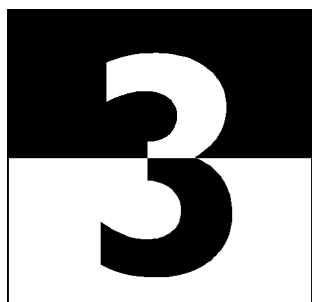


Certificate in

Business Practice



Level 3

Series 3 2003

(Code 3309)

Model Answers

Certificate in Business Practice Level 3

Series 3 2003

How to use this booklet

Model Answers have been developed by LCCIEB to offer additional information and guidance to Centres, teachers and candidates as they prepare for LCCIEB examinations. The contents of this booklet are divided into 3 elements:

- (1) Questions – reproduced from the printed examination paper
- (2) Model Answers – summary of the main points that the Chief Examiner expected to see in the answers to each question in the examination paper, plus a fully worked example or sample answer (where applicable)
- (3) Helpful Hints – where appropriate, additional guidance relating to individual questions or to examination technique

Teachers and candidates should find this booklet an invaluable teaching tool and an aid to success.

The London Chamber of Commerce and Industry Examinations Board provides Model Answers to help candidates gain a general understanding of the standard required. The Board accepts that candidates may offer other answers that could be equally valid.

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Certificate in Business Practice Level 3

Series 3 2003

QUESTION 1

Bright Eyes plc operate a chain of opticians throughout the country specialising in the manufacture and supply of spectacles and sunglasses. Athena House Group has been engaged by the company to devise a marketing plan for the launch of a new range of designer sunglasses.

Task: Write a report for the management team of Bright Eyes plc covering the following aspects of the marketing plan:

- (a) Explain what is meant by a competitive market. (5 marks)
- (b) What factors will determine the level of demand for the new product range? (10 marks)
- (c) Explain the role of the marketing mix within the marketing plan. (10 marks)
- (Total 25 marks)**

Model Answer to Question 1

REPORT TO THE MANAGEMENT TEAM OF BRIGHT EYES plc

Brief:

To provide advice regarding the marketing of a new product range:

- (a) The competitive market:
- 1 A competitive market consists of a large number of buyers and producers. Buyers generate a demand for a product or service whilst producers seek to supply the product or service.
 - 2 Producers will compete against each other in order to generate sales and successful producers will be those who best meet the needs of the buyer.
 - 3 Successful business organisations will be those who are market-oriented and are therefore best able to meet the needs of the consumer.
 - 4 Business organisations operating in a competitive market will also need to be aware of the activities of their competitors in order that they do not fall behind in terms of their product range or in identifying the needs of the consumer.
 - 5 Price will be a key factor in determining the demand for a product in a competitive market. In such a market there will be a downward pressure exerted on profits as producers seek to generate sales. Therefore, given the need to generate profits, producers must ensure that their costs are kept as low as possible and that they produce goods and services as efficiently as possible.

Model Answer to Question 1 continued

(b) Factors determining the demand for the new product range:

- 1 The demand for the new product range will be determined by a number of factors. These factors can be broadly classified into two main categories:
 - price
 - consumer tastes and preferences
- 2 Given that the new product range relates to the launch of designer sunglasses it can be reasonably assumed that they will be expensive relative to other goods in the product range. In relation to such designer products it is likely that the company will target those consumers who are attracted to purchasing higher priced products.
- 3 Price is not the only determinant of demand. Other factors which can influence the level of demand can include:
 - consumer preferences and tastes
 - advertising and promotional offers
 - quality of the product
 - customer service
 - number of competitors in the market
 - number of retail outlets
 - market segmentation

(c) The role of the marketing mix within the marketing plan:

- 1 A marketing plan will involve the business in a number of activities including market research, sales analysis and market trends.
- 2 The marketing mix will be a critical element within the marketing plan. The marketing mix recognises that successful marketing is comprised of 4 components:
 - 2.1 Price
 - 2.2 Product
 - 2.3 Promotion
 - 2.4 Place
- 3 The business must be aware that the successful launch of the new product range will require the 4 elements of the marketing mix to be combined together:
 - 3.1 **Price** – establish a price that will maximise sales (this could be a relatively high price for designer goods)
 - 3.2 **Product** – ensure that the product meets the tastes and preferences of the consumer (differentiate the product from other similar products to catch the imagination of the consumer – particularly relevant to designer goods)
 - 3.3 **Promotion** – ensure that the consumer is aware of the product (advertising; use of appropriate magazines and journals; use of appropriate media such as television and radio)
 - 3.4 **Place** – ensure an effective distribution network to retail outlets including appropriate customer service (particularly important in the sale of health-related products such as spectacles)

QUESTION 2

Athena House Group has been invited to contribute to an international student conference to be held in Singapore.

