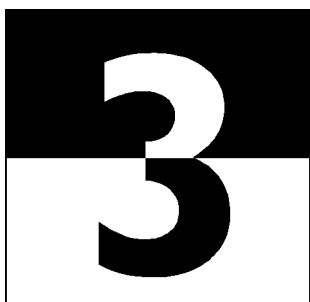


*Certificate in*

# **Business Practice**



*Level 3*

*Series 4 2003*

*(Code 3309)*

## **Model Answers**



# **Certificate in Business Practice Level 3**

## **Series 4 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

The Association of Exporters seeks to promote the interests of those firms involved in international trade. The Association is working with Athena House on a publicity campaign aimed at influencing Government policies towards exporters.

Task: **Devise** a fact sheet that covers the following areas:

- (a) Explain briefly why the Government monitors the balance of payments. (5 marks)
- (b) Describe **5** advantages of international trade. (10 marks)
- (c) Explain **one** fiscal policy and **one** monetary policy that Government could use to assist exporters. (10 marks)

**(Total 25 marks)**

### Model Answer to Question 1

#### ASSOCIATION OF EXPORTERS: FACT SHEET

(a) The balance of payments

- 1 The international trading activities of a country are recorded as a special set of national accounts known as the Balance of Payments.
- 2 The Balance of Payments is a financial statement of accounts which records a country's export sales and its spending on imports along with any international capital movements including investments and foreign currency.
- 3 The Government monitors the Balance of Payments since it must take steps to ensure that the country does not continually spend more on imports than it receives from the sale of exports. Should this be the case the country would, in effect, be living beyond its means, forcing the Government to take remedial action either to promote exports or limit imports.

(b) The advantages of international trade

There are a number of advantages of international trade which can be summarised as follows:

- International trade increases the size of the market available to business organisations thereby resulting in more competition. This exerts a downward influence on market prices and assists the control of inflation.
- The bigger international market allows business organisations to increase the production of goods and services resulting in internal economies of scale and lower unit costs of production.
- The production of goods and services will generate a demand for more labour leading to more job opportunities and a higher standard of living.
- International trade allows the consumer to purchase a greater range and variety of goods from other countries which has an influence on the standard of living and the quality of life.
- International trade promotes economic growth and increases the country's ability to invest in new plant and equipment including new technology.

## Model Answer to Question 1 Continued

(c) Government policies to assist exporters

- 1 Government economic policies tend to be classified into 2 main areas:
  - fiscal policies
  - monetary policies
- 2 Fiscal policies are concerned with Government taxation and expenditure policies. In respect of exporters, the Government could seek to provide grants to exporters which would reduce their costs and allow them to become more competitive in the international market place. This would mean that they would be able to sell more goods and services and thus increase their profit levels providing more resources for future capital investments.
- 3 Monetary policies concern those policies aimed at influencing the demand and supply of money. Such policies are generally associated with the control of inflation and are largely concerned with the control of interest rates.
- 4 In the UK the control of interest rates rests with the Bank of England. However, the Government has an indirect influence on interest rates since it establishes a target inflation rate which is taken into account by the Bank of England when it is considering whether to adjust interest rates.
- 5 A fall in interest rates will help exporters since the cost of their business loans will fall and, as a result, they may be able to reduce their prices and become more competitive in the international market place.

## QUESTION 2

Good Health plc, operators of a chain of high street chemists, are considering the introduction of 'Family Clinics' that will provide a range of private medical treatments.

Athena House has been engaged to advise the company on how it can plan for the introduction of the new service.

**Task:** Write a **report** to the Managing Director of Good Health plc outlining the following:

- (a) The importance of business planning in reducing business risks . (5 marks)
- (b) How the company might use SWOT and PEST analysis in their planning process. (10 marks)
- (c) The contribution of the Marketing Department and the Finance Department to the successful launch of the proposed 'Family Clinics'. (10 marks)

**(Total 25 marks)**

### Model Answer to Question 2

#### REPORT TO THE MANAGING DIRECTOR OF GOOD HEALTH PLC

Brief: To advise Good Health plc on how it can plan the introduction of the new 'Family Clinics' service.

