

# A Level Business Transition Material

## This is an AQA Specification

E N M B W C H N G K C A X B D  
A M C Y O U J O J D D A C U O  
A U N N L L P I B E W A C F O  
H D C I S T A T L M P I Z F G  
N A V R A U E A F A T O E E L  
O P V E M R Y S C S D G C R A  
V D E P R E C I A T I O N S M  
E J I E R S T L R D P H A T R  
R A C I O Y E A Z G Z J I O O  
D O N A H E S N Y B W Z R C N  
R G E O C G T I F O R P A K N  
A X P I E M I T D A E L V S Q  
F G R Q E U L A V D E D D A L  
T P D X N K L R C A S H C O W  
F I X E D C O S T N P M P V O

1. ADDEDVALUE
2. ADVERSE
3. BUFFER STOCK
4. CAPACITY
5. CASH COW
6. CULTURE
7. DELAYERING
8. DEPRECIATION
9. FIXED COST
10. LEAD TIME
11. MASLOW
12. NORMAL GOOD
13. NPM
14. OVERDRAFT
15. PRICE ELASTIC
16. PROFIT



## Introduction

# A-level Business – the key to your career

This A-level Business course introduces you to all you need to know about working in business, providing a solid foundation for further study.

With a focus on helping you to become a good decision maker, you'll learn essential managerial skills, alongside techniques to help you become an analytical problem solver. These skills are all highly sought after and valued in a wide range of careers.

## Further study and career opportunities

If you'd like to study business, finance or management at university, A-level Business provides an excellent foundation. The skills you learn are also transferable across a broad range of subjects and careers.

Whatever you choose to do in the future, you'll find that the things you learn in this course will help. For example, you'll probably work with lots of different people, so knowledge of motivational theory will help you to work well with others and help them achieve their potential. You might have ambitious plans to start your own business. If that's the case, you'll find the marketing and finance topics particularly useful.

This pack will give you an insight into what you will be doing over the next two years. It is very important that you consider your courses carefully and you must want to do them



## The course outline

On this course you will study business in a variety of contexts (e.g. large/small, UK focused/global, service/manufacturing) and consider:

- the importance of the context of business in relation to decision making
- the interrelated nature of business activities and how they affect competitiveness
- the competitive environment and the markets in which businesses operate
- the influences on functional decisions and plans including ethical and environmental issues
- the factors that might determine whether a decision is successful eg the quality of data and the degree of uncertainty
- how technology is changing the way decisions are made and how businesses operate and compete
- the impact on stakeholders of functional decisions and their response to such decisions
- use of non-quantitative and quantitative data in decision making (including the interpretation of index numbers and calculations such as ratios and percentages)

### Strategic decision making (A-level only)

The study of strategic decision making should build on the study of decision making in the functional areas.

Students should consider:

- the impact of technology on strategic decision making
- the influences of Corporate Social Responsibility, ethical and environmental issues on strategic decisions
- the difficulties in forecasting future trends
- the importance of assessing feasibility and risk when making strategic decisions
- the impact on stakeholders of strategic decisions and their response to such decisions.



## Subject Content

You will be able to access this document on the school's website, you will therefore, be able to click on these links below to access the specification.

- [3.1 What is business?](#)
- [3.2 Managers, leadership and decision making](#)
- [3.3 Decision making to improve marketing performance](#)
- [3.4 Decision making to improve operational performance](#)
- [3.5 Decision making to improve financial performance](#)
- [3.6 Decision making to improve human resource performance](#)
- [3.7 Analysing the strategic position of a business \(A-level only\)](#)
- [3.8 Choosing strategic direction \(A-level only\)](#)
- [3.9 Strategic methods: how to pursue strategies \(A-level only\)](#)
- [3.10 Managing strategic change \(A-level only\)](#)

## Some Facts about the course

- You will need to calculate, interpret and analyse a wide range of numerical data relating to **finance, operations, marketing and human resources**. This means, you are expected to **learn the formulas** and perform **calculations**.
- You have to write **essays**, this means that you will have to write extended answers to questions; this requires attention to spelling and grammar.
- You will need to be aware of and understand current business issues and news. This means that you will have **read business news** and **watch the news** to know what is going on.



