



# Business Studies Bridging work

Year 10 into 11 for 2023/24



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# **Business Studies**

## **Bridging Work**

# **Year 10 into 11 for 2023**

## The Focus

- Part 1: Moving away from 'leading to an increase in sales, therefore an increase in profits'
- Part 2: Context, context, context
- Part 3: Finance
- Part 4: Business and the environment

### Part 1: Moving away from 'leading to an increase in sales, therefore an increase in profits'

Recent comments from Edexcel Chief examiner GCSE Business

*In explain questions where candidates tagged onto the end of each response 'leading to an increase in sales, therefore leading to an increase in profit' this affected 3-mark scores as candidates missed the context specifics of the business.*

Candidates are required to be accurate with the knowledge but also consider alternative arguments to the generic: revenue increase leading to increasing profits. So, what can you do?

Some potential answers could be:

- 'invest more into staff training, therefore a higher quality of service is offered, which may lead to returning customers/fall in customer complaints.
- 'invest in machinery, therefore workers have the newest technology available which should allow them to be more productive'.
- 'relocated to London due to the availability of highly skilled workers, this therefore should lead to better quality recruits who will help develop the businesses ideas/products/designs'.

It doesn't always have to be about revenue and profits!

[Complete the activity seen here](#)

## There has to be another way to finish an 'explaining' question which allows linked strands to be shown

- Without using the focus of revenue and profit, what points could you link with the following?



### Answer Box

**Once you have completed your answers and checked with your tutor, complete these two exam style questions, worth 3 marks.**

Evo magazine is a UK car magazine produced monthly, featuring all the latest news and reviews of supercars and the motoring industry. It is considering moving all of its content online and not producing a print version. Explain one benefit to EVO magazine of moving all its content online. (3)

**Answer Box**

Bulk Powders UK is a company who produces and sells a variety of protein shakes in the UK. Their website allows them to sell around the world to many countries. Recently they have purchased new robots which allows the protein to be packaged significantly faster, previously this was all done by hand. Explain one benefit of the move toward automation in the warehouse. (3)

**Answer Box**

## Part 2: Context, context, context

*Examiners are often found stating 'the candidate failed to address the context of the question/business/industry'.*

In the short article below highlight where you see context being used.

*Beats by Dre have recently signed a deal with the NBA to become the league's official supplier of headphones and wireless speakers. There will be a number of NBA team special headphones available for purchase in October 2018. The NBA commissioner Adam Silver stated 'Beats revolutionized the music industry and has become one of the most innovative and culturally influential brands in the world'. The NBA is synonymous with global culture, including music such as hip hop and style such as Nike and LeBron James. The partnership is a multi-year deal that sees products on all global NBA superstars. Beats was bought by Apple back in 2014 for \$3billion. The new adverts promoting the campaign can be seen on YouTube and with more marketing campaigns featuring at the forthcoming NBA draft and NBA All star game.*

References: <https://www.hotnewhiphop.com/beats-by-dre-announces-nba-partnership-includes-team-branded-headphones-news.59205.html>

Context seen	Why it represents context

## Contextualising the business examples

On the presentation you were given three businesses: ASOS, Spotify and House of Fraser. The following questions are for you to answer for each business. Do the answers side by side, then compare the context of the businesses, why might this lead to different answers for each business?

<b>Question</b>	<b>ASOS</b>	<b>Spotify</b>	<b>House of Fraser</b>
<b>What is the consequence to the business if there is a fault with their website and it stops working?</b>			
<b>How might the ownership of the business affect the decision of what to do next?</b>			
<b>Who are the most significant rivals to the firm?</b>			
<b>How might Brexit affect the decision making of the firm in the short term?</b>			
<b>How easily could the business expand into another overseas market it has not yet entered?</b>			
<b>If the business wished to expand, what might be the most suitable source of finance to use?</b>			
<b>How stable is the senior management and leadership of the firm?</b>			



## Contextualising the industry examples

On the presentation you were given three industries: UK supermarket industry, UK Banking and UK Pharmaceutical. The following questions are for you to answer for each industry. Do the answers side by side, then compare the context of the industries, why might this lead to different answers for each industry?

<b>Question</b>	<b>UK supermarket industry</b>	<b>UK Banking industry</b>	<b>UK pharmaceutical industry</b>
<b>What is the consequence to the industry of Brexit?</b>			
<b>How might an increase in interest rates affect the industry?</b>			
<b>Who are the three biggest businesses within the industry by market share?</b>			
<b>How might the UK government affect the industry?</b>			
<b>How easy is it for rival firms to enter the industry?</b>			
<b>Is the industry a growing industry or has growth stalled within it?</b>			
<b>How has the internet changed the industry?</b>			

## Part 3: Finance

Finance plays a role in every business and therefore it will play a role in a number of questions posed in your forthcoming questions. This segment will focus on: Break even, margin of safety, variable costs, the purpose of profit, use of debt as a source of finance.

