

Teaching Pack

A03 Analysis

External influences on business activity

Cambridge IGCSE™/ IGCSE (9–1)

Business 0264 / 0774

Cambridge O Level

Business 7081

For examination from 2027



© Cambridge University Press & Assessment 2025 v1

Cambridge International Education is part of Cambridge University Press & Assessment. Cambridge University Press & Assessment is a department of the University of Cambridge.

Cambridge University Press & Assessment retains the copyright on all its publications. Registered centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within a centre.

Contents

Introduction	4
AO3: Analysis	5
AO Lesson: Mastering the skill of analysis	6
Skill development lesson: External influences	7
Independent lesson: Breaking down complex topics	9
Worksheets and answers	12

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 AO3.

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:

Assessment Objective (AO) Lesson (1 hour*)

This lesson is designed to 'train' learners on the meaning and understanding of the skill each pack is designed to develop. This is to help learners gain maximum benefit from the skill development lesson(s)

Skill development lesson(s) (1 hour*)

These lessons further introduce and extend the focus skill(s) to be developed. It also reminds learners of any content needed to understand the background being used to contextualise the skills.

Independent lesson (1 hour*)

This lesson consolidates and builds on the progress learners have made. In most cases, it will allow learners to work independently to use the skills they have developed in a novel setting.

** the timings are a guide only; you may need to adapt the lessons to suit your circumstances.*

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

AO3: Analysis

This *Teaching Pack* focuses on AO3 Analysis:

- distinguish between evidence and opinion in a business context
- order, analyse and interpret information in narrative, numerical and graphical forms, using appropriate techniques.

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

6.1 Economic issues
6.2 Business and the international economy
6.3 Business and the environment
6.4 Business and ethical issues

The lessons cover the following skills, adapted from **AO3: Analysis** (see syllabus for assessment objectives):

- Make justified decisions, reach conclusions and make recommendations based on evidence.

Please note that application and evaluation will feature in activities, but these skills are focussed on 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 Business and the international economy
6.3 Business and the environment
6.4 Business and ethical issues

Teacher Notes

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

Learners can find analysing information across a range of different business situations, scenarios and contexts difficult. They need to break down complex topics, ideas and concepts, into smaller parts to help them explain and examine them in more detail, so that a better understanding of them can be gained. The Assessment Objective (AO) lesson, skill development lesson and the independent lesson activities will help learners practise this.



AO Lesson: Mastering the skill of analysis

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

Learning objectives	By the end of the lesson: all learners should be able to use an analysis chain to draft an answer to a given question most learners should be able to use their analysis 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 analysis chain
----------------------------	--

Timings	Activity
 15 min	Introduction Take learners through PowerPoint to explain what is meant by the term 'analysis' in the context of answering narrative exam questions. Continue using the PowerPoint resource and show the first activity. Using Worksheet A, learners should link the statements to show the impact of tariffs. Learners can check their answers.
 10 min  10 min  15 min	Main lesson Handout Worksheet B. Read the information text in the box at the top of the worksheet, and the practise question. Using the points on slide, learners are to write their answer to the question 'Explain the effects on a worker of a reduction in tax on people's income' Ask them to feedback to each other, with their peers providing constructive feedback. The PPT has a model answer. Handout Worksheet C. Talk through steps 1 to 3 using the slides and encourage learners to make notes on their handout in the relevant boxes. For step 4 give learners 15 minutes to write an answer in the box provided on the worksheet, using their notes in steps 1 to 3 to help them if they need it. For weaker learners, Worksheet D provides further structure for this task.
 10 min	Plenary Pick two or three learners to share their answers, paying attention to the structure. Hand out Worksheet E to help learners self-mark or peer mark. They should use the checklist to ensure they have structured their answers correctly. Learners should make corrections to their answer, so they all finish with an example of how to structure an analytical answer in the context of a case study.



Skill development lesson: External influences

Resources Worksheet F, Worksheet G, Worksheet H, Worksheet I
Dice

Learning objectives

By the end of the lesson:

- all** learners should be able to give some analytical answers with some chains of reasoning, linking some points to provide explanations, in given business situations and scenarios
- most** learners should be able to give analytical answers with good chains of reasoning, when linking points to provide detailed explanations, in given business situations and scenarios
- some** learners will be able to confidently give analytical answers with sound chains of reasoning, linking points confidently to give detailed explanations, in given business situations and scenarios

Timings	Activity
 10 min	Starter Explain to learners that this activity is designed to check / recap their knowledge and understanding of elements of core content from Section 6 of the syllabus. Learners should get into teams of four. One is to take the role of question master while the other three try to answer the questions. The question master is to have Worksheet F. The other players take it in turns to roll the dice. Whichever number they roll they answer a question from the corresponding numbered question set. Each question has an amount of revenue that players can win if they answer the question correctly. The question master is to keep a running total of how much revenue each player has won on the worksheet.
 15 min	Main lesson Hand out Worksheet G. For each of the scenarios, learners should number the statements so they are in the correct order to form an answer chain for each of the questions given. Learners can work in pairs. Choose three pairs to feedback. Use the answers for Worksheet G to support this.
 20 min	Handout Worksheet H. Working in pairs, learners should analyse each of the externalities to help the business prepare for a presentation of their proposal. They then need to decide if the positive externalities outweigh the negative externalities, and be ready to feedback to the business their analysis of the points to help them prepare for their presentation.

