

Year 11 revision - week beginning March 17th



Revision book - read through and refresh your knowledge of pages 5- 9 and 51-53

1/ Learn the meaning of the following key words:- added value, unique selling point, franchise, franchisee, franchisor, Sales of Goods Act, Trade Descriptions Act

Match It-

	A law relating to the products or service being sold. It states they must be fit for purpose
	A business that trades using another businesses names and product for a fee and royalty payments
	How a business differentiates itself from its competitors
	The right given by one business to other businesses to sell goods or services using its name
	The increased worth a business creates for a product
	A law relating to how businesses deal with and sell to customers. It states that businesses must not give false or misleading information
	A business that gives others the right to use its name and sell its product or service for a fee and royalty payments

2/ A business sells 500 T-shirts a month for £15 each. Each T-shirt costs £6 in variable costs. The business has £2700 of fixed costs each month. Calculate the profit or loss made each month.

3/ Exam Technique

1/ Identify two possible benefits of effective stock control to a business (2 marks)

2/Identify two possible benefits to a business of providing good customer service (2 marks)

.....

.....

3/ Which of the following best describes added value in a business?

- A Price - total costs
- B The difference between what a business pays its suppliers and what it receives for selling its products
- C Variable cost - price
- D The difference between what a business pays its employees and what it receives for selling its products

4/ Amy charged a client £12500 for an office party she organised. Total variable costs for the event came to £5400. What is the added value?

- A £12500
- B £17900
- C £5400
- D £7100

5/ Why is added value important for a business such as a flower shop?

- A It helps lower staff turnover
- B Higher added value raises staff morale
- C It helps to lower profit margins
- D The higher the added value, the sooner costs can be met and the quicker a business makes a profit

6/ Which one of the following is not a feature of a franchise?

- A An initial fee is paid by the franchisee to the franchisor
- B The franchisee can operate anywhere in the country
- C The franchisor provides the franchisee with advice and guidance
- D Buying a franchise reduces the risk when setting up a business

7/ Which of the following is likely to lead to improved service for a taxi firm?

- A Promising never to be more than 10 minutes late
- B Giving passengers an arrival time and sticking to it
- C Limiting the distance it is willing to take passengers
- D Changing an advert on the outside of the taxi.

8/ Companies that provide effective customer service are likely to experience

- A lower profits
- B repeat purchases from customers
- C lower sales volumes
- D repeat custom from suppliers

9/ Fount is a large mobile phone company offering services across the UK. It has gained a reputation for poor customer service. Which **one** of the following would be a disadvantage to the company of this poor customer service? Select **one** answer.

- A Fewer suppliers gaining contracts from Fount
- B More tax needing to be paid by Fount
- C Fewer customers renewing their contracts with Fount
- D More sales to customers of Fount

10/ **One** of the purposes of Trade Descriptions legislation is to

- A prevent businesses from giving false information in advertisements
- B force businesses to offer low prices on their products
- C make businesses give detailed descriptions of products on packaging
- D offer compensation to consumers when products are faulty

11/ **One** of the purposes of Sale of Goods legislation is to

- A encourage shops to have regular sales where they mark down prices
- B stop shops from refusing to sell goods to customers at low prices
- C allow consumers to get compensation if a product is faulty
- D prevent businesses from selling out of products

12/ Which **one** of the following is most likely to be an effect of consumer protection legislation on businesses? It

- A reduces their costs
- B leads to bad publicity if a business is taken to court
- C leads to a fall in the number of their customers
- D gives businesses greater freedom when selling products

13/ Explain how the government introducing a new consumer protection law could affect a business such as cadburys (3 marks)

(Remember your answer must be in context - link to Cadbury -chocolate, competitors e.g Nestle

The government introducing a new consumer protection law could affect Cadburys because.....

.....
This means that

.....
This leads to

Dell is one of the world's largest manufacturers of computers. The company has grown rapidly since it opened in 1984 by selling computers that are built to order.

The majority of *Dell's* customers place their orders through the company's website. This allows customers to personalise their computers and specify which type of components are used, from the size of the hard drive to the type of pre-loaded software.

When it receives an order, *Dell* builds a customer's computer using materials that are delivered Just In Time (JIT) by its suppliers. In the computer industry, components can quickly become out of date due to the speed at which technology is improving. Therefore, JIT is an important way of allowing *Dell* to produce more up-to-date computers compared to rivals such as *Hewlett Packard*.

Many of the components *Dell* uses to manufacture its computers are made in countries such as Thailand. The Thai government gives some of its component manufacturers an export subsidy to increase their level of competitiveness.

In 2011 severe flooding in Thailand damaged the factories of a large number of hard drive suppliers. This caused shortages and *Dell* was forced to cancel orders. As a result, *Dell* now holds some buffer stocks of important components.

(d) State **one** advantage and **one** disadvantage to *Dell* of holding higher levels of buffer stock. For each explain the likely impact on the business.

(8)

Parent Help Sheet and Answers

Answers

1/

Sale of Goods Act	A law relating to the products or service being sold. It states they must be fit for purpose
Franchisor	A business that trades using another businesses names and product for a fee and royalty payments
Unique selling point	How a business differentiates itself from its competitors
Franchise	The right given by one business to other businesses to sell goods or services using its name
Added Value	The increased worth a business creates for a product
Trade Descriptions Act	A law relating to how businesses deal with and sell to customers. It states that businesses must not give false or misleading information
Franchisee	A business that gives others the right to use its name and sell its product or service for a fee and royalty payments

2/ £1800 profit

3/ Exam Technique

1/ Meet customer needs, increased customer satisfaction, lower costs and increased profit

2/ Customer satisfaction, repeat purchase, recommendations and new customers, increased sales leading to higher profits, good reputation

3/ a

4/ 7100

5/ d

6/ b

7/ b

8/ b

9/ c

10/ a

11/ c

12/ b

This question has a 2 x 4 mark split. There is **one** mark for identifying an advantage and **one** mark for identifying a disadvantage. The remaining **three** marks are for the explanation (for each impact) which will show how holding higher levels of buffer stock can be an advantage/disadvantage to *Dell*. Within the answer there will be at least **three** clearly identifiable strands of explanation and reference to the context for each advantage/disadvantage considered. These may contain connective words such as, 'this leads to...' 'because...' etc.

Possible advantages include:

- Protects against uncertainty e.g. Thai floods.
- Prevents damage to brand from cancelling customer orders.
- Can fulfil customer's orders faster.
- More bulk orders allow for greater economies of scale.
- Can supply unexpected orders.

Possible disadvantages include:

- Buffer stocks will quickly become out of date.
- Cost of stock holding will be higher.
- May damage the competitiveness of *Dell*.
- Stock may become damaged.

E.g. Disadvantage: Reduced competitiveness (1 mark).

Holding stock will involve the need for a larger warehouse (1 mark). This will increase the costs of producing a *Dell* computer (1 mark). As a result the price of a *Dell* computer may have to increase. This will make *Hewlett Packard* computers more attractive in the market compared to *Dell* (1 mark).

This answer would gain **four** marks since a disadvantage has clearly been identified and there are at least **three** linked strands that build the explanation, with reference to the *Dell*/computer context. Without the use of this context this answer would only be worth 3 marks.