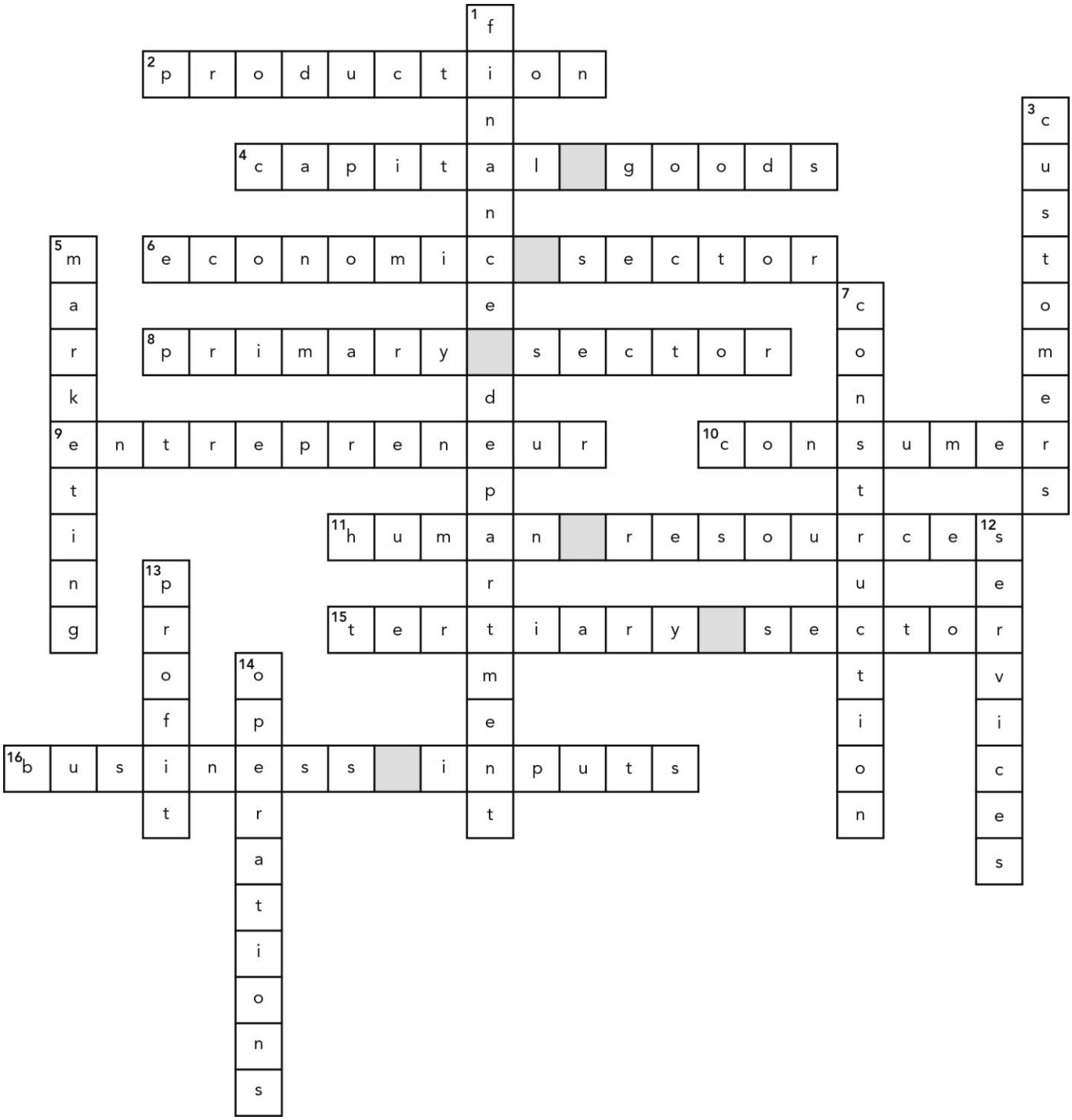
Worksheet answers

Chapter 1: Skills development worksheet

Activity 1.1 Crossword



Worksheet answers

Chapter 2: Vocabulary building worksheet

Activity 2.1 Common types of business ownership

1 A feature of **sole traders** is that just one person **owns** the business and runs the organisation. While this is straightforward to set up, one disadvantage is that the owner has **unlimited liability**, meaning that the owner is personally liable for all **debts** and losses that the business builds up.

Another type of business structure is called a **partnership**, which is a business structure in which two or more people own and operate the business. This structure comes in two main types – **general** and **limited**.

Corporations are a separate legal entity from the owners, requiring the business to comply with additional regulations and tax requirements. Shares in corporations can be freely bought and sold via the **stock market**.

A **private limited company,** such as a corporation, enjoys **limited** liability but ownership of the business remains private.

A **franchise** is a business in which independent entrepreneurs use the rights to a larger company's **brand** to operate an individual subsidiary. The **franchiser** is the owner who sells the rights to **license** their business, and the **franchisee** is the third-party owner of the subsidiary.

2 In a **private limited** company, shares are not for sale to the general public, but shares in **public** limited companies are freely exchanged on the stock exchange. A plc/Inc. is called a **public** limited company or corporation. A Ltd or Pte is a **private** limited company. Both forms of business operate in the **private** sector and operate as **for-profit** businesses. **Public** limited companies are sometimes confused with **public** corporations, which are state-run enterprises operating in the **private** sector and operate on a **not-for-profit** basis.

3

	Sole trader	Partnership	Ltd	Plc	Public corporation
Owned by shareholders	False	False	True	True	False
Can issue shares to the general public	False	False	False	True	False
Owned and controlled by one person	True	False	False	False	False
Enjoys limited liability	False	False	True	True	False
Seeks to make a profit	True	True	True	True	False
Requires financial statements to be prepared by a qualified accountant	False	False	True	True	True
Can raise funds for the business by a long-term loan or mortgage, secured on assets	True	True	True	True	True
Likely to enjoy economies of scale	False	False	False	True	True
Controlled by government	False	False	False	False	True
Owned by the public	False	False	False	False	True

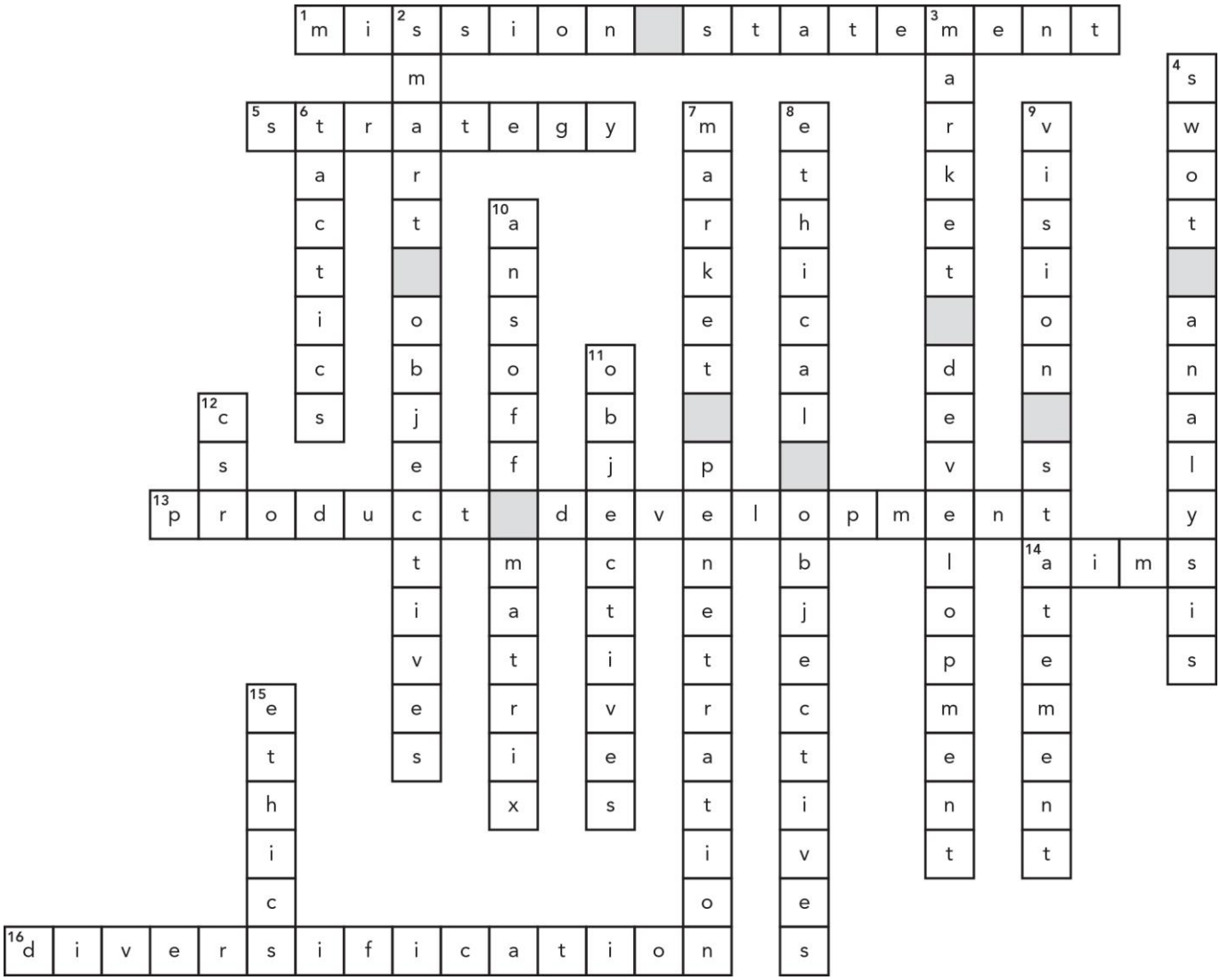
Activity 2.2 Key terms revision

Key term	Description
social enterprise	a business with social and/ or environmental objectives that reinvests most of its profits into benefiting society
shareholders	individuals or institutions that buy/own shares in a limited company
social entrepreneur	a person who establishes an enterprise with the aim of solving social problems or achieving social change
public corporation	a business enterprise owned and controlled by the state – also known as nationalised industry or public sector enterprise
private sector	comprises businesses owned and controlled by individuals or groups of individuals
non-governmental organisation	a legally constituted body that functions independently of any government and that has a specific humanitarian or social aim/purpose, e.g. supporting disadvantaged groups in developing countries or advocating the protection of human rights
cooperative	a group of people acting together to meet the common needs and aspirations of its members, sharing ownership and making decisions democratically
limited liability	the only liability – or potential loss – a shareholder (or partner in a limited liability partnership) has if the company fails is the amount invested in the company, not the total wealth of the shareholder
privatisation	the sale of public sector organisations to the private sector
charity	an organisation set up to raise money to help people in need or to support causes that require funding
mixed economy	economic resources are owned and controlled by both private and public sectors
partnership	a business formed by two or more people to carry on a business together, with shared capital investment and, usually, shared responsibilities
sole trader	a business that is exclusively owned by one person who has full control of it and is entitled to all of the profit (after tax)
triple bottom line	the three objectives of social enterprises: economic, social and environmental
privately held company	a business that is owned by shareholders who are often members of the same family; this company cannot sell shares to the general public
limited liability	a limited company with the legal right to sell shares to financial institutions and the general public
social enterprise	a business with social and/or environmental objectives that reinvests most of its profits into benefiting society rather than maximising returns to owners
free-market economy	economic resources are owned largely by the private sector, with very little state intervention
share	a certificate confirming part ownership of a company. Most types of share entitle shareholders to dividends paid from profits
non-profit organisation	any organisation that has aims other than making and distributing profit and which is usually governed by a voluntary board

