1 What is business?

Understanding the nature and purpose of business

A business is an organisation providing goods and services to satisfy customers' needs and wants. Businesses set objectives to work towards achieving in the future.

Common business objectives include:

- profit
- growth
- survival
- cash flow
- social and ethical objectives

Profit is the reward that business owners receive for the risks they take. To calculate profit, businesses must understand:

- revenue (also known as turnover and sales)
- fixed costs
- variable costs
- total costs

Practice questions



AO1: Knowledge and understanding

1 What is meant by the term survival?

2 marks

.....

.....

.....

.....

2 Use one example to describe what is meant by the term fixed cost.

3 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

3 Why is it important for businesses to set objectives?

3 marks

Worked example

Setting objectives gives businesses a sense of direction. This allows them to monitor and measure their progress so that they can take action to address any potential concerns before they arise.

A01: Knowledge and understanding:
This states a benefit of setting objectives.

A02: Knowledge and understanding:
This describes how the benefit helps the business.

A03: Knowledge and understanding:
This explains why objectives are important to the business.



4 A factory manager has calculated that variable costs are £22 per unit and fixed costs are £783. What will the factory's total costs be if 130 units are produced?

3 marks

.....

.....

.....

AO2: Application

5 Explain why a small start-up business is likely to set objectives.

4 marks

.....

.....

.....

.....

.....

.....

.....

6 Explain the importance of cash flow for a new start-up business.

4 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

4 marks

Business objectives may change because of increasing competition in the local area. When competitors open stores in the local area, the business may need to focus on maintaining existing market share. This will mean that it no longer focuses on growth or profit maximisation.

A03: Application: This explains why the business moves from one objective to another.

8 Analyse the importance to a business of setting objectives.

12 marks

This image shows a full page of white paper with horizontal dashed lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

9 Analyse the importance to a small business of forecasting its profit.

12 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

AO4: Evaluation

10 A small food retailer has recently opened a new store in a town centre that already has three large supermarkets. Recommend which objective may be the most suitable for the business.

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

11 The owners of a start-up hairdressing salon have decided to set a cash flow objective. Evaluate the importance of this objective to the business.

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

Understanding different business forms

The term *business form* refers to the type of ownership. Different forms of business include:

- sole traders
- private limited companies
- public limited companies
- private sector organisations
- public sector organisations
- non-profit organisations such as charities and mutuals

There are key differences between each of these different business forms. These include:

- unlimited and limited liability
- the availability of finance
- the expectations of owners and how profit may be used

Practice questions



AO1: Knowledge and understanding

1 What is meant by the term public sector organisation?

2 marks

.....

.....

2 Describe one feature of a private limited company.

2 marks

.....

.....

.....

3 Describe the difference between unlimited and limited liability.

3 marks

.....

.....

.....

.....

4 Describe one drawback of operating as a sole trader.

2 marks

.....

.....

.....

AO2: Application

5 Explain one reason why entrepreneurs operate in the private sector.

4 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

6 Explain one reason why shareholders may be concerned about receiving a dividend.

4 marks

.....

.....

.....

.....

.....

7 Explain one benefit to a sole trader of becoming a private limited company.

4 marks

.....

.....

.....

.....

.....

AO3: Analysis

8 Analyse two drawbacks to a business of operating as a partnership rather than as a sole trader.

12 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- 9** Analyse two factors that may influence the share price of a well-established supermarket.

12 marks

This worked example provides some analysis of one factor. Read this carefully and then attempt to write a full response to the question on additional paper. Remember that your full answer should address two separate factors.

Worked example

One factor that may influence the share price is the release of unexpected company news. If the supermarket admits to using food items that are not fit for human consumption, for example, potential shareholders might decide not to buy company shares. This would decrease demand for shares, which would reduce their value.

A01: Knowledge and understanding: This identifies one factor that may influence the share price.

A02: Application: This applies the factor to the specific context of the supermarket industry.

A03: Analysis: This explains the impact of the factor on the company's share price.

AO4: Evaluation

- 10** To what extent does the form of ownership have the greatest influence on the choice of objectives?

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

- 11** The shareholders of a public limited company are concerned about recent changes in the share price. To what extent is financial performance the largest influence on share price?

25 marks

This worked example suggests a possible argument to support the view that financial performance has a large influence on share price. Read it carefully and then attempt to write a full response to the question on additional paper. Remember that your full answer should be balanced and then provide an overall judgement.

Worked example

To some extent, financial performance does have a large influence on share price. This is because shareholders seek a return on their investment and will not purchase shares if the company's financial performance is worsening. This would reduce demand for shares, which would potentially result in the share price falling, so it is clear that the company's financial performance will have a significant impact on share price.

A01: Knowledge and understanding: This outlines the direction of the argument.