- (a) The importance of business planning in reducing business risks.
  - 1 All business activities involve some form of risk. Some of these risks are difficult for the company to manage or influence. For example major suppliers may be unable to provide vital raw materials or supplies, international events may result in a fall in demand for certain products or services and Government policies may lead to increases in taxation on company profits.
  - 2 There are however a number of risks that the company can seek to control and in doing so reduce the possibility of business failure. Such risks are particularly prevalent when the business is seeking to develop a new product or service.
  - 3 Business planning involves the business undertaking a systematic analysis of its activities in order to identify risks and take the necessary steps to control them and thus minimise their impact on business activities.
  - 4 With regards to the proposed new Family Clinics, business planning should incorporate in-depth market research, a fully-costed implementation plan and a marketing and publicity campaign.

## Model answer to Question 2 continued

### (b) SWOT and PEST ANALYSIS

1 As with all aspects of business activity, management information is of critical importance in the planning process.

2 Management information can be used in preliminary discussions which seek to identify the internal and external influences in the business environment which will serve to shape the organisation's thinking over the period of the plan.

3 The internal and external influences are incorporated within two aspects of the planning process:

3.1 SWOT analysis - internal

3.2 PEST analysis – external

#### 4 SWOT ANALYSIS

4.1 The internal influences are covered within a SWOT analysis. This covers those aspects relating to

4.4.1 STRENGTHS           What are the company's main strengths? How can these strengths be exploited in the future?

4.4.2 WEAKNESSES       What are the company's weaknesses? Why have these weaknesses arisen? What is the impact of these weaknesses?

4.4.3 OPPORTUNITIES    What opportunities exist for future development in respect of sales, new products and markets?

4.4.4 THREATS            What threats impact upon the company's ability to achieve its aims and objectives, notably the level of competition within the market.

#### 5 PEST ANALYSIS

5.1 External influences also impact upon the planning process and such influences are considered within a PEST analysis. This deals with such influences as:

5.1.1 POLITICAL           An analysis of Government policies relating to business and specific business sectors

5.1.2 ECONOMIC           What is likely to happen to inflation rates, interest rates? impact of Government economic policies?

5.1.3 SOCIAL              Changes in population; market segmentation changes in consumer preferences

5.1.4 TECHNOLOGICAL    Impact of developments in new technology in relation to management information; investment levels in IT and business communications.

## Model answer to Question 2 continued

### (c) Contributions of the Marketing and Finance Departments

- 1 The successful launch of the proposed 'Family Clinics' will involve the successful co-ordination of all the functional areas within the company. Of critical importance is the relationship between the Marketing Department and the Finance Department.
- 2 **The Marketing Department** plays a key role in the development and launch of the new initiative. The contribution can be classified into three main areas:
  - 2.1 market research activities
  - 2.2 new product development
  - 2.3 promotional activities
- 3 Market research covers a range of activities that seek to analyse market conditions including the potential demand for the new range of services provided within the 'Family Clinics'. Information generated from such activities will include such factors as:
  - 3.1 the level of competition within the market
  - 3.2 the size of the market
  - 3.3 market segmentation
  - 3.4 consumer preferences
  - 3.5 the disposable income of the target consumer group
- 4 New product developments such as the 'Family Clinic' initiative will be informed by research conducted by the Marketing Department. In essence, the business will have to make a decision as to whether or not there is a demand for the initiative that will result in profits for the business.
- 5 Promotional activities will seek to inform the consumer of the range of services offered by the clinics and to persuade them to purchase the services. Promotional activities will include a range of activities including advertising and special offers and incorporate a range of media activities including magazines, TV and radio.
- 6 **The Finance Department** will also play an important part in the successful launch of the new initiative. The Finance Department will comprise 2 aspects:
  - 6.1 management accounting
  - 6.2 financial accounting
- 7 Management information provided by the management accounting function will cover such areas as:
  - 7.1 budget-setting
  - 7.2 financial forecasts regarding future profit levels
  - 7.3 pricing strategies including break-even analysis
- 8 Financial accounting will cover such elements as:
  - 8.1 the methods and costs of raising finance
  - 8.2 the provision of historical financial data and information such as sales turnover
  - 8.3 the publication of a profit and loss account relating to the new initiative