Skill development lesson: *continued*

Timings	Activity
	Pairs take it in turns to feedback using their completed analysis cards and to decide if the positives outweigh the negatives. The level of support can be adapted by using the supporting answer cards to provide starter sentences or a series of points learners can use to help put an answer together.
	Plenary Ask the class to get themselves into pairs and handout Worksheet I. Write this question on the board: 'Explain the effects an environmental pressure group could have on an oil company whose activities are damaging the environment' Ask your learners formulate an answer to the question, by putting the statements into the correct order.

Independent lesson: Breaking down complex topics



Resources

- Worksheet J, Worksheet K, Worksheet L and Worksheet M
- Textbooks
- Internet (optional)

Learning objectives

By the end of the lesson:

all learners should be able to make analytical statements, with some independence, linking chains of arguments in given business contexts, with some additional support from peers

most learners should be able to give analytical explanations using chains of arguments, with little support from peers, in given business contexts

some learners will be able to give analytical explanations consistently, using chains of arguments, with no additional support, in given business contexts

Timings	Activity
	Starter Hand out Worksheet J. Learners can work in pairs. For each question they need to select the odd one out and say why it is different. For each correct answer \$5 of revenue is awarded and a bonus of \$5 if they can identify why it is the odd one out. Pairs are to swap papers and mark each other's as you read out the answers. The pair with the most revenue wins.
	Main lesson Hand out Worksheet K and go through the question and scenario with the whole class. Learners can work in groups to spend five minutes to develop a chain of reasoning for each of the four influences on the business '<i>Frank's Fitness</i>'. You may want to ask them to do this on A3 paper so that for the last five minutes groups can swap sheets and add further details to their peers' work.

Independent lesson: continued



Timings	Activity
	This activity is designed to help learners build on the analytical skills they have developed over the course of this Teaching Pack. They are now to become the experts not only in their knowledge of Section 6 of the course syllabus but in their ability to be able to give analytical responses to questions asked. Hand out Worksheet L and read it together. Split the class into groups of four and ask each group to choose an external factor from the sheet. Each group is given 10 mins to formulate an analytical response to how the business in the scenario might be affected by this. They can use resources to help them gather further knowledge of the effects that factor may have on the business – this could be textbooks, the internet for those who have access to it, peers in other groups and you. After their 10-minute preparation time, one-half of the group should stay seated while the other pair moves to visit another group. Once there they should share their external factor and how they think it will affect the business in the scenario. Each pair moves in a rotational way so that every pair hears at least four analytical responses to external influences.
	Plenary Using Worksheet M learners should organise the statements.

Worksheets and answers

	Worksheets	Answers
For use in <i>Assessment Objective (AO)</i> lesson:		
A: Mastering the skill of analysis	13	33
B: Creating an answer	14	34
C: Building an answer	15-16	35-36
D: Structuring an answer	17	
E: Checklist	18	
For use in <i>Skill development</i> lesson:		
F: Roll the dice	19-21	–
G: Chains of reasons	22-23	37-38
H: Externalities	24-25	39-40
I: Chain of argument	26	41
For use in <i>Independent</i> lesson:		
J: Odd one out	27-28	42-43
K: Analysing options	29	44
L: Case study	30	
M: Linking chains	31-32	45-46

Worksheet A: Mastering the skill of analysis



Number the statements to show how they link together. The first one has been done for you.

1) Tariffs to limit the
import of foreign cars

Reducing globalisation
opportunities

An increase in the
price of foreign cars

Protecting jobs in the
domestic market

The protection of the
domestic market

A reduction in sales of
foreign cars

Worksheet B: Creating an answer



Some countries have decreased tax on people's income. This means that they will keep a greater percentage of their wage/salary.

Explain the effects on a workers of a reduction in tax on people's income.

Write your answer in the space below, using the points on the slide to help you.

Corrections

Worksheet C: 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 manufacturer of children’s toys based in the UK are likely to be affected by the increase in the value of the Pound Sterling against the US Dollar. They import some components from the US for making the toys and export some of the finished goods to the United States.

You have been asked to explain to them the effects of exchange rate appreciation for the Pound Sterling against the US Dollar.

Explain the effects of an exchange rate appreciation for Pound Sterling with respect to the US Dollar, for a toy manufacturing business based in the UK.

