

Scenario Pack

Understanding business activity

Cambridge IGCSE™ Business 0450

This *Scenario Pack* can also be used with the following syllabuses:

- Cambridge IGCSE™ (9–1) Business Studies **0986**
- Cambridge O Level Business Studies **7115**



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Introduction

This pack will help you to encourage your learners to develop and use higher order thinking skills such as application, analysis, evaluation and justification.

Important note

Our *Scenario Packs* have been written by **classroom teachers** to help you deliver lessons which develop higher order thinking skills. Use these materials to supplement your teaching and engage your learners. You can also use them to help you create lesson plans for other parts of the syllabus.

This is one of a range of *Scenario Packs*.

Each pack draws on subject knowledge from across the syllabus so that learners can focus on using higher order thinking skills in novel situations. A range of media is used in the packs to give learners an immersive experience within which they can use their skills. The packs can be used in any order to suit your teaching sequence.

In this pack will find the lesson plan, worksheets for learners, video file and teacher resource sheets you will need. Please note that the lesson timings are for guidance, and you may need to adapt these to suit your circumstances.

Decision Making

This *Scenario Pack* focuses on AO4, drawing mainly on subject knowledge from section 1 of the syllabus.

This lesson has links to the following syllabus content (see syllabus for detail):

- 1.1.3 Enterprise and entrepreneurship
- 1.3.3 Why some businesses grow and other remain small
- 1.4 The main features of different forms of business organisations
- 1.5.1 Businesses can have several objectives and the importance of them can change

This activity covers the following skills, adapted from **AO4: Evaluation** (see syllabus for assessment objectives):

- Understanding implications
- Drawing inferences and conclusions
- Making judgements
- Making decisions
- Making recommendations
- Presenting reasoned explanations
- Balancing arguments

Prior knowledge

Knowledge from the following syllabus topics is useful for this activity

- 2.1.2 Methods of motivation
- 2.3.1 Recruiting and selecting employees
- 4.4.1 The main factors influencing the location and relocation decisions of a business
- 5.1.2 The main sources of finance
- 6.6.1 Business cycle
- 6.2.1 Environmental concerns and ethical issues as both opportunities and constraints for businesses
- 6.3.1 The importance of globalisation

Scenario lesson: Understanding business decision making

Resources

- PPT
- Interactive video
- Worksheet A, Worksheet B, Worksheet C and Worksheet D

Learning objectives

By the end of the lesson:

- **all** learners should be able to make some decisions in given scenarios, giving some explanation for their choices
- **most** learners should be able to give reasoned answers for their decisions with some balance
- **some** learners will be able to fully justify their decisions, giving supported reasoning for their choices, to include arguments for and against

Timings

Activity



Introduction

Introduce your learners to the activity and using [Worksheet A](#), the background information on Jane.

Explain to learners that they will be working in teams to make business decisions for Jane based on information they will see in the video. Explain the three roles that need filling for each team, including what each role consists of, and the resources they will use.



Main lesson

After you have finished introducing the task, arrange learners into teams of three. Ask them to choose their roles and hand out the following worksheets to each team member



- Recorder: [Worksheet B](#)
- Key Term Checker: [Worksheet C](#)
- Response Coordinator: Ask them to record the final decision on Worksheet B

Once they are in their teams, have chosen their roles and have been given the resources, do a final check that learners understand what they need to do. Once they are ready, start the **Interactive video** and ensure they follow the instructions as it plays.

Note: You can use the answers to [Worksheet B](#) to award the revenue for each decisions the teams make.

After the video has finished give the teams a final 90 seconds to make their final decision for the last scenario, then move on to the debrief as outlined below.

Scenario lesson: *Continued*

Timings	Activity
	<p>Debrief</p> <p>Ask learners to put their pens to one side so their answers can't be changed. The aim of the <u>debrief</u> is to provide a platform for learners to share and discuss the decisions they have made for Jane with other teams.</p> <p>Choose three or four scenarios to use in the debrief to form the basis for discussion. Ideally the discussion should be developed to help learners engage in higher order thinking skills. The following prompts may help with this.</p> <ul style="list-style-type: none"> • Ask a team what their decision was for one of the scenarios • Encourage them to explain their decision and get them to justify their answer by outlining why they thought their decision would be better for Jane than the other two options. They need to think about the advantages and disadvantages of each option and then how they used this to come to their final decision. • Ask the other teams if they agree – they must say why they do or don't and give reasons why. <p>These sorts of discussions should help your learners to understand how they should justify their answers when they are faced with different options to choose from.</p> <p>At the end of the debrief the 'Response Coordinator' for each team should bring their decision sheet to you to be scored.</p>
	<p>Plenary</p> <p>Hand out Worksheet D. This is an individual activity where learners have to justify their team's decisions for each scenario. This should give them the opportunity to individually practice the skill of giving justified answers and drawing conclusions.</p> <p>Learners need to say why they chose the decision they did over the other two. They should also be able to explain why they felt the other two options were not the most suitable. The aim is for your learners to consider, independently, the advantages and disadvantages of each decision and then decide on the final one for each scenario, saying why they have chosen it.</p>

