



Business GCSE

Revision 2021

Business Activity



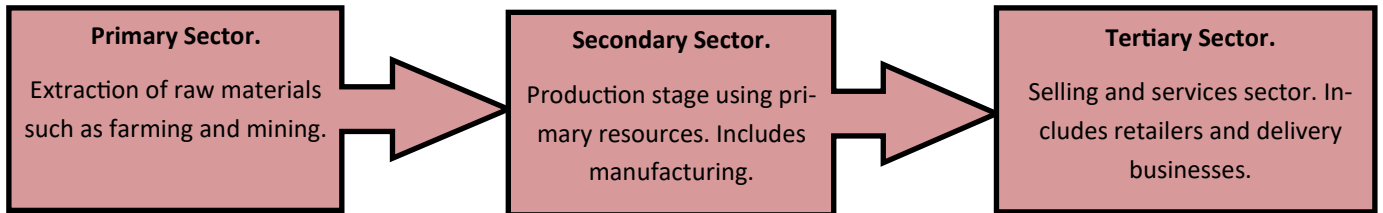
GCSE Business Activity in a Nutshell



Business Activity considers why people set up businesses and what the typical characteristics of an enterprise might be. Looking at the sectors of industry and their interdependence. The unit considers the different forms of business ownership and organisation, considering the influence and location of businesses.

Stakeholders
Individuals and organisations that affect and are affected by the business.
Customer– Want good that meet their needs.
Employees– Want a well paid job.

The Business Environment
Businesses are affected by changes in the business environment. These could be technology advancements, economic change, environmental expectations or changes in legislation at a global, national or local level.



Private and Public Sector
Private Sector– Businesses that are owned by individuals, partners or shareholders.– ASDA & Local Hairdressers
Public Sector– Organisation owned by the government– NHS & state schools.

Entrepreneurs
Characteristics– Innovative, Risk takers, Hard working, Decision makers.
Motives– What to be their own boss, want to keep all the profits, want to turn a hobby into a job, want to provide a service for others, want flexible working hours.

Business plan

- * Business Overview
- * Aims & Objectives
- * Marketing Section
- * Human Resources Section
- * Finance Section
- * Competitor analysis

Aims & Objectives
Aim– An overall Business goal
Objective– A target to achieve the overall aim.

S– Specific
M– Measurable
A– Agreed
R– Realistic
T– Time Specific

Aim– To grow
Objective– To increase sales by 50% by October

Business Growth
Inorganic growth– growth by merge or acquisition

Organic growth– When a business naturally grows by opening new branches.

Sole traders	Individual owns sets up and owns business.	Quick and easy to set up with minimal paperwork and owner has full control.	Has unlimited liability. The owner has to deal with all aspects of the business operations.
Partnership	A business with 2-20 owners who are called partners.	Tasks can be distributed between partners. Partners can cover each others holidays.	Partners may have differences of opinion on the running of the business and have unlimited liability.
Private Limited Company	LTD. Owned by shareholders.	Has limited liability. The business has consistency if a shareholder dies the business can continue.	Legal paperwork can be time consuming and costly to set up. Shares cannot be sold on the open market.
Public Limited Company	PLC. Owned by shareholders.	Has limited liability. The business has access to numerous sources of finance. Shares sold on stock exchange.	Ownership can constantly change. Financial information must be published.
Not for profit	Co-operatives & Charities.	Co-operatives– exist when a business is owned and run by its members	Charities– organisation set up for charitable purposes.

Location & Site. **Location**- A business should consider the infrastructure, proximity to competitors and availability of raw materials when selecting a location.
Site– When honing in on the site the business should consider footfall, cost and proximity to customers.

