



**Business Studies**

**WELCOME**





Hello,

So that you are ready to go and not too rusty when we meet to start the course properly I have put together an introduction and a few activities to give you a taste of what it is like to study Business at A Level.

I look forward to meeting in September

Mrs Sherratt



# What is Business Studies?

**YEAR 12**: We study different types of business and their objectives e.g. Survival, profit and growth, as well as other goals such as ethics, reputation and customer service

Businesses have 4 key departments known as “functions”:

- ☛ Operations,
- ☛ Marketing,
- ☛ Human Resources
- ☛ Finance.

Within each of these departments there will be specific targets by which their performance can be monitored, reviewed and modified

# Business Strategy

**YEAR 13:** To develop strategies to do better they need to know how well they are doing:

- ☛ Internally: 4 key departments
- ☛ Externally: including changes in economy, technology, society, laws and competitors

Once the situation has been assessed they must decide what to do i.e. choose a strategic direction. Devising and implementing the new strategies can create problems and knowing how to manage this is important for success.



# A Level Business Studies

What Topics  
Shall I Study?



# Year 12

1. What is business?
  2. Managers, Leadership and Decision Making
  3. Marketing
  4. Operations
  5. Finance
  6. Human Resources
- 



# YR 13

## 1. Analysing the Strategic position

What are we doing and how well are we doing it?

## 2. Choosing the Strategic Direction

Where do we go next?

## 3. Strategic Methods

What do we do differently?

## 4. Managing Change

How do we implement the changes?



# Business Assessments

Exams are a mixture of

- Multiple Choice
- Short answers
- Long essays

Here are some to try.

*They are a mixture of calculations and written answers. It is tricky when you have had no lessons but I am sure you can have a go (especially with a bit of research)*



# Multiple Choice

1

On what is a piece rate system of payment based?

A The amount of overtime worked

☐

B The company's profit level

☐

C The number of hours worked

☐

D The number of items produced by the employee

☐

[1 mark]

2

An airline's average capacity utilisation on its London to Madrid route is 74%. The planes used for this route carry an average of 296 passengers per flight. What is the capacity of the planes used on this route?

A 219 passengers

☐

B 322 passengers

☐

C 370 passengers

☐

D 400 passengers

☐

[1 mark]

3

The sales revenue for a market has grown by 2% in 2016 compared with sales of £670 million in 2015.

What is the new sales revenue for the market?

**A** £13.4 million

☐

**B** £672.0 million

☐

**C** £683.4 million

☐

**D** £1340.0 million

☐

4

Actual output for a factory in April 2017 was 35 500 units and its maximum possible output was 46 500. What was its capacity utilisation?

**A** 73.09%

☐

**B** 76.34%

☐

**C** 82.13%

☐

**D** 83.25%

☐

# Answers

- 1 D: Paid for each piece they make
- 2 D: 296 people is 74% of capacity  
 $296/74 \times 100 = 400$
- 3 C:  $\text{£}670\text{m} \times 102 = \text{£} 683.4$
- 4 B:  $35,500 / 46,500 \times 100 = 76.34\%$

*There is not loads of maths but you need to be able to do the basics*

# Short Qs

*Have a go at these:*

1. Explain the value to a start-up business of using primary marketing research. [5 marks]
2. Analyse one way in which a large house-building firm might respond to a new competitor setting up in its market. [5 marks]
3. A retailer has decided to pay salaries to its employees instead of commission on the sales they make. Explain one benefit to the retailer and one benefit to the employees of making this change. [4 marks]


# Longer Answers

- ✔ A lot of questions are based on case studies of real or made up businesses
- ✔ Read about Sanjay then answer the Qs that follow





# Sanjay's Balti House





Sanjay had been employed as a cook in a family restaurant business in Birmingham for ten years. Its clients were a mixture of local residents, students and curry enthusiasts. It also benefited from passing trade as it was on a very busy road. The owners became very wealthy and this gave Sanjay ambitions of his own – he wanted to be an entrepreneur. He saved up £20,000 and began to look for a suitable place to open a Balti House of his own. One weekend he went on a holiday to Southport and decided that this would be the perfect location because:

- It had no Balti restaurant
  - It had busy holiday trade at weekends and in the summer
  - Unemployment was low in the town
  - Supplies of ethnic foodstuffs could be obtained from nearby Preston
  - Southport would be pleasant place for his family to live – the schools were good and the town was clean and pretty.
- 




Finding suitable premises was easy and Sanjay had soon leased a shop on the main road into the town. While viewing the premises he noticed how busy the traffic was – this would be another advantage he thought.

