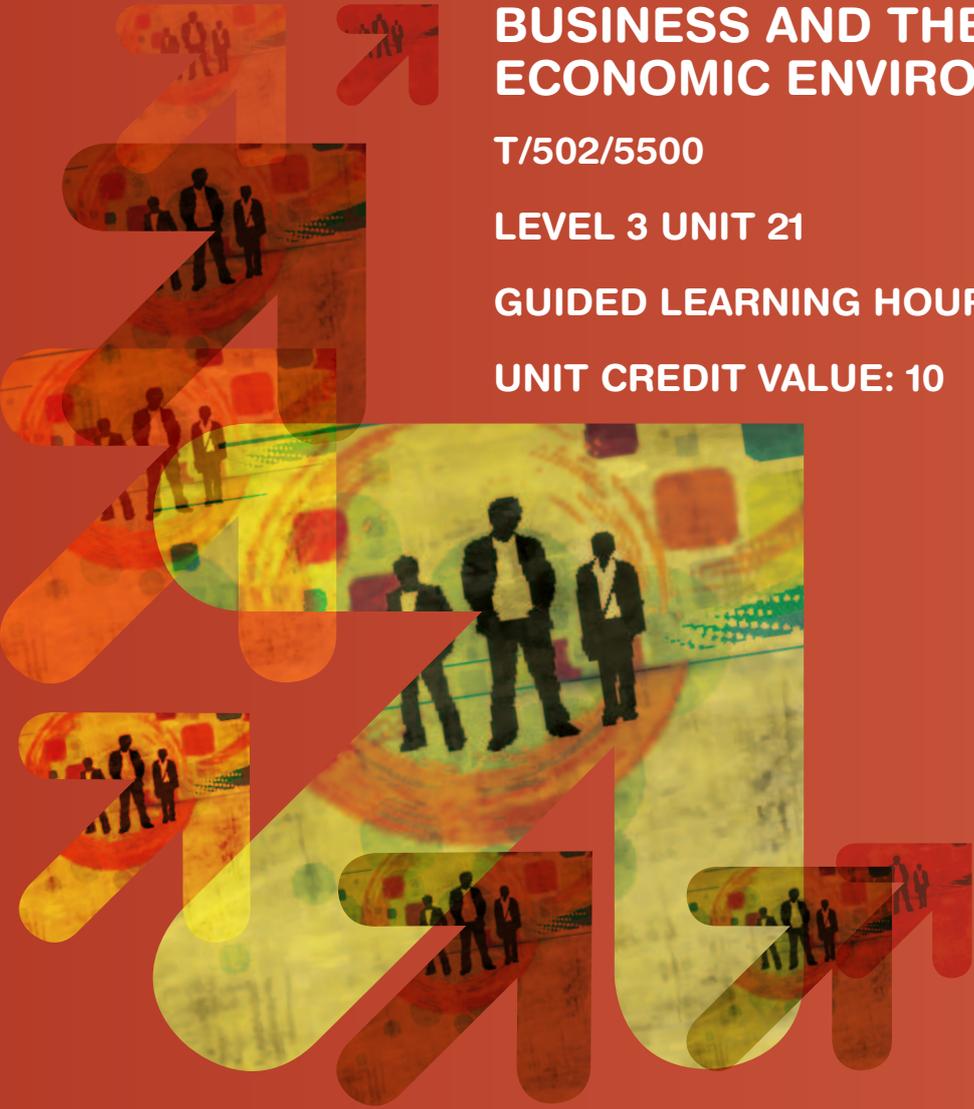




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# OCR LEVEL 3 CAMBRIDGE TECHNICAL CERTIFICATE/DIPLOMA IN BUSINESS



## BUSINESS AND THE ECONOMIC ENVIRONMENT

T/502/5500

LEVEL 3 UNIT 21

GUIDED LEARNING HOURS: 60

UNIT CREDIT VALUE: 10



# BUSINESS AND THE ECONOMIC ENVIRONMENT

T/502/5500

LEVEL 3 UNIT 21

## AIM OF THE UNIT

Businesses do not operate in a vacuum; they are affected by the national and international economic environment.

