

Business Awareness: Summary of corrections to course materials

These changes affect version V001 of the materials.

PLEASE NOTE: Due to the subjective nature of some topics, particularly in written questions, credit may be given for answers provided under different categories or alternative comments with appropriate justification. If you are unsure, please check with your tutor.

Course notes

Page 105 LE 1	<p>We have replaced this question with the following:</p> <p>Which of the following is an example of an inferior good in economics?</p> <table><tr><td></td><td>✓</td></tr><tr><td>Organic vegetables</td><td></td></tr><tr><td>Designer handbags</td><td></td></tr><tr><td>Generic store-brand products</td><td></td></tr><tr><td>Premium steak cuts</td><td></td></tr></table> <p>Solution: Generic store-brand products (because shoppers may switch to more expensive name-brand products as their income increases).</p>		✓	Organic vegetables		Designer handbags		Generic store-brand products		Premium steak cuts	
	✓										
Organic vegetables											
Designer handbags											
Generic store-brand products											
Premium steak cuts											
Page 162 PE 3	Selling aluminium back rather than disposing of it could also be classified as financial as well as environmental.										
Page 145 – PESTLE question	‘Gross Domestic Product’ – replace with ‘exchange rates’										

Task bank

Page 13 RE 1	(f) Picklist: on behalf of the shareholders, directors, voting on key decisions, care and diligence, shareholders
Page 17 RE 2	(g) Change “ <u>high</u> number of middle managers” to “ <u>low</u> ” in a flat organisation.

There were some issues with the wording of this question (it should refer to partners in a partnership, not directors). The following requirements have been re-written:

Sturgess, Johnstone and Co offer accountancy, taxation and audit services to

The partners are currently trying to understand the difference between an unlimited liability partnership and a limited liability partnership (LLP).

(a) Assist the partners by matching the following business types with their features:

Unlimited Partnership	The business is a separate legal entity from the individual partners.
Limited Liability Partnership	Legally there is no distinction between the business and the individual partners.

(b) and (c) No changes

The partners have decided an unlimited partnership is the most appropriate business structure.

(d) Complete the sentence by selecting True or False:

The partners of Sturgess, Johnstone and Co must document the agreement in writing to be binding.

True/False

(e) Complete each of the below by selecting ONE option:

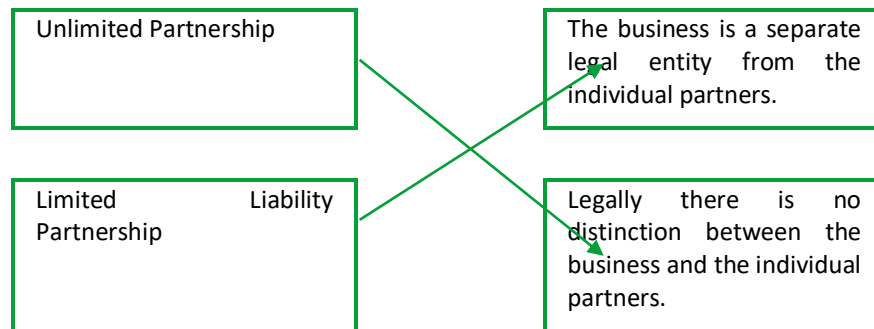
Goodwill in a partnership is defined as:	GAP 1	The means by which a partnership is managed and run is contained in:	GAP 2
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GAP 1	✓
The amount paid for the brand name	
The amount that the partners have paid into the business	
The amount by which the business's total value exceeds the value of its separately identifiable net assets	

GAP 2	✓
The annual accounts	
The partnership agreement	
The certificate of incorporation	

Updated solution:

(a) Assist the partners by matching the following business types with their features:



(b) and (c) No changes

(d) Complete the sentence by selecting True or False:

The partners of Sturgess, Johnstone and Co must document the agreement in writing to be binding.

False

A partnership agreement can be verbal (although it is better to have it agreed in writing).