Worksheet answers

Chapter 3: Skills development worksheet

Activity 3.1 Crossword



Worksheet answers

Chapter 4: Vocabulary building worksheet

Activity 4.1 Word search

C	O	M	M	U	N	I	C	A	T	I	O	N	O
P	R	E	S	S	U	R	E	G	R	O	U	P	S
S	S	E	S	C	O	N	F	L	I	C	T	S	C
R	R	A	E	S	U	S	T	T	R	C	R	O	T
P	E	E	X	G	U	U	C	T	T	E	N	T	L
Y	D	T	T	C	H	P	L	T	D	C	E	R	A
T	L	H	E	P	S	P	P	L	I	E	C	M	N
I	O	I	R	I	C	U	O	L	N	I	T	E	R
N	H	C	N	R	O	H	I	E	I	P	S	D	E
U	E	S	A	D	E	A	R	E	R	E	M	M	T
M	R	O	L	K	T	O	A	M	X	R	R	D	N
M	A	I	A	I	C	E	R	E	H	S	F	S	I
O	H	T	O	C	O	N	S	U	M	E	R	S	O
C	S	N	O	I	T	A	R	T	I	B	R	A	S

Worksheet answers

Chapter 5: Vocabulary building worksheet

Activity 5.1 Economies and diseconomies of scale

Business term	Description	Example
External economies of scale	When all firms within the industry benefit from lower unit costs of production as the industry grows	The concentration of large businesses within one area attracts other firms to the area, in a range of support industries
Financial economies of scale	Benefits derived from being able to attract loans at lower interest rates than smaller businesses	Larger firms are generally able to profit from lower interest credit terms due to their perceived lower risks
Internal economies of scale	Gains from scale that occur from within the organisation itself, rather than growth in the overall industry	Financial, marketing, division of labour economies, etc.
Managerial economies of scale	Efficiency gains through specialist management	As a business grows it has the resources to hire specialist managers rather than relying on a smaller number of general managers
Diseconomies of scale	Increases in unit (average) costs of production that result from an increase in the scale of operations of a business	Poor communication, misunderstandings or lack of pride in the company
Specialist economies of scale	The use of specialist workers rather than generalist staff	Larger firms can afford to hire and train specialist workers, boosting productivity
Marketing economies of scale	When the larger firm can gain scale efficiencies through a specialist marketing team	Larger businesses can share the costs of marketing between a larger number of units
Economies of scale	Reductions in unit (average) costs of production that result from an increase in the scale of operations of a business	Bulk buying, easier access to cheap credit, or lower unit costs from increased specialisation
Risk-bearing economies	Efficiency gains from pooling of risk amongst a range of products	Large businesses can afford to take greater risks because they are able to share the risks among different products in their portfolio
Purchasing economies of scale	Efficiency gains through purchasing supplies	Larger firm are able to make significant savings through bulk-buying discounts
Technical economies of scale	Greater use of automation and division of labour	As a business grows it can afford to make greater use of mass production techniques, reducing unit costs

Activity 5.2 Business growth word jumble

Key term	Description
horizontal integration	Integration with a firm in the same industry and at the same stage of production
strategic alliances	Agreements between firms in which each agrees to commit resources to achieve an agreed set of objectives
backward vertical integration	Integration with a business in the same industry but a supplier of the existing business
multinational company	Business organisation that has its headquarters in one country, but with operating branches, factories and assembly plants in other countries
economies of scale	Reductions in unit (average) costs of production that result from an increase in the scale of operations of a business
free trade	No restrictions or trade barriers exist that might prevent or limit trade between countries
Joint venture	Two or more businesses agree to work closely together on a particular project and create a separate business division to do so
diseconomies of scale	Increases in unit (average) costs of production that result from an increase in the scale of operations of a business
internal growth	Expansion of a business by means of opening new branches, shops or factories (also known as organic growth)
forward vertical integration	Integration with a business in the same industry but a customer of the existing business
globalisation	The growing integration of countries through increased freedom of global movement of goods, capital and people
merger	An agreement by shareholders and managers of two businesses to bring both firms together under a common board of directors, with shareholders in both businesses owning shares in the newly merged business
acquisition	When a company buys at least 50% of the shares of another company and becomes the controlling owner – often referred to as a takeover
external growth	Business expansion achieved by means of merging with or taking over another business, from either the same or a different industry
conglomerate integration	Merger with or takeover of a business in a different industry
scale of operation	The maximum output that can be achieved using the available inputs (resources) – this scale can only be increased in the long term by employing more of all inputs
synergy	The concept that, following a merger or acquisition, the combined value and performance of two businesses will be greater than the sum of the separate individual businesses
franchise	A business that uses the name, logo and trading systems of an existing successful business

Worksheet answers

Chapter 6: Skills development worksheet

Activity 6.1 Investigation activity

In 2021, Walmart's revenue was $559.15 billion. If it was a country, that would make it the 22nd largest nation on earth, above Argentina and below Sweden.

Worksheet answers

Chapter 7: Skills development worksheet

Activity 7.1 Managing and controlling change

	Strategy
1	Understand what change means
2	Recognise the major causes of change
3	Understand the stages of the change process
4	Lead change, not just manage it
5	Use project champions
6	Use project groups or teams

Worksheet answers

Chapter 8: Skills development worksheet

Activity 8.1 Features of organisational structures

1 by region

2 by product

3 by function

4 by product

5 by region

6 by product

7 by function

8 traditional hierarchy

9 by product

10 by function

11 traditional hierarchy

12 by region

Activity 8.2 Tall versus flat organisational structures

1 **a**

Flat/horizontal	Tall/vertical
Contains few layers of management	Employees tend to work in specialised departments
Wide spans of control	Narrow spans of control
Short chains of command	Long chains of command
Typically found in smaller businesses	Many layers of management
Flexible and less bureaucratic	Sometimes criticised as being too formal, inflexible and bureaucratic
	Typically found in larger businesses

b Three advantages of horizontal organisational structures.

1 The shorter chains of command mean faster decision-making and less opportunity for mis-communication.

2 Considered more appropriate for smaller firms or those operating in a fast-moving and dynamic environment.

3 Improved communication.

c Three advantages of vertical organisational structures.

1. More opportunities for promotion as there are more layers of the 'career ladder' to move up.
2. The smaller span of control means a greater control of workers.
3. Considered more suitable for larger and/or growing businesses.

Activity 8.3 Create your own organisational chart

Learners' own answers.

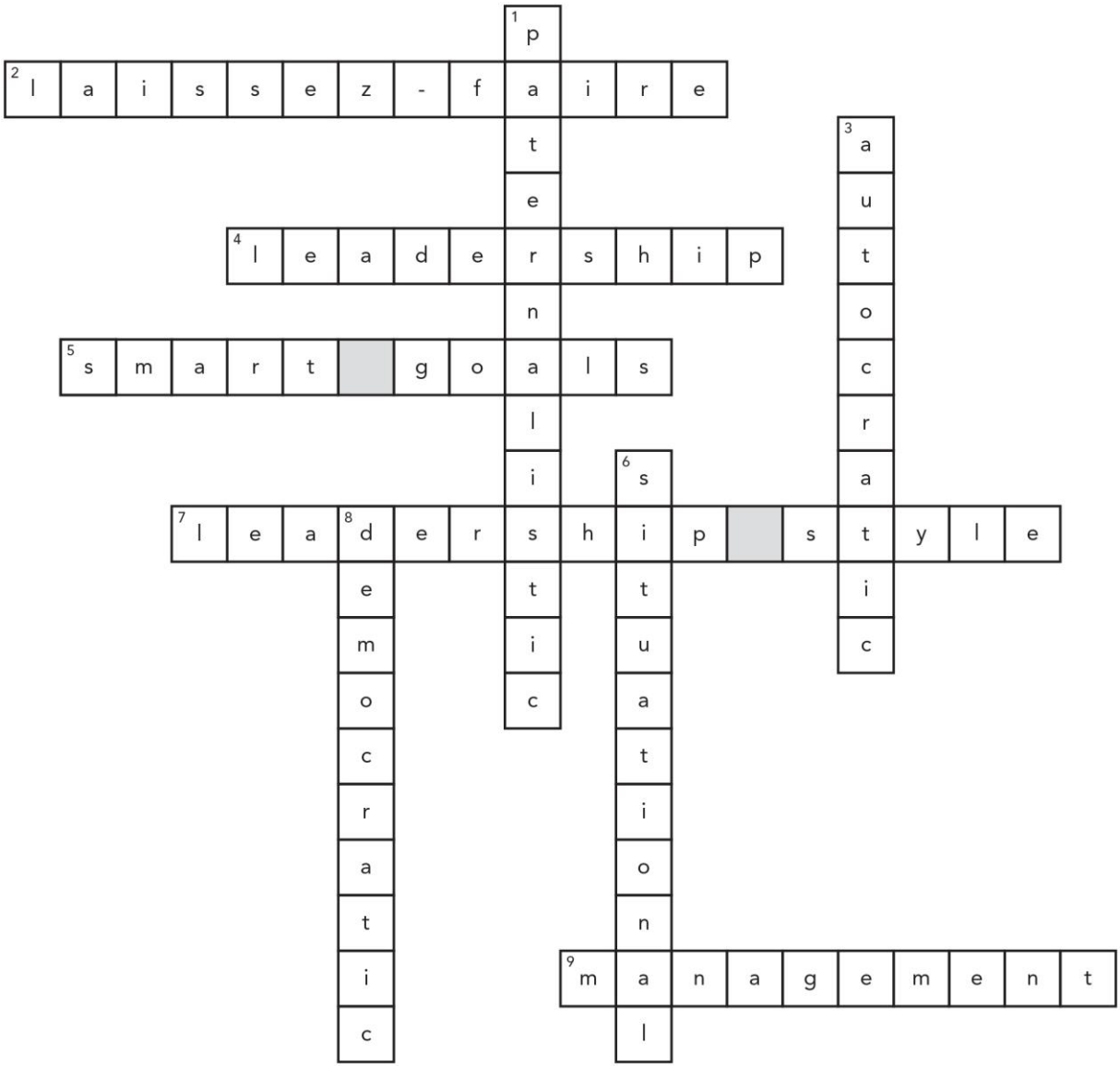
Worksheet answers

Chapter 9: Skills development worksheet

Activity 9.1 Managerial grid

Learners' own answers.

