

Scenario Pack

External influences on business activity

Cambridge IGCSE™/ IGCSE (9–1)

Business 0264 / 0774

Cambridge O Level
Business 7081

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Contents

Introduction	4
Developing thinking skills.....	5
Scenario lesson: External influences on business activity	6
Worksheets and answers	9

Introduction

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

Important note

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

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

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

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

Developing thinking skills

This *Scenario Pack* focuses on AO4, drawing on subject knowledge from section 6 of the course syllabus.

This lesson 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

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

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

Prior knowledge

Knowledge from the following syllabus topics is useful for this activity

6.1 Economic issues
6.1.1 Business cycle
6.1.2 Effects of government policy
6.2.1 The importance of globalisation
6.2.4 Exchange rates
6.3.1 Environmental issues

Scenario lesson: External influences on business activity

Resources	PPT Interactive Video Worksheet A, Worksheet B, Worksheet C, Worksheet D, Worksheet E, Worksheet F, Worksheet G and Worksheet H
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Learning objectives	By the end of the lesson: all learners should be able to make some decisions in given scenarios, giving some explanation for their choices most learners should be able to give reasoned answers for their decisions with some balance some learners will be able to fully justify their decisions, giving supported reasoning for their choices, to include arguments for and against
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Timings	Activity
 10 min	Starter Give learners Worksheet A and explain that each answer is linked to the main activity and should help them to revisit the key terminology. This can be peer marked using the answers to Worksheet A. They should make corrections to any answers they misunderstood. Check final understanding of the key terms by asking learners to feedback on any further explanations they may need. It is important that they make the corrections or ask for clarification before beginning the main activity.
 5 min	Main lesson Give learners Worksheet B and use the PPT to introduce them to the main activity, their roles, and the background information on the business. After you have finished introducing the task to learners ask them to arrange themselves (or assign them yourself) into teams of three.
 25 min	Once in their teams, ask learners to choose their roles and hand out the following to each team in an information pack, to distribute between them accordingly: - Recorder: Worksheet C - Key term checker: Worksheet D - Response coordinator: Will record final decisions on Worksheet C

Scenario lesson: *continued*

Timings	Activity
	Remind learners that all the decisions they make during the activity need to be based on Fizzi Nations' current situation and future plans. Start the interactive video now You can use Worksheet F to record the revenue awarded to the teams based on their decisions. The answers to Worksheet C provide suggestions to help with this. This can be done while learners are completing the plenary activity and the team with the most revenue wins. Debrief Ask learners to put their pens to one side so answers can't be changed. The aim of the debrief is to provide a platform for them to share and discuss the decisions they have made for Fizzi Nation. Choose three or four of the scenarios to use in the debrief to form the basis for discussion, for example. • Ask a team what their decision was for scenario one • Encourage them to explain why they made this decision and get them to justify their answer by explaining why they thought their decision would be better for Fizzi Nation than the other two options. Ask them to think about the advantages and disadvantages of each option in the context of Fizzi Nation, and then how they used this to come to their final decision as the best option. ○ Why did you make this decision over the other two options? Please give me a minimum of one advantage and one disadvantage. • Ask the other teams if they agree – again they must say why they do or don't. ○ Who agrees or disagrees with this choice and why? When learners are faced with options to choose from they need to consider advantages and disadvantages of each option to help them make a final decision which should be backed up with justified arguments. Remind them that all the options are valid, but it is about choosing the most appropriate one for that situation in the context of the business and its plans. At the end of the debrief the learner acting as the response coordinator for their team should bring you their decision sheet to be scored.

Scenario lesson: *continued*



Plenary

Hand out [Worksheet E](#).

This is an individual activity where learners have to justify their team's decisions for each external influence scenario. This should provide them with the opportunity to practise the skill of justifying answers and drawing final conclusions.

Learners need to say why they selected their chosen decisions and why they rejected the other two. They should recognise that each decision may also have benefits. The aim is for learners to consider, independently, the advantages and disadvantages of each decision and then decide on the final one for each scenario, saying why they have chosen it. This activity also provides individuals the chance to alter their choices if they disagreed with their final team choices.

Worksheets and answers

	Worksheets	Answers
A: Matching	10	21
B: Business profile	11	–
C: Learner recording sheet	12–14	22–24
D: Key terms	15	–
E: Individual response sheet	16–18	–
F: Teacher scoring sheet	19–20	–

Worksheet A: External influences matching

Write the correct word next to the definition.

