



Cambridge Assessment
International Education

Teaching Pack

AO4 Evaluation

External influences on business activity

Cambridge IGCSE™

Business 0450

This *Teaching 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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Icons used in this pack:



Assessment Objective (AO) lesson



Skill development lesson



Independent lesson

Introduction

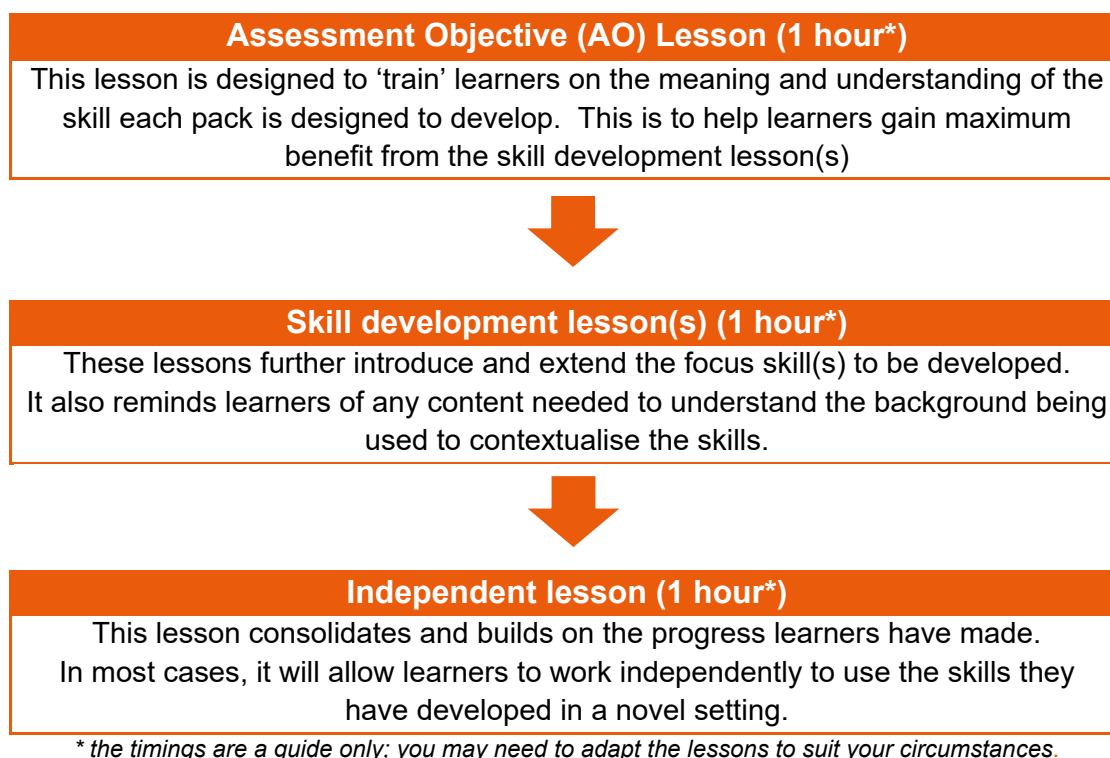
This pack will help you to develop your learners' higher order thinking skills as defined by AO4.

Important note

Our *Teaching 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 *Teaching Packs*. Each pack is based on one element of the syllabus with a focus on specific skills within one of the assessment objectives. The packs can be used in any order to suit your teaching sequence.

The structure is as follows:



In this pack you will find the lesson plans, worksheets for learners and teacher resource sheets you will need to successfully complete the lessons.

AO4: Evaluation

This *Teaching Pack* focuses on AO4 Evaluation:

- present reasoned explanations, develop arguments, understand implications and draw inferences
- make judgements, recommendations and decisions.

This *Teaching Pack* has links to the following syllabus content (see syllabus for detail):

- 6.1 Economic issues
- 6.2 Environmental and ethical issues
- 6.3 Business and the international economy

The lessons cover the following skills, adapted from **AO4: Evaluation** (see syllabus for assessment objectives):

- presenting reasoned explanations and developing arguments for external influences on business activity, in a range of business contexts and situations
- making judgements, recommendations and justifying operational decisions in a range of contexts and business situations.