A02: Application: This develops the response with a specific focus on the objectives of shareholders.

A03: Analysis: This provides an impact and a clear link to the demands of the question.

Understanding that businesses operate within an external environment

Businesses are influenced by changes in the external environment and these changes are beyond the control of the business. However, it is important that businesses are aware of them as the changes can influence business costs and the demand for goods and services.

The external environment includes:

- competition
- market conditions
- incomes
- interest rates
- demographic factors
- environmental issues and fair trade.

Practice questions



AO1: Knowledge and understanding



- 1 Calculate the amount of interest that will be paid if a loan of £5,000 is taken out with an interest rate of 3.39%.

2 marks

.....

.....



- 2 The average salary of a joiner in 2018 was £38,900. In 2019, the average salary increased by 4.5%. Calculate the monthly increase.

3 marks

.....

.....

.....

- 3 What is the relationship between market conditions and the demand for goods and services?

3 marks

.....

.....

.....

.....

- 4 How might increasing competition affect business costs?

3 marks

.....

.....

.....

.....

AO2: Application

- 5** Explain one demographic factor likely to affect the demand for luxury holidays aimed at those aged 60 and over.

4 marks

.....

.....

.....

.....

.....

.....

.....

- 6** Explain how falling income may affect the demand for goods sold by a budget supermarket.

4 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

- 7** Explain one disadvantage to a new start-up business of an increase in interest rates.

4 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

AO3: Analysis

8 Analyse how a fall in interest rates may affect demand for goods and services. **12 marks**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

9 Analyse how two environmental issues may affect the demand for overseas holidays. **12 marks**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

AO4: Evaluation

- 10** To what extent does the external environment determine whether business costs increase?

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

- 11** Pharmaceutical companies research and develop drugs for use as medication. To what extent do demographic factors determine the success of large pharmaceutical companies?

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

Exam-style questions**Paper 1 Section A Multiple choice questions**

- 1** Which one of the following actions would support a business to behave ethically?
 - A** Paying employees on time
 - B** Asking suppliers to reduce their prices
 - C** Selling extended warranties to customers
 - D** Using responsibly sourced ingredients
- 2** The overall vision of a business is most likely to be referred to as:
 - A** A functional objective
 - B** A corporate aim
 - C** A target
 - D** A mission statement
- 3** Which of the following is most likely to result in an increase in a company's share price?
 - A** A reduction in annual profits
 - B** The closure of a competitor
 - C** News outlets reporting concerns about the performance of the industry
 - D** Consumer complaints being published online
- 4** Which of the following statements is true for market capitalisation?
 - A** Market capitalisation is the original value of the market's capital
 - B** Market capitalisation is the original value of the company's share issue
 - C** Market capitalisation is the current value of the company's share issue
 - D** Market capitalisation is the average value of the market's capital
- 5** Which one of the following is an example of a public sector organisation?
 - A** Public Transfers Ltd
 - B** A hairdresser
 - C** The NHS
 - D** A large supermarket selling to all members of the general public



Paper 1 Section B Short-answer questions

- 6** The following data has been collected in relation to the performance of a company in the years 2018 and 2019. Calculate the change in profit between these years.

4 marks

	2018	2019
Sales revenue	£650,000	£800,000
Fixed costs	£150,000	£120,000
Variable costs	45% of sales revenue	52% of sales revenue
Total labour costs	£110,000	£130,000

.....

.....

.....

.....

.....

.....



- 7** Based on the data in Question 6, calculate the change in employee costs as a percentage of turnover.

4 marks

.....

.....

.....

.....

.....

.....

- 8** A car dealer selling new cars is concerned about changes in the external environment. Explain one possible consequence for the business of a fall in interest rates.

4 marks

.....

.....

.....

.....

.....

.....

- 9** Explain why setting up as a partnership might help two experienced entrepreneurs to access sources of finance. **6 marks**

.....

.....

.....

.....

.....

.....

.....

- 10** A window cleaning business offers customers the choice of a basic or premium cleaning service. The directors of the business have collected the following information about their price elasticities of demand:

Basic cleaning service	-1.9
Premium cleaning service	-0.3

- Analyse how a change in price is likely to affect demand for each of the window cleaning services. **9 marks**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- 11** In 2015, RP PLC became a public limited company. In 2016, 2017 and 2018 the company directors did not pay a dividend. Analyse two reasons why the shareholders may support this decision.

9 marks

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Exam-style questions



Paper 1 Section C/D Essay questions

- 12** It is highly likely that changes in the external environment will affect demand. To what extent do you think that the external environment has the largest influence on the demand for goods and services?

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.



- 13** A business is attempting to increase its labour productivity. To what extent is this likely to improve business profitability?

25 marks

Write your answer to this question on a separate sheet of paper and keep it with your workbook.