Athena will be sponsoring a series of workshops at the conference that will centre upon "The Global Market and its impact on the Business Community".

Task: Devise a Briefing Sheet for delegates attending the conference highlighting the following aspects:

- (a) An explanation of what is meant by **the global market**.
(5 marks)
 - (b) The importance of multinational corporations in the global economy including advantages and disadvantages to the country where multinationals are located.
(10 marks)
 - (c) How the Internet has influenced the development of the global economy.
(10 marks)
- (Total 25 marks)**

Model Answer to Question 2

BRIEFING SHEET

- (a) The Global Market:
 - 1 Dramatic improvements in technology, communications and transportation have all contributed to the development of a mature global economy in which countries specialise in the production of goods and services which they then seek to exchange in the international market place.
 - 2 The global economy has resulted in a greater degree of inter-dependence between countries so that the well-being of major trading nations will have a direct impact upon smaller countries.
 - 3 Some countries have established formal trading blocs which seek to promote common policies in order to maximise the benefits of international trade. Examples include The European Union and ASEAN.
- (b) The Importance of Multinational Corporations in the Global Economy:
 - 1 One of the main features of the global economy is the existence of multinational corporations. These organisations are, in effect, international business organisations located in countries throughout the world. Examples of multinational corporations include Fords, Nissan, Coca Cola and Barclays Bank.
 - 2 Such corporations are organised on the basis of a Head Office with bases in other parts of the world organised in such a way as to take account of national circumstances.

Model Answer to Question 2 continued

- 3 Multinational corporations can bring many benefits to the host countries including:
 - employment opportunities
 - influence on other sectors of the economy eg suppliers and distributors (external economies of scale)
 - able to benefit from internal economies of scale thereby promoting efficient methods of production
 - contribute to export sales
 - pay taxes on their profits
 - promote research into new products
 - good reputation for staff training and development and graduate sponsorship programmes
 - contribute to Government objectives eg promote economic growth via output and sales
 - some multinationals have shown a high regard for social welfare programmes and environmental issues
 - opportunity for staff interchange to enhance understanding

- 4 Notwithstanding these advantages, multinational organisations can exert a negative influence on the host country. Such disadvantages may include the following:
 - Given their importance to the national economy they may be able to exert an undue influence on national governments. For example, the government may treat them favourably in respect of grants, loans and taxation policies.

 - It is sometimes argued that these companies exert an undue influence on government policies relating to the economy and social welfare programmes. For example, government policies concerning minimum wage legislation, health and safety legislation (maximum work hours) and competition policy may be viewed negatively by the multinational corporation.

 - National governments may fear the impact on the economy if a multinational corporation decides to close down its operations.

 - Some multinational corporations attract negative publicity in respect of their operations in developing countries (low wage) and the impact of their operations on the environment.

(c) How the Internet has influenced the development of the global economy:

- 1 The Internet is a global network of computers that enables users to communicate with each other in real-time.

- 2 The development of the Internet has had a dramatic impact upon international communications, business structure and the generation of and access to information. The influence of the Internet on the development of the global economy includes:
 - promoting the development of international business organisations
 - allowing companies to communicate with each other in real time (e-mail facilities)
 - allowing international companies to exchange management information in order to monitor performance
 - reducing management costs (meetings/conferences/time)
 - companies (both large and small) can market their products and services to an international market
 - allowing companies to monitor their progress against their competitors
 - allowing consumers access to an international market place via relevant websites
 - promoting international competition and exerting a downward influence on prices

QUESTION 3

The Association of Financial Services specialises in providing low cost accounting services for small and medium businesses. The Association is currently working with Athena House Group in order to promote its work within the business community.