He took out a five-year lease for £10,000 and spent another £3,000 converting the premises to a restaurant. He spent £4,000 on furniture and equipment.

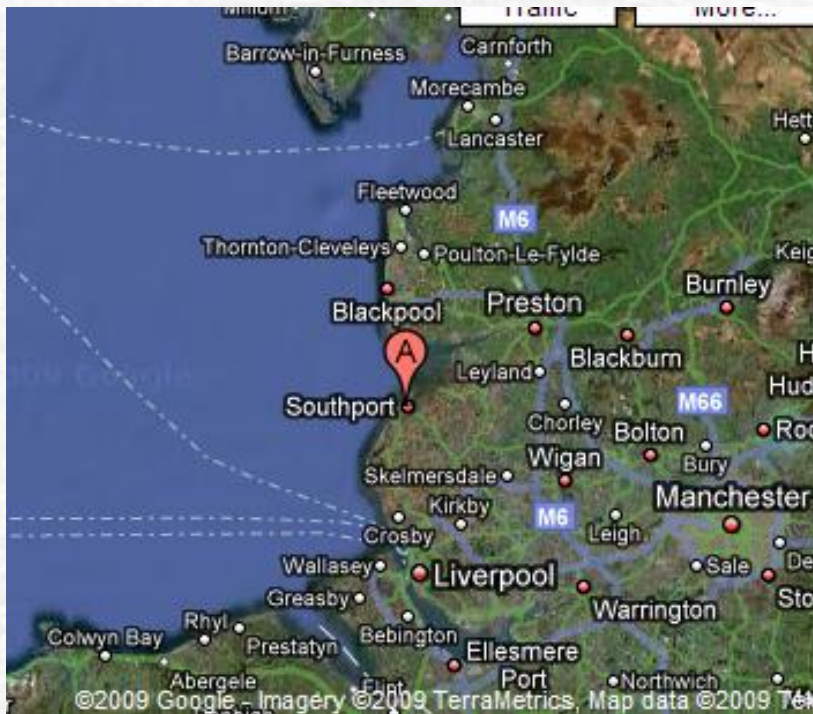
Two weeks before he opened he put advertisements in the local paper and installed a large flashing sign in the window saying “ Sanjay’s Balti House”

After four months of trading Sanjay was getting worried. Revenue was not enough to cover running costs. He posted leaflets through letterboxes in the area but demand did not increase and seven months after opening he had to close. He and his family moved back to Birmingham where he was fortunate to get his old job back. The failure had cost him £28,000





# Southport





## 9 mark question

Analyse why Sanjay's decided to  
become an entrepreneur?

Look in the case for reasons





## 16 mark question

Discuss how good his research was

Think about:

- What did he need to know?
- What did he do?
- What else should he have done?
- Was it good enough?

# 20 Mark Question

Evaluate what caused the business to fail?

There is no absolute right or wrong here.  
Nobody knows. Probably a combination of:

- ☛ Lack of Business Skills / Knowledge
- ☛ Quality of the product
- ☛ Lack of customers
- ☛ Lack of finance
- ☛ No suitable workers
- ☛ Poor promotion methods
- ☛ Timing

*Don't write about all of these  
Choose 3 and explain  
why they caused problems*