### Recommendations

- 1 Good Health plc should ensure that the proposed new initiative is subject to a detailed planning process involving SWOT and PEST analysis.
- 2 The role of the Marketing and Finance Departments will both play a key role in the successful development of the 'Family Clinic'.

### QUESTION 3

Inspirations Ltd specialises in fabrics and soft furnishings sold through selected department stores.

The company's newly appointed Personnel Manager is seeking to implement a number of changes which will result in the creation of staff teams and the introduction of a new staff appraisal scheme.

Athena House has been employed in order to prepare the management team for the introduction of the new schemes.

**Task:** Prepare a **Briefing** Sheet for the management team of Inspirations Ltd concentrating on the following aspects:

- (a) Explain why employees are stakeholders in the business. (5 marks)
- (b) The benefits of staff appraisal
- (i) for the individual
  - (ii) for the business organisation. (10 marks)
- (c) Identify, with relevant examples, how teamwork can improve business performance. (10 marks)

**(Total 25 marks)**

### Model Answer to Question 3

#### BRIEFING SHEET FOR THE MANAGEMENT TEAM OF INSPIRATIONS LTD

- (a) Employees as stakeholders
- 1 Stakeholders are those groups within the community that influence or are influenced by the activities of the business.
  - 2 One of the most important stakeholder groups are the employees of the business. Employees are important because they:
    - are directly involved in the production of goods and services
    - are paid by the business for their labour
    - can directly influence the quality of goods and services produced by the business
    - can engage in training activities which improve their performance
    - can influence, and be influenced by, the corporate image of the company
  - 3 In the final analysis the well-being of the business has a direct impact upon its employees since if the company progresses it will be able to reward its staff with higher pay and better conditions of service but should the business suffer losses then it may well have to release some of its employees.

### Model Answer to Question 3 Continued

(b) The benefits of staff appraisal

- 1 Staff appraisal is a means by which individual employees and their line managers can meet together in a confidential 1:1 meeting in order to assess employee performance and agree personal targets.
- 2 The advantages of staff appraisal for employees can be summarised as follows:
  - individual achievements can be recognised
  - training needs can be identified
  - opportunity to share their concerns with their line manager
  - appraisal targets can be monitored and in some cases linked to pay
  - staff commitment and morale may improve
- 3 The advantages of staff appraisal for the business can be summarised as follows:
  - managers get to know their staff
  - employees' contributions can be recognised
  - managers can identify individuals who are able to take on more challenging roles/promotion
  - the business can monitor recruitment practices and staff selection procedures
  - can use appraisal to praise and encourage employees
  - overall business performance may improve if challenging targets are set and achieved

(c) How teamwork can improve business performance

- 1 With regard to the activities of the business organisation, a team is considered to be a small group of employees who work together in order to achieve a common goal.
- 2 Team activities can include:
  - setting and monitoring targets
  - agreeing work rotas, action plans and associated responsibilities
  - team meetings to discuss common work issues and to facilitate improved communications
  - identifying training and development needs of the team
  - monitoring the quality of the service provided to internal and external customers
  - identifying ways in which customer service can be improved
  - establishing service standards and performance indicators relating to team activities
- 3 Business performance relates to how effective the business organisation is in meeting its targets as identified within its business plan. It may be possible to measure the positive impact that teams can make on business performance. Such measures may include:
  - increases in output
  - increases in sales
  - increases in profit levels
  - reduction in labour turnover
  - fall in staff absenteeism
  - achievement of individual and team targets
  - fewer stoppages in productive activities
  - less wastage of raw materials and other factor inputs

#### QUESTION 4

Special Breaks Ltd, a company that offers a range of short break holidays in major cities, regularly surveys its clients in order to measure the level of customer satisfaction.