### Break even and margin of safety

#### Formulas you must absolutely be aware of

Break even =  $\text{Fixed costs} / \text{Contribution}$

Break even: the point where total costs are equal to total revenue

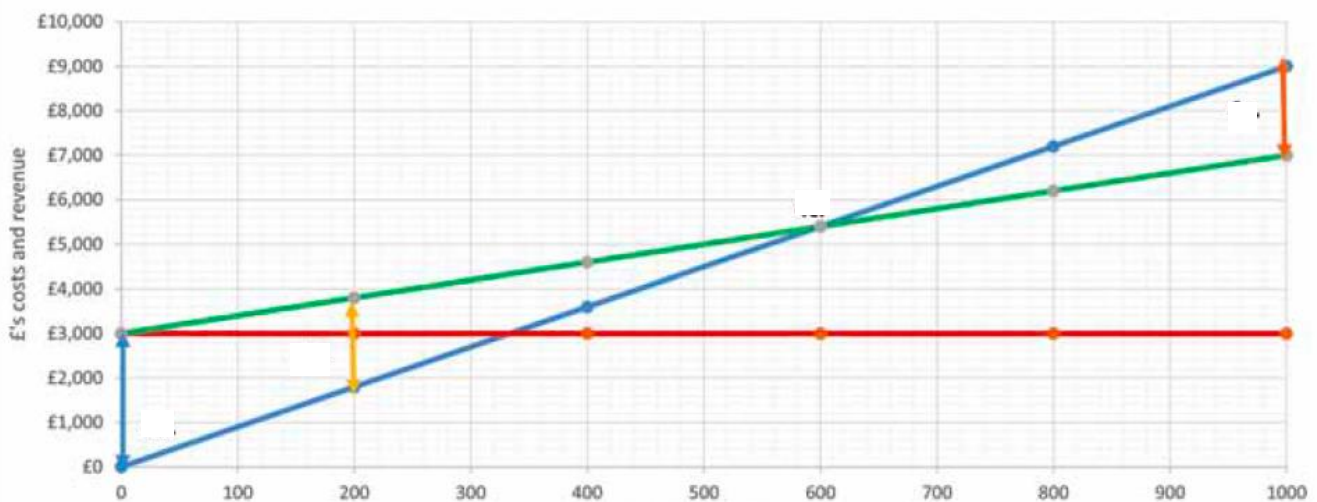
Contribution:  $\text{Selling price per unit} - \text{variable cost per unit}$

Margin of safety:  $\text{Total sales} - \text{break even point}$

Without exception you need to be aware and know these formula

#### Label the following:

*Fixed cost line, Total revenue line, Total cost line, break even point, margin of safety*



### **Variable costs**

Variable costs increase with production/manufacturing. The more you make of something the more you need of the raw materials/packaging. Complete the table below for 'DoughNutters', luxury doughnuts for the everyday person.

Assume one doughnut requires £1.25 raw materials and £0.55 spent on packaging.

Amount needed	Total spent on raw material	Total spent on packaging	Total variable cost
1			
25			
500			
12,250			

Doughnutters also pay a substantial amount of fixed costs, due to their location in Essex and acquiring the very best talent in management of the doughnut industry.

Their monthly fixed costs currently stand at:

Salaries: £12,000, Rent: £19,000; Other bills £3,500

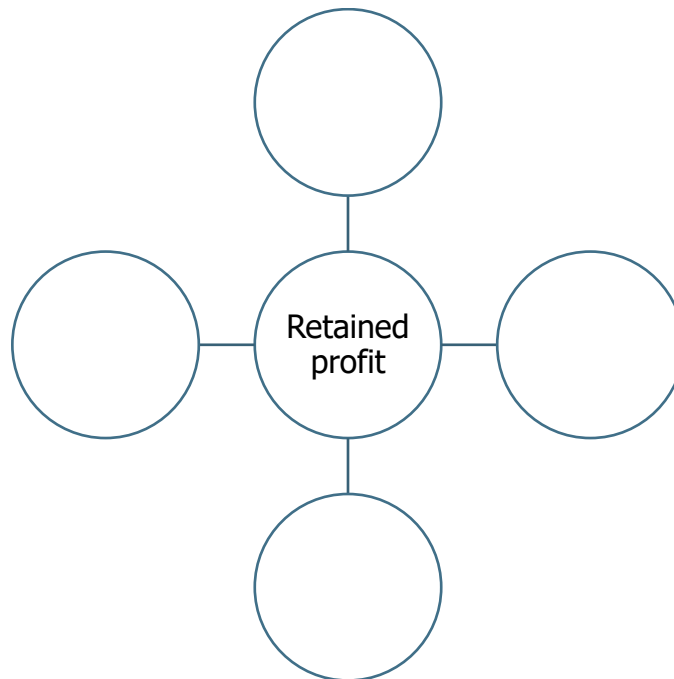
On average, Doughnutters sells around 7,000 doughnuts per month. What are their TOTAL COSTS?