(e) Complete each of the below by selecting ONE option:

Goodwill in a partnership is defined as:	GAP 1	The means by which a partnership is managed and run is contained in:	GAP 2
--	-------	--	-------

GAP 1 ✓	
The amount paid for the brand name	
The amount that the partners have paid into the business	
The amount by which the business's total value exceeds the value of its separately identifiable net assets	✓

GAP 2 ✓	
The annual accounts	
The partnership agreement	✓
The certificate of incorporation	

Page 29 RE 2 **(e) Additional question True or false: Investing in more automation may mean that businesses can reduce staff numbers as roles become redundant.**

Page 29 RE 3 **(a) Social – 2 bullet points are required.**

Page 40 RE 3 **(e) Which THREE**

Page 85 RE 1	(d) The answers should be decentralised control and wide span of control. (Explanations are still valid. The wrong boxes had been ticked.)
Page 96 RE 2	(a) (i) Micro should say macro.

Mock bank

Note a 10 marks question should allow 15 minutes, 13 marks – 19 minutes and 12 marks – 18 minutes

Page 169 Mock 1 Task 1 Solution	(a) (iii) Statement 3: Description given would suggest that the answer is true – it should be false, as stated, but the reason should be that there are fewer levels of management for decisions to pass through, meaning decisions are made faster than in a tall structure.										
Page 152 Mock 1 Task 5	<p>We have replaced this question with the following:</p> <p>(a) (i) Identify which TWO of the following would be considered complementary goods in economics? (2 marks)</p> <table border="1"> <thead> <tr> <th></th><th>✓(2)</th></tr> </thead> <tbody> <tr> <td>Coffee and tea</td><td><input type="checkbox"/></td></tr> <tr> <td>Bread and butter</td><td><input type="checkbox"/></td></tr> <tr> <td>Pizza and burgers</td><td><input type="checkbox"/></td></tr> <tr> <td>Hot dogs and rolls</td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>Solution:</p> <p>Bread and butter & Hot dogs and rolls – because these are products you would usually consume together, so changes in demand for one is likely to have an impact on demand for the other.</p> <p>(a) (ii) – Option 2 should say ‘increases’ (answers already show this and provides correct solution / reasoning)</p>		✓(2)	Coffee and tea	<input type="checkbox"/>	Bread and butter	<input type="checkbox"/>	Pizza and burgers	<input type="checkbox"/>	Hot dogs and rolls	<input type="checkbox"/>
	✓(2)										
Coffee and tea	<input type="checkbox"/>										
Bread and butter	<input type="checkbox"/>										
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Hot dogs and rolls	<input type="checkbox"/>										
Page 182 Mock 1 Task 7 Solution	<p>The ticks and explanations for the first two rows need swapping over.</p> <p>Row 1 – personal injury – should be avoid.</p> <p>Row 2 – penalties – should be transfer.</p>										
Page 188/208 Mock 2 Task 1	(e) – the question should say ‘which TWO statements are true’										
Page 207 Mock 2 Task 1 Solution	(b) – Incorrect answer - ‘Coffee bean supplier’ should be linked to ‘Fair payment terms’, while ‘Coffee shop employees’ should be linked to ‘Safe and supportive working conditions’										

Extra notes

Please see the extra notes at the end of this document.

AAT LEVEL 3

Business Awareness (BUAW)

Extra notes on partnerships

Chapter 6 – Understanding business types

Your notes cover the two most common types of partnership: unlimited liability partnerships (sometimes called general partnerships) and limited liability partnerships (LLPs). However there is a third type of partnership that you need to be aware of called a limited partnership.

Limited partnerships

In a limited partnership, there will be at least one **general partner** and at least one **limited partner**. The partners have different responsibilities and levels of liability for the partnership's debts. A person cannot be a general and a limited partner at the same time.

General partners	Limited partners
<ul style="list-style-type: none"> • Are liable for any debts that the business cannot pay. • Control and manage the business on a day to day basis. 	<ul style="list-style-type: none"> • Are only liable for business debts up to the amount that they have contributed to the partnership. (Like shareholders of a company). • Cannot take part in the management of the business.

All partners pay income tax on their share of the profits.

Limited partnerships must be registered with Companies House.