# **Y12 Business Studies**

**Mrs Shaw, Mrs Sherratt  
and Mr Bryden**

## 2.3 A-level

### Assessments

Paper 1: Business 1	+	Paper 2: Business 2	+	Paper 3: Business 3
<b>What's assessed</b> All content above		<b>What's assessed</b> All content above		<b>What's assessed</b> All content above
<b>Assessed</b> <ul style="list-style-type: none"><li>written exam: 2 hours</li><li>100 marks in total</li><li>33.3% of A-level</li></ul>		<b>Assessed</b> <ul style="list-style-type: none"><li>written exam: 2 hours</li><li>100 marks in total</li><li>33.3% of A-level</li></ul>		<b>Assessed</b> <ul style="list-style-type: none"><li>written exam: 2 hours</li><li>100 marks in total</li><li>33.3% of A-level</li></ul>
<b>Questions</b> Three compulsory sections: <ul style="list-style-type: none"><li>Section A has 15 multiple choice questions (MCQs) worth 15 marks.</li><li>Section B has short answer questions worth 35 marks.</li><li>Sections C and D have two essay questions (choice of one from two and one from two) worth 25 marks each.</li></ul>		<b>Questions</b> Three data response compulsory questions worth approximately 33 marks each and made up of three or four part questions.		<b>Questions</b> One compulsory case study followed by approximately six questions.

Before the qualification can be awarded, students must undertake **all** the assessments.

# Overview

To give you an idea about what A Level Business Studies involves and how you are assessed we're going to look at a case study and some exam questions.




# Let's take a look at Amazon



**amazon.com**

Amazon was founded by Jeff Bezos in 1995 and has grown to be the world's largest online retailer. Amazon began life as an online book store, however, it soon diversified into selling DVD's, CD's, music downloads and toys. Now, virtually anything can be purchased via Amazon. Since 2000, the logo has shown an arrow leading from A to Z, representing customer satisfaction (as it forms a smile) as well as representing one of Amazon's key objectives, to have every product in the alphabet.

All products are stocked and distributed through Amazon's 'fulfilment centres', huge warehouses located throughout the world.

 Watch the video clip that shows inside one of Amazons UK fulfilment centres.



2011 saw Amazon's 'biggest ever Christmas', with record sales, however, despite this, the company has recently announced a sharp fall in profits in 2011 (as well as a worsening cash flow position) despite revenues rising by 35% and has warned of worse to come in 2012. Amazon blamed the fall in profits on a number of factors, one being that sales of their Kindle were hit hard by sales of the iPad 2 throughout 2011. Amazon continues to invest heavily in new product development and other projects in order to sustain their recent 35% sales growth. They are building a number of new UK fulfilment centres as well as developing a new and improved Kindle. Amazon are also investing in a number of high street stores which will stock, amongst other things, Amazon exclusives like the Kindle e-reader, Kindle Fire Tablet and its proprietary e-books. Industry experts believe this is a questionable move and will increase Amazon's overheads; one of the main reasons Amazon began as an on-line business.

Christopher North, Managing Director of Amazon.co.uk says that despite falling profits, investing in new product development, new fulfilment stores and high street retailing is the best way to ensure that Amazon remains competitive and achieves long term profitability.

### Amazon Summarised Financial Data (2010 – 2011)

Figures in \$millions	2010	2011
Net Sales	35600	48077
Total Expenses	34252	47215
Net Profit	1348	862
Capital Invested	7854	9458





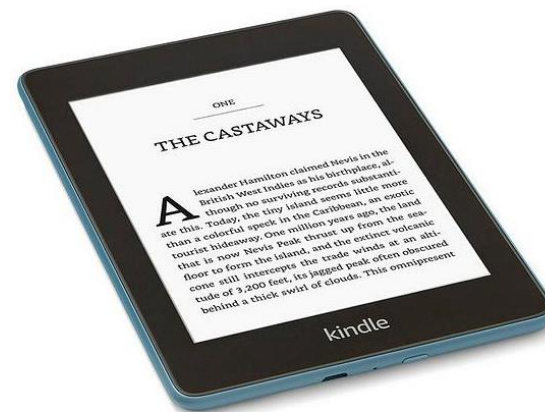
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2016 saw Amazons 'biggest ever Christmas', with record sales, however, despite this, the company has recently announced a sharp fall in profits in 2016 (as well as a worsening cash flow position) despite revenues rising by 35% and has warned of worse to come in 2017. Amazon blamed the fall in profits on a number of factors, one being that sales of their Kindle were hit hard by sales of the iPad throughout 2016.



