



Cambridge Assessment  
International Education

# Teaching Pack

## AO4 Evaluation

### Operations management

## 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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## Introduction

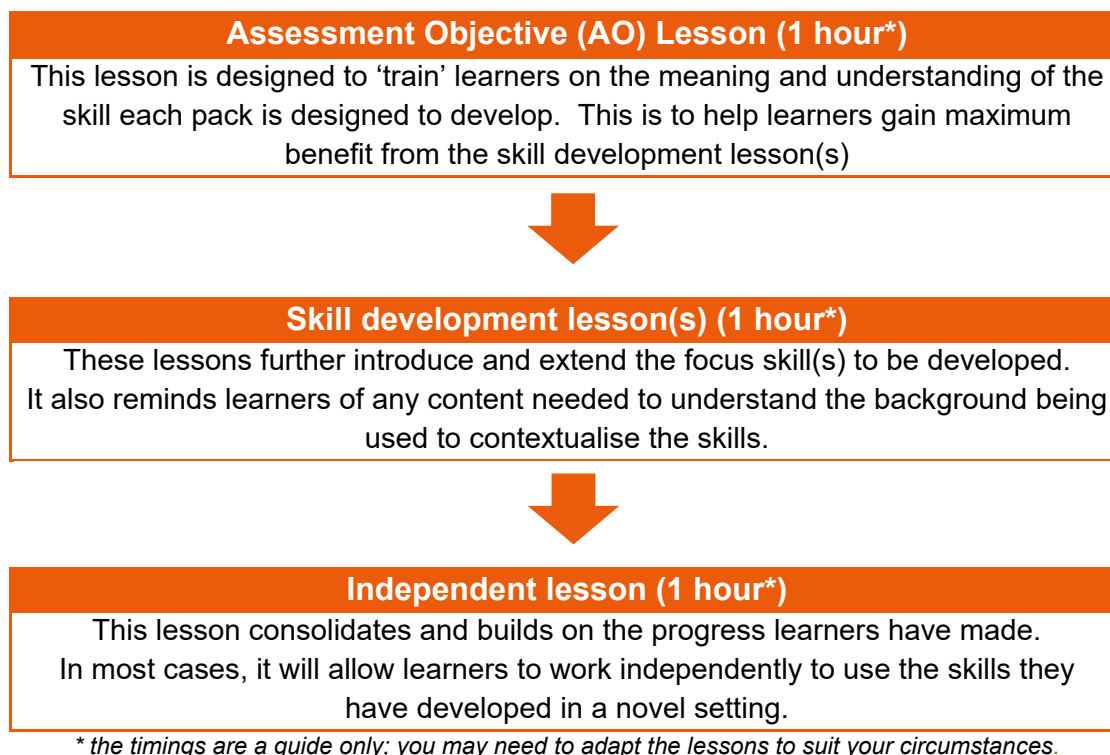
This pack will help you to develop your learners' higher order thinking skills as defined by AO4.

### 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):

- 4.1.2 The main methods of production
- 4.2.3 Break-even analysis
- 4.3.1 Why quality is important and how quality production might be achieved

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

- Presenting reasoned explanations and developing arguments for operational decisions in a range of business situations
- Making judgements, recommendations and justifying operational decisions in a range contexts and business situations

Please note that analysis and evaluation will feature in some activities, but these skills are focused 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:

- 4.1.2 The main methods of production
- 4.2.3 Break-even analysis
- 4.3.1 Why quality is important and how quality production might be achieved

### Teacher notes

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

Learners need to focus on weighing up arguments for and against something, and being able to reach supported, reasoned and justified decisions in a range of scenarios and contexts.

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



## AO lesson: Applying stakeholder views

### Resources

- PowerPoint presentation
- Worksheet A, Worksheet B, Worksheet C and Worksheet D

### Learning objectives

By the end of the lesson:

- **all** learners should be able to use the provided structure to draft an answer to a given question
- **most** learners should be able to use the provided structure 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 the provided structure

### Timings

### Activity



#### Introduction

Use the PPT presentation 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 slide to support this resource, and the activities should help to illustrate this by providing examples of evaluation.