Please note that Application and Analysis will feature in activities, but these skills are focussed on in more depth in other *Teaching Packs* and *Scenario Packs*.

Prior knowledge

Knowledge from the following syllabus topics is useful for the activities that follow:

- 6.1 Economic issues
- 6.2 Environmental and ethical issues
- 6.3 Business and the international economy

Teacher notes

The suggested activities are to help engage your learners as they develop their skill of evaluation based on a range of business scenarios and contexts.

Learners can find evaluating different business situations, scenarios and contexts difficult. They need to focus on weighing up arguments for and against something, and being able to reach a supported, reasoned and justified decision.






The Assessment Objective (AO) lesson, skill development lesson and the independent lesson activities will help learners practise this.



AO lesson: Mastering evaluation

- | | |
|------------------|--|
| Resources | <ul style="list-style-type: none"> PowerPoint presentation Worksheet A, Worksheet B, Worksheet C and Worksheet D |
|------------------|--|

- | | |
|----------------------------|---|
| Learning objectives | <p>By the end of the lesson:</p> <ul style="list-style-type: none"> all learners should be able to use an evaluation chain to draft an answer to a given question most learners should be able to use their evaluation chain to write an answer to a given question some learners will be able to write a model answer to a given question, using what they have learnt and without the need to refer to their evaluation chain |
|----------------------------|---|

Timings	Activity
 10 min	Introduction Take learners through the PowerPoint to explain what is meant by the term 'evaluation' in the context of answering exam questions. Notes have been put in the bottom section of the slides to support this, and the activities should help to illustrate examples of evaluation.
 10 min  15 min  15 min	Main lesson Continue using the PowerPoint resource and show the task – ranking and justifying. Hand out Worksheet A and when learners are finished, ask them to feed back. This could be done by grouping learners together according to their most important choice. Move onto the slide titled – Building an evaluative answer and hand out Worksheet B . Read the case study in the box at the top of the worksheet, and the practise question. Talk through steps 1-3 using the slides that follow, and give learners time to make notes in the relevant boxes on their worksheet. For step 4 give learners 15 minutes to write an answer in the box provided on the worksheet, using their notes in steps 1-3 to help them if they need it. For weaker learners, hand out Worksheet C which provides further structure for this task.
 10 min	Plenary Pick two or three learners to share their answers, paying particular attention to the structure. Hand out Worksheet D to help learners self-mark or peer mark. They should use the checklist to ensure that their answer is structured correctly and has included all of the relevant content. Learners should make corrections, so all finish with an example of how to structure a 'justify' style answer in the content of a case study.

Skill development lesson: External influences



Resources • Worksheet E, Worksheet F, Worksheet G and Worksheet H

Learning objectives

By the end of the lesson:

- **all** learners should be able to make a judgement between two options in a given business situation with some reasoning
- **most** learners should be able to make a judgement between two options in a given business situations and scenarios with good reasoning
- **some** learners will be able to make a fully supported and justified judgement, when making decisions between options in a given business situation

Timings

Activity



Starter

Explain to learners that this activity is designed to check / recap their knowledge and understanding of elements of core content from section 6.1.2 of the syllabus.

Hand out to learners [Worksheet E](#). They should sort the statements into two groups – one for the effects of interest rates increasing and the other for the effects of interest rates decreasing. Following this they should number the statements to show the order in which they would occur as interest rates increased or decreased.

Based on this activity, ask learners to identify the areas which need developing in this topic.



Main lesson



Learners should work in pairs using [Worksheet F](#).

Write on the board 'To what extent do the opportunities of globalisations outweigh the threats for businesses?' In their pairs, learners should take it in turn to select a statement from the sheet and decide if it is an opportunity or a threat. They should create two lists – one for opportunities and one for threats, and then use the statements to formulate an answer to the question. Remind learners of the AO lesson and the need to use the techniques they learnt to help them formulate the structure of their answer.

Choose 3 or 4 learners to feed back their supporting judgement to the class to encourage debate and discussion.