# The summer work

## Some calculations

Resource to complete the questions below:

- <http://www.tutor2u.net/business/topics>

To complete these calculations you will need to find the following formulas and key terms, put your answer under the formula:

### Task 1

1. The formula for working out **revenue**
2. The formula for working out **total costs**
3. The formula for working out **profit**
4. Explain what a **variable cost** is
5. Explain what a **fixed cost** is



## Task 2

Now complete the questions below; you must show all your workings:

1. Footie & Co sells footballs priced at £7.45 each. In a month they sell 234 footballs. Calculate their sales revenue for the month.
2. Charlotte's sells soft toys priced at £4.25 each. Their average sales per month in 2010 were 220. Calculate their revenue for 2010.
3. The revenue of Coffee to Go in 2010 was £545M. Their total costs were £28.5M. Calculate their profit (loss) for 2010.
4. Sergio Plc made a profit of £25M in 2010. Their revenue was £132M. Calculate their total costs.
5. In 2010 Ahmed's Toys had a revenue of £3.2M, fixed costs of £2.75M and variable costs of £530 000. Calculate their profit (loss) for 2010.
6. Energise has fixed costs of £10 000 per month and variable costs of £0.75 per energy bar made. It sells 1 500 bars per month. What is its total costs per month?



## Case study

### Shrewsbury and Midlands Railways Ltd

*Shrewsbury and Midlands Railways Ltd (SMR)* has operated trains from Shrewsbury through Birmingham to Marylebone Station in London since 2009. The company is in competition with much larger rivals such as Virgin Trains. It offers a distinctive and customer-friendly service targeted at a market segment comprising leisure (rather than business) travellers. It runs few trains during the rush hours and has a single fare irrespective of the time of travel. For example, its fare from Shrewsbury through Birmingham to London is £40. Virgin Trains charges over £150 for a quicker and more frequent service from Birmingham to London. *SMR's* market research has suggested that customers want a simple pricing policy and that price elasticity of demand is  $-2.2$  for the company's services.

The company's services have benefited from high levels of positive media reviews and sales have started to rise significantly as these services have entered the growth stage of their product life cycle. This was a relief for the management team as it could not afford expensive advertising campaigns. The company's financial performance has been weak, with ongoing cash flow problems.

*SMR's* workforce has grown steadily from 38 in 2009 to 74 by December 2011. The company advertises widely for staff to deliver its customer-friendly approach and invests in extensive training, including customer service. It will continue to rely on external recruitment as it expands. It forecasts increasing its passenger numbers by 175% between 2011 and 2013.

Responding to the results of primary market research, the company is keen to increase the quality of its services and the number of routes offered. It plans, once the finance becomes available, to refurbish its carriages and to provide facilities such as more comfortable seating, freshly cooked meals and free WiFi. Despite this commitment to improving quality, *SMR's* Chief Executive has argued that the company should have increased levels of capacity utilisation as its main operational target.

**Figure 1: SMR's key data 2009–2011**

	2009	2010	2011
Net cash flow	(£268 450)	(£202 115)	(£48 455)
Profit margin	-17.4%	-3.2%	1.3%
Average capacity utilisation	34.8%	50.4%	66.7%
Average cost per passenger	£54.45	£44.61	£36.52
Percentage of trains arriving on time	91.24	88.64	86.12
Labour turnover	18.4%	20.2%	20.6%



## Case study activities and questions

- You will need to read the case study carefully in order to answer the questions below.
- You will need to do some research to find out information if you do not know what something means.
- This work must be submitted on separate sheets and can be handwritten or typed.

### Task 3 – questions

1. Define all of the terms in figure 1. I.e. *Net Cash Flow is...*
2. For each of the categories in figure 1 explain whether it has improved or deteriorated for the business between 2009 and 2011.
3. What is the relationship between **capacity utilisation** and the **average cost** per passenger?
4. Explain what **price elasticity of demand** means.
5. Using the case study, explain the main differences between SMR and Virgin trains.
6. Analyse the impact on the business of the way SMR recruits and treats their staff.
7. Analyse why SMR conducted **primary market research**.