Worksheets and answers

	Worksheets	Answers
A: Scenario information	9	–
B: Scenario record sheet	10-11	15-17
C: Key terms	12	–
D: Individual response sheet	13-14	–

Worksheet A: Scenario information

Jane has always been creative and has enjoyed making cosmetic and skin care products for her own use. Two years ago she was inspired by an entrepreneur who had turned a hobby into a small business.

After several months of planning and market research she set up 'The Natural World' as a sole trader, and started selling her products at local craft fairs. Since then some local retailers have been taking small amounts of her stock to sell in their shops.

A year ago she developed the business and started selling her products through the internet to reach a wider audience.

She's had a successful year, thanks to her sales from the internet, and knows that to keep up with the demand for her products from customers, she needs bigger premises and some help. She is currently making all her products on her own at her home.

Jane sources the ingredients and materials used to make her products from suppliers from around the world to ensure they contain as many natural ingredients as possible – she feels this gives her a unique selling point (USP). Jane uses a number of essential oils in her products, including walnut oil. Sourcing ingredients from reputable and reliable suppliers is important to her success.

Jane has some important decisions to make and she would like your help.

Your task is to help her decide what to do in each given scenario.

1. Get into groups of three (your teacher may choose to put you into teams)
2. There are three roles - you will need to decide who takes each role
 - a. **Recorder** – This role records each scenario on the grid sheet as they appear on the video animation
 - b. **Key term checker** – This role is responsible for checking that all team members are confident with any key terms linked to each scenario (use key term sheet for support)
 - c. **Response coordinator** – This role co-ordinates the discussed responses of the team for each scenario, and is responsible for recording the team's final decision for each scenario on the sheet provided and taking it to their teacher.

Your teacher will award revenue for each decision that is made. The amount of revenue awarded will depend on the decision your team makes!

Worksheet B: Scenario record sheet

Discuss the advantages and disadvantages of each decision, before you make your final justified choice. Show your choice by circling the decision you have chosen.

Scenario	Decision A	Decision B	Decision C
1	Rent bigger premises that will allow Jane to manufacture her products on a much larger scale products.	Rent premises for manufacturing and on-site sales (a shop).	Rent a bigger place to manufacture, and rent some retail space in someone's else's shop.
2	Jane should employ 20 workers.	Jane should employ 10 workers to start with.	Jane should employ 5 workers to start with.
3	Advertise in the local newspaper.	Advertise on job websites.	Go through a recruitment agency.
4	Use retained profit from the last 12 months.	Use hire purchase.	Take out a bank loan.
5	Purchase walnut oil and pass the additional cost onto customers by increasing price.	Absorb the increase in the cost of oil, so prices remain the same and cut costs elsewhere.	Find an alternative, but risk the quality of the products.

Worksheet B: *Continued*

Scenario	Decision A	Decision B	Decision C
6	Jane takes on the additional work herself.	Jane offers overtime to the other employees.	Jane recruits a temporary worker from a recruitment agency for the six week period.
7	Increase the spend on advertising and promotion to raise more awareness of products.	Introduce a value range using cheaper oils, which means a lower selling price for this range.	Change to a cheaper supplier to bring her selling prices down.
8	Source other types of packaging for the products, without adding significant costs to production.	Keep with the existing packaging and hope that she doesn't receive any negative publicity.	Reduce the amount of plastic packaging so the only plastic used is what is necessary.
9	Look for a substitute oil which isn't restricted.	Continue with the import of the restricted oil and make fewer products.	Develop a new range which uses smaller quantities of the oil and combine it with a substitute.
10	Switch from paying workers an hourly wage rate to a piece rate system.	Re-organise production working methods for efficiency.	Consult with workers on new ideas – listen to them.