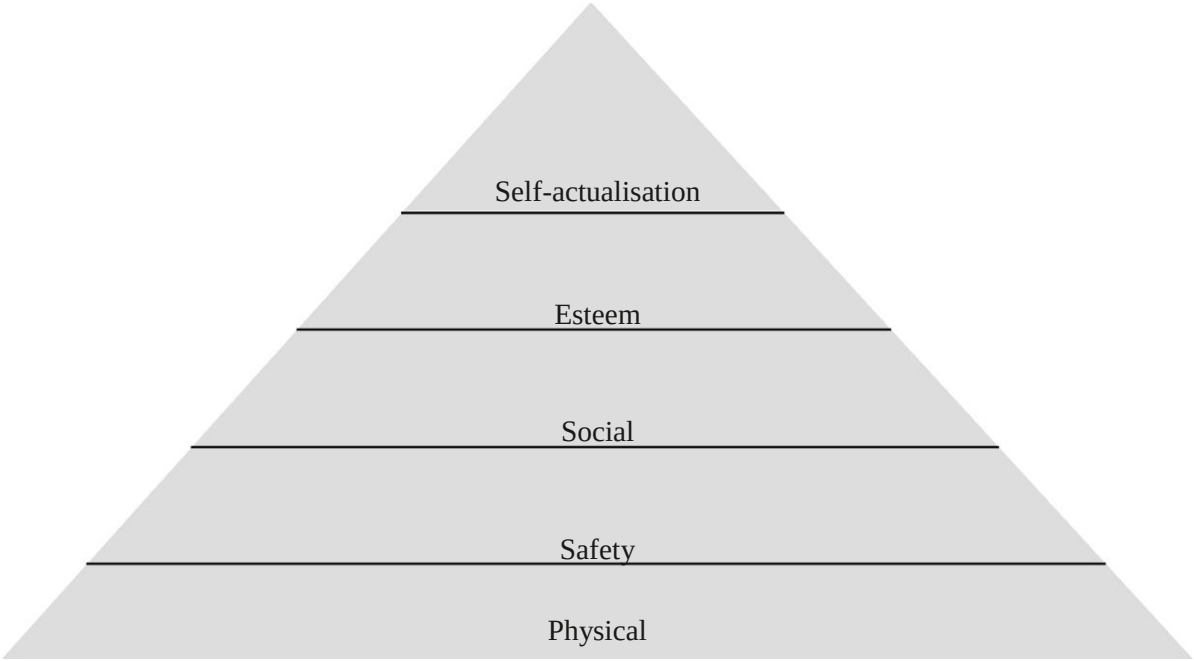
Activity 9.2 Management style crossword



Worksheet answers

Chapter 10: Skills development worksheet

Activity 10.1 Maslow's hierarchy of needs



Activity 10.2 Types of remuneration systems

Payment system	Description
income	The total financial reward earnt by an employee including wage/salary, bonus and fringe benefits
hourly wage rate	A payment system where workers are paid according to the number of hours worked, e.g., $15 per hour worked
performance-related pay	A payment system where employees are paid a bonus, on top of their basic salary, for exceeding a set of agreed targets
piece rate	A payment system where workers are paid according to their output or productivity
profit-related pay	A payment system where workers are paid according to the level of profit earnt by the business
commission	A payment system where workers are paid a percentage of the sales generated by the employees
salary	A payment system where workers receive a fixed monthly payment; this is often associated with white collar workers and management

Activity 10.3 Maslow's hierarchy of needs

Physiological needs	Safety/security needs	Belongingness and love needs	Esteem needs	Self-actualisation needs
Shelter Sleep Food Water	Health benefits Job security Secure working environment	Strong friendship with colleagues Acceptance salary/wage	Self-confidence Respect Reputation	Morality Spontaneity

Activity 10.4 Motivation and hygiene factors

Motivation factors	Hygiene factors
Achievement	Company policy
Recognition	Supervision
The work itself	Working conditions
Responsibility	Interpersonal relationships at work
Advancement	Salary and benefits
Growth	Job security

Activity 10.5 Appraisal systems

Type of appraisal	Description	Advantages	Disadvantages
Formative	Employees are provided with feedback to support them and set targets for improvement	It typically involves qualitative feedback (rather than quantitative) that, if done well, should be no sense of overall failure or success by the employee	Such a method can sometimes exclude quantitative data. Formative appraisals also take considerable time and resources to be effective
Summative	A written summary of the appraisee's performance against an agreed set of targets/criteria	Measure the level of an employee's success or proficiency in meeting predetermined benchmarks, which can then be used to guide promotion or retention	To be effective, the benchmarks used have to be discussed and agreed with each employee before the assessment is made
360 Degree	An appraisal system that provides feedback from a range of people working with the appraisee	This appraisal system uses not only the supervisor but a range of people who come into contact with the employee as sources of appraisal feedback, making the process more detailed	Such a system can be very time consuming and sometimes colleagues, for example, are more reluctant to express their views openly than a line manager
Self-appraisal	The employee evaluates their own performance against a set of pre-agreed criteria	Self-appraisal or self-evaluation results can be used as the basis for discussion and negotiation of an individual's performance	Employees do not always rate themselves as objectively as a line manager or other work manager might do

Activity 10.6 Recruitment process

Order completed	Process	Relevant terminology
1	Identify a vacancy	Workforce planning, labour turnover, staff retention, internal or external recruitment
2	Write the job description	Qualifications, experience, training
3	Write a personal specification	Job role, salary and benefits, line manager
4	Advertise the vacancy	Job centre, recruitment agency, trade journals
5	Receive applications	Application form, curriculum vitae (CV)
6	Check the applicant's skills against those required in the personal specification	Curriculum vitae (CV)/resume
7	Draw up a short list of candidates	Personal specifications, job description
8	Interview short-listed candidates	Interview, testing and assessment processes
9	Second round of interviews (if required)	Interview, testing and assessment processes
10	Select the successful candidate	Interview, references, selection and assessment tests
11	Check references for the successful candidate	Former employer
12	Offer a contract to the successful candidate	Verbal agreement, legal document, probation and notice period
13	New employee begins their induction training	On-the-job, off-site-training

Worksheet answers

Chapter 11: Vocabulary building worksheet

Activity 11.1 Organisational culture key terms

Key term	Description
power culture	Concentrating power among a few people
role culture	Each member of staff has a clearly defined job title and role
task culture	Based on cooperation and teamwork
corporate culture	The shared values, attitudes and beliefs of the people working in an organisation that influence how they interact with each other and with external stakeholder groups
values	The beliefs and moral standards of an organisation and are an essential part of its culture
culture gap	The difference between the culture that the organisation strives towards and the actual culture at the present moment in time
person culture	When individuals are given the freedom to express themselves and make decisions
vision	The overall purpose of the organisation and a significant part of its corporate culture
culture clash	A conflict of cultures, or disagreement between two parties caused by differing beliefs and values
entrepreneurial culture	Encourages management and workers to take risks, to come up with new ideas and test out new business ventures

Activity 11.2 Organisational culture word search

R	Q	C	O	R	P	O	R	A	T	E	K	P	O	F	E
P	N	D	H	R	I	H	I	U	K	L	A	V	S	U	H
Q	W	I	K	S	A	T	P	K	P	O	W	E	R	C	G
O	Q	D	K	W	M	P	E	L	E	R	F	B	E	K	E
Y	L	A	I	N	E	R	P	E	R	T	N	E	R	R	L
T	I	H	P	E	R	S	O	N	C	U	L	T	U	R	E
R	R	E	P	U	R	I	O	P	V	E	L	T	X	R	E
Z	V	E	P	E	R	S	O	N	R	E	L	P	L	Z	K
Y	V	H	K	H	P	X	A	P	H	U	K	G	U	Z	C
A	A	M	V	S	J	Y	O	K	C	L	Q	L	C	U	F
S	L	P	I	A	C	R	W	O	A	Z	K	Q	M	U	T
U	U	W	S	L	A	N	K	S	A	T	P	T	G	K	A
Y	E	N	I	C	J	B	F	P	B	F	Q	V	U	Z	T
T	S	G	O	N	O	P	A	G	E	R	U	T	L	U	C
X	O	C	N	N	F	S	N	Y	E	G	E	U	R	S	X
L	O	R	T	N	O	C	R	U	O	I	V	A	H	E	B

Worksheet answers

Chapter 12: Vocabulary building worksheet

Activity 12.1 Communication methods

	Provides a record of the communication	**Allows for recipients and communicators to use body language**	**Convenient**	**One-way/two-way communication**
Telephone	No	No	Yes	Two
Email	Yes	No	Yes	One
Face-to-face conversation	No	Yes	This depends on whether the person is available	Two
Face-to-face meeting	No	Yes	No, very time consuming	Two
Online meeting, e.g., via Teams	Yes if recorded	To an extent	To a degree, more easy to arrange than a face-to-face meeting	Two
Announcement via poster or speaker	No	No	Yes, very quick and easy to communicate message	One