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Christopher North, Managing Director of Amazon.co.uk says that despite falling profits, investing in new product development, new fulfilment stores and high street retailing is the best way to ensure that Amazon remains competitive and achieves long term profitability.

### Amazon Summarised Financial Data (2015 – 2016)

Figures in \$millions

	2015	2016
<u>Net Sales</u>	35600	48077
<u>Total Expenses</u>	34252	47215
<u>Net Profit</u>	1348	862
<u>Capital Invested</u>	7654	9458

# Calculations

- Business studies involves some maths.
- It's mainly remembering formulas and making sure that you use the correct figures from a case study.
- Here is some examples (based on the Amazon case study) of the types of calculations you will need to perform

# Calculating the net profit margin



$$\text{Net profit margin} = \frac{\text{Net profit (before tax)}}{\text{Sales}} \times 100$$



**Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016**

Net Profit Margin 2015	Net Profit Margin 2016
<b>Formula = Net Profit / Sales (turnover) x 100</b>	



Always show the formula and your workings



**Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016**

**Net Profit Margin 2015**

**Net Profit Margin 2016**

**Formula = Formula = Net Profit / Sales (turnover) x 100**

**Net Profit Margin for 2015 = 3.79%**

**Net Profit Margin for 2016 = 1.79%**





## Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016

Net Profit Margin 2015	Net Profit Margin 2016
<b>Formula = Net Profit / Sales (turnover) x 100</b>	
<b>Net Profit Margin for 2015 = 3.79%</b>	<b>Net Profit Margin for 2016 = 1.79%</b>
<b>This means that:  For every £1 of sales Amazon achieves 3.79p net profit</b>	<b>This means that:  For every £1 of sales Amazon achieves 1.79p net profit</b>

# Calculating return on capital



$$\text{Return on Capital} = \frac{\text{Net Profit (before tax)}}{\text{Capital Invested}} \times 100$$



**Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016**

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**Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016**

**Return on Capital for 2015**

**Return on Capital for 2016**

**Formula = Net Profit / Capital Invested x 100**

**Return on Capital for 2015 = 17.61%**

**Return on Capital for 2016 = 9.11%**



**Using the financial data provided calculate Amazon's net profit margin and return on capital for 2015 and 2016**

Return on Capital for 2015	Return on Capital for 2016
<b>Formula = Net Profit / Capital Invested x 100</b>	
<b>Return on Capital for 2015 =17.61%</b>	<b>Return on Capital for 2016 = 9.11%</b>
<b>This means that:  For every £1 invested in Amazon 17.61p is returned</b>	<b>This means that:  For every £1 invested in Amazon 9.11p is returned</b>



# Improving Profitability



# **Profitability**

Profitability is the ability of a business to generate profits from its activities

