

WORKBOOK

AQA A-LEVEL

Business

TOPICS 7–10

2

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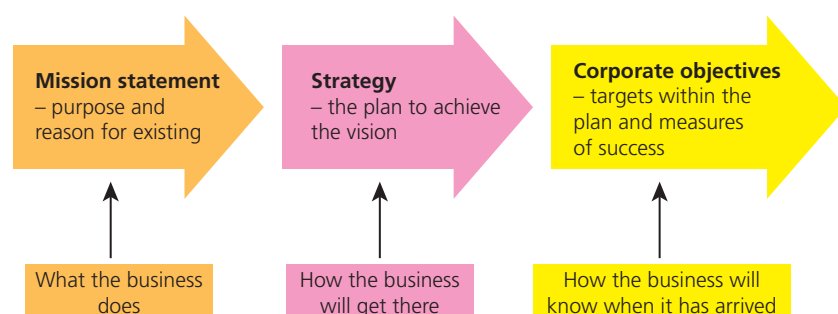
About this book

- 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 7 Analysing the strategic position of a business

Mission, corporate objectives and strategy

A mission statement states the overall purpose of an organisation and it informs stakeholders of the organisation's ethos and core values. It may also outline the organisation's main activities and the importance of these for key stakeholder groups. An organisation's mission statement will influence the choice and suitability of strategy and corporate objectives. The relationship between these is shown in the figure.



The roles of mission, strategy and corporate objectives

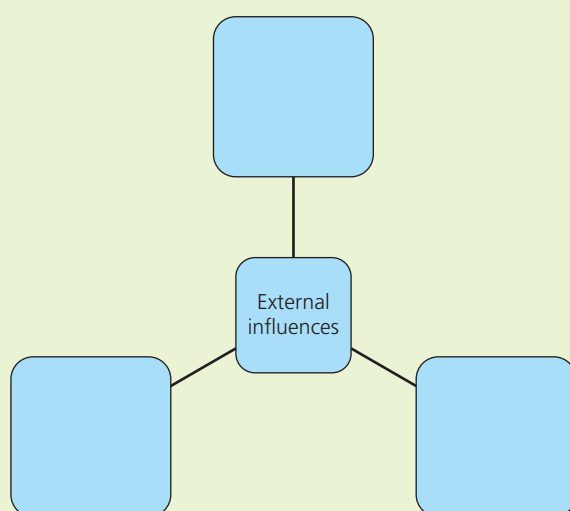
Practice questions



AO1: Knowledge and understanding

- 1 Complete the diagram to show three external influences on the mission of a business.

3 marks



External influences on a business's mission

- 2 Distinguish between strategy and tactics.

3 marks

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3 Describe what is meant by the term 'SWOT analysis'.

3 marks

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4 Outline one influence on the corporate objectives.

3 marks

AO2: Application

Worked example

Limited companies are accountable to shareholders and may therefore be under pressure to generate higher dividends and increase share price. This pressure means that the business may attempt to increase profitability and reduce cost and this priority is likely to inform the choice and selection of corporate objectives.

Knowledge and understanding:
This provides a clear focus
on a specific type of business
ownership.

Knowledge and understanding:
This develops the earlier point
with a specific link to how the
ownership type influences
corporate objectives.

5 Explain why a social media company may conduct a SWOT analysis.

4 marks

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6 Explain one external influence on the mission statement of a vegetarian restaurant.

4 marks

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7 Explain the relationship between mission, strategy and corporate objectives.

4 marks

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8 Explain how strategic decision making might influence functional decision making.

4 marks

[illegible]

A03: Analysis

9 An international soft drinks manufacturer has a mission statement to *refresh the world*. Analyse two ways in which this mission statement is likely to influence the choice of corporate objectives.

12 marks

[illegible]

10 Analyse two potential drawbacks to a competitive technology company of conducting a SWOT analysis.

12 marks

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11 Analyse two impacts of strategic decision making on functional decision making for a multinational business.

12 marks

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25 marks

[illegible]

- 25 marks**

25 marks

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

Analysing the existing internal position of a business to assess strengths and weaknesses: financial ratio analysis

Stakeholder groups can use balance sheets, income statements and financial ratios to assess the strengths and weaknesses of a business's financial position.

A balance sheet lists a business's assets and liabilities at a specific point in time. An income statement lists a business's sales revenue and costs over a specific period of time.

Financial ratio analysis refers to the use of formulae and calculations to understand:

- profitability (return on capital employed)
- liquidity (current ratio)
- gearing
- efficiency ratios, including payables days, receivables days and inventory turnover.

Practice questions



AO1: Knowledge and understanding

1 Outline what is meant by the term 'gearing'.

2 marks

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2 State the formula for calculating return on capital employed.

2 marks

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3 Describe what is meant by the term 'liquidity'.

2 marks

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4 State two examples of current assets.

2 marks

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AO2: Application

5 Explain one reason why employees may be interested in their employer's liquidity. **4 marks**

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6 Explain the importance of return on capital employed for a public limited company. **4 marks**

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7 Explain one reason why a furniture retailer may calculate a competitor's receivables days. **4 marks**

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8 Explain how a manager could try to improve inventory turnover. **4 marks**

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AO3: Analysis

- 9** Using your knowledge of financial ratio analysis and the extract of Eezy Ltd's balance sheet, analyse the business's liquidity.