**Answer Box**

### **The purpose of profit**

Profit is all the money left once a business has paid all of its expenses and costs.

What can a company do with the profit it has left? Complete the spider diagram below and add some of your own if you wish



### **Why would a company choose to take the following options?**

1. Use retained profit to expand the business instead of using a loan from a bank.
2. Use retained profit to develop new products instead of issuing new share capital.
3. Use retained profit and invest in R&D instead of sharing profit with shareholders.

**Answer Box**

### **Using debt as a source of finance**

In some of the examinations the phrasing of the word debt caught some candidates by surprise. Yet debt is just borrowed money. It is finance that must be paid back and typically carries interest on it.

Complete the table below to identify why a firm may or may not want to fund their business using the sources of debt listed.

<b>Source of debt</b>	<b>Reason why a firm should use it</b>	<b>Reason why a firm shouldn't use it</b>
<b>Bank loan</b>		
<b>Credit cards</b>		
<b>Venture capital</b>		
<b>Overdraft</b>		

**Should a firm use retained profit or debt to fund the expansion/growth of the company?**

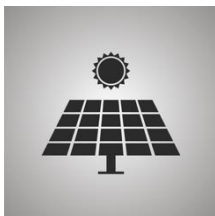
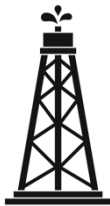
Klass Racecourse in the UK has recently sold much of its land to have houses developed on it. The Racecourse made a profit of £12m in 2017. Prior to this, the racecourse had been making a loss for the previous four years. The directors of the company are keen to expand the stadium and renovate the stables. They have been offered a loan of £14m over 5 years with an APR of 3.9%. The directors are unsure whether to use retained profits or take out a loan. Compare the options and make a recommendation.

Retained profit	Use debt bank loan as a source of finance

<p><b><u>Evaluation</u></b></p>
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## Business and the environment

**Businesses have an impact on the environment. Look at the images below and describe how businesses have impacted on the environment for each. Remember it may not always be a negative!**



## The impact of the environment on big business

<https://www.theguardian.com/environment/2018/sep/07/profits-v-planet-can-big-business-and-the-environment-get-along>

Read the story provided, why is the environment such an important factor in the success of businesses? Can being responsible generate profits shareholders want?

Put the **key points** you think are relevant in the answer box below and then answer the final question.

**Answer Box**



### Final question

The W group of hotels are considering installing the world's largest solar panel farm in Oman, generating electricity for all of its hotels across the Middle East and moving its reliance away from traditional gas and nuclear forms of energy. The solar panel farm will be built on a site not far from Oman's popular naturally occurring tourist attractions. It is likely the solar panel farm will require significant investment in developing new roads and electric convertors to make this a success. The local population are concerned about the proposal.

Write down the environmental damage this development could do to the region, you should aim for at least three points.

- 1)
- 2)
- 3)

**Q. State one potential benefit and one potential negative impact on the environment if the W hotel are allowed to build the proposed solar panel plant in Oman. For each point, explain the likely effect on the environment.**

**Answer Box**

### **Mock Exam**

The exam seen here contains 30 marks and should take no more than 40 minutes to complete. The exam is not written specifically for one exam board, however, it does contain questions which should challenge your knowledge of business and reflection on some of the themes discussed in this booklet.

- 1) Define the term variable cost (2)
- 2) Fresh Water LTD sells bespoke luxury water to top end restaurants across Manchester and Glasgow. It currently has the following costs of manufacturing per litre bottle of water: £1.10 per bottle for glass, £0.65 purification costs of water per litre bottle and rent of £9,000 per month. Calculate the total cost for one month, assuming the company manufactures 4,300 litres of water. (4)
- 3) Explain one benefit to a business of using Market research before launching a new product. (3)
- 4) Explain one disadvantage to a business of using an overdraft as a source of finance. (3)
- 5) Frankie runs an old school record shop. In order to break even, she needs to sell 15 records a day, 7 days a week. Last week Frankie sold 80 records. Calculate Frankie's margin of safety for last week. [1]

6a) Cold Stone provides beautiful driveway finishes for homes across the UK. They have a number of showrooms located around the UK but are interested in expanding abroad into Europe. The MD believes having a website is the best way forward. Explain one benefit to the company if it chooses to sell its services through the internet. (3)

6b) Cold Stone would like to improve awareness of its brand across Europe. Explain one method of marketing it may use which would generate interest in the brand. (3)

7a) Winter Is Coming (WIC) is an online fashion store aimed at Skiing and Snowboarding pursuits. It wishes to expand and open its first retail store in France. Explain one drawback of using retained profit as a source of finance for the proposed expansion. (3)

7b) Winter Is Coming (WIC) sources many of its products from China and ships them over via Air freight. The company is considering building its own large-scale manufacturing plant on farmland not far from the Alps in France. State one possible benefit and one possible drawback to the environment if WIC builds the proposed manufacturing plant. For each explain the likely effect on the environment. (8)