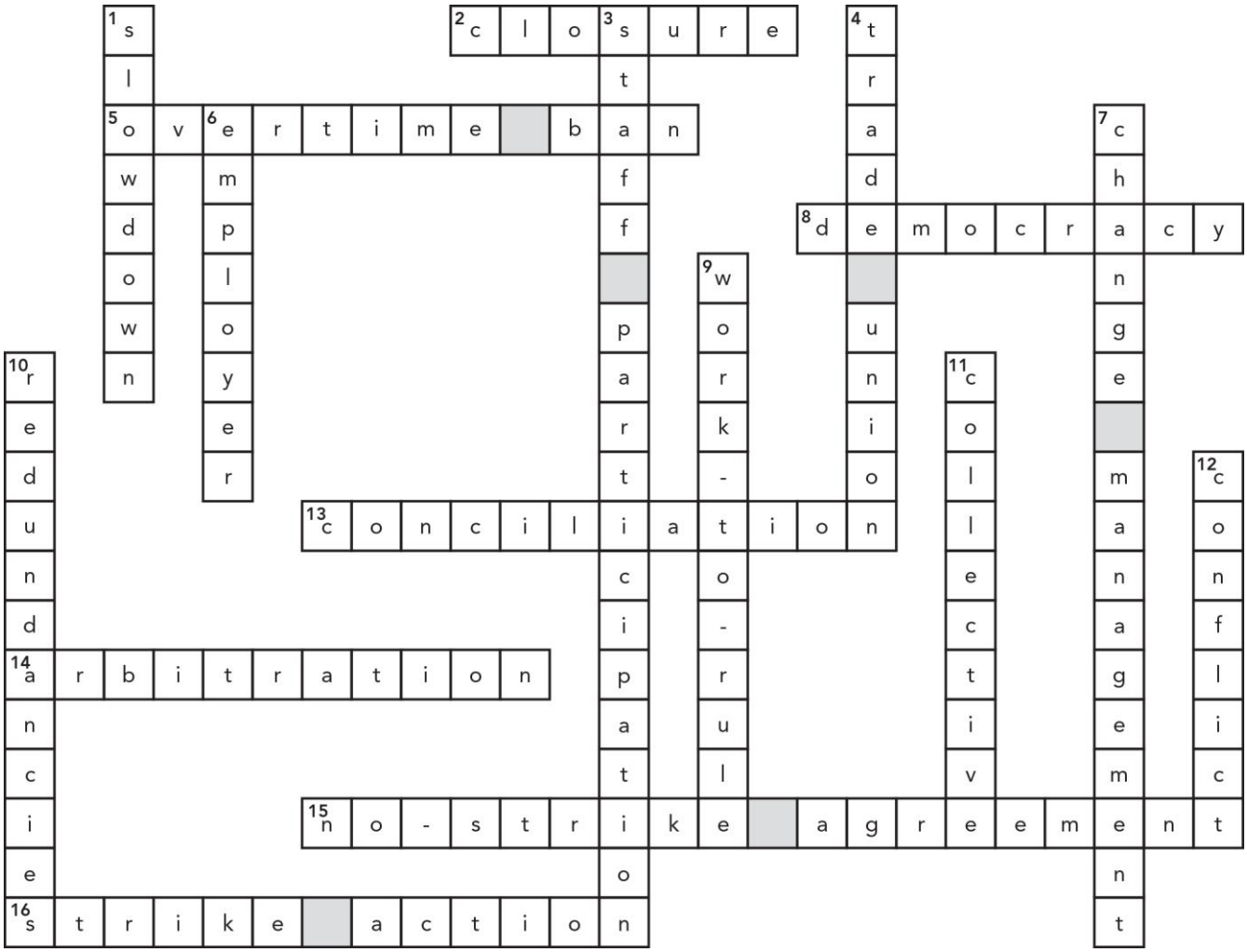
Worksheet answers

Chapter 13: Vocabulary building worksheet

Activity 13.1 Key term revision

Key term	Definition
conciliation	The negotiations between employees' representatives (trade unions) and employers and their representatives on issues of common interest such as pay and conditions of work
arbitration	When an employer formally agrees to conduct negotiations on pay and working conditions with a trade union rather than bargaining individually with each worker
single-union agreement	An employer recognises just one union for purposes of collective bargaining
collective bargaining	The use of a third party in industrial disputes to encourage both employer and union to discuss an acceptable compromise solution
industrial action	Resolving an industrial dispute by using an independent third party to judge and recommend an appropriate solution
project groups	Represents employees in either collective bargaining or a disputes process
trade union	These are created by an organisation to address a problem that requires input from different specialists
no-strike agreement	Measures taken by the workforce or trade union to put pressure on management to settle an industrial dispute in favour of employees
trade union recognition	Unions sign an agreement with employers not to strike in exchange for greater involvement in decisions that affect the workforce

Activity 13.2 Crossword



Activity 13.3 Types of industrial action

Industrial action	Definition
lock-outs	Short-term closure of the business or factory to prevent employees from working and being paid
go slow	A form of industrial action in which workers keep working but at the minimum pace as demanded by their contract of employment
threat of redundancy	Threaten workers with losing their jobs, hoping that affected employees put pressure on unions to settle the dispute
changes of contract	Issue new contracts, when the old ones are due for renewal, which contain new (more favourable) clauses
work to rule	A form of industrial action in which employees refuse to do any work outside the precise terms of the employment contract
overtime ban	Industrial action in which workers refuse to work more than the contracted number of hours each week

Worksheet answers

Chapter 14: Skills development worksheet

Activity 14.1 Sources of finance

The difference between capital and revenue expenditures include whether the purchases will be used over the long-term or short-term.

Revenue expenditure	Capital expenditure
Overdrafts	Personal funds (sole traders and partnerships)
Trade credit	Retained profit
Subsidies	Sale of assets
Debt factoring	Share capital
	Loan capital
	Grants
	Leasing
	Venture capital
	Business angels

Activity 14.2 Internal and external sources of finance

Internal finance	External finance
Personal funds	Trade credit
Retained profit	Subsidies
Sale of assets	Debt factoring
	Share capital
	Loan capital
	Grants
	Leasing
	Venture capital
	Business angels
	Overdrafts

Activity 14.3 Finance scenarios

Learners' own answers.

Worksheet answers

Chapter 15: Skills development worksheet

Activity 15.1 Soft-toy factory

1 **a** Fixed, variable, semi-variable, direct and indirect.

b Factory lease, production machinery, marketing and administration costs.

c Raw material required in production.

d Machine operatives, owner's salary.

e Raw material, production machinery, machine operatives.

f Factory lease, marketing and administration costs, owner's salary.

g Total cost is the sum of fixed, variable and semi-variable costs.

h Total costs/output.

i This is because as output rises fixed costs do not change, which means that average fixed costs fall because those costs are divided by an increasingly larger number as output rises.

j Fixed costs per year = $10 000 factory lease

Labour costs = $133 000

Machinery = $50 000

Marketing/administrative costs = $15 000

So fixed costs = $208 000

Gross profit per unit = $21

k **1** (5000 × $21) − 208 000 = ($103 000)

2 (10 000 × $21) − 208 000 = $2000

3 (12 000 × $21) − 208 000 = $44 000

4 (15 000 × $21) − 208 000 = $107 000

5 (20 000 × $21) − 208 000 = $212 000

2 **1** Total revenue

2 Average cost

3 Variable costs

4 Indirect costs

5 Semi-variable costs

6 Average revenue

7 Fixed costs

8 Total cost

9 Direct cost

Worksheet answers

Chapter 16: Skills development worksheet

Activity 16.1 Financial statements

1

Balance sheet
Fixed assets Copyrights Patents Land Machinery Depreciation (a negative figure in the fixed assets column)
Current assets Cash Stock Debtors
Current liabilities Overdraft Tax owed Creditors CA − CL = Net current assets
Long term liabilities and shareholders' funds Mortgages Debentures Long-term loans Share capital Cumulative retained profit

Profit and loss account
Revenue streams Sales revenue Non-trading income
Cost of sales Wages Cost of stock used
Fixed costs Rent Marketing expenses Salaries
Net profit before tax and dividends

2

	2021 ($)
Revenue	625 000
Cost of goods sold	272 000
Gross profit	353 000
Overhead expenses	275 000
Operating profit (net profit)	78 000
Interest	15 000
Profit before tax	63 000
Corporation tax @ 20%	12 600
Profit after tax	50 400
Dividends paid	25 200
Retained profit	25 200

3 Revenue = $687 500

Cost of sales = $299 200

Gross profit = $388 300

Net profit = $113 830

4 Stock and cash (CA), tax, dividends and retained profit (all CL).

Worksheet answers

Chapter 17: Vocabulary building worksheet

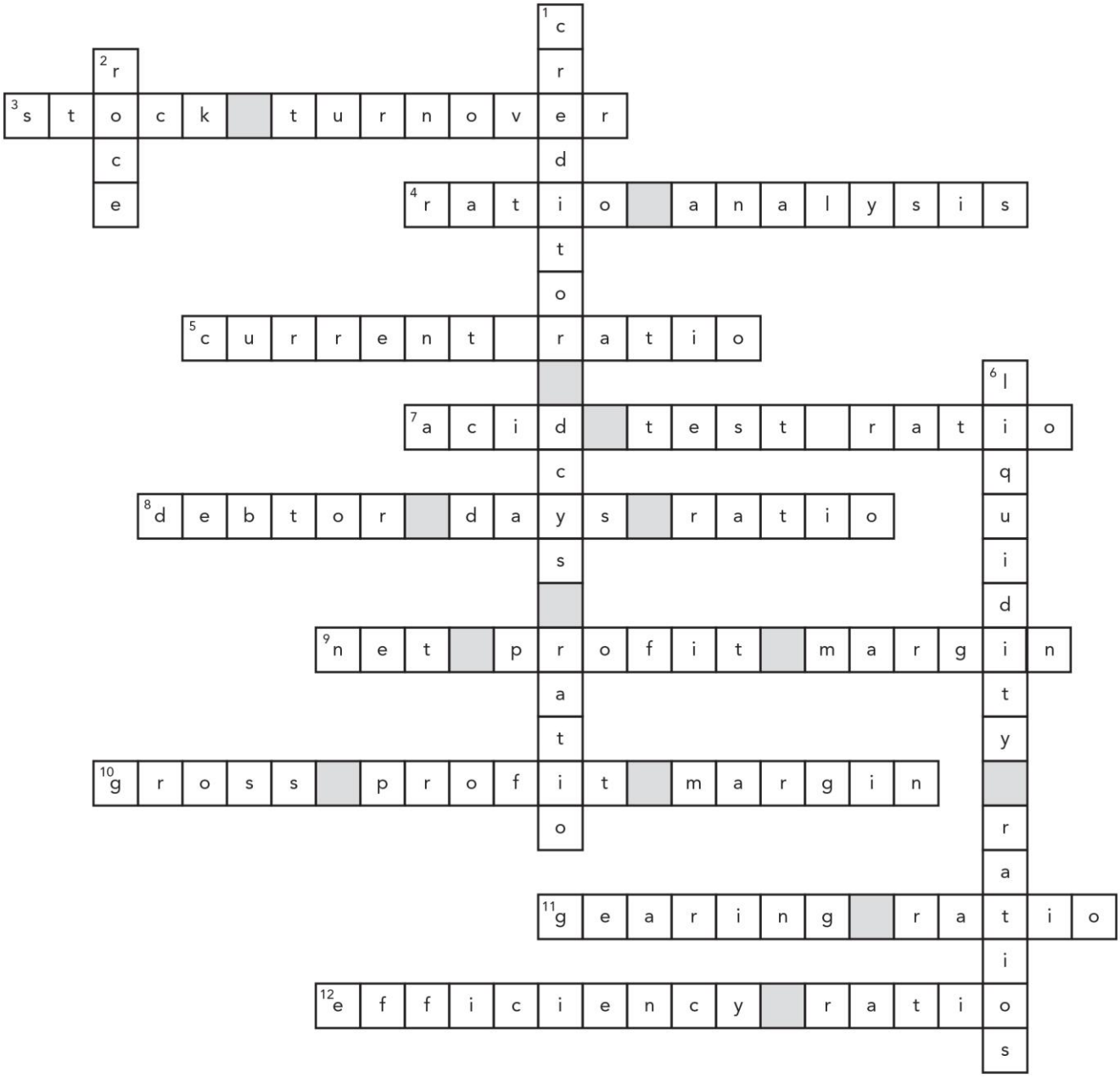
Activity 17.1 Key term revision

Key term	Description
gross profit margin	The level of gross profit as a percentage of its sales revenue
profitability	A relative measure of a business's ability to make a profit from sales or a capital investment.
current ratio	Current assets/current liabilities
liquidity ratio	Financial ratios that examine an organisation's ability to pay its short-term liabilities
return on capital employed	The total value of all long-term finance invested in the business = $\frac{\text{profit before interest and tax}}{\text{capital employed}}$
liquidity	The ability of a business to pay its short-term debts
ratio analysis	Used to analyse and evaluate the financial performance of a business, divided into profitability, liquidity and efficiency ratios
liquid assets	Current assets – inventories
acid test ratio/quick ratio	Used to measure an organisation's ability to pay its short-term debts, without selling any stock and is calculated by $\frac{\text{current assets - stock}}{\text{current liabilities}}$

