**M&L8: understand business**

|  |  |  |  |
| --- | --- | --- | --- |
| **Centre Number :** |  | **Centre Name :** |  |
| **Learner Registration No :** |  | **Learner Name:** |  |
| **Learning Outcome / Section 1:** Understand organisational structures |
| **Assessment Criteria (AC)** | **Assessment Guidance** | **Assessor feedback on AC** *[comments not necessary in every box]* |
| AC 1.1* Explain the differences between the private sector, the public sector and the voluntary sector
 | * Generally speaking, the private sector comprises profit-making businesses, the voluntary sector is run by volunteers and does not set out to make a profit as its primary goal, and the public sector aims to provide good government services and value for money.
* The different aims and goals of the private, public and voluntary sectors means that there are differences in, for example, ownership and management and the ways they are funded.
* You are required to explain two or more differences between the private sector, the public sector and the voluntary sector, using examples, where appropriate.

**Answer:** |  |
| Pass or Referral |
| AC 1.2* Explain the features and responsibilities of different business structures
 | * A business structure defines management responsibilities in allocating tasks to achieve the objectives of the business, and the structure adopted by a business will depend to a large extent upon the size and complexity of the business and its markets.
* The most common business structures in the UK private sector include:
	+ Sole Trader
	+ Partnership
	+ Private Limited Company (Ltd.)
	+ Public Limited Company (PLC)
	+ Co-operatives
	+ Franchises
* You are required to explain the features and the responsibilities of three or more different business structures

**Answer:**  |  |
| Pass or Referral |
| AC 1.3* Explain the relationship between an organisation’s vision, mission, strategy and objectives
 | * You are required to define each of the following:
	+ Vision
	+ Mission
	+ Strategy
	+ Objectives
* You are then required to explain how an organisation’s vision, mission, strategy and objectives are linked together and depend on each other. (You may wish to use an example to illustrate the relationship.)

 **Answer:** |  |
| Pass or Referral |
| **Section comments** (optional): | **Verification comments** (optional): |
| **Learning Outcome / Section 2:** Understand the business environment |
| **Assessment Criteria (AC)** | **Assessment Guidance** | **Assessor feedback on AC** *[comments not necessary in every box]* |
| AC 2.1* Describe the internal and external influences on a business
 | * Businesses do not operate alone and in isolation; they are affected by changes that happen inside the organisation itself (internal factors) and changes that happen outside the organisation (external factors).
* Internal factors include:
	+ Management
	+ Organisational culture
	+ Products and processes
	+ Resources
	+ Location
* External factors may be:
	+ Political
	+ Economic
	+ Social
	+ Technological
	+ Legal
	+ Environmental
* You are required to describe the key features of two or more internal factors ***and*** two or more external factors.

**Answer:** |  |
| Pass or Referral |
| AC 2.2* Explain the structure and use of a strength, weakness, opportunity and threat (SWOT) analysis
 | * You are required to:
	+ Explain what is meant by ‘strength’, ‘weakness’, ‘opportunity’ and ‘threat’ in a SWOT analysis
	+ Explain how a business would use a SWOT analysis

**Answer:** |  |
| Pass or Referral |
| AC 2.3* Explain why change can be beneficial to business organisations
 | * Change can be beneficial to business organisations for a variety of reasons, such as:
	+ Taking advantage of new work methods and new technologies
	+ Responding to changing customer needs
	+ Improving quality through continuous improvement
	+ Responding to changes and growth opportunities in the economy
	+ Challenging existing ways of doing things
* You are required to explain two or more ways in which change can work to benefit business organisations.

**Answer:** |  |
| Pass or Referral |
| AC 2.4* Explain organisations health and safety responsibilities
 | * Under Health and Safety law ‘It is an employer's duty to protect the health, safety and welfare of their employees and other people who might be affected by their business. Employers must do whatever is reasonably practicable to achieve this.’

[*http://www.hse.gov.uk/workers/employers.htm*](http://www.hse.gov.uk/workers/employers.htm)* Explain, with examples where appropriate, the responsibilities employers have for health and safety under the Health and Safety and Work Act (1974) to their employees and to members of the public.