Step 1 – Identify what the question is asking



Step 2 – Context of the business

Worksheet C: *continued*



Step 3 – The content of your answer

.....

.....

.....

.....

.....

.....



Step 4 – Your answer to the question

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Worksheet D: Structuring an answer



A manufacturer of children's toys based in the UK are likely to be affected by the increase in the value of the Pound Sterling against the US Dollar. They import some components from the US for making the toys and export some of the finished goods to the United States.

You have been asked to explain to them the effects of exchange rate appreciation for the Pound Sterling against the US Dollar.

Explain the effects of an exchange rate appreciation for Pound Sterling with respect to the US Dollar, for a toy manufacturing business based in the UK.

The question is about explaining the effects of a Strong Pound Sterling against the US Dollar for a toy manufacturer based in the UK.

Paragraph 1

- Show you know what is meant by an appreciation of an exchange rate in the context of a toy manufacturing business based in the UK that both imports and exports to the United States.

Paragraph 2

- Now explain in detail the effects of an exchange rate appreciation (rise in the value of the pound against the US Dollar) on the components that the business imports to make the toys. Think about how they will become cheaper to import because the pound will buy more dollars and what that effect might have on the production cost of each item they make and how this will impact on profit.

Paragraph 3

- Then explain in detail the effects of an exchange rate appreciation (rise in the value of the pound against the US Dollar) on the exporting the finished goods to the United States. Think about how this makes the exported toys more expensive for retailers in the United States to buy. Think about what might happen to the demand for the exports as a result of this, and therefore the impact on sales. Link this to how the toy manufacturer might react in relation to their prices on exported goods in order to remain competitive.

Paragraph 4

- Finish with a closing paragraph summarising the effects that the strong pound has on both the business's imports and exports.



Worksheet E: Checklist

Checklist	Tick
I have explained what an appreciation of an exchange rate is	
I have explained in detail the effects of an exchange rate appreciation (rise in the value of the Pound Sterling against the US Dollar) on the components that the business imports to make the toys	
I have explained in detail the effects of an exchange rate appreciation (rise in the value of the Pound Sterling against the US Dollar) on the exporting the finished goods to the United States	
I have considered how the business might respond to the effect on exports as a result of the rise in the value of the pound	
I have a closing paragraph summarising the effects that the strong pound has on both the business's imports and exports	
My answer is in the context of a toy manufacturer based in the UK that both imports and exports	

Worksheet F: Roll the dice



The question master needs to use this sheet – make sure the others in your team cannot see the questions or answers.

Read these instructions to the players in your team:

- 1) Everyone but the question master should take in turns to roll the dice
- 2) When you roll the dice you will be asked a question based on the number that appears
- 3) You need to try to answer the question as best you can
- 4) You will be awarded revenue if you get the answer right
- 5) The question master will record the amount you have won
- 6) The winner is the player with the most revenue.

Player Name _____ Revenue awarded: Total Revenue _____	Player Name _____ Revenue awarded: Total Revenue _____
Player Name _____ Revenue awarded: Total Revenue _____	Player Name _____ Revenue awarded: Total Revenue _____



Worksheet F: *continued*

Use the questions below depending on what number is rolled on the dice.

If they roll a one



Q: Name the four stages of the business cycle

A: Growth, Boom, Recession, Slump

Revenue: \$40 total (\$10 per correct stage)

Q: Name one government economic objective

A: Healthy balance of payments, low inflation, low unemployment, economic growth

Revenue: \$30

Q: What is being described 'the cost of borrowing money from a lender'

A: Interest Rates

Revenue \$10

If they roll a two



Q: What does MNC stand for?

A: Multinational Company

Revenue: \$5

Q: What part of the business cycle is this? 'Standards of living are rising as more people are employed.'

A: Growth

Revenue \$15

Q: Give one type of pollution business activity is responsible for

A: Air, Noise, Land, Water, Light

Revenue \$5

If they roll a three



Q: What is the difference between an external cost and an external benefit?

A: A cost has a negative effect on a third party and a benefit has a positive effect.

Revenue: \$20

Q: Give one example of a pressure group activity

A: Demonstrations, Boycotts, Lobbying, Petitions, Publicity to raise awareness

Revenue: \$10

Q: What is a multinational company?

A: A company that has business operations in more than one country

Revenue: \$15



Worksheet F: *continued*

If they roll a four



Q: What is a tax on imports?

A: A Tariff

Revenue: \$30

Q: What is the difference between an appreciation of the exchange rate and a depreciation?

A: An appreciation is an increase in the value of one currency relative to another, whereas a depreciation is a decrease in the value of one currency relative to another.

Revenue \$20

Q: What is being described, 'a limit on the quantity of a goods a business can import and export'

A: Quota

Revenue \$10

If they roll a five



Q: Finish the sentence, 'An exchange rate is.....'

