

PRACTICE WORKSHEET + FULL ANSWER KEY

Business decisions and financial reasoning

Senior business and economics foundations. Work through the sections in order, or choose the one that matches this week's topic.

QUESTIONS	SECTIONS	ANSWER KEY	WORKING SPACE
52	5	At the back	Ruled

Name _____ Class _____ Date _____

Before you start

A business decision balances quantitative evidence with context. Calculate accurately, name assumptions and explain how a recommendation addresses the case rather than repeating a definition.

WORKED EXAMPLE

A product sells for \$20, variable cost is \$8 and fixed costs are \$600. Find break-even output.

- 1 Contribution per unit = $20 - 8 = \$12$.
- 2 Break-even quantity = $600/12 = 50$.
- 3 Selling 50 units covers these costs under the stated assumptions.

Use this method as your model. Set out your own working the same way.

Common mistakes to avoid

- Confusing revenue with profit
- Giving a recommendation without linking to the case

There are 52 questions across 5 sections. Write in the ruled space, then mark your work against the answer key at the back. Topics covered: Revenue and costs, Break-even, Evidence-based decisions.

SECTION A Objectives, ownership and stakeholders

Name whose interest is served by each decision.

1

Name three common objectives of a business.

2

Explain the difference between a sole trader and a partnership.

- 3 State one advantage and one disadvantage of being a sole trader.

- 4 Explain what limited liability means.

- 5 Name one reason a business might become a private limited company.

- 6 Explain what a stakeholder is and name three.

- 7 Explain one conflict that can arise between stakeholders.

- 8 Define a social enterprise.

- 9 Explain what is meant by the private and public sectors.

- 10 Name two ways a business can grow.

- 11 State one risk of growing too quickly.

SECTION B Revenue, costs and break-even

Contribution per unit is the selling price minus the variable cost per unit.

- 12 Find revenue from 80 units at 15 currency units each.

- 13 Fixed costs are 200, variable cost 5 per unit and output 30. Find total cost.

- 14 Revenue is 900 and total cost is 700. Find profit.

- 15 A product sells for 20, variable cost is 8 and fixed costs are 600. Find break-even output.

- 16 For that product, state the contribution per unit.

- 17 For that product, find the profit at 90 units.

- 18 For that product, find the margin of safety at 90 units.

- 19 Give one limitation of a break-even model.

- 20 Explain what happens to break-even output if fixed costs rise.

- 21 Explain what happens to break-even output if the selling price rises.

- 22 Explain the difference between profit and cash flow.

SECTION C Marketing

Link every marketing decision to the segment it is meant to reach.

- 23 Name the four elements of the marketing mix.

- 24 Explain what market segmentation is.

- 25 Name two ways a market can be segmented.

- 26 Explain the difference between primary and secondary market research.

- 27 State one advantage and one drawback of primary research.

- 28 Explain what a unique selling point is.

- 29 Name two pricing strategies and when each might be used.

- 30 Explain one reason a business researches its competitors.

- 31 A shop considers a discount. Name two pieces of evidence to examine.

- 32 Explain why a marketing decision should link to the target segment.

SECTION D People and operations

Connect the practice to its effect on cost, quality or motivation.

33 Name two methods of recruiting staff.

34 Explain one benefit of training staff.

35 Explain what motivation means at work and name one non-financial motivator.

36 Explain the difference between full-time and part-time employment.

37 Define productivity and state one way to improve it.

38 Explain what quality control means.

39 Explain how quality assurance differs from quality control.

40 Name two ways technology can change a business's operations.

41 Explain one benefit and one risk of holding high stock levels.

42 Explain what a supply chain is.

SECTION E Finance, external factors and evaluation

A recommendation must refer to the case, not repeat a definition.

43 Name two sources of finance for a new small business.

44 Explain one difference between a loan and share capital.

45 Explain what working capital is.

46 Name two reasons a profitable business can still fail.

- 47 Explain one reason demand for a product may change.

- 48 Explain what is meant by external factors affecting a business.

- 49 Explain how a rise in interest rates could affect a small business.

- 50 Give one argument for and one against a business acting on its environmental impact.

- 51 Explain why a recommendation should refer to the case rather than a definition.

- 52 Write a short recommendation with one supporting reason and one stated assumption.

Answer key

Work each section before you check it. These are model answers: an equivalent method, or a different well-supported interpretation, can be just as correct.