#### Main lesson

Continue using the PowerPoint resource and show the justifying and ranking task. Hand out [Worksheet A](#) and once they are finished, ask learners to feed back – this could be done by grouping learners together according to their most important choice.



Move to the section of the PPT that describes how to build an evaluative answer. Hand out [Worksheet B](#) and ask learners to read the case study and the practise question.


Talk through steps 1-3 and give your learners time to make notes on their handout in the relevant sections.



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.

## AO lesson: *continued*



Timings	Activity
	<p><b>Plenary</b></p> <p>Pick two or three learners to share their answers, paying particular attention to the structure.</p> <p>Hand out <a href="#">Worksheet D</a> to help learners self-mark or peer mark. They should use the checklist to ensure that they have structured their answer correctly and have modelled the content they could use. Your learners should make corrections to their answer, so they all finish the lessons with an example of how to structure a 'justify' style answer in the context of a specific case study.</p>



## Skill development lesson: Evaluating in operations

### 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 judgements about business scenarios with some reasoning, when given a choice of two options to choose from
- most** learners should be able to make judgements about business scenarios with good reasoning, when given a choice of two options to choose from
- some** learners will be able to make a fully supported and justified judgement, when making decisions between options in given business scenarios

### Timings

### Activity



#### Starter

You will need to use [Worksheet E](#) and learners will need to be in groups of three. Hand out a set of cards to each group. Two will play the game, the third will have the answer sheet. The cards are placed face down between the two playing the game. Each learner takes it in turn to pick up a card. They read the definition to their opponent and if their opponent tries to guess the key term correctly. If they do, they keep the card. The third member of the group will be checking the answers. Learners should take it in turns to assume this role so all three get to check their knowledge. The one with the most cards at the end wins



#### Main lesson

Put the learners into groups of three, so that they can assume one of the following roles each:

- an expert on quality assurance
- an expert on quality control
- the evaluator.



Hand out the relevant part of [Worksheet F](#) to each learner based on their role. Give the learners with the quality assurance and quality control roles, five minutes to remind themselves of the topic and to prepare themselves to put forward arguments why their system of quality is the best method of quality production for the business scenario.

The evaluator will read the scenario to the two learners who are preparing. Each will need to give the advantages to the evaluator in why they should choose their method and not the alternative.





## Skill development lesson: *continued*

Timings	Activity
	<p>The evaluator should be given three minutes to weigh up what the two experts have said, to help reach a justified, supported and well-reasoned argument, for whether the business should stay using a quality control as their quality production method or move to a quality assurance method of quality production.</p> <p>Each team of three should join with another team to compare outcomes.</p> <p>Hand out <a href="#">Worksheet G</a> to learners. They have to identify which are the benefits and which are the limitations, using two different coloured pens or by writing 'benefit' or 'limitation' alongside each statement. Learners should then use this sheet to help them arrive at a justified conclusion for the statement:</p> <p style="background-color: #f9cb9c; padding: 10px; text-align: center;">‘To what extent do you think break-even analysis is a useful planning tool?’</p> <p>Learners are encouraged to write their answers in the space provided and then discuss with other learners, to help develop the ability to create well-reasoned arguments.</p>
	<p><b>Plenary</b></p> <p>Split learners into groups of 6 and give them three copies of <a href="#">Worksheet H</a> which gives a brief profile of the <i>Sweet Factory</i>'s business activity. Building on what they have learnt and re-visited in earlier tasks and the AO lesson, learners are to formulate a group answer to the statement below.</p> <p style="background-color: #f9cb9c; padding: 10px; text-align: center;">‘Production Manager Tony, at The Sweet Factory says break-even analysis is a waste of time’ Do you agree?</p> <p>Teams should share their answers and offer each other feedback on how they could be improved, or what has been argued well.</p>



## Independent lesson: Evaluating to make judgements

### 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

### Timings

### Activity



#### Starter

Hand out [Worksheet I](#) to learners.

Learners are to identify if the statements are true or false.



#### Main lesson

Hand out [Worksheet J](#).

This is an opportunity for learners to build on the quality assurance, quality control activity in the previous lesson. Read through the scenario with the class. Explain to your learners that the business is considering investing time and money into adopting a quality assurance system following the number of complaints about poor quality in the last six months.