The most recent survey has shown an increase in the level of complaints relating to the quality of customer service provided by the staff of Special Breaks Ltd.

Athena House has been engaged to work with staff teams in order to improve the quality of customer service within the company.

**Task:** Produce a series of **notes** that could be distributed to staff at their weekly staff meetings. The notes should cover the following areas:

- (a) Explain, using appropriate examples, the meaning of customer service. (5 marks)
- (b) Explain the relationship between customer service, customer loyalty and business performance. (10 marks)
- (c) Explain how Special Breaks Ltd could improve customer service. (10 marks)
- (Total 25 marks)**

#### Model Answer to Question 4

##### NOTES FOR THE STAFF OF SPECIAL BREAKS LTD

- (a) Customer service
- 1 Customer service includes the whole range of services provided to customers and clients, which promote loyalty and enhance the reputation of the organisation.
  - 2 Improvements in the quality of customer service are usually centred upon the perceptions/views of the customers/clients of the business.
  - 3 Examples of customer service relating to the activities of Special Breaks Ltd could include:
    - knowledgeable staff
    - telephone manner of sales and reception staff
    - quality/accuracy of literature
    - ease of booking
    - quality of hotels
    - dealing with enquiries
- (b) Customer service, customer loyalty and business performance
- 1 **Business performance** covers all aspects of business activities and relates to measures of performance against those targets within the planning process. These targets centre upon sales, profits and costs. Business performance against these elements within the plan can be easily measured against the set targets.
  - 2 There are also measures of business performance that concern quality and the views of the consumer are critical in order to ascertain if quality targets established within the planning process have been met.

### Model Answer to Question 4 Continued

- 3 **Customer service** is therefore an important aspect of improving the quality of the services provided to the customer. In a competitive market in which there are a number of firms providing a similar range of services to those of Special Breaks Ltd, the quality of customer service can be a key determinant in creating **customer loyalty**.
- 4 Customer loyalty is created when the customer will choose to purchase a particular product or service from a specific business organisation even though other organisations may offer the good or service in the market, sometimes at a lower price. Such purchasing decisions are influenced by the quality of customer service. As such, a loss of customer loyalty will result in a negative impact on sale and profit levels.
- 5 Improvements in the quality of customer service can therefore lead to the creation of a loyal customer base which a direct impact upon:
  - improved sales
  - repeat business
  - enhanced reputation
  - increased market share
  - increased profitability

(c) Improvements in customer service

Special Breaks Ltd could improve the levels of customer service in a number of ways including:

- instigate a co-ordinated training plan across all levels of staff within the company, including managerial staff
- redesign the company's induction programme to include a greater emphasis on customer service as a core business value
- include customer service targets within the staff appraisal system for individual members of staff and monitor the results
- employ specialist customer service staff
- consider ways in which to improve feedback from customers
- audit the current range of hotels and services provided for customers
- establish service standards and targets for customer services
- promote the use of target-setting amongst staff teams
- revise the company's complaints procedures in order to identify those aspects of company operations which require particular attention
- identify best practice within the industry and takes steps to include such practice in company operation

## QUESTION 5

Heritage Insurance Services has appointed a Communications Manager who will be responsible for all aspects of internal and external communications.

Athena House has been engaged to work with the Communications Manager in order to produce a report highlighting how the company could improve communications in all aspects of its activities.