A: The rate at which the currency of one country can be exchanged for another currency

Revenue \$15

Q: If interest rates rise, what is the usual effect it will have on consumers?

A: As borrowing is more expensive, people tend to spend less and save more

Revenue \$15

Q: What is a quota?

A: A limit it on the amount of imports that can be brought into a country

Revenue \$15

If they roll a six



Q: When might a government lower the rate of tax on business profits?

A: During a recession to try and encourage growth

Revenue: \$25

Q: Which is the better rate of tax on business profits and why? 21%, 22%, 23%

A: 23% as it is the lowest

Revenue: \$5

Q: Finish the sentence, 'Globalisation is ...'

A: The process by which countries are connected with other another

Revenue: \$30



Worksheet G: Chains of reasons

For each scenario answer the question adding numbers next to each statement to put them in the correct order. The first one in each scenario has been done for you.

Scenario 1

**Ben owns a chain of restaurants.
Explain how an increase in the rate of corporation tax might affect his business**

Order	Statement
1	Increase in the rate of tax on business profits
	Ben may have to delay or change plans for any growth and development of the business
	This means there is less profit to put back into the business for further growth
	This is not only because there is less retained profit to put back into the business, but existing and new shareholders may be discouraged from investing in Ben's restaurants as they would receive less dividends
	This means there will be a smaller profit after tax has been paid

Scenario 2

Gillian owns a health spa. The economy was in recession two years ago and Gillian struggled to make a profit, but it is now officially out of recession and is growing once again. Explain the effects a growth in the economy might have on Gillian's spa business.

Order	Statement
1	Growth in the economy
	If her profits continue to rise her spa business should continue to grow
	If her sales increase and costs remain the same, Gillian will start to make a profit again
	This means there are more jobs for people as demand for goods and services increases
	Gillian should see an increase in sales at her spa as people have more disposable incomes available



Worksheet G: *continued*

Scenario 3

Sole and Lace is a retailer of footwear that purchases a range of footwear from suppliers all over the world. They are hoping to open three more branches of the shop in the next five years.

Explain one disadvantage to *Sole and Lace* of increasing their ethical behaviour.

Order	Statement
1	Increasing ethical behaviour
	This will lead to lower profits
	This is likely to increase <i>Sole and Lace</i> 's costs
	This means less money to reinvest back into the business to meet their growth objective
	This is because they are likely to be sourcing footwear to stock ethically rather than sourcing suppliers who sell at the lowest price



Worksheet H: Externalities

A manufacturer is applying for planning permission to build a new factory in an area that is popular with tourists. As part of their application to the local government planning department, they need to deliver a verbal presentation which analyses the potential external benefits and external costs of the business proposal being put forward. They have asked you to help them prepare this and to decide if the external benefits outweigh the external costs. They have advised that any external costs, need to have a counter balance to them.

Working in small groups, your task is to analyse each of the external costs and benefits to help the business prepare for the presentation of their proposal.

Each of the boxes below identifies an external cost or benefit. In each, explain the cost or benefit in detail. Make sure that you have counterarguments for any negative ones. One has been done for you.

Decide between you if the external benefits outweigh the external costs and be ready to feedback

Improved infrastructure	Traffic congestion
	<i>Building a factory is going to increase traffic congestion on the roads due to the deliveries lorries will need to make. This could deter some tourists if the local roads are congested.</i> <i>However, care could be taken to reduce this as much as possible when the plans are being drawn up for the road network surrounding the factory</i>

Worksheet H: *continued*



New and improved methods of production	Pollution
Employment for local people	Spoilt views of some historical sites



Worksheet I: Chain of argument

Add numbers to these cards so they are in the correct order. The first one is done for you.

	In a worst-case scenario if the oil company has ignored any government regulations on using greener production methods, they could be closed		Governments may provide financial incentives to find greener methods of production
	This could lead to the oil company's reputation and brand being damaged		However, the threat of pressure group activity, could influence the oil company positively as they recognise the benefits it could bring them
	In turn, this could prevent the oil company from further growth		This could lead to further growth for the oil company
	This could lead to a public awareness being raised of what the oil company is doing and not taking responsibility for	1	A pressure group is a group of people with a common interest who have a goal of influencing businesses and the government in changing the way they do things
	This could help the oil company gain a competitive advantage over other oil companies		This could lead to positive publicity resulting in new investors and new customers, as well as keeping existing ones
	An environmental pressure group could campaign against the negative impact the oil company is having on the environment		As a result, this may lead to a loss of customers and investors

Worksheet J: Odd one out



For each of the following, circle the odd one out. For each correct answer you will receive \$5 in revenue. For a bonus of \$5 revenue, state why you have selected the choice you have.