This unit helps learners to understand how the economic environment affects businesses and how government policies, especially financial and monetary policies, impact on UK business. Learners will gain an understanding of the reasons behind the current economic situation in the UK, which also affects them at an individual level. This unit also helps learners to understand the relationship between government spending and government economic policy and how this affects business. Equally, this unit will help learners to know how business activity influences Government policy. Finally, learners will increase their awareness of how international economic events and organisations influence UK businesses

## ASSESSMENT AND GRADING CRITERIA

<b>Learning Outcome (LO)</b>  The learner will:	<b>Pass</b> The assessment criteria are the pass requirements for this unit.  The learner can:	<b>Merit</b> To achieve a merit the evidence must show that, in addition to the pass criteria, the learner is able to:	<b>Distinction</b> To achieve a distinction the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
1 Understand the impact on businesses of changes in the economic environment	P1 explain the effects, of changes in the economic environment on a selected business		
	P2 identify how government policies impact upon on a selected business		
2 Know how government spending impacts on businesses	P3 identify the impact of government spending on a selected business	M1 analyse the positive and negative effects of government spending on businesses	D1 evaluate the effects of government spending on a selected business
3 Understand fiscal and monetary policies and the effects on spending	P4 explain how both fiscal and monetary policy decisions have affected a selected business	M2 analyse the positive and negative effects that fiscal and monetary policies have had on a selected business	D2 evaluate the consequences of fiscal and monetary policies on a selected business
4 Know how the international economy affects UK businesses and competition	P5 describe the impact of international factors on a selected business		

## TEACHING CONTENT

The unit content describes what has to be taught to ensure that learners are able to access the highest grade.

Anything which follows an i.e. details what must be taught as part of that area of content.

Anything which follows an e.g. is illustrative, it should be noted that where e.g. is used, learners must know and be able to apply relevant examples to their work though these do not need to be the same ones specified in the unit content.

### **Learning Outcome 1 Understand the impact on businesses of changes in the economic environment**

- The business cycle: growth and recession (boom and bust)
- Effects of the business cycle on demand, supply and competition at a local and national level
- Influence of business practices on the environment
- Factors that impact on business: access to finance, interest rates, taxation, strength of the currency, inflation, employment, R&D investment, share value, capital investment (e.g. buyouts, venture capital, mergers), rise of prices and costs
- Government policies that impact on business: fiscal policy (e.g. corporate tax, VAT), monetary policy (e.g. interest rates), trade policy (e.g. balance of payments, tariffs, trade agreements), legislative policy (e.g. legislation, regulation), competition policy (e.g. role of the Competition Commission), industrial policy, social policy. Influence of business on Government policy (e.g. lobbying, fraud, corruption).

### **Learning Outcome 2 Know how government spending impacts on businesses**

- Government spending: the budget, welfare expenditure, public services expenditure (e.g. education, health, public security), infrastructure expenditure (e.g. road building, airports), foreign aid, subsidies (e.g. agriculture), public sector borrowing (national debt)
- The multiplier effect and its benefits to the economy at local and national level.

### **Learning Outcome 3 Understand fiscal and monetary policies and the effects on spending**

- Fiscal policy: corporation tax, Capital Allowance Act, personal tax and allowances
- Role of HMRC (Her Majesty's Revenue and Customs), Comprehensive spending review, Redistribution of income

- Monetary policy: Role of the Bank of England, interest rates (e.g. role of the Monetary Policy Committee), inflation control, value of the Pound Sterling against other currencies, sovereign debt, sovereign investment, quantitative easing, regulation (e.g. role of the SFA).