Part of the promotion campaign will be the production of a series of briefing sheets aimed at small and medium business organisations.

Task: Produce a Briefing Sheet covering the following aspects:

- (a) List **5** sources of finance available to the small firm. (5 marks)
- (b) Identify the range of information that could be included in a Business Plan presented by a small firm to a bank in order to obtain loan finance. (10 marks)
- (c) Explain why it is important for the small firm to monitor its performance and what steps have to be taken in the monitoring process. (10 marks)

(Total 25 marks)

Model Answer to Question 3

BRIEFING SHEET

- (a) Sources of finance available to the small firm.

There are a number of sources of finance available to the small firm including:

- owners resources/savings
- bank loans
- bank overdrafts
- trade credit
- family and friends
- hire purchase
- grants

- (b) Information contained within the Business Plan:

- 1 The purpose of business planning is to undertake a systematic analysis of business aims, goals and objectives and to identify the ways in which they will be achieved.
- 2 The Business Plan is a particularly important document for the small firm seeking loan finance from a bank or other financial institutions since it will identify:
 - how far the business has conducted in-depth market research
 - whether or not the proposals are based upon sound financial calculations

Model Answer to Question 3 continued

3 The Business Plan itself will be divided into a number of sections, each of which will concentrate on a particular aspect of the business. The following information is normally included within a standard Business Plan:

- Background information – name of business/product or service being offered/legal status
- Business objectives – mission statement/quality indicators/targets/timescales
- Market research and marketing plan – competitive edge/level of demand/sales and distribution
- Resource implications – capital equipment and costs/labour and raw materials/production plan
- Financial targets – projected budgets/cash flow forecasts/sales and turnover/profit levels

(c) Why it is important for the small firm to monitor its performance:

1 All business organisations of whatever size and complexity face a range of business risks. Such risks cover a range of circumstances including:

- a fall in the demand for a particular product or service
- damage to business property
- an unforeseen increase in costs
- the loss of a major customer
- injury to employees
- companies who owe money to the organisation may no longer have the ability to re-pay their debts

2 Larger firms have the necessary resources to plan for such unseen circumstances but the smaller firm may not be in a position to guard against such business risks.

3 As a result, it is important for the small firm to monitor their performance in order to reduce the level of business risk. This monitoring is closely linked to two related aspects of the business:

- keeping financial records
- business planning

4 Monitoring business performance will involve setting targets covering all aspects of the business. Examples of such targets include:

- total sales
- sales turnover
- profit levels
- raw material and labour costs

QUESTION 4

The Empire Corporation, operators of a chain of children's theme parks, is planning to recruit new middle managers across all their major sites.

Athena House Group will be responsible for training the new managers paying particular attention to the importance of the Corporation's corporate image and identity.

Task: Devise a series of notes that can be distributed to the new managers paying attention to the following areas:

- (a) Explain the importance of corporate image and identity in a competitive market. (5 marks)
- (b) Describe how employees of the Empire Corporation could contribute to its corporate image and identity. (10 marks)
- (c) Explain how different management styles can influence staff motivation. (10 marks)
- (Total 25 marks)**

Model Answer to Question 4

SERIES OF NOTES FOR NEW MANAGERS OF THE EMPIRE CORPORATION

- (a) The importance of corporate image and identity:
- 1 Every organisation seeks to create its own unique identity in order to influence consumer purchasing patterns. This 'corporate image' projects the company's mission and its values.
 - 2 The organisation's corporate image is communicated to consumers by a range of marketing 'tools' such as company names, logos, graphics, advertising and promotional activities. Collectively, these aspects of business activities provide the company with a 'corporate identity'.
 - 3 Corporate image and identity are important in a competitive market for the following reasons:
 - can have a direct influence on consumer preferences
 - establish customer loyalty
 - repeat sales (repeat visits to the theme parks)
 - influence market share
 - prevent new firms entering the market
 - may allow the company to develop into new areas (for the Magic Corporation this could involve retail sales, films, magazines, tourism)
- (b) How employees of the Empire Corporation could contribute to its corporate image and identity:
- 1 Individual employees have a critical role to play in establishing and promoting the corporate image and identity of the Empire Corporation. Given that the business is located within the service sector of the economy, customer service will be of paramount importance. This will involve how the individual employee interacts with the customer, particularly with children who visit the theme parks.
 - 2 Consideration towards health and safety matters will also serve to allay any parental concerns and lead to an increase in confidence with regard to theme park operations.