1	Very low levels of unemployment High levels of demand for goods and services Business profits at their highest Low production of goods and services
	Why
2	Tax on business profits VAT Excise duty Import tariffs
	Why
3	A new factory is being built in your local area which is the odd one out Jobs for local people Air pollution Improved infrastructure Access to better products
	Why
4	Demonstrations Petitions Putting a levy on exceeding levels of commercial energy use Lobbying
	Why

Worksheet J: *continued*

5	Paying fair wages False advertising Discriminating against employees based on age, gender, ethnicity, religion Disposing of waste in rivers
	Why
6	Improved image and reputation Increased costs Motivated staff Improved brand recognition
	Why
7	Access to wider and more markets Local businesses in host country may lose sales Increased competition Fluctuations in exchange rates may lower profits
	Why
8	Slump Recession Boom Promotion
	Why

Worksheet K: Analysing options



Frank owns a health and fitness centre called '*Frank's Fitness*'. It has a gym, where people can work out, a wide range of fitness classes they can attend and access to a personal trainer.

He also runs a health café where people can purchase fresh juices and smoothies and other healthy snacks and light lunches.

People can pay as they go or can sign up for different levels of membership depending on what facilities they would like to access.

Frank has been in business for five years and things are going well. He is hoping to set up another fitness centre in the next 12 months in a town 20 miles away. The economy has slowed down in recent months which is causing Frank some concern, and there is an election coming up where there could be a change in political party running the country.

Tasks

- 1) Analyse how the following four external influences might affect '*Frank's Fitness*'. Then decide which external influence is likely to have the biggest effect on his business's profits should they happen.
- 2) Record the impact on Frank's business of each of the externalities below:
 - a. Increasing the age of when a person can start work
 - b. The economy going into a recession
 - c. A lowering of the rate of income tax
 - d. An increase in interest rates



Worksheet L: Case study

Vivid Vehicles restores classic cars from all over the world and is based in Europe. They currently sell in the EU only. They are looking to expand by exporting outside of the EU, having received lots enquiries from car dealers outside of the EU, as well as carrying out their own market research.

Choose one of the factors below and record an answer showing how this could affect *Vivid Vehicles*. Try to structure your answer using the chain of responses technique we have been developing.

Increase in import tariffs on the country exporting to	Globalisation
Fluctuations in exchange rates	Increase in the minimum wage
Increase in car tax for cars exceeding a certain emissions level	Changes in interest rates
Economy entering the 'boom' stage of the business cycle	Economy entering the 'recession' stage of the business cycle
Increase in the price of raw materials	Reduction in rate of tax on business profits
Increase in the rate of inflation	Lowering of tax on people's income



Worksheet M: Linking chains

Business A keeps their costs down by using suppliers that are not restricted by a minimum wage. Why should Business A consider this as an ethical issue?

Order	Statement
	Using suppliers that can pay below a minimum wage could be seen as exploiting workers
	This will reduce sales revenue, so any plans for growth will be unlikely to happen and would not be worthwhile if people stopped buying from the business
	This is likely to lead to a lower number of customers
	As sales continue to drop, profits will fall.
	Although this keeps their costs low, it will give the business a bad reputation

A new legal control has been put in place to reduce the negative effects of business activity on the environment. This has put restrictions on the amount of non-recyclable material a business can dispose of free of charge. How will this affect Business B's profits?

Order	Statement
	If they are currently using as much recyclable material as they can, they may need to look for alternative sources to avoid paying additional charges for waste removal.
	This means there is less effect on profit
	However, as all businesses are likely to be affected, then losing customers to the competition is less likely to happen, as all will be affected by an increase in costs.
	This will increase Business B's costs if they do not recycle more of their waste, which will reduce profits
	If costs in new materials don't increase, profit will be unaffected, but if the alternative materials cost more, then this will reduce profits still



Worksheet M: *continued*

Business C operates in a country where there is a depreciation of the currency in relation to the Euro. Business C mostly trades with the EU. How will the fall in the exchange rate affect Business C's exports to the EU?

Order	Statement
	Business C's goods will now be cheaper for businesses in the EU to purchase
	This should help to increase Business C's export sales from existing customers and new ones
	Leading to an increase in profit
	This should increase the demand for Business C's goods

Business D owns an executive car hire service, which rents out luxury cars with chauffeurs, targeting the wedding and entertainment market. The commodity fuel has increased in price due to a rise in the price of a barrel of oil and tax. How is this likely to affect Business D's sales?

Order	Statement
	If competitors pass on the increase in cost, then sales are unlikely to be affected for Business D as it will affect all businesses operating taxi style services
	Business D's costs will increase as each journey made will now cost more
	This could lead to a fall in sales if customers go to competitors that have absorbed the increase in the price of fuel
	However, if the competition does not pass on the cost, then for Business D to avoid losing sales, they will need to reduce costs in other areas of the business to avoid having to pass on the increase in costs to the customer to remain competitive

Worksheet A: Answers



Number the statements to show how they link together. The first one has been done for you.