Learners will work in pairs and use the information cards on [Worksheet J](#). The information should help them to formulate an answer to the following question:

'Should TT introduce quality assurance'? You must justify your answer.




Hand out [Worksheet K](#).

The first page is a resource containing definitions and benefits and limitations of the three methods of production, along with factors to consider when choosing which method of production to use – job, flow and batch. The second worksheet has three scenarios on it where learners are asked to make justified decisions based on their ability to weigh up the options before making their final decision. Remind your learners that this means not just giving reasons why their chosen decision is the right one, but also the reason why the alternative is not the right decision. Build in 5 minutes for learners to discuss their answers. You could organise it so that all those that suggest one option for each scenario, go to one side of the room and the other option to the opposite side of the room, to form a class debate.

## Independent lesson: *continued*



Timings	Activity
	<p><b>Plenary</b></p> <p>Ask learners to consider what they think are the three most important pieces of information they would give to someone who didn't know how to justify a decision they had made? They should compare their list with someone else's then as a pair join another pair so they become four and draw up a definitive list for the three most important pieces of information. Ask for each group of four to feed back and fully justify their final list so that the whole class can work together to create a final three key pieces of advice which can then be stuck on the wall of the classroom to be used as a reminder.</p>

## Worksheets and answers

	Worksheets	Answers
<b>For use in Assessment objective (AO) lesson:</b>		
<b>A:</b> Ranking and justifying	<b>13</b>	
<b>B:</b> Building an answer	<b>14 – 15</b>	
<b>C:</b> Structuring an answer	<b>16 – 17</b>	
<b>D:</b> Checklist	<b>18</b>	
<b>For use in Skill development lesson:</b>		
<b>E:</b> Production key terms	<b>19</b>	
<b>F:</b> Quality control or quality assurance?	<b>20 – 22</b>	
<b>G:</b> Break-even analysis – a debate	<b>23</b>	<b>30</b>
<b>H:</b> The Sweet Factory	<b>24</b>	
<b>For use in Independent lesson:</b>		
<b>I:</b> True or false?	<b>25</b>	<b>31</b>
<b>J:</b> Adopting quality assurance	<b>26 – 27</b>	
<b>K:</b> Methods of production	<b>28 – 29</b>	

## Worksheet A: Ranking and justifying



You are having a discussion with a friend about which entrepreneurial skill / quality is the most important to help turn ideas into a real and profitable business. You both recognise that they are all important, but if you had to decide that one was more important than the others, which would you choose? You must justify your answer.

Rank the following skills / qualities in order of importance, with 1 being the greatest and 5 being the least, by placing a number down the left-hand side.

Rank	Factor
	Risk taker
	Innovative
	Initiative
	Self-motivated and determined
	Leadership

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 most important entrepreneurial skill / quality because ...*

*I think it is more important than ... because ... and also more important than ... and ...*

*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:

*The Pizza Palace* is a factory which produces ready-made pizzas which it sells to supermarkets and other retail outlets. The managers are under pressure from the shareholders to reduce the costs of producing each pizza, as one way of helping to maximise profits. They have been looking at ways to improve labour productivity so that they increase the number of pizzas made with the same number of employees, so that on average each employee will make more pizzas and therefore are more productive. They are considering three options:

- improving the skill level of employees
- improving the motivation of employees
- introducing more automation and more or better technology.

**In your opinion, which option would be the best for management at *The Pizza Palace* to choose? 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

*The Pizza Palace* is a factory which produces ready-made pizzas which it sells to supermarkets and other retail outlets. The managers are under pressure from the shareholders to reduce the costs of producing each pizza, as one way of helping to maximise profits. They have been looking at ways to improve labour productivity so that they increase the number of pizzas made with the same number of employees, so that on average each employee will make more pizzas and therefore are more productive. They are considering three options:

- improving the skill level of employees
- improving the motivation of employees
- introducing more automation and more or better technology.

**In your opinion, which option would be the best for management at *The Pizza Palace* to choose? Justify your answer**

The question is about how management could improve productivity.

### Paragraph 1

- To answer this question you must first show you understand what productivity is and each of the options *The Pizza Palace* could use to help improve it. This is the knowledge element.