**Task:** Write a **report** to the Board of Directors of Heritage Insurance Services highlighting the following:

- (a) Using appropriate examples, distinguish between horizontal and vertical communication. (5 marks)
- (b) Describe, with appropriate examples, the various methods by which the company may choose to communicate with **2** of its stakeholder groups. (10 marks)
- (c) Explain, with examples, why it is important for the company to establish policies and procedures regarding internal and external communications. (10 marks)

**(Total 25 marks)**

### Model Answer to Question 5

#### REPORT TO THE BOARD OF DIRECTORS OF HERITAGE INSURANCE SERVICES

Brief: How to improve company communications

##### (a) Horizontal and Vertical Communications

- 1 Communication 'routes' are the way in which 'messages' in the form of instructions, information, directives and the like, flow through the organisation. Two types of communication routes can be distinguished:
  - 1.1 Vertical communication involves 'messages' in the form of instructions, policies or directives being sent by those in a position of authority to those in the organisation who are on a lower level in the command structure, along with any responses which may be generated.
  - 1.2 Horizontal communication involves communication between those on the same level within the organisation, for example middle manager to middle manager or PA to PA.

##### (b) Communications with stakeholder groups

- 1 Stakeholders are those groups that can both influence and be influenced by the activities of the business organisation. Such stakeholder groups can include:
  - 1.1 Employees
  - 1.2 Customers
  - 1.3 Managers
  - 1.4 Board of Directors
  - 1.5 Shareholders

### Model answer to Question 5 continued

- 2 It is important for the business to communicate with its stakeholders in order to ensure that they are kept informed of company policies and can have the opportunity of contributing and commenting on company policies and procedures.
- 3 In general terms there are 3 ways or methods of communicating with the stakeholders:
  - 3.1 oral
  - 3.2 written
  - 3.3 visual

All 3 methods can be incorporated into communications with employees and shareholders.

#### 4 Employees

- |             |  |
|-------------|--|
| 4.1 Oral    | staff meetings<br>briefing sessions<br>appraisal interviews<br>team discussions            |
| 4.2 Written | staff newsletters<br>staff bulletins<br>staff handbooks<br>company policies and procedures |
| 4.3 Visual  | Posters<br>Training videos   |

#### 5 Shareholders

- |             |   |
|-------------|---|
| 5.1 Oral    | Presentation at Company's AGM by the Chairman of the Board of Directors             |
| 5.2 Written | Annual Report<br>Share distribution certificates<br>Letters and circulars           |
| 5.3 Visual  | Company promotional video<br>Performance charts and tables within the Annual Report |

#### (c) Communication policies and procedures

- 1 Business communication is at the heart of all activities in which the business is engaged and will involve both internal communications ie between those directly employed by the company (eg managers and their staff), and external communications ie between the company and those not directly involved with company operations (eg the business and its suppliers).
- 2 Poor business communications can be identified with a number of presenting problems including:
  - poor management control of the functional areas
  - misunderstandings between managers and their staff
  - mistakes and confusion
  - poor quality of management information
  - low morale, apathy and lack of motivation amongst staff

### Model answer to Question 5 continued

- 3 These issues have a direct impact upon business performance and may contribute to:
  - higher costs (no systems to ensure that supplies are obtained from low-cost suppliers)
  - lack of financial control (poor communications with budget holders)
  - low productivity (no systems in place to monitor operations)
  - targets not met (management information not communicated with managers)
- 4 Poor communications can therefore have a direct impact on costs and profit levels.
- 5 The company should therefore ensure that appropriate policies and systems are in place that, collectively, form an overall corporate communications strategy. This will include such elements as:
  - a common house style for all company documents and literature
  - an up-to-date organisation chart
  - regular patterns of communications eg weekly meetings, staff bulletins
  - formal committee structures including terms of reference
  - publication of a staff handbook containing relevant company policies and procedures
  - use appropriate technology to communicate information with training and procedures as to its use

### Recommendations

- 1 The company should instigate a training session for all managers to ensure that company policies and procedures relating to business communications are followed.
- 2 Staff briefing sessions should be organised to brief staff on relevant policies and procedures
- 3 A system should be put into place to continuously monitor and evaluate the company's communication strategy.