The process by which countries are connected with each other because of the trade of goods and services	
The cost to a person or business of borrowing money from a lender such as a bank	
Organisations of like-minded people who put pressure on businesses and the government to change their policies	
This stage is the peak of the business cycle	
The rate at which one country's currency can be exchanged for that of another	
Legislation that controls business activity	
This is when the economy shrinks in size	
Businesses should care for this when making decisions	
Making business decisions that are morally right	
The price increase of goods and services over time	

Inflation

Interest rate

Boom

Exchange rates

Legal controls

Recession

Globalisation

Environmental

Ethical

Pressure groups

Worksheet B: Business profile

The company

Fizzi Nation is a large manufacturing business that produces soft drinks. Their *headquarters* are in the UK and they have factories in other parts of the world.

External influences are factors that can influence business activity but are outside the control of the business. Businesses need to understand how these factors influence them and their decision making, and how they might respond.

The governments in each country **Fizzi Nation** operates in have specific *economic objectives* and aims to achieve them through their *economic policies*. Such policies have a large impact on businesses such as **Fizzi Nation**.

The positive and negative impacts businesses have on the physical environment and society influence how they operate and how successful they are. *Pressure groups* and *government initiatives* mean **Fizzi Nation** have to think carefully about their environmental, social and ethical responsibilities as all of them are external influences on their activities.

In addition to this, as *globalisation* increases, so too does the influence of the international business environment on **Fizzi Nation's** business activity.

Fizzi Nation need to fully understand how these external factors influence and affect their business activity and decision making, but also need to plan for how they might respond to them. Although external influences are outside the control of the business and therefore create uncertainty, they can be planned for.

Your task

You have been appointed by **Fizzi Nation** to help identify how a range of external factors might influence them, and how they should respond and plan. You will help the business decide how to respond to the effects of a range of scenarios, which are outside of their control.

You will need to work in teams of three and you will need to decide who takes each of the roles shown below:

- **Recorder** – This role records each scenario on the grid sheet as they appear on the video animation
- **Key term checker** – This role is responsible for checking that all team members are confident with any key terms linked to each scenario
- **Response coordinator** – This role coordinates the discussed responses of the team for each scenario, and is responsible for recording the team's final decision for each scenario on the sheet provided.

Revenue will be awarded for each decision that is made. The amount of *revenue* awarded will depend on the decision your team makes.

Worksheet C: Recording sheet

Don't forget to discuss the advantages and disadvantages of each effect, before you make your final justified choice. Remember you are looking to choose the effect that is going to have the biggest impact for that given scenario.

Team name:

External influence affecting the business	Decision A	Decision B	Decision C	Reason for your decision
2	Introduce a value brand of drinks using cheaper ingredients, reducing production costs and therefore price.	Switch to a cheaper supplier keeping the same brand to bring prices down.	Increase marketing spend to raise more awareness of the range of drinks.	
3	Source alternative packaging that can be recycled so all Fizzi Nation cans and bottles can be recycled.	Keep with existing packaging and hope it doesn't receive any negative publicity or breach any government regulations.	See it as a new opportunity to change the marketing mix and re-launch all products in re-usable or recyclable packaging.	

Worksheet C: *continued*

External influence affecting the business	Decision A	Decision B	Decision C	Reason for your decision
5	Put on hold plans for increasing production levels to reduce the amount of pollution.	Only work with ethical suppliers, who pay their workers fair wages and where they have good working conditions.	Ensure ingredients are sourced from Fairtrade suppliers.	
6	Delay plans to borrow to expand into new foreign markets.	Cancel plans to borrow to expand into new foreign markets.	Look for alternative sources of finance such as issuing more shares.	
7	Look for local suppliers in each country to supply all the ingredients. This may help to reduce costs.	Launch a new range of drinks for the local market in the countries where import tariffs have increased using all local ingredients.	Try to absorb the increase through cost reductions elsewhere, so prices do not need to be increased on the drinks sold.	

Worksheet C: *continued*

External influence affecting the business	Decision A	Decision B	Decision C	Reason for your decision
8	Reduce the levels of sugar in their drinks in line with government regulations, and promote the new line without needing to increase the price or absorb the cost.	Keep it as it is and pass on the increase in price to customers, publicising why it has increased.	Absorb the increase in costs by reducing costs in other areas of the business to prevent a price increase.	
9	Find a unique selling point to gain a competitive advantage.	Increase marketing spend promoting Fizzi Nation and the benefits its drinks bring, when the new competition launch.	Do nothing and hope that the loyal customer base Fizzi Nation have stay with them.	

External influence affecting the business	Decision A	Decision B	Decision C	Reason for your decision
10	Pass on the additional cost to customers by increasing the selling price.	Absorb the increase in the cost of sugar so prices do not have to be raised and cut costs somewhere else	Experiment with substitute sugar products.	