### Paragraph 2

- Start by analysing the advantages of improving the skill level of employees. Issues to discuss could include; improved efficiency through better understanding of the job, increased motivation which will reduce labour turnover and therefore recruitment costs. It could also enable job rotation if they are trained in a number of tasks, which could relieve boredom and increase the work rate. However, they need to ensure that the training costs do not exceed the labour saving costs through increased productivity. There is also a danger that when employees are upskilled, they will take these abilities with them to a competitor. The level of skill required for production line work would also need to be considered when looking at the option of improving worker skills, due to the nature of the work.

### Paragraph 3

- Now do the same for the second option. Improving the motivation of employees tends to increase the efficiency of their work, because they are enjoying it. Management will however need to think about the schemes they will put in place to motivate employees i.e. how they might motivate the employees, which may incur cost, and how will they be able to satisfy the motivational needs of all workers.





## Worksheet C: *continued*

### Paragraph 4

- Do the same again but for the third option. They could also introduce more automation and more or better technology to speed up the making of each pizza, but they will need to think about the costs of purchasing the new machinery. Whichever option they use, they need to remember that the main reason for improving productivity is to reduce the cost of making each pizza, so the increase in output (number of pizzas) must be greater than the increase in costs.

### Paragraph 5

- You then need to weigh up the evidence – the advantages and disadvantages of each option and make a decision on which would be the best for *The Pizza Palace*, giving supported reasons for your answer, and why you think your chosen option is better than the other two, and why.



## Worksheet D: Checklist

Checklist	Tick
I have explained what productivity is and each of the three options <i>The Pizza Palace</i> could use to help improve it	
I have discussed the advantages and disadvantages of management improving the skill level of employees as a way of improving productivity	
I have discussed the advantages and disadvantages of management improving the motivation of employees as a way of improving productivity	
I have discussed the advantages and disadvantages of management introducing more automation and more or better technology as a way of improving productivity	
I have come to a conclusion, and have made a decision on which of the three options I think is best for the management of <i>The Pizza Palace</i> to use to help improve productivity	
I have given supported reasons for my answer, and why I think my chosen option is better than the other two, fully explaining why, with evidence	
My answer is in the context of <i>The Pizza Palace</i>	



## Worksheet E: Production key terms

How to play:

1. Place the cards face down.
2. One person picks up a card.
3. Read the definition to the other two people. They need to try to identify the key term that the card is referring to (this is shown underneath the definition).
4. The first person who gets the right answer keeps the card.
5. The person who guesses correctly picks up the next card.
6. Keep going until all the cards are gone. The winner is the one with the most cards.



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Cut out the cards below so each group of three has a set.

<p>The level of output where revenue equals total costs; the business is making neither profit or loss</p> <p><i>Break-even</i></p>	<p>The production of goods and services with the minimum waste of resources</p> <p><i>Lean production</i></p>
<p>A measure of the efficiency of inputs used in the production process, especially labour and capital</p> <p><i>Productivity</i></p>	<p>The production of items one at a time</p> <p><i>Job production</i></p>
<p>The production of goods in groups. Each group passes through one stage of production before moving on to the next stage</p> <p><i>Batch production</i></p>	<p>The production of very large quantities of identical goods using a continuously moving process</p> <p><i>Flow production</i></p>
<p>Costs that do not change with output</p> <p><i>Fixed costs</i></p>	<p>Costs that change in direct proportion to output</p> <p><i>Variable costs</i></p>
<p>All the variable and fixed costs of producing the total output</p> <p><i>Total costs</i></p>	<p>Production process that uses a high quantity of capital equipment compared with labour input</p> <p><i>Capital intensive</i></p>
<p>The minimum standard of production or service acceptable to consumers</p> <p><i>Quality standards</i></p>	<p>Checking the quality of goods through inspection</p> <p><i>Quality control</i></p>
<p>A system of setting agreed standards for every stage of production</p> <p><i>Quality assurance</i></p>	<p>The reduction in average costs as a result of increasing the scale of operations</p> <p><i>Economies of scale</i></p>

## Worksheet F: Quality control or quality assurance?



### Supporting information for the role of Evaluator

Your role is to listen to both experts and then to make a decision on whether *Airwaves* should stay with their current quality control quality system, or if they should move to a quality assurance quality system. You must justify your answer, giving supported reasons for your final choice.