Skill development lesson: *continued*



Timings	Activity
	<p>Hand out Worksheet G.</p> <p>Ask learners to choose a multinational company (MNC) that is operating in their country or region. On the sheet learners should write the name of that multinational company they are considering.</p> <p>The other part of Worksheet G contains prompt cards. Learners should choose one of the prompts to give them a specific focus for them to use when answering the question.</p> <p>Learners should work with a partner to compare their impacts. They can add to their work anything they have learnt from their peer. They then use their findings to answer the question.</p> <p>Build in 5 minutes in at the end to hear 3 or 4 learners' answers.</p>
	<p>Plenary</p> <p>Show learners the following statement:</p> <p><i>'The advantages of being an ethical business always outweigh the disadvantages for it' Do you agree?</i></p> <p>Learners need to discuss in groups the advantages and disadvantages to a business of being actively ethical. Hand out Worksheet H. Learners should use the prompts on the worksheet, to develop a discussion. They then need to decide whether they agree or disagree with the statement, with one supporting reason for their decision.</p>



Independent lesson: Judgements and decisions

Resources

- Worksheet I, Worksheet J and Worksheet K

Learning objectives

By the end of the lesson:

- **all** learners should be able to make judgements using resources to support reasoned decisions
- **most** learners should be able to make judgements in several scenarios using resources as an aid for justifying decisions made
- **some** learners will be able to make judgements in given scenarios, giving fully supported answers for their decisions made independently

Timings

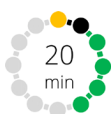
Activity



Starter

Hand out [Worksheet I](#).

Learners are to match the external influence with the effect it can have on businesses.



Main lesson

Hand out [Worksheet J](#).

Read the scenario with your learners. They should work in small groups to decide how the business should respond to different external factors. They should choose which external influence they would like to consider from Worksheet J. When they have chosen, they should then select what they think is the most appropriate response to that influence from the list on the worksheet. They should write down their reason for choosing that response and why they have chosen it – they must justify their chosen response.

As businesses can respond in several ways to external influences, and as long as the learners can justify why they have chosen the response they have, they can't choose a 'wrong' answer. However, some responses will be more appropriate than others.




Hand out [Worksheet K](#) and ask learners to work in teams of four.

The scenario is that a planning department has been given the task of carrying out a cost-benefit analysis on a site which is being proposed as a site for a car manufacturing business from an overseas company. The proposed site is close to a wildlife reserve and a residential area, so there has been a lot of opposition from the local community and environmental pressure groups. The local government thinks the foreign investment will help the local economy grow and is keen to go ahead. The team's job is to carry out a cost-benefit analysis of the proposed project, and to make a decision on whether it should be allowed to proceed.



Independent lesson: *continued*

Timings	Activity
	<p>Each learner in the team should take on one of the following roles:</p> <ul style="list-style-type: none"> • a member of the local government • a member of an environmental pressure group • a resident from the local community • the evaluator (the one who is going to make the decision, based on weighing up the evidence they hear from the three stakeholder groups). <p>Before their discussion, the three learners representing each of the stakeholder groups should note down on their sheet the relevant viewpoints for the stakeholders they are representing.</p> <p>The evaluator will then listen to all of the viewpoints and use the evidence presented to make a judgement on whether the proposed project should go ahead or not. They will give reasons for their judgement.</p>
	<p>Plenary</p> <p>In this closing activity the stakeholder groups are attending a planning meeting to hear the final outcome from all the evaluators in the previous activity.</p> <p>Set up the classroom so that there are rows of chairs in front of a table so that the stakeholders are the audience and the evaluators are at the front. All of the evaluators in favour of the project should sit at one side of the table, and all those evaluators that oppose it, sit on the other side. The evaluators should now collaborate, and both put their viewpoints forward based on the evidence they have collected from the stakeholder groups in the previous activity, and make a justified recommendation on whether the proposed plan should go ahead or not. If a unanimous decision cannot be reached, it is put to vote and the side with the most votes win.</p>

Worksheets and answers

	Worksheets	Answers
For use in Assessment objective (AO) lesson:		
A: Ranking and justifying	12	
B: Building an answer	13 – 14	
C: Structuring an answer	15	
D: Checklist	16	
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Worksheet A: Ranking and justifying

You are having a discussion with a friend about the new retail park that has just opened in your local area. You realise that it will have both positive and negative effects.

Rank the following external factors in order of greatest impact, with 1 being the greatest and 5 being the least, by placing a number down the left-hand side.