Worksheet answers

Chapter 18: Vocabulary building worksheet

Activity 18.1 Crossword



Worksheet answers

Chapter 19: Vocabulary building worksheet

Activity 19.1 Key term revision

Key term	Description
insolvent	When a business cannot meet its short-term debts
bad debt	Unpaid customers' bills that are now very unlikely ever to be paid
cash flow	The sum of cash payments to a business less the sum of cash payments from the business
working capital cycle	The period of time between spending cash on the production process and receiving cash payments from customers
liquidation	When a firm ceases trading and its assets are sold for cash
cash flow forecasting	Estimate of a firm's future cash inflows and outflows
overtrading	Expanding a business rapidly without obtaining all of the necessary finance so that a cash flow shortage develops
closing cash balance	Cash held at the end of the month becomes next month's opening balance
current liabilities	Debts of the business that will usually have to be paid within one year
debtors	Customers who have bought products on credit and will pay cash at an agreed date in the future
cash inflows	Payments in cash received by a business, such as those from customers (debtors) or from the bank, e.g., receiving a loan
net monthly cash flow	Estimated difference between monthly cash inflows and outflows
opening cash balance	Cash held by the business at the start of the month
cash outflow	Payments in cash made by a business, such as those to suppliers and workers
credit control	Monitoring of debts to ensure that credit periods are not exceeded

Worksheet answers

Chapter 20: Vocabulary building worksheet

Activity 20.1 Key term revision

Key term	Definition
net present value (NPV)	The length of time it takes for the net cash inflows to pay back the original capital cost of the investment
discounted cash flow	Evaluating the profitability or desirability of an investment project
annual forecast net cash flow	A method employed whereby a firm discounts the value of any future profits made against the rate of interest
investment appraisal	Today's value of the estimated net cash flows resulting from an investment
payback period (PBP)	Measures the annual profitability of an investment as a percentage of the average investment (average capital cost)
criterion rate	Forecast cash inflow minus forecasted cash outflows
average rate of return	The minimum average rate of return (ARR) that a business would accept before approving an investment

Worksheet answers

Chapter 21: Vocabulary building worksheet

Activity 21.1 Budgets

Budgeting consists of a **financial** plan, including a predicted **cash flow** statement, profit and loss statement and **balance** sheet. Firms create a budget in order to keep a closer reign on company spending, and budgeting is also a useful exercise in order to compare the **actual** performance with the expected (**budgeted**) one. The process of investigating any differences between budgeted figures and actual figures is called **variance analysis**.

When a firm completes this process, it distinguishes between **favourable** variances which exist when the difference between the budgeted and actual figures leads to a higher than expected profit and **adverse variance** when the difference between the budgeted and actual figures leads to a lower than expected profit. Some of the reasons why budgets for projects, particularly **large scale** ones, often balloon out of control are because of a change in one of the STEEPLE factors, e.g., **political**, when there is a change to the government in power, or **environmental**, for example when the project is delayed by unexpected and unseasonal weather patterns.

There are a number of different types of budgeting which a firm can employ. One of these is **zero** budgeting, where budgets go to zero each year and budget **holders** have to argue their case to receive any finance. Another is **incremental** budgeting, which uses last year's budget as a basis and an adjustment is made for the coming year. The organisation's accounts department will typically maintain overall control of spending but will delegate control over part of the budget to less **senior** management; these are called **delegated** budgets. The person responsible for each delegated budget (**cost centre**) is called the budget holder. This budget holder is also responsible for controlling any revenues allocated to their **revenue** centre.

Worksheet answers

Chapter 22: Vocabulary building worksheet

Activity 22.1 Marketing

When they start the subject, many IB students think of **marketing** as being primarily about the study of **advertising** and how to **sell** products. However, a better definition would be one that includes all of the aspects of marketing: **product**, **place**, **promotion** and distribution of goods and services.
Effective marketing starts with market research, to identify the needs of the **target** market so that they can satisfy those needs better than the competition.

Like any other aspect of a business the marketing department must coordinate its activities with other departments. For example, the marketing department must liaise with the **finance** department in order to agree a suitable budget. If the marketing plan is successful they might also have to negotiate with **human resources** to hire the additional employees required. The department will also have to coordinate their actions with the **operations** department.

The size of the market is crucial to any campaign. It is measured by **total revenue** and **market growth**, defined as the percentage change in the size of a market over a period of time. When entering into a market all businesses need to be aware of the number and size of their direct competitors and the **ease of entry**, which is the number of barriers faced by a new competitor to the market.

In some markets product differentiation is almost impossible because the goods are viewed as identical by consumers, and these products are called **homogeneous**. Companies will often start by dividing a market into distinct groups of consumers who share common tastes and requirements – a process called **segmentation**. Having segmented the market, organisations then adopt a policy of **target marketing**, which can be described as focusing marketing activity on particular segments of the market, or **mass marketing**, where the business sells a standardised product to the whole market.

Many brands take an outward-looking approach basing product decisions on consumer demand, as established by market research, a process called **market orientation**, while others are **product orientated**, which means adopting an inward-looking approach that focuses on making products that can be made and then trying to sell them. However, some believe that this approach is now outdated and no longer relevant.

While for many businesses marketing traditionally involved trying to sell as many products as possible for as high a price as possible (called **commercial** marketing), many business have more recently adopted a **social** marketing approach, which considers not only the demands of consumers but also the effects on all stakeholders.

While businesses scramble to increase their **market share**, the business enjoying the highest percentage of total market sales is called the '**brand leader**' and for many organisations this becomes their primary **marketing objective**. This can be described as the goals set for a marketing department to help the business achieve its overall objectives, although many businesses in the **for-profit** sector have other, secondary objectives as well. Businesses in the **not-for-profit** sector often have very different marketing objectives such as raising awareness of a particular social or environmental cause.

Worksheet answers

Chapter 23: Vocabulary building worksheet

Activity 23.1 Key term revision

Key term	Description
product position map	A diagram that analyses consumer perceptions of competing brands in respect of two product characteristics
market segment	A sub-group of a market made up of consumers with similar characteristics, tastes and preferences
consumer profiles	A quantified picture of consumers of a firm's products, showing proportions of age groups, income levels, location, gender and social class
marketing planning	The process of developing appropriate strategies and preparing marketing activities to meet marketing objectives
niche markets	A small and specific part of a larger market
mass market	A market for products that are often standardised and sold in large quantities
target market	The segment of the market that a particular product is aimed at
marketing mix	The key decisions that must be taken in the effective marketing of a product
marketing plan	A document that shows the marketing objectives and marketing strategy of a particular business
boston matrix	A method of analysing the product portfolio of a business in terms of market share and market growth
unique selling point	A factor that differentiates a product from those of its competitors, such as the lowest cost, the highest quality or the first-ever product of its kind; a USP could be thought of as 'what you have that competitors don't'
coordinated marketing mix	Key marketing decisions complement each other and work together to give customers a consistent message about the product
mass marketing	Selling the same products to the whole market with no attempt to target groups within it
niche marketing	Identifying and exploiting a small segment of a larger market by developing products to suit it
market segmentation	Identifying different segments within a market and targeting different products or services to them

Worksheet answers

Chapter 24: Vocabulary building worksheet

Activity 24.1 Sales forecasting

One of the benefits of **sales forecasting** is that it reduces the risk of business operations and makes **decision making** easier. For example, the operations department would know how many units to produce and what quantity of materials to order, while other departments will also be able to plan ahead.
These forecasts will be based on market research data, gained from both **primary** and **secondary** sources.

However, there are also limitations of sales forecasting, which includes the difficulty of accurate forecasting due to unforeseen **external** factors that influence **future** sales levels.

A common way of assessing future demand for a product yet to be fully launched is to use **test marketing** in one particular area. For **existing** products sales forecasts are commonly based on past sales data – this is called **time series analysis**. Simple linear regression is used to model the relationship between **two** variables. The aim is to predict the value of a dependent variable (e.g., sales) based on changes in the value of an independent variable such as the number of selling staff or the price level.

scatter diagrams are used to illustrate the relationship between two variables. They are easy to use and the relationship between the two variables can be more clearly identified than from a table of data.
The **line of best** fit measures the nature of the **relationship** between the two variables and should, therefore, follow the same steepness of each curve. The stepper the line of best fit then the **stronger** the relationship (positive or negative) is between the two variables. The results of the correlation coefficient are always between **−1** and **1**. However, the correlation result does not tell us why and how the relationship exists; it just suggests that the relationship exists.

A correlation **coefficient** of 1 means that for every positive increase in one variable, there is a positive increase of a fixed proportion in the **other**. Meanwhile, a correlation coefficient of −1 means that for every positive increase in one variable, there is a **negative** decrease of a fixed proportion in the other.

Lastly, **extrapolation** involves making statistical forecasts by using historical trends that are projected for a specified period of time into the future. It is only used for **sales forecasting** forecasts – where, for example, sales data has been gathered over time.

Worksheet answers

Chapter 25: Skills development worksheet

Activity 25.1 Word search

G	H	P	A	M	B	H	E	M	C	O	H	-	D	A	H	S	G	Q	H
N	S	C	I	H	T	E	W	G	F	P	S	A	M	P	L	I	N	G	D
I	J	K	Q	S	T	R	A	H	C	R	E	T	S	U	L	C	L	P	S
Y	R	A	M	I	R	P	S	H	I	S	T	O	G	R	A	M	S	T	A
O	B	S	E	R	V	A	T	I	O	N	S	N	E	V	N	O	C	W	M
M	R	D	M	I	X	G	L	P	O	P	U	L	A	T	I	O	N	U	P
A	P	D	I	A	G	R	A	M	S	D	R	R	M	J	R	O	U	A	L
S	U	R	V	E	Y	D	L	I	N	E	Y	E	V	S	C	O	M	G	I
O	T	J	R	S	N	C	O	N	V	E	N	I	E	N	C	E	N	R	N
T	A	R	O	A	S	E	Y	F	X	S	A	H	R	E	L	T	G	T	G
R	N	H	A	F	H	C	R	A	E	S	E	R	S	I	A	H	N	O	E
I	E	T	D	T	F	C	R	U	M	M	W	P	N	Q	M	I	I	R	R
R	Q	S	E	G	R	A	P	H	S	G	L	C	R	P	M	C	L	C	R
J	E	N	E	A	A	F	F	O	C	U	S	U	H	I	T	S	P	H	O
O	I	T	S	A	M	F	I	D	I	K	J	I	N	A	M	L	M	A	R
L	I	N	T	E	R	V	I	E	W	S	N	A	J	N	R	A	A	R	E
G	J	O	P	A	V	C	W	D	E	I	F	I	T	A	R	T	S	T	P
E	W	R	U	W	C	G	H	H	J	E	G	R	O	U	P	S	B	S	L
I	V	A	K	F	M	S	Z	N	C	R	F	S	H	P	A	R	G	V	V
P	H	B	M	T	T	E	K	R	A	M	S	H	P	A	R	G	R	D	Z

Activity 25.2 Key term revision

Key term	Definition	Primary / secondary / quantitative / qualitative
cluster sampling	Using one or a number of specific groups to draw samples from, and not selecting from the whole population, e.g., using one town or region	primary research
sampling error	Errors in research caused by using a sample for data collection rather than the whole target population	primary research
convenience sampling	Drawing a representative selection of people because of the ease of their volunteering, or selecting people because of their availability or easy access	primary research
quota sampling	Gathering data from a group chosen out of a specific sub-group, e.g., a researcher might ask 100 individuals between the ages of 20 and 30	primary research
focus groups	A group of people who are asked about their attitude towards a product, service, advertisement or new style of packaging	primary research/ qualitative data
market research	The process of collecting, recording and analysing data about customers, competitors and the market	primary and secondary research method
observational	A qualitative method of collecting and analysing information obtained through directly or indirectly watching and observing others in business environments, e.g., watching consumers walk around a supermarket	primary research/ quantitative data
survey	A detailed study of a market or geographical area to gather data on attitudes, impressions, opinions and satisfaction levels relating to products or businesses, by asking a section of the population	primary research/ quantitative data
primary research	The collection of first-hand data that is directly related to a firm's needs	primary research
qualitative research	Research into the in-depth motivations behind consumer buying behaviour or opinions	both primary and secondary research method
random sampling	Every member of the target population has an equal chance of being selected	primary research
sample	Group of people taking part in a market research survey selected to be representative of the target market overall	primary research
secondary research	Collection of data from second-hand sources	secondary research
quantitative research	Research that leads to numerical results that can be presented and analysed	generally primary research
open questions	Those that invite a wide-ranging or imaginative response	qualitative data
test marketing	Marketing a new product in a geographical region before a full-scale launch	all
closed questions	Questions to which a limited number of preset answers are offered	quantitative data