*Airwaves* is a large manufacturing company that makes digital radios. They use a system of quality control which means that checks are not made on quality during the production process, but once the radios are made.

Quality checks and tests are carried out by inspectors to see if they reach the minimum quality standard required. If there is a problem, then it will be resolved at the end of the production process. Sometimes they are checked during the process, but even then, only a sample is checked as it is too costly and time consuming to check every one.

*Airwaves* have heard that adopting a quality standards system called quality assurance, could reduce the number of problems encountered at the end of the production process. Half of management feel it is still cost effective to stay with the current quality control system, whereas the other half feel it is time to move to the more modern system of quality assurance.

Record your notes in the spaces below on the arguments for and against each method of quality production presented to you, for the business scenario.

Quality control

Quality assurance

My justified decision

## Worksheet F: Quality control or quality assurance?



### Supporting information for the role of Quality Control

Your role is to put forward arguments for *Airwaves* staying with their current system of quality that is to continue using a quality control system.

*Airwaves* is a large manufacturing company that makes digital radios. They use a system of quality control which means that checks are not made on quality during the production process, but once the radios are made.

Quality checks and tests are carried out by inspectors to see if they reach the minimum quality standard required. If there is a problem, then it will be resolved at the end of the production process. Sometimes they are checked during the process, but even then, only a sample is checked as it is too costly and time consuming to check every one.

*Airwaves* have heard that adopting a quality standards system called quality assurance, could reduce the number of problems encountered at the end of the production process. Half of management feel it is still cost effective to stay with the current quality control system, whereas the other half feel it is time to move to the more modern system of quality assurance.

Use the information below to help you prepare your argument why they should stay with their current system of quality control and not move to a system of quality assurance.

- They employ trained quality inspectors.
- Good quality radios are made as the quality of completed radios is checked, through samples, for faults.
- Its enables *Airwaves* to achieve the quality standards it sets.
- It is intended to prevent faulty products reaching the customer, so having specially trained inspectors, rather than every individual being responsible for his or her own work, means they are specialists and know what they are looking for.
- It is less time consuming and costly compared to quality assurance as only the inspectors need training with the current system, whereas all staff will need training under a quality assurance system.

Record your notes here ready to present to the Evaluator who will be making the final decision.



## Worksheet F: Quality control or quality assurance?

### Supporting information for the role of Quality Assurance

Your role is to put forward arguments for *Airwaves* moving to a system of quality assurance.

*Airwaves* is a large manufacturing company that makes digital radios. They use a system of quality control which means that checks are not made on quality during the production process, but once the radios are made.

Quality checks and tests are carried out by inspectors to see if they reach the minimum quality standard required. If there is a problem, then it will be resolved at the end of the production process. Sometimes they are checked during the process, but even then, only a sample is checked as it is too costly and time consuming to check every one.

*Airwaves* have heard that adopting a quality standards system called quality assurance, could reduce the number of problems encountered at the end of the production process. Half of management feel it is still cost effective to stay with the current quality control system, whereas the other half feel it is time to move to the more modern system of quality assurance.

Use the information below to help you prepare your argument why they should not stay with their current system of quality control and should move to a system of quality assurance.

- In the medium to long-term costs are likely to be reduced as there is less wastage and repairing faulty goods as each item is checked at each stage of production.
- Employee motivation can increase as workers are responsible for ensuring the quality of their own work which gives them a sense of ownership.
- Increased customer satisfaction as the system should lead to a quality, no faults product
- Encourages teamwork which can be a motivator.
- As quality is the responsibility of all workers at each stage of production, it reduces the chances of faulty radios leaving the production line, as checks by sampling will not be occurring.

Record your notes here ready to present to the Evaluator who will be making the final decision.



## Worksheet G: Break-even analysis – a debate

Identify the benefits and limitations of using break-even analysis as a decision-making tool. Use either two different coloured pens/pencils or write by each statement which is a benefit, and which is a limitation.