Rank	Factor
	Noise pollution
	Jobs for the local community
	Traffic congestion
	More variety for customers
	Threat to the existence of small businesses already established in the local area

Now justify the order of your ranking using the skills learnt from the introduction examples and using the starter sentences below.

I have chosen ... as the external factor I think will have the greatest impact on the local area with the new retail park opening, because...

I think it will have a greater impact than ... because ... and also ...

I think this because ...



Worksheet B: Building an answer

Use this worksheet to make notes as we go through the different elements of building an answer to the scenario and question shown below:

A large manufacturer of household cleaning products, producing goods such as bleach and washing liquids, have been targeted by pressure groups about the damage the chemicals in their products are doing to the environment.

Do you think a manufacturer like this one, should be concerned about the criticisms coming from pressure groups? Justify your answer.

Step 1 – Identify what the question is asking

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Step 2 – Context of the business

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Worksheet B: *continued*



Step 3 – The content of your answer

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Step 4 – Your answer to the question

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Worksheet C: Structuring an answer

A large manufacturer of household cleaning products, producing goods such as bleach and washing liquids, have been targeted by pressure groups about the damage the chemicals in their products are doing to the environment.

Do you think a manufacturer like this one, should be concerned about the criticisms coming from pressure groups? Justify your answer.

The question is about whether a large manufacturer of household products should be concerned about criticisms coming from pressure groups.

Paragraph 1

- Show you know what is meant by a pressure group in the context of a large manufacturing company of household cleaning products.

Paragraph 2

- Now explain why they should be concerned about them. You could discuss for example, consumers are becoming more aware of ethical and environmental issues and this could influence their choice of product as pressure groups can influence people's way of thinking with campaigns through mass media.

Paragraph 3

- Then explain why they should perhaps not be too concerned as many people still don't mind what their products are made from or how they are made. Also consider that in a time of economic downturn price becomes the important factor for many.

Paragraph 4

- Discuss how much they should be concerned will also depend on how much influence the pressure group has. For example, if the pressure group is highly influential and well known throughout the world then it may be in their interest to work with them and this could have a positive effect on profits as they will be seen as being caring to the environment. It would be good public relations for them.
- If the pressure group is less known and weaker with its influence, then they may choose to ignore them. It also comes down to how many people really care to the extent they would stop buying a business' products if value for money and quality is what they make their choice of purchase by.

Paragraph 5

- Make your judgement with supported reasoning.



Worksheet D: Checklist

Checklist	Tick
I have explained what a pressure group is	
I have explained why the manufacturer should be concerned about the criticisms coming from pressure groups	
I have explained why the manufacturer should perhaps not be so concerned about the criticisms coming from pressure groups	
I have considered what both sides might be dependent on	
I have come to a conclusion, and have made a decision on whether they should or they should not be concerned about the criticisms coming from pressure groups	
I have given supported reasons for my answer, fully explaining why, with evidence	
My answer is in the context of a large manufacturer of household cleaning products	

Worksheet E: Interest rates



1. Identify which cards would be an effect of increasing interest rates and which would be linked to decreasing interest rates. You could do this quickly by adding ↑ to those linked to increasing interest rates and ↓ to those linked to decreasing interest rates (one has been done for you).
2. Order the cards by adding numbers showing the chain of events as interest rates either increase or decrease (one has been done for you).

Borrowing (loans) cost more		Profits fall	
Sales of goods and services decrease		People borrow more money	
↑	4		
People buy more goods and services		Borrowing (loans) cost less	
People borrow less money		Profits rise	
Sales start to increase		People buy less	



Worksheet F: Effects of globalisation

To what extent do the opportunities of globalisation outweigh the threats for businesses?

Take it in turns to select a statement from the list below and decide whether it is an opportunity or a threat to business in light of the statement above.

Opens up access to new markets, which can lead to an increase in sales	Labour costs may be lower in host countries
Fluctuating exchange rates could cause profits to fall	Marketing costs are likely to rise
Opportunities to grow the business by expanding overseas	Local businesses in host countries may lose out as foreign businesses sell their goods at a lower price
Increase in competition can lead to increased efficiency as businesses try to compete on price	More competition between business in both the home and host country
Economies of scale gained	Opportunities to form trade blocs
Increased sharing of skills, knowledge and technology	Initial costs can be expensive as products and packaging are modified to suit cultural and language preferences of the market they are entering
Opportunity for those in less industrialised countries to be part of the international trading arena	Understanding the legal controls and regulations in different countries can be costly and time consuming
Businesses have less dependence on their local and national markets	Potential expansion due to exposure to a greater number of potential customers

Worksheet G: Multinationals



Complete the boxes below, using the prompt cards on the other page to help you. Then write your answer.