### **Learning Outcome 4 Know how the international economy affects UK businesses and competition**

- European factors: expansion of the EU, the Eurozone and the Euro, the EMU (European Monetary Union), effects of Eurozone countries in economic collapse or danger of collapse, euro convergence criteria
- Global factors: BRIC economies, world poverty, stock market crashes, banking deregulation and scandals, role of the IMF (International Monetary Fund), role of the WTO (World Trade Organisation), industry-specific factors (e.g. oil and gas prices), war and terrorism.

It is important to maintain focus on the current law and practice in this area. The list given above is neither prescriptive nor exhaustive. Where legislation has been revised learners will consider the most up to date version as that will reflect current industry practice.

## DELIVERY GUIDANCE

### Learning Outcome 1

Tutors could illustrate the boom and bust cycle with the use of DVDs illustrating the history of economic crashes in 1929, 1987 and 2007. Excerpts from documentaries could provide a basis for analysis and group discussion of the impacts on business of the business cycle and the economic causes behind these events. It is important for learners to make the link between economic theory and the everyday effects of the business cycle on demand, supply and competition on local business, and recognise that some businesses benefit during periods of economic downturn. This could be achieved by researching local businesses and discussing the impact of the economic cycle on them and the locality.

Learners should be guided to arrive to their own conclusions with regard to the factors that impact on business, although some of these could need input from the tutor. This topic could be approached using a case study of a local business and the difficulties it faces in the current economic climate. The tutor should raise the learners' awareness to the extent of the Government's influence and the effects the Government's policies have on businesses. Two of these policies, fiscal and monetary, are discussed in detail in LO3. Learners could be asked to work in groups to research the various policies managed by the Government. In addition, it would be interesting to use local businesses to discover the influence they can have on Government policy, for example, as a result of bankruptcy risk and closures.

### Learning Outcome 2

Learners could explore the latest Budget figures and analyse how Government spending affects business. Learners should also explore the effects of these measures on local business.

The issue of the national debt could also be explored, to teach learners about the ways in which the Government raises the money to pay for its spending; for example, through taxation of businesses, individuals and indirect taxes as well as selling Government bonds (gilts) in the stock exchange. Much of this could be explored with the use of online and printed newspapers, as well as television news. In addition, learners could research and discuss the effects of the national debt in their locality both for businesses and individuals.

Learners could learn about the multiplier effect by taking a local business as an example and exploring the beneficial

knock-on effects on business, individuals and local government. A case study, like the London 2012 Olympic Games, could also be explored.

### Learning Outcome 3

Fiscal and monetary policies are the key focus of this learning outcome, and learners could work in groups to produce a set of notes about the different aspects of these policies, and the impacts on local businesses, perhaps collecting some recent data related to each aspect. Some Government institutions, like the Bank of England provide good resources and videos about their role in the UK economy which would be useful for learners. HMRC is particularly good at explaining taxation at a corporate and individual level. This topic offers the opportunity for learners to know how direct tax is calculated.

Inflation and quantitative easing as well as interest rates are of particular importance. Learners could compare the rise of costs and prices in their locality and link them with these economic factors. The use of online economic simulations could be used to help learners understand the complex links between the various aspects of the policies.

### Learning Outcome 4

The UK economy does not exist in a vacuum; European and global factors impact on the economy and UK business. Learners could research the EU and its institutions and directives and learn about their impact on UK business. A group discussion could be used to consider the influence and impact of the EU and international institutions on business. News reports could be used as case studies to illustrate the economic situation of some European countries.

BRIC countries (Brazil, Russia, India and China) have caught the attention of economists in recent times as emerging economic powers. Learners could research economic data on the BRIC countries and their increasing economic and political importance and present their findings to the group.

Other globalisation factors could be explored through the use of DVD or case studies. In addition, learners could visit a local business to find out how the EU and international institutions and factors affect it. Alternatively, a speaker from a local business could provide the background information.