## QUESTION 6

'Work and Surf' is a new business support service for small firms being developed by Athena House. The aim of the service is to provide low cost Internet facilities in Business Centres located in major towns and cities.

Athena House plan to launch the new service at a series of breakfast seminars held in the offices of the local Chambers of Commerce.

**Task:** Produce a **briefing sheet** that will be distributed to delegates attending the seminars. The

- (a) Provide a brief explanation of the Internet. (5 marks)
- (b) Describe **5** ways the Internet could be used by the small business to improve business performance. (10 marks)
- (c) What advice could be offered to the small firm considering installing their own computer system for the first time? (10 marks)

**(Total 25 marks)**

## Model Answer to Question 6

### BRIEFING SHEET

(a) A brief explanation of the Internet

- 1 A computer network is a series of computers that are linked together in such a way as to allow users to communicate with each other.
- 2 The Internet is a global computer network that allows users in different countries to communicate with each other in real-time.
- 3 The most important features of the Internet are e-mail facilities (an on-line communications feature) and websites (an information base which can be regularly updated and may incorporate interactive features).

(b) How the Internet could be used by the small firm to improve business performance

- 1 Business performance is concerned with measuring business activity against key performance indicators such as costs, revenue, profit levels, output and sales. Small firms are acutely aware of measures of business performance since they are faced with high levels of business risks.

- 2 The Internet can improve the business performance of small firms in the following areas:

(i) Sales and Marketing

The small firm can create its own website to advertise its services. The website could be designed in such a way as to allow for customers to make on-line purchases. This could establish a database of customers which could be utilised for future promotions.

(ii) Factor inputs

The small firm can access the Internet in order to access low-cost parts and materials that are required in its own operations. This will have a positive impact on its cost schedule and will influence cash flow and profit levels.

(iii) Management Information

Like all other business organisations the small firm relies upon management information in order to inform its business decisions. High quality management information can reduce the level of risk associated with business activities. The Internet contains a wealth of management information that can be used by the small business. Examples include market analysis, information on competitors, information concerning business trends.

(iv) Services to Business

The small business relies on other specialists to provide specialist business services such as banking, payroll and accountancy services. The Internet will enable the small firm to access these services and, as a result, it is likely to secure cost-savings.

(v) Business Communications

Effective business communication can have a direct influence on business performance and effectiveness. Such communications should also be regarded as a cost of production. Access to the Internet will allow the small firm to communicate with its customers and with other business organisations in real time. Such direct access can save time and allow for quick decisions on key business tasks eg dealing with correspondence, queries and complaints.

### Model answer to Question 6 continued

(c) Advice to the small firm considering installing their own computer system for the first time

- 1 The purchase of a computer system should be regarded as a major capital investment by the small firm. It is therefore vital for the small firm to plan the expenditure programme by taking account of the full range of costs including:
  - hardware
  - software
  - staff training
  - additional insurance costs
  - depreciation costs
  
- 2 Due regard should be given to the following points:
  - Fitness for purpose - the computer should bring positive benefits to the firm
  - Value for money - the benefits should be quantified
  - Costs - decisions need to be made regarding the available budget
  
- 3 An Action Plan/checklist should be drawn up incorporating the following points:
  - decide on budget available
  - undertake needs analysis
  - draw up a schedule of what the firm requires (priorities)
  - conduct research on available systems
  - visit other companies who have installed similar systems
  - consider purchase options including HP and leasing
  - draw up detailed schedule for installation (time, date, level of disruption to services, staff training)
  - install the system
  - begin operations
  - monitor the benefits and check against needs analysis – are the benefits making a positive impact on the company's operations?



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