Worksheet C: Key terms

Key term	What it means
Bank loan	Provision of finance by a bank which the business will repay with interest over an agreed period of time
Customer	An individual or business that buys goods and services from a business
Entrepreneur	An individual who takes the financial risk of starting and managing a new business
Hire purchase	The purchase of an asset by paying fixed repayment amounts per time period over an agreed period of time. The asset is owned by the purchasing company on completion of the final repayment.
Hourly wage rate	Payment to employees based on a fixed amount for each hour worked
Import	To bring in (merchandise, commodities, workers, etc.) from a foreign country for use, sale, processing, re-export, or services.
Overtime	Working time before or after one's regularly scheduled working hours; extra working time
Piece rate	A payment to employees based on the number of units provided
Pressure group	Organisations of like-minded people who put pressure on businesses and the government to change their policies to reach a predetermined objective
Productivity	A measure of the efficiency on inputs used in the production process, especially labour and capital
Quota	A physical limit on the quantity of a goods that can be imported and exported
Recession	This is when the economy shrinks in size
Recruitment agency	A business that finds employees for other businesses
Retained profit	Profit remaining after all expenses, tax and dividends have been paid, which is then ploughed back into the business
Retailer	Shops and other outlets that sell goods and services to the final customer
Revenue	The amount a business earns from the sale of its products
Sole trader	A business that is owned and controlled by just one person who takes all the risks and receives all the profits
Suppliers	Businesses that supply other businesses with raw materials, semi-finished goods or finished goods
Unique selling point (USP)	The special feature of a product that sets it apart from competitors' products

Worksheet D: Individual response sheet

Here you need to justify your team's final decision for each scenario.

For each decision, state one advantage and one disadvantage of Jane taking that decision, then say why you did or did not choose that decision as your final one.

Scenario	Decision A	Decision B	Decision C
1 Jane needs suitable premises to help her expand, but is unsure on the location and type of premises she should opt for.			
2 In order to grow her business, Jane will need to employ workers to help her make and sell her products. She's not sure how many to employ.			
3 As Jane has worked alone so far, she isn't sure how to recruit more staff. She needs to decide where to advertise.			
4 For Jane to increase production, she will also need to purchase new and additional equipment. She's not sure which is the best way to finance this.			
5 There has been a drought which has created a shortage of walnut oil. This has increased the cost of the oil. Jane isn't sure what she should do.			

Worksheet D: *Continued*

Scenario	Decision A	Decision B	Decision C
6 One of the employees breaks their arm and is off work for six weeks. Jane isn't sure how best to cover their workload.			
7 The economy is in a recession and sales have started to slow down. Jane needs to take action to help boost sales as she has employees relying on her for jobs and she has to continue to make a living herself. What should she do?			
8 Jane has noticed that an environmental pressure group have been trying to persuade businesses to use less plastic packaging. She is worried about any negative publicity she might get.			
9 A new quota has been imposed on one of the essential oils Jane imports from overseas. This means there is a limit on how much of this oil can be imported. She doesn't know what to do.			
10 Jane needs to increase the productivity of her workers and is wondering how best to do this.			

Worksheet B: Answers

Weakest decisions are awarded \$5, **suitable decisions** are awarded \$10 and the **strongest decision** is awarded \$15.

Scenario	Decision A	Decision B	Decision C
1 Jane needs suitable premises to help her expand, but is unsure on the location and type of premises she should opt for.	This is the strongest decision because she knows there is the demand for the product via the internet and from retailers. It doesn't provide the opportunity for onsite sales but this is still something she could pursue in the future after further market research.	This is the weakest decision because she would need to invest money in getting the shop ready and doesn't fully know if this will work, however the risk taken could potentially be rewarding	This is a suitable decision because if the retail element doesn't work she hasn't risked much money – this can be used to test if there is a market for her to sell direct to the public.
2 In order to grow her business, Jane will need to employ workers to help her make and sell her products. She's not sure how many to employ.	This is the weakest decision because she is at risk of employing more than she needs to which will be costly.	This is a suitable decision because she could employ some permanent and some on a temporary basis to allow her time to work out how many she needs and when.	This is the strongest decision because she won't fully know how many workers she will need until manufacturing starts and can employ more as she needs them.
3 As Jane has worked alone so far, she isn't sure how to recruit more staff. She needs to decide where to advertise.	This is the strongest decision because although it will cost Jane to advertise, the jobs are not highly skilled and would suit local people. It means she can help provide jobs for the local community.	This is a suitable decision because some websites allow you to list your jobs for free. It means it would reach a wider audience, but Jane needs to think about how local she would prefer her workers to be.	This is the weakest decision because it will cost Jane money, although it would save her time. Jane is looking for workers to produce her products so they do not need specialist skills.
4 For Jane to increase production, she will also need to purchase new and additional equipment. She's not sure which is the best way to finance this.	This is the strongest decision because Jane would not need to repay any money with interest as it is her profits from the previous year. However, Jane must have enough retained profit for the expansion for this to work.	This is the weakest decision because although it will allow Jane to spread the cost of the repayments over a period of time, she will pay interest and the equipment she buys will be secured against the borrowing.	This is a suitable decision because although Jane will pay interest on the borrowing, she can spread the repayments out and the interest is often lower than on hire purchase. Some business bank loans are unsecured against the asset. Jane needs to remember that as a sole trader she has unlimited liability.