Worksheet D: Key terms

Key Term	What it means
Government policy	Policies and systems which government set on things like taxation, interest rates, government spending.
Pressure groups	Organisations of likeminded people who put pressure on businesses and the government to change their policies
Globalisation	The process by which countries are connected with each other because of the trade of goods and services
Revenue	The amount a business earns from the sale of its products
Shareholder	A person or organisation who owns shares in a limited company
Stakeholder	An individual or group which has an interest in a business because they are affected by its activities and decisions
Interest rates	The cost to a person or business of borrowing money from a lender such as a bank
Inflation	The price increase of goods and services over time
Tariffs	A tax applied to the value of imported goods
Exchange rates	The value of one currency relative to another

Worksheet E: Individual response sheet

External influence affecting the business	Final decision Circle the one you have chosen	Justification Make sure you include positives and negatives of each decision and why you rejected the others
2. One of the countries Fizzi Nation operates in goes into recession and their economy is shrinking. As unemployment rises and consumers demand less, profits start to fall.	A	
	B	
	C	
3. Environmental groups are putting pressure on governments to pass laws, forcing businesses to reduce the amount of waste they create through packaging, and for more packaging to be recycled. Not all of Fizzi Nation's packaging can be recycled.	A	
	B	
	C	
5. There is increasing stakeholder conflict between profits and ethics in a number of countries where large businesses are operating. The issues	A	
	B	

raising concern include pollution, labour and fair trade.	C	
6. Interest rates have been increased to help manage inflation. This has meant borrowing has become more expensive for Fizzi Nation’s expansion plans. Consumers have less disposable income as loans on houses increase.	A	
	B	
	C	
7. Tariffs have increased making it more expensive for Fizzi Nation to import ingredients they need. It also means they pay an increase in tariffs on the soft drinks that are exported to other countries.	A	
	B	
	C	
8. Like the UK government in 2016 a number of other countries have introduced a ‘Sugar Tax’ or similar legislation to reduce sugar levels in products. This is affecting manufacturers as the additional tax increases the cost of making some of their drinks.	A	
	B	
	C	

9. Tariffs have increased making it more expensive for Fizzi Nation to import ingredients they need. It also means they pay an increase in tariffs on the soft drinks that are exported to other countries. This could reduce their sales as drinks manufacturers in the host country might become more attractive.	A	
	B	
	C	
10. There is a shortage of sugar beet due to changing weather patterns. This has increased the price of sugar, one of Fizzi Nation's essential ingredients.	A	
	B	
	C	

Worksheet F: Teacher scoring sheet

Use this sheet in conjunction with the answers for Worksheet C.

Add the team names at the top of each column and record the revenue they scored for each scenario. **Weakest decisions** are awarded \$5, **suitable decisions** are awarded \$10 and the **strongest decision** is awarded \$15.

Scenario summary	Team:	Team:	Team:	Team:	Team:
2. One of the countries Fizzi Nation operates in goes into recession and their economy is shrinking.					
3. Pressure groups for the environment are putting pressure on governments to pass laws, which means businesses have to reduce the amount of waste they create.					
5. There is increasing stakeholder conflict between profits and ethics in a number of countries where large businesses are operating.					
6. Interest rates have been increased to help manage inflation.					

Scenario summary	Team:	Team:	Team:	Team:	Team:
7. Tariffs have increased making it more expensive for Fizzi Nation to import ingredients they need to manufacture the drinks in the factories.					
8. Like the UK government in 2016 a number of other countries have introduced a 'Sugar Tax' or similar legislation to reduce sugar levels in products.					
9. A new soft drink's manufacturer has entered the market due to globalisation opportunities.					
10. There is a shortage of sugar beet due to changing weather patterns.					

Worksheet A: Answers

The process by which countries are connected with each other because of the trade of goods and services.

Globalisation

The cost to a person or business of borrowing money from a lender such as a bank.

Interest rate

Organisations of likeminded people who put pressure on businesses and the government to change their policies.

Pressure groups

This stage is the peak of the business cycle.

Boom

The rate at which one country's currency can be exchanged for that of another.

Exchange rates

Legislation that affects business activity

Legal controls

This is when the economy shrinks in size.