1) Tariffs to limit the import of foreign cars

5) Reducing globalisation opportunities

2) An increase in the price of foreign cars

4) Protecting jobs in the domestic market

3) The protection of the domestic market

6) A reduction in sales of foreign cars

Worksheet B: Suggested answer



Some countries have decreased tax on people's income. This means that they will keep a greater percentage of their wage/salary.

Explain the effects on a workers of a reduction in tax on people's income.

Write your answer in the space below, using the points on the slide to help you.

Some countries have minimum wage laws to prevent employees being exploited by employers paying them a low wage. This can have several effects on a business. Businesses paying a minimum amount per hour will have increased costs if they are paying an hourly rate below that of the rate the law states. This means that if sales revenue remains the same then there will be a reduction in the business's profits. If the business is a limited company, this would mean a reduced dividend for their shareholders. However, by having a minimum wage, employees may be more motivated to work harder. This could lead to an increase in productivity which could ultimately increase profits.

Worksheet C: Suggested 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 manufacturer of children's toys based in the UK are likely to be affected by the increase in the value of the 'Pound' Sterling against the US 'Dollar'. They import some components from the US for making the toys and export some of the finished goods to the United States.

You have been asked to explain to them the effects of exchange rate appreciation for the 'Pound' Sterling against the US Dollar.

Explain the effects of an exchange rate appreciation for Pound Sterling with respect to the US Dollar, for a toy manufacturing business based in the UK.

Step 1 – Identify what the question is asking

The question is about explaining the effects of a Strong Pound Sterling against the US Dollar on businesses based in the UK.

To answer this question you must first show you understand what is meant by an appreciation of an exchange rate in the context of the business in the case study. This is the knowledge element.



Step 2 – Context of the business

You need to explain both the positive and negative effects of an exchange rate appreciation (rise in the value of the pound against the US Dollar) in the context of a toy manufacturer that imports components to make the toys and exports finished goods to the United States. This means looking at the impact on both imports and exports for the business.

Doing this will enable you to explain each effect that a strong pound against the US Dollar will have on that specific business. By breaking down the topic of exchange rate appreciation and explaining each effect in turn, will enable you to answer in detail and provide an analytical response (i.e. breaking down a topic into smaller parts so you can examine each part in more detail and linking each together to form a chain of argument from start to end).

Worksheet C: suggested answer, *continued*



Step 3 – The content of your answer

You need to explain the effects of a rise in the value of the Pound against the US Dollar, for both imports and exports for the toy manufacturer.

This means explaining the effects of a rise in the value of the Pound against the US Dollar, on the components that they import, and then explaining the effects of a rise in the value of the Pound Sterling against the US Dollar, on the business exporting finished goods to the United States.

Make sure there are plenty of references to the type of business, a toy manufacturer, throughout your answer for context.



Step 4 – Your answer to the question

Start by examining the effects of a rise in the value of the Pound Sterling against the US Dollar, on the components that they import. For example, the components they import from the US will become cheaper because a strong pound against the US dollar means that the pound will now buy more US Dollars This in turn will bring the cost per unit made down, which could lead to an increase in profits.

Then do the same again but this time examine the effects of a rise in the value of the Pound Sterling against the US Dollar, on the finished goods the business exports to the United States. For example, this makes the exported toys more expensive for United States retailers to buy. This could result in a drop in demand for the toys as they are more expensive to buy now, which could mean a decrease in sales. The business may decide to drop their selling prices in order to remain competitive. As they import some of the materials to make the toys from the US, the reduction in the price per toy made due to the exchange rate, means they could lower their selling price without a large impact on profit margins.

Worksheet G: Answers



For each scenario answer the question adding numbers next to each statement to put them in the correct order. The first one in each scenario has been done for you.

Scenario 1

**Ben owns a chain of restaurants.
Explain how an increase in the rate of corporation tax might affect his business**

Order	Statement
1	Increase in the rate of tax on business profits
4	Ben may have to delay or change plans for any growth and development of the business
2	This means there is less profit to put back into the business for further growth
5	This is not only because there is less retained profit to put back into the business, but existing and new shareholders may be discouraged from investing in Ben's restaurants as they would receive less dividends
3	This means there will be a smaller profit after tax has been paid

Scenario 2

Gillian owns a health spa. The economy was in recession two years ago and Gillian struggled to make a profit, but it is now officially out of recession and is growing once again. Explain the effects a growth in the economy might have on Gillian's spa business.