QUESTION 4 CONTINUED

3 In addition, the following aspects will serve to promote a positive corporate image and identity:

- punctuality and attendance
- ensure individual compliance with company rules, policies and procedures
- show evidence of commitment and motivation
- smart appearance/personal grooming/uniforms clean and tidy
- engage in staff development and training in order to keep up-to-date with latest developments
- appropriate behaviour towards customers – courteous and polite
- encourage feedback from customers and show a personal interest in their programme
- be knowledgeable of the range of services available within company operations (geography of the theme park, rides, prices, opening times, restrictions)

(c) Management styles and staff motivation:

1 It is generally accepted that 3 types of management style can be identified within business organisations:

- an autocratic management style is associated with telling staff what to do and actively discouraging contributions and suggestions
- a consultative management style will actively encourage contributions from staff
- a participative management style will seek to ensure that staff have responsibility for making decisions

2 Differences in organisational culture represented by business operations and practices, are usually associated with the style of management practised within the organisation and the impact that this has upon management-staff relations including the motivation and commitment of staff.

3 Most people like to be involved in those decisions that impact on their job roles and work activities and are therefore likely to support an organisational culture that is based upon consultative or participative management styles.

4 A business which promotes participative or consultative management is likely to incorporate some of the following features:

- team work
- quality circles
- emphasis on two-way communications
- suggestion schemes
- formal committees incorporating staff representation
- single status companies

QUESTION 5

Light Bites Ltd are a chain of high street stores that sell a range of healthy refreshments targeted at office workers in large city centre locations.

Athena House Group has been engaged by Light Bites Ltd to lead an advertising campaign around the theme of "Quality Food at Healthy Prices".

Task: Prepare a Briefing Sheet for the first meeting of the Marketing Team covering the following aspects:

- (a) How the company could identify the views of the consumer on the current product range. (5 marks)
- (b) Explain the importance and advantages of monitoring the quality of the products and services offered to the customer. (10 marks)
- (c) Describe, with appropriate examples, why it is important to establish targets in the advertising campaign. (10 marks)
- (Total 25 marks)**

Model Answer to Question 5

BRIEFING SHEET

- (a) How the company could identify the views of the consumer:
- 1 There are a number of ways the company can seek to identify the views of the consumer on the current product range:
 - surveys of existing customers
 - market testing in order to seek the view of the wider consumer population
 - analysis of complaints made by the consumer on different products
 - analyse the trend in sales of the existing product range
 - compare the trends in market share with those of its competitors
 - 2 The process of obtaining and analysing views of the consumer can either be conducted by the firm itself or it may choose to engage a specialist market research company.
- (b) The importance and advantages of monitoring the quality of the products and services offered to the customer:
- 1 Customers should be regarded as long-term assets of the company generating sales from which future company developments can be financed which, in turn, will meet the changing needs of the existing customer base and provide the opportunity to develop new markets.

Model Answer to Question 5 continued

- 2 Good quality systems can also allow the organisation to create a competitive advantage over its competitors. In some instances this may even allow the company to increase its prices whilst still maintaining its market share since its customers will be willing to pay the higher prices if quality can be ensured. As a result, the business will directly benefit from:
 - increased sales turnover
 - repeat sales
 - increased profit levels
 - customer loyalty
 - 3 The most effective quality monitoring systems are usually based upon the involvement of staff organised into teams, each team taking responsibility for specific aspects of the quality system relating to their area of work. If the business is organised in this way there are a number of additional advantages which may arise including:
 - improved communications within the company
 - staff will be involved in setting their own targets and survey standards relating to their own area of work
 - the business will be able to gain a deep insight into the needs of its customers in its target markets
 - corporate image and identity will improve
 - an increase in staff motivation will have a direct impact on business performance
- (c) The importance of establishing targets in the advertising campaign:
- 1 The starting point for any business that is seriously considering measuring its performance is to implement a target-setting programme in all areas of its activities.
 - 2 Setting targets will enable managers and staff to understand how their efforts contribute to the overall success of the business organisation and ensures that the business continues to prosper in a highly competitive market.
 - 3 Setting targets is particularly relevant within the advertising campaign. Many business organisations involve staff teams in setting the targets in order that individual team members can take responsibility for specific aspects of the advertising campaign. Such targets are likely to incorporate such areas as:
 - sales targets
 - market segmentation
 - market penetration
 - target markets (gender/age/specific consumer groups)
 - target sales for individual outlets/cities/regions
 - increased average sales per individual consumer
 - 4 These targets will provide valuable management information for the business organisation which will enable the business to evaluate the success or otherwise of the advertising campaign and will serve to inform future business plans and marketing strategies. For example, the business may be particularly concerned to ascertain which form of marketing (radio, TV, magazines) has had the biggest impact on sales.
 - 5 Advertising is a cost of production and like all other costs it needs to be subject to a rigorous analysis in order to ensure that business resources are being used efficiently. An ineffective advertising campaign will be characterised by a failure to achieve the targets agreed at the planning stage. This can have an impact on company profit levels which, in turn, could influence its future development plans.