Name of MNC:

Actual or potential *positive* impacts

Actual or potential *negative* impacts

To what extent do you think this multinational company is having a positive impact on your country or region?

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Worksheet G: *continued*



Use these prompt cards to help you think about the impacts of your named MNC.

Have transportation and communication links improved?	What has the impact been on the environment?
Have jobs been created for the local community?	Have local businesses gained from it?
Has there been an increase in the quality and choice of goods?	Have infrastructures improved?
Has there been an increase in knowledge sharing between local businesses and the MNC?	What has the impact been on natural resources?
Has the rate of pay increased for local employees?	Has competition increased? What is the impact?
What has the social impact been?	Has it boosted the economy?

Worksheet H: Ethics



For	Against
Helps to improve the image and reputation of the business. Leads to increase in sales and investment = growth	Ethical sourcing of materials can be costly – cost has to be absorbed by the business or passed onto the customer – reduced profits
Increased motivation from employees	Increase in costs to improve working conditions and pay for workers – reduces profits
Increased customer awareness of ethical issues, businesses can use this to improve their brand	Not all consumers make their choices based on ethics – many are driven by price
Failure to follow ethical pressure or policies can lead to a damaged reputation	Need to work hard at showing it is genuine rather than being done to increase profits through enhanced positive public relations
Investment towards the initial increase in costs can lead to long term positive reputation and the rewards that go with that	

Worksheet I: External influences and effects



Match each external influence to the effect it can have on businesses.

External influence	Effect on business
Changes in exchange rates	Government may impose fines and penalties on businesses that ignore regulations. There may be restrictions on where businesses can set up. Some governments reward companies that are energy efficient.
Rise in interest rates	Less demand for goods and services as consumers' disposable income falls. Businesses try to reduce costs so they are competitive on price.
Increase in import tariffs	Affects the levels of imports and exports. If the currency of the home country where a business is located is strong against another currency, then imports become cheaper for that business, but their exports become more expensive for overseas countries to buy.
Legal controls on the environment	Lower sales for those businesses who are selling goods that have been imported. Local business may benefit as their products are likely to increase in demand due to rising costs for the businesses importing.
Increase in income tax rates	Borrowing becomes more expensive for both business and consumers. Consumers spend less and business sales drop.



Worksheet J: Responding to external influences

Brix and Morta is a US based construction company that builds holiday apartments all over the world. They are known for their high quality approach. There are several external influences which are having an impact on them and they don't know how to respond. In each situation below, choose a response from the list shown in order to advise them on how you think they should respond. You must be able to give reasons for your choice.

External influences	
An environmental pressure group has been demonstrating outside one of their construction sites. They are gaining a lot of attention and Brix and Morta are concerned about the negative publicity this could be having on them. How should they respond?	There has been an increase in activity from human rights' groups in several countries, who are targeting large corporate companies to improve their working conditions. Brix and Morta abide by the laws and regulations in the countries they are operating in. They are concerned about the damage this could do to their reputation. How should they respond?
There is an increase in Corporation Tax which will reduce profits for the business. This is likely to discourage new shareholders investing, as well as reducing the amount of profit they can retain to re-invest into the business for further growth. How should they respond?	Brix and Morta have seen growth opportunities from emerging markets. Their plan is to borrow in order to expand, but interest rates have risen twice in the last six months, making the cost of borrowing more expensive. How should they respond?
Brix and Morta have a positive reputation for their work around the world. However, there is another building contractor that has started undercutting their prices quite dramatically, when bidding for contracts. How should they respond?	Inflation has affected Brix and Morta as their raw materials (bricks) have become more expensive to buy. They don't want to let this impact on profits. How should they respond?