It makes assumptions that all products / services are all sold, and at the same price.	Helps to identify any potential problems before it has happened.
Helps to show the relationship between a business' revenue and costs at different levels of output / sales – this will help business' make decisions on price, costs and output.	It is only forecast, and things can change such as costs.
Helps to decide if a business idea or new product is viable and the level of risk associated with it.	Calculations to look at different scenarios regarding price and output / sales is quick and easy to do.
It doesn't consider the stability of the business environment i.e. if there was a recession, then it could take longer to get to the breakeven point.	Helps to identify the minimum sales / output needed to avoid losses.
	It enables a business to identify what level of output is needed or what level of sales is needed before they start making a profit.

**'To what extent do you think break-even analysis is a useful planning tool?'**

## Worksheet H: The Sweet Factory



*The Sweet Factory* is a manufacturer of traditional sweets, who supplies sweet shops and online sellers all over the world. The production manager, Tony, has used break-even analysis to help with the planning of new lines of sweets being introduced. He has benefited from its uses, but has also experienced its limitations and recently said 'Break-even analysis is a waste of time'

**Do you agree with this statement?**





## Worksheet I: True or false?

Circle the correct answer for each statement.

1. Good evaluation means arriving a judgement, without giving reasons.  
True or False?
2. With evaluation you should always come to a decision, which is supported with reasons.  
True or False?
3. Evaluation should have a balanced view.  
True or False?
4. Presenting an opposite view for the sake of it is a good thing.  
True or False?
5. Evaluation is just a conclusion at the end.  
True or False?
6. Evaluation means using evidence to back up the judgement you have made  
True or False?
7. The 'It depends rule' can be used when making a judgement on whether the business should do something or not.  
True or False?
8. Connective or joining words, such as because, are useful to help support and explain a judgement  
True or False?

## Worksheet J: Adopting quality assurance



TT manufacture games consoles, and they use a quality control system for checking the goods before they leave the factory. This means they employ trained inspectors to sample the finished product before it is distributed to retailers. The business has been considering introducing a quality assurance system due to the number of complaints it has received from customers about the poor quality of products. In the last six months they have sold 50,000 consoles and have had complaints from 2% of those customers about the poor quality of what they have purchased.

**Should TT adopt a Quality Assurance process?** You must justify your answer

Use the cards on the following page to help you formulate an answer in the space below. Remember the structure from the previous lesson and the activities where you have practised this.

## Worksheet J: *continued*



Costs may be higher initially while time and money is spent on training staff.	Staff motivation can increase as workers are responsible for ensuring the quality of their own work, which gives them a sense of ownership.
Encourages teamwork which can be a motivator.	Increased customer satisfaction as the system should lead to a quality, no faults product.
As quality is the responsibility of all workers at each stage of production, it reduces the chances of faulty consoles leaving the production line.	Higher costs could be passed on to the customer through raising prices – risk losing them.
Ensures a rigorous checking system is in place.	Staff may feel pressured to always check on quality – impact on motivation.
Quality checks take place at all stages and levels of the production process, so quality standards should rise.	Prices could be raised to reflect the level of quality, and customers perceive this as value for money.
If prices go above those of competitors, there is a risk of losing potential customers.	If standards are raised as the system produces no faults at the end of the process, then this could attract more customers.
In the medium to long term costs are likely to be reduced as there is less wastage and repairing faulty consoles.	



## Worksheet K: Methods of production

Job Production – making unique items one at a time e.g. bridges, designer dresses

Benefits	Limitations
<ul style="list-style-type: none"> <li>• Unique products can be made tailored to specific customer needs</li> <li>• Premium price can be charged due to it being a unique customised item</li> <li>• High quality</li> <li>• Differentiates from competitors</li> <li>• Motivated staff taking pride in their work</li> </ul>	<ul style="list-style-type: none"> <li>• Time consuming</li> <li>• Highly skilled workers needed – cost and potential availability issues</li> <li>• Difficult to achieve economies of scale</li> <li>• Limits the market as goods are more expensive to buy</li> </ul>

Batch Production – larger scale production making batches of similar items e.g. bread, clothing