## SUGGESTED ASSESSMENT SCENARIOS AND TASK PLUS GUIDANCE ON ASSESSING THE SUGGESTED TASKS

### **P1, P2**

Scenario: A local business association has asked you to present at their next meeting. They would like you to explain how changes in the economic environment can affect a business, and also to identify the impact that government policies have had upon a local business.

Task: Learners could produce a presentation explaining the effects of changes in the economic environment and the effects of government policies on a local business.

Assessment methods: presentation.

### **Guidance:**

P1 – Learners are required to explain the effects of the economic environment on a business. The business could be chosen by the tutor or the learner, however tutors will need to check the selected business can fit the criteria of the task. Learners could describe the effects of the business cycle on supply, demand and competition in relation to a specific business.

P2 – Learners must identify and describe the different government policies that impact on a business. It would be advisable for learners to use the same business as task P1. There is no need for learners to discuss the policies in depth but to identify and briefly describe those that impact in particular on the selected business.

### **P3, M1, D1**

Scenario: The local newspaper has asked you to write an article which explains how the latest government Budget, and the changes in government spending that it contained, will impact on a local business

Task: Learners could produce a written article that identifies the impact that changes in government spending has had on a local business

M1: To obtain a merit, learners must analyse both the positive and negative effects of government spending on businesses.

D1: To obtain a distinction, learners must evaluate the effects of government spending on one business

Guidance: For this task, learners need to identify the impact of Government spending on a selected business. To obtain a merit learners must consider more than one business.

They should also research and discuss in more detail the selected businesses and the positive and negative effects of government spending. The analysis should result in a balanced view to achieve a merit. The distinction criterion requires an evaluation of the impact on one business and to achieve this, learners will reach a judgement or conclusion on the effects of Government spending on a selected business. Learners could provide their own opinion on the matter, based on the previous identification of factors and analysis.

### **P4, M2, D2**

Scenario: As a follow-up article, the local newspaper would like you to explain how both fiscal policy and monetary policy decisions have impacted on a local business

Task: Learners could produce an article that identifies the effects that fiscal and monetary policy decisions have had on a local business

M2: To obtain a merit, learners must analyse the positive and negative effects that fiscal and monetary policies have had on a local business.

D2: To obtain a distinction, learners must evaluate the consequences of fiscal and monetary policies on a local business.

Guidance: Learners need to describe the effects of fiscal and monetary policy on a selected business. This could be the same business used in P3 or a different one, either chosen by the tutor or by the learner with supervision. Learners could explain the effects of taxation, inflation, interest rates, quantitative easing, capital allowances and the strength of the Pound Sterling on the selected business. It is not necessary for learners to discuss all of these factors, only those that impact the most on the business.

To achieve a merit learners are required to analyse the benefits and drawbacks of fiscal and monetary policies on the selected business. The aim is to arrive at a balanced view of the positive and negative impacts of Government policies on the business. Learners will need to research the selected business in depth as well as the policies.

The distinction criterion requires learners to evaluate the consequences of fiscal and monetary policies on the

selected business. Learners should arrive at a judgement or conclusion and could provide their own opinions on the matter, based on the previous explanation and analysis.

**P5**

Scenario: A foreign entrepreneur is considering purchasing a large UK business and has requested a report on the impact of international factors on this business.

Task: Learners are required to research and report on the impact of international factors on the selected business.

Guidance: In this task learners must describe the impact of international factors on a business. This could be linked with P3 and P4, using the same business for all tasks, as long as a suitable business is chosen. It is important that learners describe both European and global factors and their effects on the selected business.

## LINKS to NOS

**CfA BAD322** Analyse and report data (Partial)

**CfA M&LB2** Map the environment in which your organisation operates (Partial)



## **CONTACT US**

Staff at the OCR Customer Contact Centre are available to take your call between 8am and 5.30pm, Monday to Friday.

We're always delighted to answer questions and give advice.

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