Worksheet answers

Chapter 26: Skills development worksheet

Activity 26.1 Key term revision

Key term	Definition
extension strategies	Marketing plans that extend the maturity stage of the product before a brand new one is needed
brand loyalty	The faithfulness of consumers to a particular brand as shown by their repeat purchases irrespective of the marketing pressure from competing brands
product life cycle	The pattern of sales recorded by a product from launch to withdrawal from the market
brand value	The premium that a brand has because customers are willing to pay more for it than they would for a non-branded generic product
brand development	Measures the infiltration of a product's sales, usually per thousand population; if 100 people in 1000 buy a product, it has a brand development of 10
brand awareness	Part of a firm's marketing strategy in communicating the value of a brand and what the brand stands for
product	The end result of the production process sold on the market to satisfy a customer need
consumer durables	Manufactured products that can be reused and are expected to have a reasonably long life, such as cars
family branding	A marketing strategy that involves selling several related products under one brand name (also known as umbrella branding)
product branding	Each individual product in a portfolio is given its own unique identity and brand image (also known as individual branding)
own-label branding	Retailers create their own brand name and identity for a range of products
branding	An identifying symbol, name, image or trademark that distinguishes a product from its competitors
company branding	Producers establish the brand image of a product or a family of products, often under the company's name
manufacturers' brand	The company name is applied to products and this becomes the brand name

Activity 26.2 Pricing strategies

Pricing strategy	Definition	Example of product
Promotional pricing	Special low prices to gain market share or sell off excess stock	'Buy one get one free' offers
Competitor pricing	A strategy of following the price set by the dominant firm in the industry (the firm with the largest market share).	Apple iPhones
Cost-plus pricing	Adding a fixed mark-up for profit to the unit price of a product	Typically retail businesses
Loss leader pricing	Product sold at a very low price to encourage consumers to buy other products	Supermarkets selling cheap petrol to attract customers into their stores
Penetration pricing	A strategy that involves charging a low price, sometimes even below the cost, so as to damage the sales of rivals.	Microsoft offering its initial Windows operating system for free
Price leadership	Setting a high price for a new product when a firm has a unique or highly differentiated product with low price elasticity of demand	A new technology product such as flat-screen televisions when they were first introduced onto the market
Predatory pricing	Deliberately undercutting competitors' prices in order to try to force them out of the market	BA attempting to force out rival Virgin from the airline market

Activity 26.3 Marketing mix

Product	Place	Price	Promotion
Extension strategies	Agent	Promotional pricing	Sales promotion
Company branding	Distribution channel	Price leadership	Digital promotion
Brand loyalty		Cost-plus pricing	Below-the-line promotion
Product life cycle		Loss leader pricing	Guerrilla marketing
Brand value		Price discrimination	Above-the-line promotion
Manufacturer's brand		Penetration pricing	Promotion
Brand development		Skimming	Promotional mix
Product		Price	Viral marketing
Consumer durables		Predatory pricing	Internet marketing
Family branding			
Product branding			
Own-label branding			
Brand			
Manufacturers' brand			
Company branding			

Activity 26.4 The extended marketing mix

Key term	Description
services	In the extended marketing mix, this refers to an organisation's employees who are vital as they are the ones who interact with customers and deliver the service
physical evidence	These are intangible products, e.g., education, haircuts, and train rides
people	In the extended marketing mix, this refers to the tangible aspects of a service, e.g., the physical appearance or recognisable aspects of a restaurant, hotel, school or coffee shop
process	These are physical products, e.g., handbags, cars, laptops
goods	In the extended marketing mix, this refers to the way in which a service is provided or delivered to customers

Worksheet answers

Chapter 27: Skills development worksheet

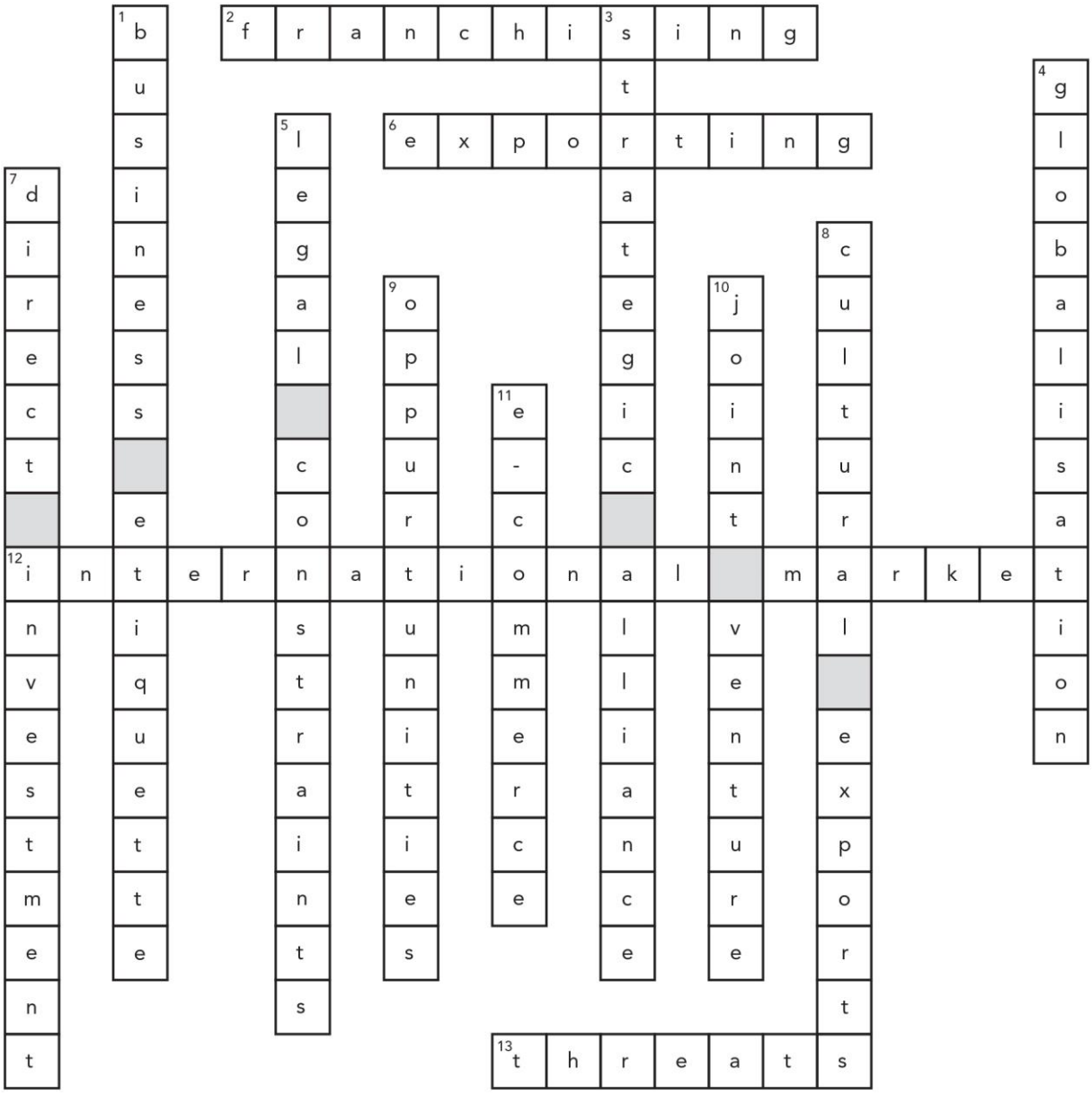
Activity 27.1 International marketing

Multinational companies consist of businesses that have operations in more than one country. Selling in international **markets** was once the exclusive preserve of large businesses, but increased **globalisation** has changed all this. Many businesses view **overseas markets** as an opportunity to profitably expand their sales. Globalisation can be described as the growing trend towards worldwide markets in **products, capital and labour**, unrestricted by national barriers.

There are a number of ways that a business can access international markets, e.g., **exporting**, which means selling the product directly to foreign customers; **international franchising,** where foreign franchisees are used to operate a business's activities abroad; **joint ventures**, which are agreements between at least **two** companies to own and operate a new business venture. Another method is **licensing**, which involves the business allowing another business in the country to produce its branded goods or patented products. **subsidiaries** involves setting up a company-owned subsidiary.

One feature of globalisation is that businesses must overcome national and regional differences in tastes, **culture**, fashion and wants. **Pan-global marketing** is one option for entering these markets and can be described as adopting a standardised product across the globe, as if the whole world was a single market.
On the other hand, **global localisation** can be described as adapting the **marketing mix**, including differentiated products, to meet national and **regional** tastes and cultures.

Activity 27.2 Crossword



Worksheet answers

Chapter 28: Vocabulary building worksheet

Activity 28.1 Word search

P	C	L	A	N	R	E	T	X	E	I	R	A	P
T	P	L	A	E	S	O	C	I	A	L	S	T	O
P	R	O	D	U	C	T	I	O	N	L	T	T	L
R	E	D	I	T	I	P	O	R	L	A	U	N	T
G	L	E	C	O	N	O	M	I	C	D	P	E	T
S	K	D	D	S	I	T	A	T	O	D	N	M	I
S	I	I	G	E	C	C	R	E	N	I	I	N	C
A	N	N	G	R	O	T	P	D	C	N	R	O	A
I	G	T	O	V	C	A	T	V	D	G	O	R	L
R	T	E	O	I	D	I	M	N	I	V	T	I	E
G	O	R	D	C	R	D	A	O	N	A	C	V	T
O	N	N	S	E	I	L	V	A	U	L	A	N	A
I	O	A	G	S	O	T	C	D	A	U	F	E	O
G	N	L	N	I	D	M	L	I	A	E	N	V	E

Worksheet answers

Chapter 29: Skills development worksheet

Activity 29.1 Key term revision

Key term	Description	Example
flow production	Producing items in a continually moving production line – also known as line production. This can be a continuous 24-hours-a-day method	Food processing, soft drinks
job production	Producing a one-off item designed for each customer	Cake production, speciality cards
cell production	A lean method of producing similar products using cells, or groups of teams, to facilitate operations by eliminating set-up time between operations	Pianos, automobile production
batch production	Producing a limited number of identical products – each item in the batch passes through one stage of production before passing on to the next stage	Newspapers, magazines, computers
mass production	Producing large quantities of a standardised product	Canned food, drugs, household furniture
mass customisation	The use of flexible computer-aided production to produce items to meet individual customers' requirements at mass production cost levels	Customised footwear, Dell computers
process production	Producing standardised goods, typically in bulk quantities, by using a continuous input of materials and other resources	Highly uniform products such as cereal production