Benefits	Limitations
<ul style="list-style-type: none"> <li>• Unit cost is lower as larger number of items can be made more quickly</li> <li>• Products are more uniform</li> <li>• Gives wider variety and choice for customers as variation in batches can be achieved</li> <li>• Gain some economies of scale through bulk buying materials</li> </ul>	<ul style="list-style-type: none"> <li>• Work is repetitive so workers can become demotivated</li> <li>• Batches require storage which can be costly</li> <li>• Batches need to be moved before the next batch can start</li> </ul>

Flow Production – the continuous production of identical goods

Benefits	Limitations
<ul style="list-style-type: none"> <li>• Unit costs lowered due to large output which is machinery intensive</li> <li>• Gain economies of scale from buying large quantities – reduce costs</li> <li>• Labour is low skilled so easy to train, cost effective and unlikely to have availability issues</li> </ul>	<ul style="list-style-type: none"> <li>• Initial investment is expensive to set up due to technology required</li> <li>• Work is not skilled, so repetition can lead to boredom for workers</li> <li>• Production line has little flexibility as difficult to change production lines</li> <li>• Breakdown of machinery at one stage can hold up the production line</li> </ul>

Factors businesses consider when choosing which method of production to use:

- the type of goods being made
- the costs associated with the production of the goods
- the variety of goods customer demand or expect
- the amount of the goods they are likely to sell



## Worksheet K: *continued*

### Scenarios

Use the information on the previous page to help you to answer the question for each of the scenarios below.

Mary owns a bakery on the high street and is famous for her 'eight pie variety'. Customers arrive expecting to be able to purchase a homemade pie and lots of variety to choose from. She had considered moving to a flow production method to increase the amount she can make in the same amount of time, whilst lowering the cost of each pie.

**To what extent is this a good idea? You must justify your answer**

A small chocolate manufacturer has been making chocolates for many years. They make them in batches and have 20 different varieties. They are sold direct to consumers at food markets and food fairs, and online through their website. They would like to expand the business and are considering trying to supply local stores and supermarkets with their chocolates.

They know they currently don't have the capacity to be able to supply in the quantities that would be needed, but with flow production they might be able to. Their alternative idea is to create one off customised chocolate sculptures targeting the wedding and corporate market.

**Which direction do you think they should go in? You must justify your answer**

George is a tailor and has spent many years making made to measure suits, as have generations of his family before him. He understands times have changed and there is not so much demand these days for this type of tailoring. He is considering batch production with some classic designs that can be sold in the shop and purchased straight away.

**To what extent do you think this is a good idea – you must justify your answer**

## Worksheet G: Answers



<p>It makes assumptions that all products / services are all sold, and at the same price.</p> <p><i>Limitation</i></p>	<p>Helps to identify any potential problems before it has happened.</p> <p><i>Benefit</i></p>
<p>Helps to show the relationship between a business' revenue and costs at different levels of output / sales – this will help business' make decisions on price, costs and output.</p> <p><i>Benefit</i></p>	<p>It is only forecast, and things can change such as costs.</p> <p><i>Limitation</i></p>
<p>Helps to decide if a business idea or new product is viable and the level of risk associated with it.</p> <p><i>Benefit</i></p>	<p>Calculations to look at different scenarios regarding price and output / sales is quick and easy to do.</p> <p><i>Benefit</i></p>
<p>It doesn't consider the stability of the business environment i.e. if there was a recession, then it could take longer to get to the breakeven point.</p> <p><i>Limitation</i></p>	<p>Helps to identify the minimum sales / output needed to avoid losses.</p> <p><i>Benefit</i></p>
	<p>It enables a business to identify what level of output is needed or what level of sales is needed before they start making a profit.</p> <p><i>Benefit</i></p>



## Worksheet I: Answers

1. Good evaluation means arriving a judgement, without giving supporting reasons  
**False**
2. With evaluation you should always come to a decision, which is supported with reasons  
**True**
3. Evaluation should have a balanced view  
**True**
4. Presenting an opposite view for the sake of it is a good thing  
**False**
5. Evaluation is just a conclusion at the end  
**False**
6. Evaluation means using evidence to back up the judgement you have made  
**True**
7. The 'It depends rule' can be used when making a judgement on whether the business should do something or not  
**True**
8. Connective or joining words, such as because, are useful to help support and explain a judgement  
**True**

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