



Practice Questions

Retained Earnings

- Any unused profit that a business has saved over the previous years of its operations.

Short Term versus Long Term Finance

- Short term finance has a repayment period of less than 1 year whereas long term finance has a repayment period of more than 1 year.

- Bank Overdraft will be an example of short term finance and long term finance would be bank loan that has a repayment period of more than 1 year.

Factors that influence the scale of business operations

- Investment: if there is more investment available to a business then it will be easier for the business to grow.
- The market you are operating in: for instance there is limit on how much a barber or meat shop can grow relative to business that is manufacturing clothes, phones etc.
- The business objective: if the business owner highly prioritizes growth

then a business is more expected to be larger in size and vice versa.

Private Limited Company

- A private limited company is one of the type that a business can be of and its shares are held by a group of family and friends and the shares are not traded on the stock exchange.

Disadvantages of Sole Trader of changing in the Private Limited Company

- The profits of the business will be shared with more shareholders
- There is higher chances of conflicts because there will be more shareholders to discuss business issues etc.

Autocratic Leadership Style

- Is when there is strict leadership with centralization of business decisions and one way communication.
- Employees opinions are not taken into consideration. • The manager gives complete dictation to his / her subordinates.
- This can make a more appropriate leadership style in places where there is not much margin for innovation and creativity but instead you want employees to be more disciplined like armed forces etc.

Laissez Faire Leadership Style

- As an employee you have complete freedom to make your decisions and there is minimal supervision of employees.
- There won't be micro management of affairs but the employees will be accountable for his / her performance.
- This leadership is more effective in technology industries that require innovation and creativity

Is Democratic Leadership Style the most effective in Manufacturing Businesses?

- Yes

- But it can result in ***high workers motivation*** as people will be more motivated to work harder knowing that their opinions are valued etc. Higher workers motivation can result in higher productivity and efficiency.
- There is greater ***margin for innovation and creativity*** arising from input taken by employees.
- No
- It might be ***time consuming*** since you need to take employees' opinions and therefore the business might be slow in responding to market opportunities. •
- ***Might not work well for production workers*** that are required to follow strict instructions.
- ***Some people might feel confused*** from when managers ask them for their opinions

Flexible Contract

- It is when there is ***no minimum hour commitment of employees towards the business*** and therefore people are paid according to time rate, or daily wage.
- Someone who is temporary (project based hiring) and you are not full-time which means that there is no minimum working hours commitments.

What benefits the company gets from having flexible employment contracts?

- In case of lower product demand the business does not need to pay employees since these are not permanent and full time workers. This

helps business saves a lot of cost in terms of lower wages.

- The business does not need to provide other benefits that are compulsory for full time employees like health insurance, paid sick leaves etc and other compensation like bonuses, profit sharing etc.

What disadvantages a company might face from having flexible employment contracts?

- The workers' loyalty is expected to be much lower due to lack of job security which might adversely affect their productivity and therefore might increase business costs.
- The people might not be available when demand picks up expectedly

and therefore the business can risk loss of sales.

- The people might not be spending enough time at workplace to adequately train themselves especially in use of new technology and therefore the quality of production might be affected.
- Since there are no extra incentives like bonus, promotion and profit sharing these employees might not be putting in a lot of hard work.

Mr. Zaid did not lay off workers during one month of COVID lockdown. Do you think Mr. Ziad was right in taking this ethical decision?

- Yes, because this would have significantly motivated the employees and this can even increase their loyalty in the future. This can have a quite of

positive effect on the workers' motivation.

- This can be considered as the company's Corporate Social Responsibility (CSR) which can be eligible for tax deductions. Hence lower taxes for the business will result in higher profits.
- On the other hand this was not very sensible thing to do because the business expenses were unnecessarily high which means lower profits. • Moreover, later if the factory stays closed for much longer time would Mr Zaid still pay his employees? I don't think so then it might give bad impression of the company to the employ

Market Segmentation

- Dividing the bigger market in different groups based on factors like incomes, age, gender etc and then producing a product that appeals

to particular segment of the market.

Why would the business segment the market?

- To provide product that better suits the customer needs. For instance very expensive phones like Iphone OR Samsung Note etc will be targeted at higher incomes segments compared to more affordable phones like Huawei, Oppo etc.

Transformation Process

- Converting the inputs into outputs is known as transformation process.

How can a business improve the business operations?

- More skilled / qualified will be able to complete their tasks using less inputs like raw material / time etc which will reduce the average total cost of business hence increasing business efficiency.
- Using advance technology like Electronic Point of Sale (bar code scanner) will allow business to more quickly prepare the sale receipts and to keep a track of the inventory left. This will eliminate the need of people of doing physical quantity check of stock and so on.