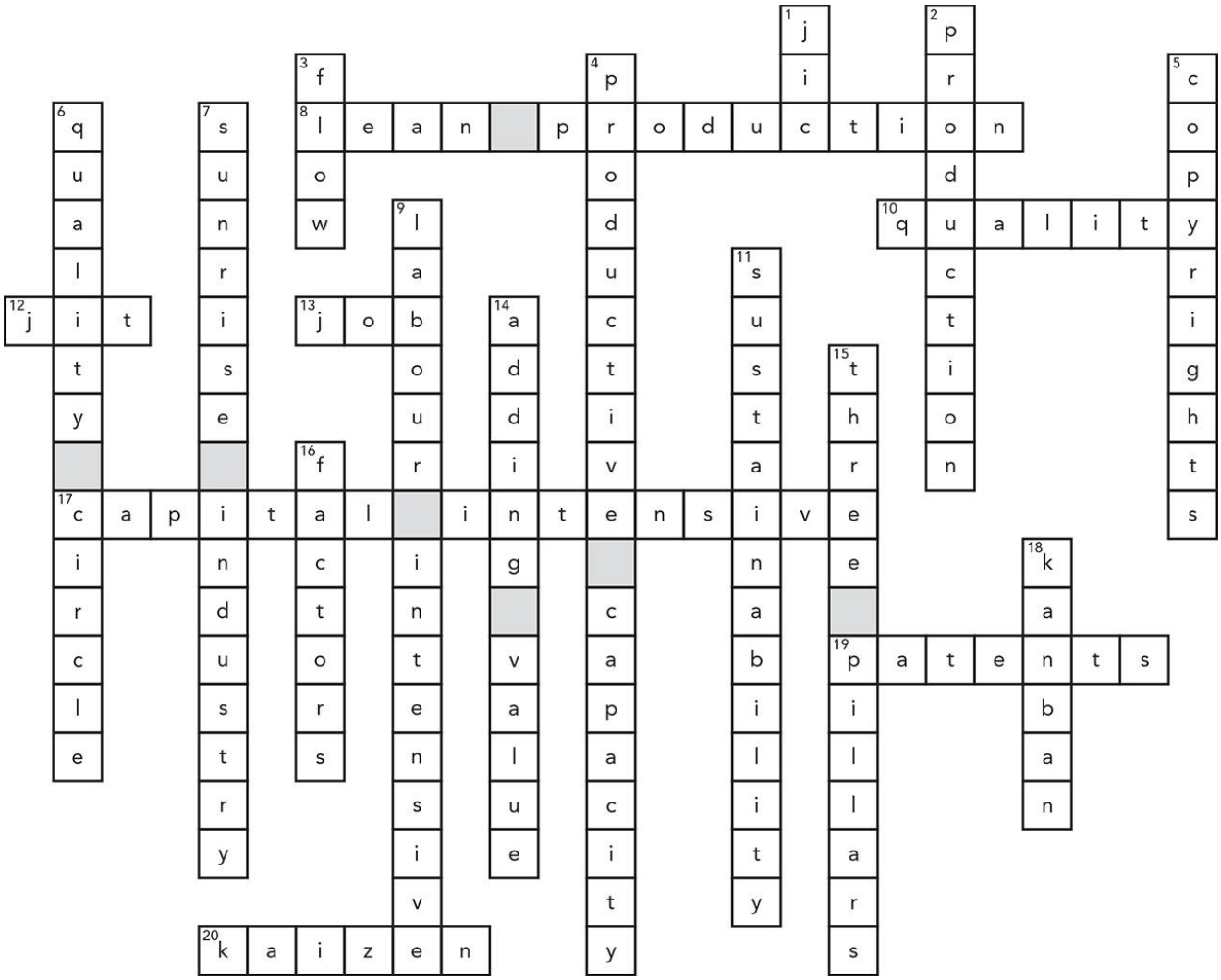
Activity 29.2 Methods of production

Flow production	Job production	Batch production
Aircraft	Bespoke suits	Magazines
Cars	Wedding dresses	Clothing
Soft drinks	Morgan sports cars	Computer chips
Food processing	Wedding planner	Computer software
Bottled water		Baked goods
		Machine tools

Worksheet answers

Chapter 30: Skills development worksheet

Activity 30.1 Crossword



Worksheet answers

Chapter 31: Vocabulary building worksheet

Activity 31.1 Key term revision

key term	definition
outsourcing	The practice of assigning to another business (the subcontractor) part of a contract – e.g. a specialist activity that makes up part of a construction contract
multinational	A business location that gives the best combination of quantitative and qualitative factors
optimal location	The reverse of outsourcing as it is undertaking a business function or process within the business rather than contracting it to another business
insourcing	A business with operations or production bases in more than one country
business-process outsourcing	The relocation of a business process done in one country to the same or another company in another country
inshoring	Using another business (a 'third party') to undertake a part of the production process rather than doing it within the business using the firm's own employees
qualitative factors	A form of outsourcing that uses a third party to take responsibility for complete business functions, such as HR and finance
quantitative factors	Ending offshoring contracts with overseas suppliers and returning functions or processes to business operations in the original or home country
subcontracting	These are measurable in financial terms and will have a direct impact on either the costs of a site or the revenues from it and its profitability
offshoring	Factors that cannot be measured in numerical or financial terms that are considered by managers before taking decisions

Activity 31.2 Location examples

Key term	Example(s)
Outsourcing	Apple designing its iPads in the USA but having much of the production take place in Asia.
Government incentives	The UK government encouraging businesses to locate within Great Britain by offering subsidies and tax breaks for businesses that locate there.
Subcontractors	An organisation hiring a specialised marketing firm do devise and run a specific advertising campaign.
Infrastructure	Major roads, airports, railways and communications networks.
Clustering	Many software companies choosing to set up in silicon valley, California.
Insourcing	A firm choosing not to use a third party provider for a specific task.
Offshoring	Dyson going beyond outsourcing by relocating many of its functions and processes to Singapore.

Activity 31.3 Word search

B	U	S	I	N	E	S	S	Q	S	E	V	I	T	N	E	C	N	I	T
-	Q	L	D	G	N	I	C	U	D	E	R	-	K	L	U	B	Y	J	N
S	F	O	P	T	I	M	A	L	V	A	R	V	M	S	U	S	B	J	E
S	O	C	I	K	Z	C	L	A	N	O	I	T	A	N	I	T	L	U	M
E	O	A	I	S	Z	S	D	Q	S	T	M	G	X	N	A	N	T	I	N
C	T	T	I	L	R	L	A	P	H	C	V	H	E	H	H	G	I	L	R
O	L	I	O	D	U	O	N	L	C	O	V	R	G	C	N	N	Q	X	E
R	O	O	F	J	U	Q	T	E	U	K	T	U	T	I	F	I	A	A	V
P	O	N	F	O	H	K	Z	C	B	I	A	A	S	R	F	R	T	W	O
O	S	W	S	Q	U	Q	Z	G	A	T	W	A	A	G	A	E	T	E	G
U	E	Y	H	L	D	T	L	B	R	R	E	S	N	J	F	T	M	V	R
T	A	H	O	B	W	T	S	Z	C	R	T	I	G	T	K	S	R	I	B
S	I	M	R	P	D	G	B	O	C	R	S	N	U	N	D	U	T	T	C
O	I	D	I	N	R	Z	F	N	U	R	K	R	O	B	W	L	H	A	X
U	J	M	N	T	R	I	I	C	U	R	N	D	O	C	S	C	U	T	D
R	T	T	G	I	G	-	T	O	J	R	C	J	Q	T	B	W	Q	I	E
C	C	U	U	P	K	U	S	B	J	K	L	I	Y	K	C	U	T	L	N
I	Z	C	S	L	R	N	P	G	H	S	A	J	N	H	Z	A	S	A	U
N	V	Z	U	E	I	C	L	C	T	X	B	K	F	G	S	D	F	U	X
G	D	B	W	S	Q	T	E	V	I	T	A	T	I	T	N	A	U	Q	P

Worksheet answers

Chapter 32: Skills development worksheet

Activity 32.1 Revenues, profits and costs

1 If 80% of tickets are sold for an average price of $40 then the revenue per match is 48 000 (80% of 60 000) × $40 = $1 920 000

2 If 80% of tickets are sold for $40 the level of gross profit per match is $1 420 000 and the net profit is $220 000 (minus fixed costs of $60 million (per annum)/50 matches a season).

3 Calculate the break-even level of tickets (based on 50 games a season) for each match at the following ticket prices: $30, $40, $50, $60.

1.7m/$30 = 56 667 tickets required

1.7m/$40 = 42 500

1.7m/$50 = 34 000

1.7m/$60 = 28 333

4 $500 000/48 000 = $10.41

5 $1 200 000/48 000 = $25

6 10.41 + 25 = $35.41

7 $4.59 (contribution) × 48 000 = $220 320 per match or $11 016 000 per year.

Activity 32.2 Break-even practice

1 Contribution = $10 000 − $1360 = $8640, breakeven point = $121 000/$8640 = 14 weeks.

2

Weekends rented	Revenue ($)	Variable cost ($)	Fixed cost ($)	Margin of safety	Profit (revenue – total cost) ($)
0	0	0	121 000	–	(121 000)
5	50 000	1 360 × 5 = 6 800	121 000	–	(77 800)
10	100 000	13 600	121 000	–	(37 600)
15	150 000	20 400	121 000	1	8 600
20	200 000	27 200	121 000	6	51 800

3 Learners' own answers.

4 Option 1: Raising prices – the single factor to consider here is whether consumers are still willing to hire the marques at a higher price and if so, how much more are they prepared to pay? Much of this would depend on the prices charged by his competitors in the same field. Careful market research would first need to be undertaken before raising prices.

Option 2: Additional marque – at first glance this would seem obvious, his events are over- subscribed and the fixed costs of the business are a large % of total costs, making this seem attractive. However, he also needs to consider whether he would be able to set up one extra marque per marque given his current capacity (transportation equipment) and the additional time and cost of setting up the additional marque.

Worksheet answers

Chapter 33: Skills development worksheet

Activity 33.1 Production planning practice

1 a **JIT – just-in-time stock control** is a stock-control method that aims to avoid holding stocks by requiring supplies to arrive just as they are needed in production, and completed products are produced to order.

b **JIC – just-in-case stock control** is a stock management strategy that businesses use when they hold a high level of stocks because there is a risk of 'stock-out'.

c **Economic order quantity (EOQ)** represents the optimum or least-cost quantity of stock to re-order taking into account delivery costs and stock-holding costs.

d **Buffer stocks** represent the minimum stocks that should be held to ensure that production could still take place should a delay in delivery occur or production rates increase.

e **Re-order quantity** is the level of stocks that will trigger a new order to be sent to the supplier.

f **Lead time** represents the normal time taken between ordering new stocks and their delivery.

g **Re-order stock level** represents the level of stocks that will trigger a new order to be sent to the supplier.