Order	Statement
1	Growth in the economy
5	If her profits continue to rise her spa business should continue to grow
4	If her sales increase and costs remain the same, Gillian will start to make a profit again
2	This means there are more jobs for people as demand for goods and services increases
3	Gillian should see an increase in sales at her spa as people have more disposable incomes available



Worksheet G: Answers, *continued*

Scenario 3

***Sole and Lace* is a retailer of footwear that purchases a range of footwear from suppliers all over the world. They are hoping to open three more branches of the shop in the next five years.**

Explain one disadvantage to *Sole and Lace* of increasing their ethical behaviour.

Order	Statement
1	Increasing ethical behaviour
4	This will lead to lower profits
2	This is likely to increase <i>Sole and Lace</i> 's costs
5	This means less money to reinvest back into the business to meet their growth objective
3	This is because they are likely to be sourcing footwear to stock ethically rather than sourcing suppliers who sell at the lowest price



Worksheet H: Suggested answers

A manufacturer is applying for planning permission to build a new factory in an area that is popular with tourists. As part of their application to the local government planning department, they need to deliver a verbal presentation which analyses the potential external benefits and external costs of the business proposal being put forward. They have asked you to help them prepare this and to decide if the external benefits outweigh the external costs. They have advised that any external costs, need to have a counter balance to them.

Working in small groups, your task is to analyse each of the external costs and benefits to help the business prepare for the presentation of their proposal.

Each of the boxes below identifies an external cost or benefit. In each, explain the cost or benefit in detail. Make sure that you have counterarguments for any negative ones. One has been done for you.

Decide between you if the external benefits outweigh the external costs and be ready to feedback to the business on your analysis.

Improved infrastructure	Traffic congestion
<i>Building a new factory is likely to improve the local infrastructure as the business will need to build roads approaching the factory.</i> <i>New roads will help improve the local transportation network which will benefit not only those employed by the factory but also the local community.</i> <i>The factory will also need to have a reliable power supply feeding into it, which will also benefit those living in the local area as their power supply is likely to be improved as a result</i>	<i>Building a factory is going to increase traffic congestion on the roads due to the deliveries lorries will need to make. This could deter some tourists if the local roads are congested.</i> <i>However, care could be taken to reduce this as much as possible when the plans are being drawn up for the road network surrounding the factory</i>



Worksheet H: Suggested answers, *continued*

New and improved methods of production

A new factory can bring in new and improved methods of production. This can lead to better products, produced in a more economical way, which could reduce the cost per unit and thus bring prices down which will benefit consumers and other businesses.

Pollution

Air pollution can be created by the fumes from the manufacturing inside the factory. This in turn will contribute to the climate concerns due to greenhouse gases and could impact on the local community as a result.

However, the business can use renewable sources of energy to reduce its carbon footprint, which although might increase costs, they will be acting ethically which will be welcomed from pressure groups and the like, helping to build a positive brand and reputation

Employment for local people

The business will be able to provide employment for many local people. This will help to boost spending in the local economy and should lead to standards of living rising with more people in employment.

Employment opportunities can also bring people into the area to work, that either live outside of the area or move into the area, both of which means more spending in the local economy which will support other businesses. This could encourage further investment from other businesses all of which helps the local economy to thrive

Spoilt views of some historical sites

Having a factory in the heart of an area of historical interest, could spoil the viewing and beauty of such sites due to the visual, noise and air pollution and traffic congestion. Spoiling of views and general beauty of the area due to fumes from the factory and congestion, could discourage tourists to visit, therefore affecting local business in the area.

However, negotiations with the factory, as part of their social responsibility could come to an agreement regarding timings of factory production during key events at certain times of the year

Worksheet I: Answers



Add numbers to these cards so they are in the correct order. The first one is done for you.

7	In a worst-case scenario if the oil company has ignored any government regulations on using greener production methods, they could be closed	9	Governments may provide financial incentives to find greener methods of production
4	This could lead to the oil company's reputation and brand being damaged	8	However, the threat of pressure group activity, could influence the oil company positively as they recognise the benefits it could bring them
6	In turn, this could prevent the oil company from further growth	12	This could lead to further growth for the oil company
3	This could lead to a public awareness being raised of what the oil company is doing and not taking responsibility for	1	A pressure group is a group of people with a common interest who have a goal of influencing businesses and the government in changing the way they do things
11	This could help the oil company gain a competitive advantage over other oil companies	10	This could lead to positive publicity resulting in new investors and new customers, as well as keeping existing ones
2	An environmental pressure group could campaign against the negative impact the oil company is having on the environment	5	As a result, this may lead to a loss of customers and investors

Worksheet J: Answers



For each of the following, circle the odd one out. For each correct answer you will receive \$5 in revenue. For a bonus of \$5 revenue, state why you have selected the choice you have.