Worksheet B: Answers, *continued*

<p>5</p> <p>There has been a drought which has created a shortage of walnut oil. This has increased the cost of the oil. Jane isn't sure what she should do.</p>	<p>This is the weakest decision because Jane risks losing customers to her competitors, unless she can add value for the customer without a further increase in cost, so the price rise seems justifiable to the customer. However, her core base of loyal customers would probably stay loyal even with a price rise.</p>	<p>This is the strongest decision because Jane doesn't risk losing her customers to competitors over price, so remains competitive for existing and new customers. If she is able to cut costs elsewhere without it damaging the product or production of it, this could be the easiest solution to the problem.</p>	<p>This is a suitable decision if it the alternative doesn't affect the quality of the product. It is a risk, but if Jane can source a suitable alternative and her products give customers the same experience, then she should be able to satisfy their needs and wants.</p>
<p>6</p> <p>One of the employees breaks their arm and is off work for six weeks. Jane isn't sure how best to cover their workload.</p>	<p>This is a suitable decision because this is only Jane's time and won't cost her any additional money, however there is a risk that some of her work for the business is neglected.</p>	<p>This is the strongest decision because it gives the other workers the opportunity to earn extra money which could be a motivator for them, although it may cost her a bit more as she is likely to be paying sick pay to the worker who is off work.</p>	<p>This is the weakest decision because it can be costly having agency staff. They would also need training which is time consuming when other works could take on the extra work themselves for additional pay.</p>
<p>7</p> <p>The economy is in a recession and sales have started to slow down. Jane needs to take action to help boost sales as she has employees relying on her for jobs and she has to continue to make a living herself. What should she do?</p>	<p>This is the weakest decision because it involves spending more money, which may raise awareness of her products to a wider audience, but it doesn't mean they have the money to be able to purchase them.</p>	<p>This is the strongest decision because it still gives people that air of luxury but at an affordable price. If it is being sold as value range people know that they are getting a nice product but would not expect it to be the same quality as the normal range and thus would expect to pay less. After the recession, this provides an opportunity for loyal customers of the value range to purchase from the normal range when they have more money.</p>	<p>This is a suitable decision because if Jane is careful and can find a cheaper supplier of the same ingredients, she can pass that saving onto her customers by offering lower prices for a period of time while people are struggling. However, she needs to ensure that the quality of the ingredients does not affect the overall quality of her products in a detrimental way.</p>

Worksheet B: Answers, *continued*

<p>8</p> <p>Jane has noticed that an environmental pressure group have been trying to persuade businesses to use less plastic packaging. Jane is worried about any negative publicity she might get.</p>	<p>This is the strongest decision because Jane could gain positive publicity as a business that is doing its bit for the environment at a time when focus is on businesses reducing the amount of plastic they use. However Jane needs to ensure it does add significant costs to production and that any alternative packaging still looks good and keeps the products in the condition they need to be.</p>	<p>This is the weakest decision because there is a risk that Jane would receive bad publicity if she had chosen not to work with local environmentalists. It is also possible that Jane would feel she wasn't doing her bit for the environment if she chose to do nothing. Some customers may also notice this.</p>	<p>This is a suitable decision because it shows she is trying to reduce the amount of plastic she uses by only using what is necessary, but ideally she should try to find a good alternative still. Jane will need to be careful that she doesn't increase her costs.</p>
<p>9</p> <p>A new quota has been imposed on one of the essential oils Jane imports from overseas. This means there is a limit on how much of this oil can be imported. She doesn't know what to do.</p>	<p>This is a suitable decision because it means Jane's production levels will not be affected, however she needs to ensure that the substitute oil holds similar properties needed for producing quality products still, so that the customer does not feel they are being sold something of lesser quality and therefore inferior.</p>	<p>This is the weakest decision because it means that Jane is unlikely to be able to meet the demand for her products and therefore risks losing customers to her competition.</p>	<p>This is the strongest decision because it would be clear to customers that it is a new range rather than trying to replicate the same but with a different oil. It means that they still benefit from the qualities the oil brings but in a smaller amount. It could be that it costs less to produce and therefore brings a price reduction for the customer.</p>
<p>10</p> <p>Jane needs to increase the productivity of her workers and is wondering how best to do this.</p>	<p>This is the weakest decision because although it could motivate workers to increase their speed, it does risk the quality of the products being made. This method could also increase Jane's wage bill. Also, not all workers are motivated by money so it would not work for everyone.</p>	<p>This is a suitable decision because if Jane organises production in a more streamlined way and continuously trains the workers so they are confident in what they are doing, this should improve their productivity rate.</p>	<p>This is the strongest decision because most workers like to feel value. If Jane consults with her workers and encourages them to bring their ideas to her, this could be enough to motivate them to what to do their best for Jane. This also doesn't have any monetary cost implications for Jane.</p>

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