Possible responses	
<ol style="list-style-type: none"> 1. Follow sustainable business practise and reduce waste and pollution 2. Take legal action against them 3. Defend themselves to try and improve their damaged image 	<ol style="list-style-type: none"> 1. Look for alternative sources of finance to fund growth 2. Increase prices for building apartments to help meet costs 3. Move their base from the US to a foreign country with lower corporation tax
<ol style="list-style-type: none"> 1. Cut costs, so that prices can be reduced 2. Find a weakness in the competitors and capitalise on it 3. Market their brand and reputation as their unique selling point 	<ol style="list-style-type: none"> 1. Lobby influential political decision makers 2. Listen to what the human rights' groups have to say and comply with their demands 3. Ignore them as it isn't in every country they operate in
<ol style="list-style-type: none"> 1. Delay or cancel their plans for expansion into emerging markets 2. Borrow, and look to reduce costs in other areas to compensate 3. Look for alternative sources of finance 	<ol style="list-style-type: none"> 1. Look for cheaper suppliers to the ones they currently have, to offset the increase in costs 2. Pass the costs on to the hoteliers they are building the apartments for 3. Find ways of reducing their overheads

Worksheet K: Representing stakeholders



The planning department at the town council have been given the task of carrying out a cost-benefit analysis on a site which is being proposed to set up as a car manufacturing business from an overseas company. The proposed site is close to a wildlife reserve and a residential area, so there has been a lot of opposition from the local community and environmental pressure groups. The local government thinks the foreign investment will help the local economy grow and is keen to go ahead. Your team’s job is to carry out a cost-benefit analysis of the proposed project, and to make a decision on whether it should go ahead.

Circle the stakeholder group you are representing and then use the space below to record your viewpoint for that group.

Local government	Environmental pressure group	Local resident
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Worksheet K: *continued*



The planning department at the town council have been given the task of carrying out a cost-benefit analysis on a site which is being proposed to set up as a car manufacturing business from an overseas company. The proposed site is close to a wildlife reserve and a residential area, so there has been a lot of opposition from the local community and environmental pressure groups. The local government thinks the foreign investment will help the local economy grow and is keen to go ahead. Your team's job is to carry out a cost-benefit analysis of the proposed project, and to make a decision on whether it should go ahead.

Evaluator

Record the viewpoints representing each of the stakeholder groups

Local government	
Environmental pressure group	
Local resident	

Worksheet E: Answers



Effects of an increase in interest rates	Effects of a decrease in interest rates
1) Borrowing (loans) cost more	1) Borrowing (loans) cost less
2) People borrow less money	2) People borrow more money
3) People buy less	3) People buy more goods and services
4) Sales of goods and services decrease	4) Sales start to increase
5) Profits fall	5) Profits rise

Worksheet I: Answers



External Influence	Effect on the business
Changes in exchange rates	Affects the levels of imports and exports. If the currency of the home country where a business is located is strong against another currency, then imports become cheaper for the business, but their exports become more expensive for overseas countries to buy.
Rise in interest rates	Borrowing becomes more expensive for both business and consumers. Consumers spend less and business sales drop.
Increase in import tariffs	Lower sales for those businesses who are selling goods that have been imported. Local business may benefit as their products are likely to increase in demand due to rising costs for the businesses importing.
Legal controls on the environment	Government may impose fines and penalties on businesses that ignore regulations. There may be restrictions on where businesses can set up. Some governments reward companies that are energy efficient.
Increase in income tax rates	Less demand for goods and services as consumers' disposable income falls. Businesses try to reduce costs, so they are competitive on price.

Worksheet K: Answers



Suggested answers to support discussion

Local government	<p>Help local economy grow</p> <p>Create jobs for local people</p> <p>Potential to bring other investors into the area</p> <p>Help other businesses local to the site – shops and cafes</p> <p>Improved infrastructure – better transport links, power supplies</p>
Environmental pressure group	<p>Concerned about pollution</p> <ul style="list-style-type: none"> - air (fumes from the manufacturing plant) - noise (increased traffic – lorries delivering) - light pollution – continuous production late into the night <p>Wildlife reserve – damage to the habitat</p> <p>Spoil natural spot of beauty – might affect tourist numbers</p>
Local resident	<p>Concerns about noise and air pollution increasing where they live – impact on house prices</p> <p>Traffic congestion</p> <p>But creates jobs for local people</p>

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