Recession

Businesses should care for this when making decisions

Environment

Making business decisions that are morally right

Ethical

The price increase of goods and services over time

Inflation

Worksheet C: Answers

External influence affecting the business	Decision A	Decision B	Decision C
2. One of the countries Fizzi Nation operates in goes into recession and their economy is shrinking. As unemployment rises and consumers demand less, profits start to fall.	This is the strongest decision as a decline in economic activity and rising unemployment consumers will have less disposable income. This would provide an opportunity to reach out to loyal customers in an affordable way.	This is probably the weakest decision, simply because of the risk involved in changing the taste and quality of the products. Core customers that can afford to buy their usual soft drinks could be lost and those who need an alternative could switch to the value brand in Decision A keeping all customer needs satisfied.	This is a suitable decision, but only if the conditions are right. Increased marketing could be used to target specific groups of people whose incomes are less affected, but it could be used in conjunction with Decision A for raising awareness of a new value brand.
3. Environmental groups are putting pressure on governments to pass laws, forcing businesses to reduce the amount of waste they create through packaging, and for more packaging to be recycled. Not all of Fizzi Nation's packaging can be recycled.	This is the strongest decision in the short to medium term to prevent negative publicity for Fizzi Nation. The impact on them could be vast due to their well-known global branding.	This is the weakest decision because Fizzi Nation could end up having its factory closed in that country if government regulations are not followed.	This is a suitable decision, but for the long term and should be incorporated as part of their growth strategy for the next five years. This is because it will take longer to implement than Decision A and the damage that pressure groups could do in the interim could affect Fizzi Nation's reputation in the short term which would make it harder to implement this in the longer term.
5. There is increasing stakeholder conflict between profits and ethics in a number of countries where large businesses are operating. This could	This is probably the strongest decision for immediate impact due to the local residents who live close to	This is probably the weakest decision, but only because by committing to use only Fairtrade suppliers, the working conditions and	This is a suitable decision as Fizzi Nation can promote this as part of their marketing strategy. Those who care about ethical business will

External influence affecting the business	Decision A	Decision B	Decision C
harm Fizzi Nation in the long term. The issues raising concern include pollution, labour and fair trade.	the factories and see first-hand the pollution from the factories.	wages will be good. This is still a decision that needs to be included in any corporate strategy.	support this and it main gain new customers, but being ethical does increase costs. The positive reputation that comes from this will take time.
6. Interest rates have been increased to help manage inflation. This has meant borrowing has become more expensive for Fizzi Nation's expansion plans. Consumers have less disposable income as loans on houses increase.	This is a suitable decision, while alternative sources of finance are being investigated. It doesn't mean it won't happen but it is just delayed until a plan is worked out.	This is probably the weakest decision as interest rates can fluctuate so it would be better to delay than cancel.	This is probably the strongest decision and then if interest rates were to further increase this would not impact on Fizzi Nation. Issuing more shares also means there is no interest or capital to pay back to anyone.
7. Tariffs have increased making it more expensive for Fizzi Nation to import ingredients they need. It also means they pay an increase in tariffs on the soft drinks that are exported to other countries. This could reduce their sales as drinks manufacturers in the host country might become more attractive.	This is probably the weakest decision simply because the quality of the products may suffer as a result.	This is a suitable decision as a new range of 'locally sourced' soft drinks, branded clearly from their main products, still carries the brand but differently so consumers will expect something else rather than a cheap substitute version.	This is probably the strongest decision simply because the costs can be absorbed elsewhere in the business, but not necessarily meaning cheaper suppliers, so prices remain the same and the quality of the products are not compromised.
8. Like the UK government in 2016 a number of other countries have introduced a 'Sugar Tax' or similar legislation to reduce sugar levels in products. This is affecting manufacturers as the additional tax increases the cost of making some of their drinks.	This is probably the strongest decision as some consumers will see this an ethical choice from Fizzi Nation. They can continue with their full sugar versions but still provide an alternative without alienating their loyal customers.	This is probably the weakest decision as there is a risk that consumers will switch to alternative brands or alternative drinks lower in sugar which could affect sales.	This is a suitable decision as price remains the same and customers are happy, however there will be some who see no socially responsible decision being made.

External influence affecting the business	Decision A	Decision B	Decision C
9. A new soft drink manufacturer has entered the market due to globalisation opportunities.	This is a suitable decision as it will help to keep existing customers and attract new ones at a time when there is more choice.	This is probably the strongest decision so that customers are reminded of what they are already loyal to when the competition is launched. Keeping Fizzi Nation in their minds is important.	This is probably the weakest decision as it is the riskiest. Customers can be loyal but many are sensitive to other things such as price and product. Planning for a threat is essential to survival and success.
10. There is a shortage of sugar beet due to changing weather patterns. This has increased the price of sugar, one of Fizzi Nation's essential ingredients.	This is probably the weakest decision simply because of the risk of customers switching brands of drink, even to those who are also affected by the shortage but have absorbed the costs more effectively.	This is probably the strongest decision as customers are price sensitive and this will help to keep Fizzi Nation competitive on price with rivals.	This is probably a suitable decision as it provides an opportunity for product development without risking what is already being manufactured, so this could be a medium-term solution.

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