**What could Amazon do to increase profitability? Have a think!**

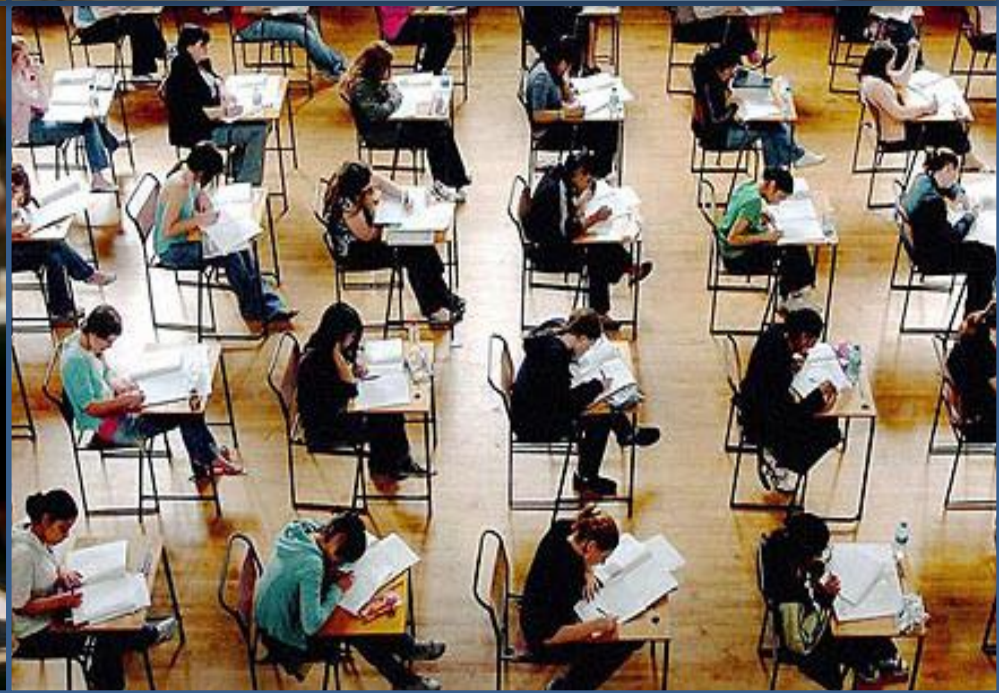
# What could Amazon do to increase profitability?

- Here are some ways Amazon could increase profitability:
- **Reduce costs**
  - Reduce variable costs such as raw materials
  - Reduce fixed costs such as rent
- **Increase revenue**
  - Increase selling price
  - Increase quantity sold
- **Make better use of production capacity**
- **Increased marketing**



# Exam Style Question

Approaching the big mark questions



# **What are the pros and cons of Amazon's investment?**

- Read slide 7 to see exactly what Amazon are planning to invest in.



# Pros and Cons of Amazon's investment

## Advantages

- **More competitive**
- **Attract more customers**
- **Increase reputation**
- **Increase market share**

## Disadvantages

- **Many new products fail**
- **More retail stores will increase overheads**
- **Potential cash flow problems**
- **Opportunity cost**

# Exam question



**According to Christopher North, the best way to increase Amazon's long term profitability is to invest heavily in the business. To what extent do you agree with this statement? Justify your view (16 marks)**

Possible answer structure coming up.....



## Definition of Profitability

Profitability is the ability of a business to generate profits from it's activities


<b>Definition of Profitability</b>	Profitability is the ability of a business to generate profits from it's activities
One reason why investing heavily in Amazon is the best way to increase profitability is..	Because Amazon operates in a highly competitive market therefore investing in new product development is crucial to allow them to compete, become more competitive and increase profitability

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However, one reason why investing heavily may not be the best way to increase profitability is ...	Because many new products fail, therefore investing in new products may be an opportunity cost, therefore <b>reducing overall profitability</b>



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# Example conclusion

Overall, I would say that to a large extent investing heavily is the best way to increase long term profitability because of the market that Amazon operates in. The market is highly competitive therefore investing in new product development is crucial if Amazon want to successfully compete with the likes of Apples iPad. Although investing in retail stores carries a risk in terms of an increase in overheads, in the long term retail stores would attract more customers, increasing sales volume and therefore increasing long term profitability

## **Complete this question:**

Is increasing investment the best way  
to improve profitability for all  
businesses?

20 Marks

## \*Hints and help\*

- You need to present a balanced argument
- Try to include the following in your answer:
- Why might increasing profitability be important for some businesses?
- Why increasing investment may not be the best way to increase profitability? What other ways/methods could a business use to improve profitability?
- Overall what do you think and why? Answer the question? What does it depend upon?

# All businesses

- You need to apply your answer to ALL businesses
- Will methods of increasing profitability be the same for all businesses?
- How may it differ?
- Compare different businesses
- E.g. How would increasing profitability differ for businesses such as Aldi and Apple?
- Avoid listing points- stick to one point per paragraph!