

Business environment

Unit level 4

Unit code J/617/6920

GLH 60

Credit value 15

Unit grading structure

Pass-Merit-Distinction

Unit aims

The aim of the unit is for learners to consider the wider business environment. The unit will build on the work covered in the financial accounting units and consider the different forms of legal business ownership.

The unit will consider the needs of different business stakeholders and their impact on business decision making.

The unit will provide learners with an understanding of ethics in accounting and business and how these influence business decisions.

Learning outcomes The learner will:	Assessment criteria The learner can:	Merit	Distinction
1. Understand different forms of legal business ownership.	Pass 1. Describe different forms of legal business ownership 2. Discuss the different types of business activity and sectors of operation that businesses operate within. 3. Analyse the organisational responsibilities of an organisation.	1. Analyse the advantages and disadvantages of a partnership becoming a limited company to facilitate growth.	
2. Understand how external factors impact on different organisations.	Pass 1. Describe key external factors that impact on different organisations. 2. Analyse how external factors impact upon the activities of a specific organisation. 3. Analyse how external factors affect organisational stakeholders.	1. Assess the extent to which external factors impact on the success of a specific organisation.	1. Evaluate the impact of external factors on accounting processes within organisations.
3. Understand how the economic environment impacts on organisations.	Pass 1. Explain how resources are allocated through economic systems. 2. Review the impact of fiscal and monetary policy on organisations and their activities. 3. Evaluate the impact of competition policy on the activities of specific contrasting organisations.	1. Discuss the challenges to organisational activities operating in two different economic environments.	

Indicative content

1. Understand different forms of legal business ownership

- Types of organisations: including private, public, government, voluntary, charitable.
- Purposes: including profit, growth, return on investment (ROI), sales, service, customer satisfaction, corporate responsibility, ethical, environmental and social responsibilities, expressed through vision, mission, aims and objectives, long and short-term goals, values.
- Stakeholders: including internal and external stakeholders, e.g. financial institutions, other lenders, debtors and creditors, owners/managers/employers, customers and clients, employees, government, trade unions, suppliers, community.
- Objectives: including financial, corporate, social, ethical and environmental, achieve business plan e.g. meet customer demand through production/sales of products and services, ensure repeat business through standards of service, ensure commitment of suppliers through payment agreements, generate profit for owners, and meet environmental objectives.
- Potential conflict between objectives of differing stakeholders.
- Organisational responsibilities: meeting legal requirements of country or countries in which it is operating (e.g. consumer legislation, employee legislation, equal opportunities and anti-discriminatory legislation, environmental legislation, health and safety legislation), safety of products and services offered, ethical practices, meeting stakeholder interests, dealing with potential conflicts of interest.
- Different types of business activity, i.e. primary, secondary and tertiary.
- Different sectors of operation, i.e. private, public and third sector.

2. Understand how external factors impact on different organisations

External factors – PESTLE Analysis

Political:

- Degree of political stability/instability, change of government, government support for different types of business organisations, government initiatives, membership of international organisations.

Economic:

- Market structures: including imperfect competition (assumptions behind a perfectly competitive market), monopoly, duopoly, oligopoly, competitive advantage, change in market demand, strategies and contingencies adopted by firms, regulation of competition.
- Examples of forces: supply and demand, elasticity of demand and supply, customer perceptions and choices leading to responses such as pricing decisions, cost and output decisions, outsourcing, acting on labour market trends, employee skills and upskilling, investment in new or updated technology, research and development, economies of scale, mergers and takeovers.

Social:

- Demographic issues, standard of living/quality of life, attitudes to work, religion, ethics and morality.

Technological:

- Use of technology within organisations, for example: automation, communication, purchasing/sales, mobile apps for accounting for VAT, etc.

Legal:

- Provision of an appropriate legal framework, for example: competition law, data protection, equality legislation, health and safety legislation.
- EU membership, EU business regulations and their incorporation into UK law, EU policies, BREXIT, exchange rates, CAP, regional development funds, the Eurozone.

2. Understand how external factors impact on different organisations (continued)

Environmental:

- Environmental factors, for example: energy management, carbon emissions, waste reduction, recycling and pollution.
- Impact of PESTLE factors on different organisational stakeholders, including internal and external stakeholders, e.g. financial institutions, other lenders, debtors and creditors, owners/managers/employers, customers and clients, employees, government, trade unions, suppliers, community.

3. Understand how the economic environment impacts on organisations

How economic systems allocate resources

- Effective use and distribution of resources, supply and demand, matching type economic system suited to the resource e.g. command, free enterprise, mixed, transitional.
- The economic environment: size of economy e.g. GDP, GNP; public finances revenue, taxation, borrowing, rate of inflation, balance of payments and balance of trade, business strategy e.g. investment, consumer behaviour e.g. saving, spending.

Impact of fiscal and monetary policy on business organisations and their activities

- Impact of fiscal and monetary policy: level of profit, size and nature of employment, redundancy, imports, exports, trading partners, business behaviour, consumer behaviour, propensity to save, propensity to spend, tastes and preferences, expansion, downsizing.
- Government policy and related agencies: including fiscal policy, monetary policy, PFI, central and local government spending, quantitative easing, interest rates, competition commission, sector regulators.

Impact of competition policy on the chosen organisation

- Main aims/impact of competition policy: including to promote competition in markets and price between suppliers, improve markets, contribution to efficiency and competitiveness, wider consumer choices for goods and services, technological innovation and competition legislation.
- Other regulatory mechanisms: Will differ between country in which organisation located but UK examples include: 4 pillars of competition policy in the UK and European Union (antitrust and cartels, market liberalisation, state aid control, merger control), Competition Act 1998, Enterprise Act 2002, European Commission, Office of Fair Trading, Directorate General for Competition, Ofgem, Ofwat, Civil Aviation Authority, Companies Act, Enterprise, Training and Skills Policies, Public Sector Borrowing.

Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.

The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.