Unit 1 : Business Activity: Revision Activities

Key term	Definition	
Durable good		<p>Quick Questions. (AO1– Knowledge).</p> <ol style="list-style-type: none"> 1. Explain the difference between a good and a service. (2) 2. Explain the difference between consumer and producer goods (2) 3. Explain the difference between a durable and nondurable good. (2) 4. What is an entrepreneur? (2) 5. Identify 2 sections in a business plan. (2) 6. What is meant by a SMART objective? (2) 7. What is meant by the term stakeholder? (2) 8. Outline the difference between an aim and an objective. (2) 9. What is a charity? (2) 10. Explain what is meant by diversification. (2)
Non Durable good		
Primary Sector		
Secondary Sector		
Tertiary Sector		
Private Sector		
Public Sector		
Social enterprise		
Franchise		
Stakeholder		
Footfall		<p style="text-align: center;">A little more information please.....</p> <p style="text-align: center;"><i>Working in pairs or with an adult at home verbally answer the following questions.</i></p> <ol style="list-style-type: none"> 1. Explain the advantages of being a partnership over a sole trader. 2. Explain the difference between organic and inorganic growth. 3. Explain potential conflicts of interest between the owners of a business and the employees.
Liability		
		<p>Guess the key term....</p> <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px 0;"> MAR ↓ KET </div>

Longer questions (AO1/2/3)

Emily's family just moved house. She noticed that the removal business that helped them to move used all male employees. She is considering whether there is an opportunity for her and her friend, Isabella's, to start up a local removal business. They could call the business `Women on the move` and set up as a partnership. It is also possible that one of Isabella's relatives would lend the two friends some money to buy a suitable van.

1. State and explain one reason why Emily might want to set up her own business. (2)
2. Identify a SMART objective that Emily and Isabella might set for the first year (2)
3. Emily and Isabella are planning on setting up their business as a partnership. Discuss should Emily set up the business as a partnership with Isabella rather than setting up as a sole trader and employing Isabella. (8)

Longer Questions: A Little Support?

Emily's family just moved house. She noticed that the removal business that helped them to move used all male employees. She is considering whether there is an opportunity for her and her friend, Isabella's, to start up a local removal business. They could call the business 'Women on the move' and set up as a partnership. It is also possible that one of Isabella's relatives would lend the two friends some money to buy a suitable van.

Emily and Isabella are planning on setting up their business as a partnership. **Discuss** should Emily set up the business as a **partnership** with Isabella rather than setting up as a **sole trader** and employing Isabella. (8)

Step 1– What is the examiner asking you to do?	Discuss— This is the examiner asking you to analyse and evaluate a decision. You will need to look at both options, give advantages and disadvantages in context and then make a support decision.
Define the key terms in the question (Highlighted in blue here) (AO1– Knowledge)	Partnership- Sole trader-
State an advantages of being a partnership, link it to the removal business. (AO1– Knowledge/ AO2– Application of knowledge)	Shared capital investment- Link this to being good for a NEW business 'Women on the move' -
State a disadvantage of being a partnership, link it to the removal business. (AO1– Knowledge/ AO2– Application of knowledge)	Disagreements and arguments may happen- Link this to being bad for a NEW business 'Women on the move' -
HOWEVER	
State an advantages of being a sole trader, link it to the removal business. (AO1– Knowledge/ AO2– Appli-	She can keep all of the profit Link this to being good for Emily as she takes a risk and sets up 'Women on the move'
State a disadvantage of being a sole trader, link it to the removal business. (AO1– Knowledge/ AO2– Appli-	Have to run the business on her own, including all the paperwork Link this to being bad for Emily in her NEW business 'Women on the move' — has she got the experience?
IN CONCLUSION I BELIEVE	
What should she do? Why? (AO2/3 Application, analysis and Evaluation)	What should she do ?(DON'T SIT ON THE FENCE!) Why? Unique business and so will make a lot of profit?/ Lots of work needs to share it out/ Competitive market needs someone to share ideas with.



Be the examiner.....