SECTION A - OBJECTIVES, OWNERSHIP AND STAKEHOLDERS

1. Survival, profit, growth, market share, or a social objective.
2. A sole trader is owned by one person; a partnership is owned by two or more who share responsibility.
3. Advantage: full control and simple set-up. Disadvantage: unlimited liability and limited finance.
4. Owners can lose only what they invested; personal assets are protected from business debts.
5. To gain limited liability and to raise capital by issuing shares to invited investors.
6. Anyone affected by the business: for example customers, employees, suppliers, owners or the local community.
7. Owners may want cost cuts while employees want higher pay; each has a legitimate interest.
8. A business that trades mainly to achieve a social or environmental purpose, reinvesting most of its profit.
9. The private sector is owned by individuals or shareholders; the public sector is owned by government.
10. Organic growth through more sales and outlets, or external growth through merger or takeover.
11. Cash flow can be stretched and quality or control can slip.

SECTION B - REVENUE, COSTS AND BREAK-EVEN

12. 1,200 currency units.
13. 350 currency units.
14. 200 currency units.
15. 50 units. Contribution per unit is 12, and 600 divided by 12 is 50.
16. 12 currency units.
17. 480 currency units.
18. 40 units above break-even.
19. It may assume constant prices and unit costs, and that all output is sold.
20. It rises, because more contribution is needed to cover the higher fixed costs.
21. It falls, because each unit contributes more.
22. Profit is revenue minus costs for a period; cash flow is money actually moving in and out, which can differ in timing.

SECTION C - MARKETING

23. Product, price, place and promotion.
24. Dividing a market into groups with similar characteristics so the offer can be targeted.

25. By age, income, location, lifestyle or usage.
26. Primary research collects new data directly; secondary research uses data already gathered by others.
27. It answers your exact question, but it costs more and takes longer.
28. The feature that distinguishes a product from competitors in a way customers value.
29. Penetration pricing to enter a market, and skimming to profit from early adopters.
30. To understand their pricing and features, and to find gaps it could fill.
31. The contribution margin and the expected change in sales volume; customer response and competitor prices also matter.
32. A message or price that suits one group can put another off, so the fit determines the response.

SECTION D - PEOPLE AND OPERATIONS

33. Internal promotion and external advertising; agencies are also used.
34. Higher productivity and quality, and often better motivation and retention.
35. The willingness to put effort into work; for example responsibility, recognition or job variety.
36. Full-time work follows a standard weekly hours pattern; part-time is fewer hours, offering flexibility.
37. Output per worker or per hour; improved by training, better equipment or process changes.
38. Checking output against standards, usually by inspecting finished work.
39. Quality assurance builds quality into the process at every stage rather than checking only at the end.
40. Automation of tasks and better stock or customer data; online selling also counts.
41. Benefit: orders can be met immediately. Risk: cash is tied up and stock may spoil or date.
42. The sequence of suppliers and processes that bring a product from raw material to customer.

SECTION E - FINANCE, EXTERNAL FACTORS AND EVALUATION

43. Owner's savings and a bank loan; grants and crowdfunding also count.
44. A loan must be repaid with interest; share capital gives investors a stake and a claim on profits.
45. Current assets minus current liabilities: the funds available for day-to-day operations.
46. It runs out of cash, or it over-trades and cannot fund its own growth.

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- 47. Income, tastes, competitor prices or expectations; explain the direction in context.
 - 48. Influences outside its control, such as interest rates, legislation, competition or the wider economy.
 - 49. Borrowing costs rise and customer spending may fall, reducing demand.
 - 50. For: it can cut costs and attract customers. Against: it may raise short-term costs; the balance depends on the market.
 - 51. The same option suits different businesses differently; the evidence in the case determines what is sensible.
 - 52. A recommendation, the evidence behind it and the assumption it depends on, such as demand staying stable.

Review and next steps

Mark your work against the answer key, record your score for each section, then answer the three questions below. Bring this page to your next lesson so your tutor can start from what actually blocked you.

Which question did you find hardest, and what exactly stopped you?

Rewrite the corrected working for that question here.

Which section do you want to practise again before your next lesson?

Score record

SECTION	QUESTIONS	NUMBER CORRECT	PRACTISE AGAIN?
A. Objectives, ownership and stakeholders	11		
B. Revenue, costs and break-even	11		
C. Marketing	10		
D. People and operations	10		
E. Finance, external factors and evaluation	10		
Total	52		

Keep going with one-to-one support.

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