Why is cost information important for

any business?

- To determine the total cost of producing a product so that the price of the product can be determined.
- To determine the areas where the business can cut its cost. For instance if you know the cost of raw material used in a product you can compare it with another alternate material to see if it will cost lesser and so on. To make better decisions that reduce business costs.
- Can be used to make forecasted cash flows. By having data from the previous years about the business cost the business will be able to better predict its future cash outflows.

Emotional Intelligence

- Emotional Intelligence when someone is aware of their feelings and being able to use these feelings to their advantage.

Components of Emotional Intelligence

- **Self Awareness:** being aware of your emotions
- ***Self Management:*** being able to control my emotions
- ***Social Awareness:*** being aware of how other people are feeling and so on
- ***Social Skills:*** being able to manage workers based on their feelings etc.

If we empower our employees, work performance will definitely improve. *Discuss the view.*

- Empowering employees means more authority (delegation) to make their decisions. Employees will feel more valued if they are provided more authority and therefore it will motivate them to work harder.
- However, too much delegation might result in decrease in performance because some employees would feel like they are not being supervised so they can avoid hard work.

Other factors that affect performance

- Leadership Style – Benefits and disadvantages of different leadership styles like autocratic versus democratic, etc etc
- Motivational Theories:
 1. Taylor Theory
 2. Maslow Hierarchy of Needs
 3. Mayo Human Relation Theory
 4. Herzberg 2 Factor Theory

Other factors that affect performance

- Financial and non-financial payment methods like bonuses, tips,

overtime for extra hours and so on, fringe benefits.

- Non- financial like promotion, more responsibilities, job rotation, job enlargement etc etc.

Senior managers need to be emotionally intelligent to be effective?

- First of all you will talk in detail about the concept of emotional intelligence. What are the components of EQ.
 - 1. Self Awareness
 - 2. Self- management
 - 3. Social Awareness

- 4. Social Skills
- How is EQ important to enhance someone's effectiveness.

Senior managers need to be emotionally intelligent to be effective?

- What other factors are important for managers to be effective?

Batch Production

- It is when multiple units of the same product like certain type of flavor drink are produced at the same time. It is when all the units of the one batch like lemon flavor drink move from one stage of the

production process to another at the same time.

Product Portfolio

- The entire range of products produced a business like in the case of FF it will be all different flavors drinks that the company manufacturers.
- Having wide product portfolio will help reduce the business risk because if one product / brand is not very profitable then the business can rely on higher brands / products.

Person Specification

- A document that lists the academic and professional credentials of the ideal

candidate that a company would want to hire for any vacancy.

- It is good to list the type of education you are looking for in a suitable candidate.
- Ideally the document should have specified the number of work experience you need in a candidate
- The company has specified the age requirement to limit their job applications to relatively younger people.
- It is good to see that HR management skills have been specified in the document.

Secondary Research

- It is when a business relies on already existing information to get

some relevant data to make business decision.

- For instance like online blogs, journals, newspapers.

Buffer Inventory

- It is one particular method of inventory management technique in which business maintains certain level of inventory known as buffer level which is to ensure that the business operations do not cease in case of disruption in the supply of raw material.
- It is most conventional method of inventory management.

Operations Manager

- The person who manages the core activities of the business.
- Since BB is about manufacturing bicycles so all issues related to manufacture of bicycles will be the responsibility of operations manager like quality control, inventory management etc, how much to produce etc. etc
- To maintain the quality of the product John makes sure that all bicycles are meeting the different quality standards.

How to motivate sales staff?

- Firstly BB can introduce a new payment method of commission in which can pay its sales staff a percentage of the value of sales that

they have made for the business during certain time period.

- According to Taylor theory of scientific management humans are economic man who are motivated to work harder when there is strong relationship between effort and reward and so sales staff would want to put in more effort when they know that they can earn more.
- However not all employees are motivated by higher compensation and therefore the policy might not be very effective.

How to motivate sales staff?

- Another way to motivate sales staff can be to provide them promotion incentives like being promoted to sales manager

etc.

- Maslow Hierarchy of Needs said that when people have incentive of being promoted they will be willing to put in greater effort which is known as esteem needs.

Define Supply

- Supply is the willingness and the ability to produce something like cars which is determined by the car manufacturers.

Non- Price Factors that increase the product demand

1. Income Tax

2. Population

3. Advertisement

Business Leadership

- Business leadership refers to the managers ability to successfully manage company's operations and activities like production, marketing, human resource.
- It is managers responsibility to ***arrange resources***, provide ***guidance to employees to execute tasks*** and then ***hold them responsible for their performance***.