Now you are the expert at writing longer answers why not try your hand at marking them. The more you understand what an examiner is looking for the better you will be at writing the longer answers. Take a look at the two answers below, which is the best and why, use the mark scheme on the next page to help you decide.

Judith Moore has a medium sized business cleaning ovens. She runs her business from a small office located on an industrial estate where she employs three workers. Judith wants to expand the business and is considering becoming a franchisor.

Discuss whether or not Judith should expand as a franchisor. (8)

Brenda`s answer

A franchise is an agreement between a franchisee and a franchisor where the franchisee trades under the franchisors business name in return for a royalty.

Judith would benefit from being a franchisor because her business would grow without her taking the risk of putting loads of money into a new branch. This is good in this kind of business because cleaning is a competitive industry so Judith needs to stay ahead of the game and make sure that her business keeps up in growing with the competition, if not and she owned all the branches outright she could loose a lot.

Also Judith could keep control over her growing franchise because she will get to make all of the strategic decisions and the franchisee will just have to agree with her because she makes the rules. This is good because it means she gets to keep some control.

Finally Judith will get paid a royalty this is a percentage of the franchisees profits and she will get that for doing very little work and taking very little risk. Cleaning is a hard business so it would be good for her to have this other income.

In conclusion I think this would be a good move for Judith because she gets more money for less work.

Bron`s answer

Franchising is where a franchisee pays a franchisor for the right to use their business idea and trading name.

Judith would benefit from growing as a franchisor as she would be taking less risk in some ways, Her medium size business would be growing in a competitive market but she would not have to find the capital needed to fund this growth, instead she would be getting paid a royalty from the franchisee. However Judith would only get a percentage of their profits. If Judith was to use organic growth and open up a new branch herself she would get to keep all of the profits.

If Judith became a franchisor she would be taking a risk in another way because she would be allowing someone else to use her trading name and if they didn't do a good job then it would be her reputation that would get damaged, she already has her own medium size business to run she wont have time to check the quality of their work all the time. However getting a franchisee may mean that they are more enthusiastic to keep stands high than Judith just expending and getting in a manager because they will have their profit riding on it.

In conclusion I think that becoming a franchise would be good for Judith.

Which answer is best?

Why?

What, if anything, do you think is missing from the answer you think is best?