1	Low production of goods and services Why <i>This is a feature of the 'slump' stage of the business cycle. All of the others are features of the 'boom' stage.</i>
2	Tax on business profits Why <i>Tax on business profits is a direct tax, all of the others are examples of indirect tax.</i>
3	A new factory is being built in your local area which is the odd one out? Air pollution Why <i>This is a social cost of the business decision to build the factory. All of the others are social benefits.</i>
4	Putting a levy on exceeding levels of commercial energy use Why <i>This is an example of government control to reduce the negative effects of business activity. The others are examples of pressure group activities.</i>
5	Paying fair wages Why <i>This is an example of ethical practice, all of the others are examples of unethical practice.</i>

Worksheet J: Answers, *continued*



6	Increased costs Why <i>This is an example of a disadvantage to businesses of behaving ethically. The others are all advantages of ethical business behaviour.</i>
7	Access to wider and more markets Why <i>This is an opportunity of globalisation, all of the others are threats linked to globalisation.</i>
8	Promotion Why <i>This is an element of the marketing mix. All of the others are stages of the business cycle.</i>

Worksheet K: Answers



These are suggested answers to support learners during the activity. Learners may come up with other valid chains of response

Increasing the age of when a person can start work <i>The wage bill may increase for Frank if he employs younger people to help in the café or clean and therefore can no longer employ them, which will reduce profit.</i> <i>If Frank doesn't employ workers below the age restriction then this will have no effect on him at all.</i>	The economy going into a recession <i>Less investment in new businesses so this may lead to Frank putting his expansion plans on hold</i> <i>Demand falls as people no longer have job security so save rather than spend.</i> <i>This reduces Frank's sales revenue and results in less profit.</i> <i>If there is less demand for Frank's services then he may need to make redundancies to reduce his costs and unemployment rises which leads to less demand and falling sales, and less profit</i>
A lowering of the rate of income tax <i>People will have more disposable income which should increase the demand for Frank's service.</i> <i>This leads to an increase in sales for his services and therefore sales revenue.</i> <i>This should help profits to rise, some of which can be retained and used to help with his expansion plans</i>	An increase in interest rates <i>Borrowing costs more, so people have less disposable income to spend on non-essentials such as gym memberships as the cost of mortgages and other borrowing rises.</i> <i>This means less demand for Frank's services. Those who are not affected by the rate rise on borrowing might choose to save more while interest rates increase, rather than spend money on non-essential services.</i> <i>Sales drop and profits fall. If Frank is planning to borrow to expand, this will increase the cost of borrowing, increasing his costs, combined with falling sales, will reduce profits</i>

Worksheet M: Answers



Business A keeps their costs down by using suppliers that are not restricted by a minimum wage. Why should Business A consider this as an ethical issue?

Order	Statement
1	Using suppliers that can pay below a minimum wage could be seen as exploiting workers
4	This will reduce sales revenue, so any plans for growth will be unlikely to happen and would not be worthwhile if people stopped buying from the business
3	This is likely to lead to a lower number of customers
5	As sales continue to drop, profits will fall.
2	Although this keeps their costs low, it will give the business a bad reputation

A new legal control has been put in place to reduce the negative effects of business activity on the environment. This has put restrictions on the amount of non-recyclable material a business can dispose of free of charge. How will this affect Business B's profits?

Order	Statement
2	If they are currently using as much recyclable material as they can, they may need to look for alternative sources to avoid paying additional charges for waste removal.
5	This means there is less effect on profit
4	However, as all businesses are likely to be affected, then losing customers to the competition is less likely to happen, as all will be affected by an increase in costs.
1	This will increase Business B's costs if they do not recycle more of their waste, which will reduce profits
3	If costs in new materials don't increase, profit will be unaffected, but if the alternative materials cost more, then this will reduce profits still

Worksheet M: Answers, *continued*



Business C operates in a country where there is a depreciation of the currency in relation to the Euro. Business C mostly trades with the EU. How will the fall in the exchange rate affect Business C's exports to the EU?

Order	Statement
1	Business C's goods will now be cheaper for businesses in the EU to purchase
3	This should help to increase Business C's export sales from existing customers and new ones
4	Leading to an increase in profit
2	This should increase the demand for Business C's goods

Business D owns an executive car hire service, which rents out luxury cars with chauffeurs, targeting the wedding and entertainment market. The commodity fuel has increased in price due to a rise in the price of a barrel of oil and tax. How is this likely to affect Business D's sales?

Order	Statement
3	If competitors pass on the increase in cost, then sales are unlikely to be affected for Business D as it will affect all businesses operating taxi style services
1	Business D's costs will increase as each journey made will now cost more
2	This could lead to a fall in sales if customers go to competitors that have absorbed the increase in the price of fuel
4	However, if the competition does not pass on the cost, then for Business D to avoid losing sales, they will need to reduce costs in other areas of the business to avoid having to pass on the increase in costs to the customer to remain competitive

Cambridge International Education
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom
t: +44 1223 553554
e: info@cambridgeinternational.org www.cambridgeinternational.org

© Cambridge University Press & Assessment 2025 v1