12 marks

	31 March 2017	31 March 2018	31 March 2019
Non-current assets	£680,000	£690,000	£700,000
Current assets	£95,000	£100,000	£108,000
Current liabilities	£105,000	£95,000	£92,000
Non-current liabilities	£234,000	£214,000	£207,000
Total equity	£436,000	£481,000	£509,000

[illegible]

10 Analyse the importance of receivables days for a start-up business experiencing cash flow difficulties.

12 marks

[illegible]

- 11** Analyse one benefit and one drawback to a multinational business of assessing its performance using financial ratio analysis.

12 marks



AO4: Evaluation

- 12** High gearing should be a significant concern to the shareholders of a public limited company. Do you agree with this statement? Justify your answer.

25 marks

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

- 13** Having a high receivables days figure is a significant concern for businesses experiencing cash flow difficulties. Do you agree with this statement? Justify your answer.

25 marks

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

- 14** It is highly likely that all suppliers will see liquidity as the most important measure of their customers' financial performance. Do you agree with this statement? Justify your answer.

25 marks

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

Analysing the existing internal position of a business to assess strengths and weaknesses: overall performance

It is important that managers analyse data other than financial statements to assess the strengths and weaknesses of a business. This data includes:

- operations data
- human resource data
- marketing data.

Managers should assess short- and long-term performance by analysing this data over time and through making comparisons with other businesses and with the industry in which they operate.

Kaplan and Norton's Balanced Scorecard model and Elkington's Triple Bottom Line are both methods which managers may use to assess the overall performance of the business.

Paper 1 Section A Multiple choice questions

- 1 Which of the following is an example of a strength?
 - A Skilled and knowledgeable employees
 - B Few competitors in the local area
 - C An increase in consumer income
 - D A change in consumer needs
- 2 To calculate return on capital employed it is necessary to use financial information from which of the following?
 - A The income statement and balance sheet
 - B The income statement and cash flow forecast
 - C The balance sheet and cash flow forecast
 - D The income statement, balance sheet and cash flow forecast
- 3 Which of the following is not a component of Kaplan and Norton's Balanced Scorecard?
 - A Financial perspective
 - B Customer perspective
 - C Learning and growth perspective
 - D Competitive process perspective
- 4 Which of the following ratios is most likely to be used to analyse liquidity?
 - A Return on capital employed
 - B Current ratio
 - C Gearing
 - D Payables days
- 5 What is the profit if a business has a return on capital employed of 20% and capital employed of £6.25 million?
 - A £125,000
 - B £1,250,000
 - C £31,250,000
 - D £312,500
- 6 A business could take which of the following actions to improve its current ratio?
 - A Purchase assets using cash
 - B Use an overdraft to increase borrowing
 - C Increase buffer stock levels
 - D Issue shares
- 7 Assuming all other things remain equal, which of the following businesses is most likely to be concerned about a rise in interest rates?
 - A A firm with a gearing ratio of 0%
 - B A firm with a gearing ratio of 33%
 - C A firm with a gearing ratio of 66%
 - D A firm with a gearing ratio of 100%
- 8 A business can use operations, human resources and marketing data to assess its strengths and weaknesses. Which of the following relates directly to operational data?
 - A Unit cost
 - B Market share
 - C Cash flow
 - D Labour turnover



- 9 Which of the following is used in the calculation of payables days?
- A Payables and receivables
 - B Payables and cost of sales
 - C Payables and revenue
 - D Payables and operating profit
- 10 Which of the following is used in the calculation of receivables days?
- A Receivables and payables
 - B Receivables and cost of sales
 - C Receivables and revenue
 - D Receivables and operating profit
- 11 Which of the following statements is true in relation to a SWOT analysis?
- A Increasing competition is a weakness
 - B A high level of labour turnover is a threat
 - C A fall in interest rates is a strength
 - D A rise in consumer incomes is an opportunity
- 12 A business has more current assets than current liabilities and 80% of capital employed comes from shareholders. Which of the following is true?
- A The firm has a low current ratio and low gearing
 - B The firm has a high current ratio and high gearing
 - C The firm has a low current ratio and high gearing
 - D The firm has a high current ratio and low gearing

Exam-style questions



Paper 1 Section B Short-answer questions



- 13 The following data relates to ABC Ltd. Calculate the difference between the firm's inventory turnover for the years 2018 and 2019.

4 marks



	2018 (£)	2019 (£)
Revenue	£650,000	£710,000
Cost of sales	£235,000	£255,000
Receivables	£35,000	£40,000
Inventory	£32,000	£35,000

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- 14 Based on the data in Question 13, calculate the difference between the firm's receivables days for the years 2018 and 2019.

4 marks

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Exam-style questions



50

Paper 1 Section C/D Essay questions

- 18** Financial ratio analysis allows the shareholders of limited companies to assess business strengths and weaknesses. Is this the most effective way to assess business performance?

25 marks

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

- 19** In the UK, many restaurant chains have announced plans to reduce their environmental impact by redesigning packaging and removing single-use plastics. To what extent do you believe that all large businesses should introduce these measures?

25 marks

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

Analysing the external environment to assess opportunities and threats: economic change

In addition to changes in the political and legal environment businesses must be aware of changes in the economic environment.

Economic factors in the external environment include:

- GDP (gross domestic product)
- taxation
- exchange rates
- inflation
- fiscal and monetary policy
- open trade versus protectionism.

Businesses need to interpret changes in economic data and understand the implications of these. They should also be aware of the opportunities that are available as a result of globalisation and the development of emerging economies.

Practice questions



AO1: Knowledge and understanding

- 1** Outline what is meant by the term 'exchange rate'.

2 marks

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- 2** Outline what is meant by the term 'gross domestic product'.

2 marks

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- 3** Outline what is meant by the term 'protectionism'.

2 marks

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