Comparison of the three types of partnership:

	Unlimited liability (or general) partnerships	Limited partnerships	Limited liability partnerships (LLPs)
Separate legal entity from its owners?	No	No	Yes
Formation regulations	None, except a partnership agreement	Must register with Companies House	Must register with Companies House
Number of members	At least two	At least two, comprising at least one general partner and at least one limited partner	At least two
Liability for business debts	Unlimited liability	General partners – unlimited liability Limited partners – liability limited to the amount they have contributed to the partnership	Liability limited to capital member agrees to contribute

AAT LEVEL 3

Business Awareness (BUAW)

Extra notes on economics – types of goods

Chapter 5 – The micro-economic environment

In economics, there are several types of goods that we can classify based on consumer behaviour and market demand.

Normal Goods

Normal goods are goods that experience a change in demand as consumer income increases. For example, if a person's income rises, they are likely to increase their demand for goods such as clothing, food, and entertainment. Normal goods can be further divided into two categories: **inferior goods** and **superior goods**.

Inferior goods are goods that experience a **decrease** in demand as consumer income increases. An example of an inferior good might be generic or store-brand food products, as consumers may choose to purchase more expensive name-brand products as their income increases.

Superior goods are goods that experience an **increase** in demand as consumer income increases. Examples of superior goods include higher-quality food products or clothing items, or more reliable or durable household appliances.

The demand for normal goods is said to be income elastic. This means that the percentage change in the quantity demanded of a normal good is greater than the percentage change in income. For example, if consumers' income increases by 10%, their demand for normal goods may increase by 15%. This shows that normal goods have a relatively high demand elasticity.

Luxury Goods

Luxury goods are the goods that have a higher demand elasticity than normal goods. Luxury goods are defined as goods that are not necessary for a person's basic needs and are associated with high income levels. Examples of luxury goods include expensive cars, jewellery, designer clothing, and high-end electronics.

The demand for luxury goods is said to be income elastic as well, but to a greater extent than normal goods. When consumers' income rises, they are more likely to purchase luxury goods as they can afford them. However, the increase in demand for luxury goods is much greater than the increase in income. For example, if consumers' income increases by 10%, their demand for luxury goods may increase by 20%.

Necessity Goods

Necessity goods are goods that are essential for daily life, such as food, water, and housing. These goods are typically priced lower than luxury goods and are marketed towards consumers of all income levels. Because they are essential for daily life, demand for necessity goods is relatively stable, regardless of changes in consumer income.

Substitute Goods

Substitute goods are goods that can be used as alternatives to each other. For example, if the price of one brand of soft drink increases, consumers may switch to a different brand of soft drink that is priced lower. Similarly, if the price of beef increases, consumers may choose to purchase chicken or pork instead. The degree to which one good can be substituted for another depends on factors such as price, availability, and consumer preferences.

Complementary Goods

Complementary goods are goods that are typically purchased and used together. For example, if a person purchases a video game console, they may also need to purchase video game controllers in order to use the console. In this case, the video game console and video game controllers are complementary goods. Similarly, if a person purchases a printer, they may also need to purchase ink cartridges in order to use the printer. The demand for complementary goods is often interconnected, as changes in the demand for one good can affect the demand for the other good.

Common areas of confusion

Are superior goods and luxury goods the same thing?

- No, superior goods and luxury goods are not the same thing in economics, although there is some overlap between the two concepts.
- Superior goods are goods for which demand increases as income increases, but not as much as for luxury goods. In other words, superior goods are goods that people are more likely to buy as their income rises, but they are still considered necessary or essential goods, rather than luxury items. Earlier we used the examples of higher-quality food products or clothing items, or more reliable or durable household appliances.
- Luxury goods, on the other hand, are goods for which demand increases significantly as income increases. Luxury goods are typically high-end, expensive products that are considered to be non-essential or highly discretionary. Earlier we used the examples of designer clothing, high-end sports cars, or expensive jewelry.
- So while both superior goods and luxury goods may be associated with higher income levels, superior goods are more necessary or essential, while luxury goods are more discretionary or indulgent.

Are luxury goods also classed as normal goods?

- Yes, a luxury good is also a normal good, but a normal good isn't necessarily a luxury good.
- Luxury goods can be considered normal goods because their demand increases with rising income levels.