**Answer:** |  |
| Pass or Referral |
| AC 2.5* Describe sustainable ways of working
 | * ‘Sustainable’ ways of working are greener and more environmentally friendly with less waste that may sometimes make use of recycling.
* You are required to describe the principal features of two or more sustainable ways of working. (You may wish to use examples to illustrate your answer.)

**Answer:** |  |
| Pass or Referral |
| AC 2.6* Explain how legislation affects the management and confidentiality of information
 | * The Data Protection Act 1998 controls how personal information is used, and everyone responsible for using data has to follow strict rules (‘data protection principles’) set out in the Act.
* You are required to explain how the data protection principles of the Data Protection Act 1998 affect the management and confidentiality of information.

**Answer:** |  |
| Pass or Referral |
| **Section comments** (optional): | **Verification comments** (optional): |
| **Learning Outcome / Section 3:** Understand the principles of business planning and finance within an organisation |
| **Assessment Criteria (AC)** | **Assessment Guidance** | **Assessor feedback on AC** *[comments not necessary in every box]* |
| AC 3.1* Explain the purpose, content and format of a business plan
 | * A business plan is a written statement of why a business exists: it sets out what the business intends to achieve and how it will achieve it, and provides information on the business’ structure and finance, its product or service, and the business’ customers and markets.
* You are required to explain the purpose, content and format of a business plan. (You may wish to use an example of a business you are familiar with to illustrate your answer.)

 **Answer:** |  |
| Pass or Referral |
| AC 3.2* Explain the business planning cycle
 | * The business planning cycle usually occurs annually, and is a plan of action that goes through a logical series of phases to re-assess the overall strategies of the business and business performance in order to determine objectives and targets throughout the business for the following year.
* You are required to explain the business planning cycle. (You may wish to describe the different phases of the business planning cycle in order to illustrate your answer.)

**Answer:**  |  |
| Pass or Referral |
| AC 3.3* Explain the purpose of a budget
 | * A budget is a plan of action (not a statement of fact) expressed in financial terms that is drawn up before the period to which it relates
* Budgets are drawn up for a specified period, usually one year, and examples include:
	+ Sales budget
	+ Production budget
	+ Research and development budget
	+ Training budget
	+ Departmental costs budget
	+ Cash budget
* Advantages of budgets are that they facilitate:
	+ Coordination and teamwork
	+ Communication
	+ Planning
	+ Control
	+ Motivation
* You are required to explain the purpose of a budget. (You may wish to use an example of a budget you are familiar with to illustrate your answer.)

 **Answer:** |  |
| Pass or Referral |
| AC 3.24* Explain the concept and importance of business risk management
 | * Business Risk Management is the process of identifying, assessing and controlling the level of those risks that present a threat to a business’ assets and earning capacity.
* Examples of business risk include:
	+ Strategic, for example a competitor coming on to the market
	+ Compliance, for example responding to the introduction of new health and safety legislation
	+ Financial, for example non-payment by a customer or increased interest charges on a business loan
	+ Operational, for example the breakdown or theft of key equipment
	+ Environmental risks, including natural disasters
	+ Employee risk management, such as maintaining sufficient staff numbers and cover, employee safety and up-to-date skills
	+ Political and economic instability in any foreign markets you export goods to
	+ Health and safety risks
	+ Commercial risks, including the failure of key suppliers or customers

[*http://www.nibusinessinfo.co.uk/content/types-risk-your-business-faces*](http://www.nibusinessinfo.co.uk/content/types-risk-your-business-faces)* You are required to explain the concept and importance of business risk management.

**Answer:** |  |
| Pass or Referral |
| AC 3.5* Explain types of constraint that may affect a business plan
 | * The constraints on a business plan are those factors that may prevent the business plan from being successful.
* Constraints may be variables that are not known with certainty, and changes in these variables will have an impact on the business plan.
* Examples include:
	+ Size of the market
	+ Demand for the businesses product or service
	+ Availability and/or cost of supply
	+ Degree of competition in the market
	+ Availability and cost of finance
	+ Availability of labour with appropriate skills
	+ Quality of management
* You are required to explain how a business plan is affected by two different types of constraint.