QUESTION 6

Alpha Supplies plc is a specialist supplier of computer systems and supplies. The company is sponsoring a business conference at which the company's new product range will be launched.

Athena House Group will be working with the company to produce a series of fact sheets that will be distributed at the conference in order to support the new product range.

Task: Produce a fact sheet that will cover the following areas:

- (a) Explain the importance of management information. (5 marks)
- (b) Describe how computer technology can improve the quality of information required by managers. (10 marks)
- (c) Explain, using appropriate examples, how an effective administration system can contribute to improvements in business performance. (10 marks)

(Total 25 marks)

Model Answer to Question 6

FACT SHEET

- (a) The importance of management information
- 1 Management information is important since it allows the business to:
 - plan its activities
 - monitor its targets
 - evaluate its performance
 - inform decisions regarding its future developments
 - co-ordinate the main business functions
 - 2 Management information can serve to reduce the risks associated with business activity thereby allowing the firm the opportunity to grow and develop. In other words, management information allows the business to make effective and appropriate decisions.
- (b) How computer technology can improve the quality of information required by managers:
- 1 In order for information to be of use in the decision-making process, the information provided to managers must be:
 - accurate
 - reliable
 - up-to-date
 - presented in an appropriate format
 - 2 Information technology is based upon computer technology that is increasingly being combined with telecommunications technologies in order to develop new types of products and business support systems.
 - 3 Computer networks can improve the quality of management information to all functional areas within the business. New technology can be used to process vast quantities of data which can then be analysed in a variety of formats depending upon the needs of particular managers.

Model Answer to Question 6 continued

- 4 Software applications such as spreadsheets and databases allow the functional areas to gain access to a wide variety of management information including:
- market trends and analysis (sales and marketing)
 - stock levels and stock control (purchasing)
 - personnel records (personnel)
 - trends in sales turnover (finance)
 - quality control (operations)
 - computer-aided design (research and development)
 - supplier database (administration)

(c) How an effective administration system can contribute to improvements in business performance:

- 1 The administration function performs a number of key roles all of which contribute towards improvements in business performance. These functions include:
- ensuring that the business establishes systems and procedures which allow its activities to operate as smoothly as possible
 - contributing to the development of a communications strategy within the organisation and monitoring its implementation
 - ensuring that systems and procedures are controlled and monitored in order to meet the changing support needs of the organisation including
 - telecommunications
 - information technology
 - security
 - transport
- 2 The administration function also has an important role to play in ensuring that management information systems generate up-to-date and reliable information for the organisation. This will have a direct impact on the effectiveness of management decision-making and business performance.
- 3 The administration function also ensures that systems are in place which allow the functional areas to co-ordinate their activities including:
- secretarial and administrative support
 - production of management reports and other business communications
 - arranging meetings and ensuring the efficient distribution of minutes, agendas and action points
 - staff newsletters and other communications regarding official business communications
- 4 The administration function will also contribute to the planning and development needs of the business by identifying the business support needs that will be required if the business is to meet the targets identified within the planning process.
- 5 The administration function also ensures that systems are in place which allow the business to meet its statutory duties and obligations including health and safety, the Annual Report and the provision of information to the relevant tax authorities.



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