2 a The costs of holding costs include high inventory holding costs, plus the costs of throwing away stock that might be perishable.
The costs of holding too little stock, by contrast, include potential costs to brand reputation if the business is unable to service an order on time. Too little stock also makes it more difficult for a firm to respond to surges in demand. Finally, in the case of consumer durables, the firm may be unable to take advantage of discounts available through bulk buying.

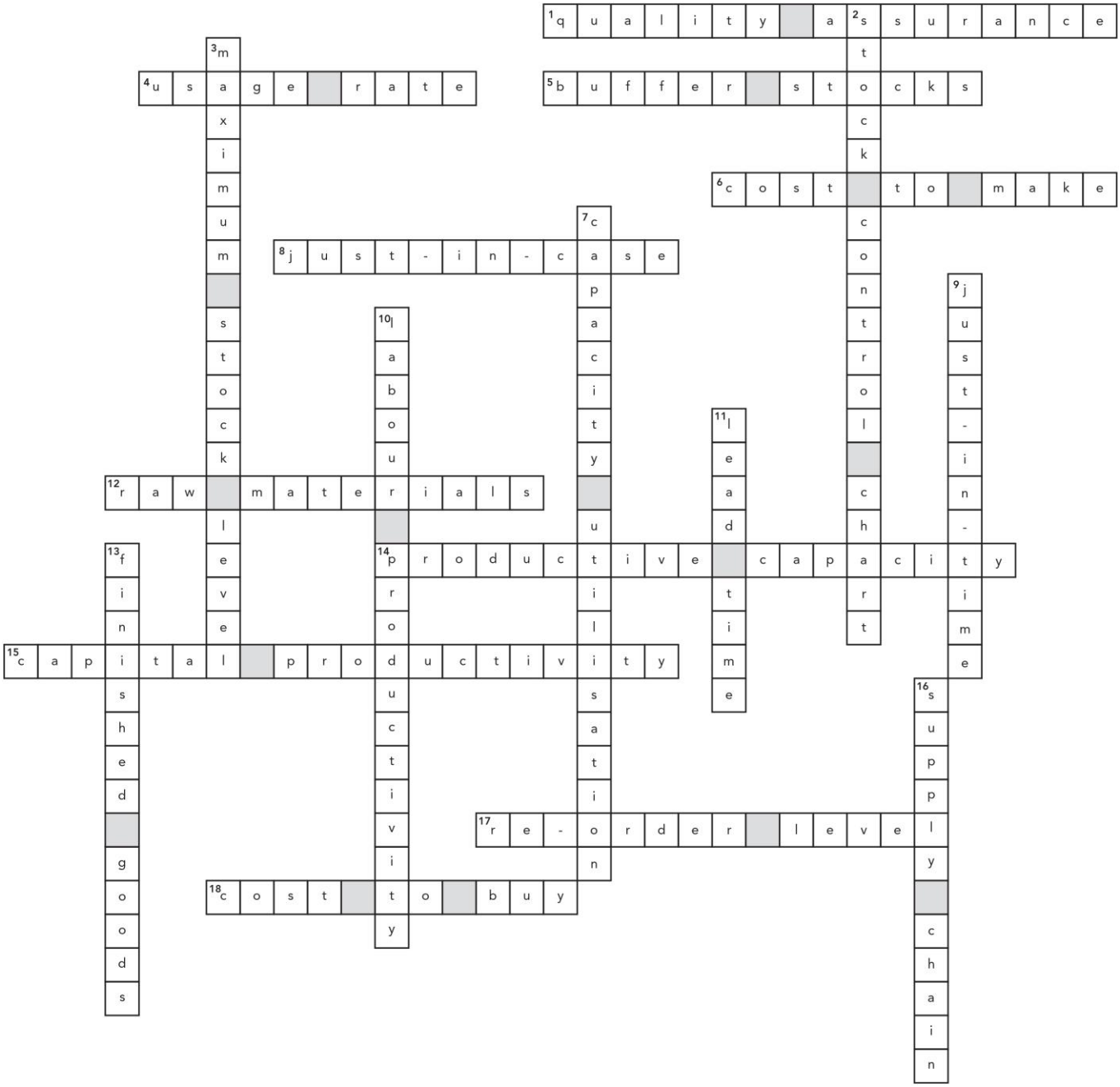
b Where the cost of holding stock = the reordering costs.

3 a The maximum level of stock is 60 000 units and the minimum is 10 000.

b The firm's lead time is one week.

c The re-order level is derived from the expected sales of stock during the 'lead time' so that the firm's stock level never falls below the minimum required level.

Activity 33.2 Crossword



Worksheet answers

Chapter 34: Skills development worksheet

Activity 34.1 Crisis scenarios

Learners' own answers.

Activity 34.2 Crisis management

Communication is key to the smooth running of any business and involves the transmission of information from one person to another (called the receiver). In situations where this has broken down, the stakeholders involved might appoint a **spokesperson** to act on their behalf.

Businesses often operate day to day with little difficulty, but sometimes they will be faced with a **crisis**, caused by events beyond their control. When this happens, the organisation will appoint a team of managers, called the **crisis management team**, to resolve the issue. Two measures used to judge the success of any response are the **speed** and **control** with which the crisis is managed. The most effective responses rely on adequate planning and this is sometimes called **contingency planning**. The most effective management response involves complete **transparency** (honest and open communication with the stakeholders impacted).

Worksheet answers

Chapter 35: Vocabulary building worksheet

Activity 35.1 Research and development

1

Key term	Definition	Example
research and development	The scientific research and technical development of new products and processes	Pharmaceuticals investing in the development of medicine for the common cold
copyrights	The legal right to protect and be the sole beneficiary from artistic and literary works	Authors and singers, e.g., Ed Sheeran owning the legal rights to his own songs
innovation	The practical application of new inventions into marketable products	Apple continual upgrades, e.g., iPhone 6,7,8, etc.
trademarks	A distinctive name, symbol, motto or design that identifies a business or its products – can be legally registered and cannot be copied	Coke – the real thing Nike – just do it etc.
intellectual property	Refers to creations of the mind such as inventions, literary and artistic works and symbols, names, images and designs used in business	Domain names such as www.amazon.co.uk as well as images such as the Nike Swoosh logo
invention	The formulation or discovery of new ideas for products or processes	A new product, not one adapted from existing technology, e.g., Hoover
patent	Legal right to be the sole producer and seller of an invention for a period of time	Xerox, which patented the world's first photocopy machine
intellectual property rights	Legal property rights over the possession and use of intellectual property	Property rights, franchises, etc.

2 Examples of competitive advantage that a business may gain include: intellectual property rights; enhanced customer loyalty; the ability to charge a higher, premium price; publicity; and lower costs for the business.

3 Reasons why a firm may not benefit from researching and developing new, more innovative products include: if it does not lead to an invention or discovery; or if greater research spending leads to increased (and more effective) spending by competitors and when ethical issues prevent a business from benefitting from the research process. In each case the money could have been spent more effectively on marketing or other processes.

4
- **a** paradigm innovation
- **b** process innovation
- **c** positioning innovation
- **d** positioning innovation
- **e** product innovation

f product innovation

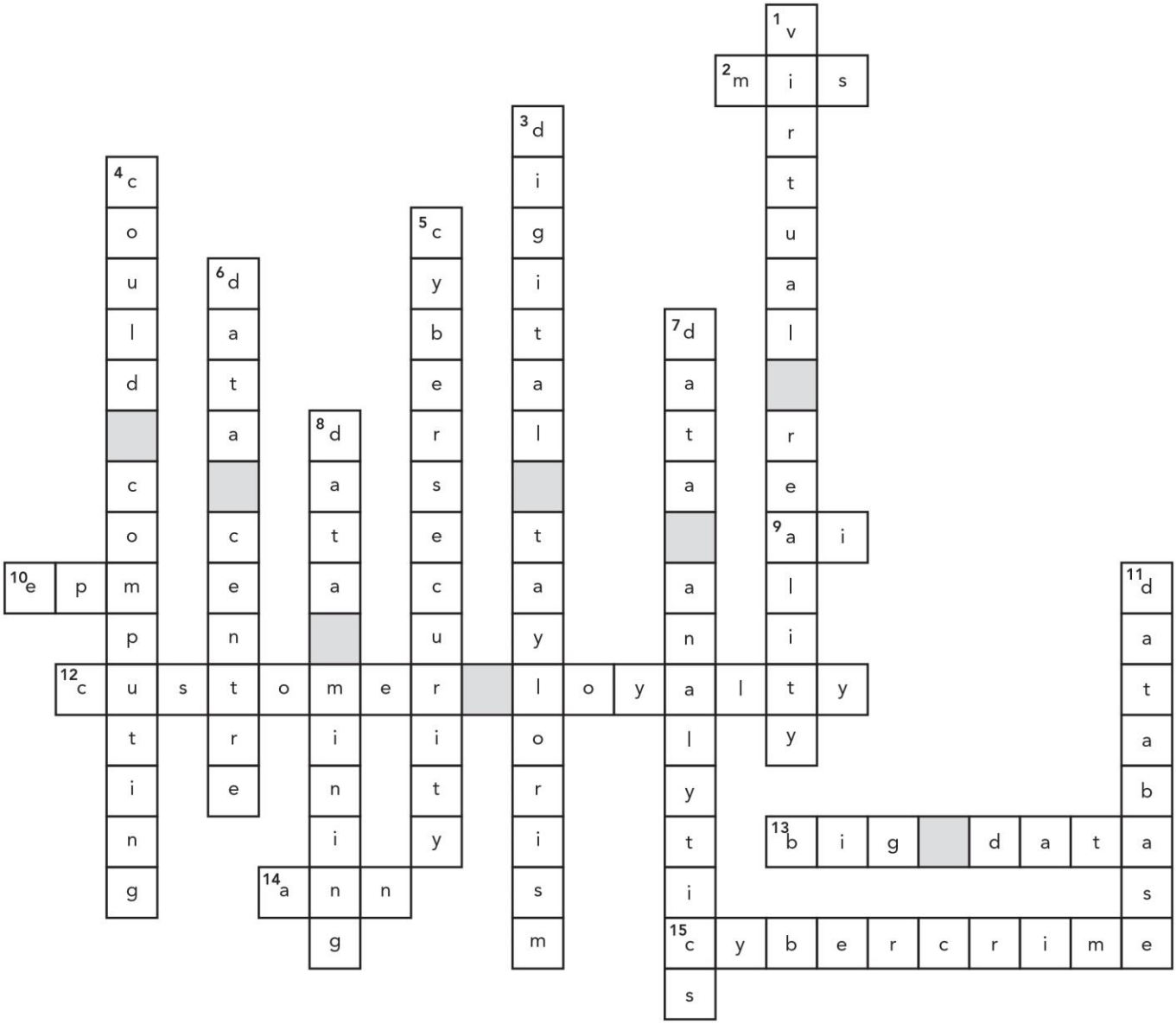
g paradigm innovation

h process innovation

5 Provide examples of both innovative and adaptive creativity in the following industries:

- Air travel – supersonic jets/beds in first class lounges.
- Smartphone market – music and media streaming services or Alexa/cameras and calculator on phones.
- Banking and financial services – online banking apps/ATMs or debit cards,

Worksheet answers

Chapter 36: Vocabulary building worksheet

Activity 36.1 Crossword