**Answer:** |  |
| Pass or Referral |
| AC 3.6* Define a range of financial terminology
 | * The most commonly used financial terms in the UK include:
	+ Assets
	+ Liabilities
	+ Depreciation
	+ Fixed cost
	+ Variable cost
	+ Gross profit
	+ Net profit
* You are required to provide clear and correct definitions of five or more financial terms.

**Answer:** |  |
| Pass or Referral |
| AC 3.7* Explain the purposes of a range of financial reports
 | * A financial report is a formal record of the financial activities of a business that is presented in a specified format.
* The three most important are:
	+ Balance sheet, or statement of financial position
	+ Income statement, or profit and loss account
	+ Cash flow statement
* You are required to explain the purpose of three financial reports.

**Answer:** |  |
| Pass or Referral |
| **Section comments** (optional): | **Verification comments** (optional): |
| **Learning Outcome / Section 4:** Understand business reporting within an organisation |
| **Assessment Criteria (AC)** | **Assessment Guidance** | **Assessor feedback on AC** *[comments not necessary in every box]* |
| AC 4.1* Explain methods of measuring business performance
 | * Methods of measuring business performance will vary according to the nature of the business and the core activities in the business that contribute most to making the business successful.
* Examples of business performance Key Performance Indicators (KPIs) include:
	+ Sales
	+ Sales returns
	+ Customer complaints
	+ Customer satisfaction surveys
	+ Time taken to complete an order
	+ Delivery times
	+ Customer retention
	+ New customers
	+ etc.
* You are required to explain how two or more performance indicators are used to measure business performance.

**Answer:** |  |
| Pass or Referral |
| AC 4.2* Explain the uses of management information and reports
 | * Management information and reports comprise collected data and information that measure performance across a business in order to manage more effectively and efficiently and to identify areas for improvement.
* You are required to explain, with an appropriate example, how management information and reports can be used.

**Answer:** |  |
| Pass or Referral |
| AC 4.3* Explain how personal and team performance data is used to inform management reports
 | * You are required to explain, using an appropriate example, how personal and team performance data is used as part of management reporting.

**Answer:** |  |
| Pass or Referral |
| AC 4.4* Describe a manager’s responsibility for reporting to internal stakeholders
 | * Internal stakeholders are individuals and groups who are part of an organisation, such as members of the board, managers, employees and trade unions, who benefit directly from the organisation’s success.
* You are required to describe a manager’s responsibility for reporting to two or more internal stakeholders.

**Answer:** |  |
| Pass or Referral |
| **Section comments** (optional): | **Verification comments** (optional): |
| **Learning Outcome / Section 5:** Understand the principles of management responsibilities and accountabilities within an organisation |
| **Assessment Criteria (AC)** | **Assessment Guidance** | **Assessor feedback on AC** *[comments not necessary in every box]* |
| AC 5.1* Explain the principle of accountability in an organisation
 | * You are required to provide a clear and correct explanation of what is meant by ‘accountability’ in an organisation. (You may wish to use an example to illustrate your answer.)

 **Answer:** |  |
| Pass or Referral |
| AC 5.2* Explain the difference between ‘authority’ and ‘responsibility’
 | * You are required to provide a clear and correct explanation of the difference between ‘authority’ and ‘responsibility’. (You may wish to use an example to illustrate your answer.)

**Answer:** |  |
| Pass or Referral |
| AC 5.3* Explain the meaning of delegated levels of authority and responsibility
 | * ‘Level of authority’ refers to the different hierarchical management levels in an organisation and the duties and responsibilities assigned to each of those levels.
* Delegation empowers a subordinate at a lower level to make decisions.
* You are required to explain the meaning of delegated levels of authority and responsibility.

**Answer:** |  |
| Pass or Referral |
| **Section comments** (optional): | **Verification comments** (optional): |
|  |  |
| **Assessor’s Decision** | **Quality Assurance Use** |
| **Outcome** (*delete as applicable*): **PASS / REFERRAL** | **Signature of Assessor:****Date:** | **Outcome** (*delete as applicable*): **PASS / REFERRAL** | **Signature of QA:****Date of QA check:** |