Styles of Business Leadership

- Autocratic
- Democratic
- Paternalistic
- Laissez Faire

Explain how the interests of two stakeholder groups could affect the decisions of a business.

[5]

- Manager want higher salaries and more perks and therefore they would want to make decisions that favor them in this regard like having business conference / meeting in popular tourist destinations.

- Banks charging higher interest rates would make business less likely to borrow and therefore would be more likely to raise capital through issuance of shares.
- Government and pressure groups working for the environment protection can pressurize the business to make more environmental friendly decisions like less air emissions and so on.
- Shareholders at any point in time highest possible return and therefore they would want to minimize the business costs like not allowing for generous increase in employees salaries etc.

Job Production

- It is one of the many production techniques in which a firm makes one unit of product at a time so that it can manufacture customized

products.

- Business that generally use job production include jewellery, services like hair saloons.

Briefly explain why a business might choose flow production as a method of operation.

[3]

- IF the demand for the product is high then the business needs to produce in large quantities.
- ***Products such as soft drinks, phones etc are all needed in large quantities and are standardized therefore it is utmost necessary to produce these in large quantities which is only possible through flow***

production.

- ***Moreover through flow production businesses will be able to benefit from economies of scale like bulk buying economies, technical economies of scale and so on.***

Discuss the likely impact on the marketing mix of a bank that decides to make increasing use of the Internet to provide its services. [20]

- Marketing mix is combination of 4 Ps including product, price, place and promotion.
- Marketing Mix is basically about choosing the most ideal combination of 4 Ps to ensure production of successful product.

Product

- The most important impact this will have is on the nature of the service which now due to advancement in technology will not require a lot of bank branches in every city / region of any country.
- Firstly the bank will not need a lot of capital like furniture, large buildings etc and the need for labor / employees will also reduce.
- Due to use of internet in banking the average customer to banker interaction will significantly reduce and it will therefore significantly speed up the process.
- With internet banking the banks will be able to offer much more services than before like buying phone credit, ordering online food

etc.

- Now banks have lesser need for holding too much cash because it uses more of electronic money. Less need for physical security like security men, CCTC cameras but there will be much more important to in this age and time due to increased reliance on internet.
- Much more need for IT people for maintaining the internet services.

Price

Much easier to charge additional amount / price to customers and customers might still be willing to pay this extra amount knowing the fact that it is providing them so much convenience.

Place

Promotion

- It will be easier to product new products like other banking services like insurance, leasing services provided by the bank etc.
- With greater use of internet banking it can more easily allow for giving gift cards, vouchers of other businesses.

How can price discrimination be used to maximize sales revenue? [10]

- Price discrimination is when different prices are being charged to different customers for the same product based on factors like income, age, price of elasticity of demand and occupation / profession.

- Based on varying demand for the football ground Jane can charge customers accordingly for instance she can charge higher prices during peak season and lower prices during periods of low demand. For instance usually more students are free during summer vacations so charging higher prices can be a possibility and so on.
- Another factor that Jane can use to price discriminate is the occupation of her customers. Older customers like in their 20s are more likely to be working professionals and therefore they can afford to pay higher than students.
 - Another factor can be the timings of the match for instance during evening when the demand is high you can charge slightly higher prices for these time slots compared to afternoon slots when demand is low.

- The idea of price discrimination is to charge higher prices to customers who have higher ability to pay. Through price discrimination the business can convert consumer surplus into producer surplus resulting in higher sales revenue.
- For customers who more frequently book the ground is more loyal customers who engages in more repeat sales and therefore they should be charged lower than other customers.

Do you think democratic leadership style is the most appropriate leadership style to manage people?

- In democratic leadership style there is 2 way communication in which employees input is taken into consideration.

- This motivates employees to work harder since they feel more valued by the company.
- With this leadership style there will be more creativity and innovation resulting in higher productivity.
- Since there is not very strict supervision in democratic leadership so employees can avoid responsibility and work. If work is delegated to subordinates then they might not be able to execute it in the most effective manner.

Do you think democratic leadership style is the most appropriate leadership style to manage people?

- The decision making process is expected to be slower since managers wait for the input from employees which can slow down the process.
- Some employees are better managed when given strict instructions and have strict supervision to make sure that employees are working on their highest potential. Therefore in such cases autocratic leadership might be more effective.
- So depending on the nature of employees, the nature of task, the culture of the business one should decide upon the most appropriate leadership style.