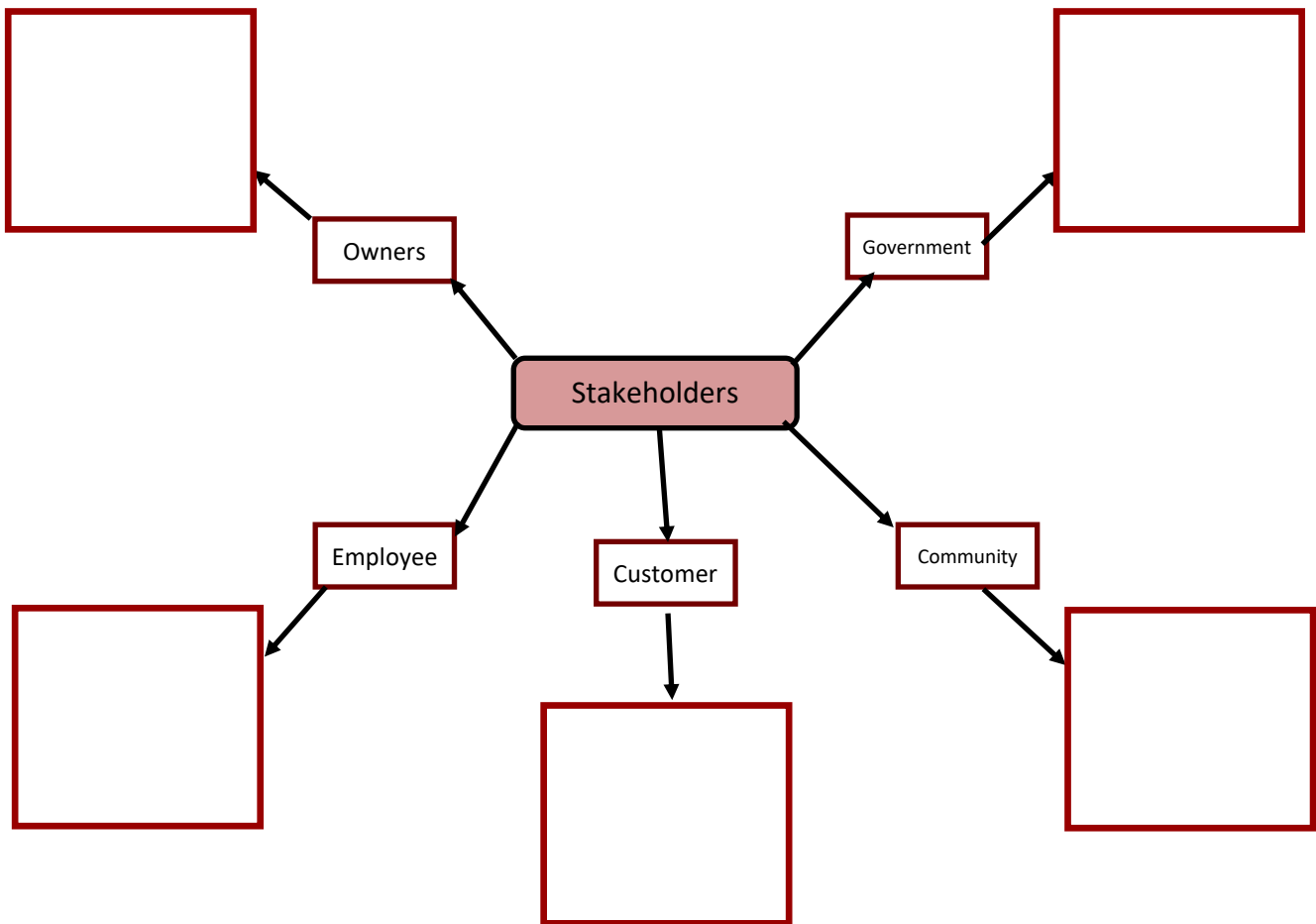
Be the examiner.....

Band	AO1	AO2	AO3
3	There are no Band 3 marks for this assessment objective 2 marks are awarded as for Band 2	There are no Band 3 marks for this assessment objective 2 marks are awarded as for Band 2	<p style="text-align: center;">4 marks</p> <p>Excellent well-reasoned and balanced analysis on whether Judith should or should not become a franchise.</p> <p>Writing is very well structured using accurate grammar, punctuation and spelling</p> <p>The advantages and disadvantages of becoming a franchise are fully analysed</p>
2	<p style="text-align: center;">2 marks</p> <p>Good knowledge and understanding of franchises are demonstrated Some attempt to use specialist vocabulary</p>	<p style="text-align: center;">2 marks</p> <p>Good application of the key characteristics of a franchise to Judith`s business. Information from the data is used in development</p>	<p style="text-align: center;">2-3 marks</p> <p>Good analysis on whether Judith should or should not become a franchise.</p> <p>Writing is generally well structured using reasonably accurate grammar, punctuation and spelling</p> <p>The analysis may be unbalanced and focus on either the advantages or disadvantages of becoming a franchise.</p> <p style="text-align: center;">Appropriate advice is given in conclusion</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited knowledge and/or understanding of the characteristics of a franchise made.</p> <p>Characteristics are identified rather than understood Limited or no use of specialist vocabulary .</p>	<p style="text-align: center;">1 mark</p> <p>Limited application of the characteristics of a franchise to Judith's business,</p> <p>The response is mostly generic with brief application to Zac's business</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis on whether Judith should or should not become a franchise which may be one-sided.</p> <p>Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling.</p> <p>The analysis lacks detail and superficial comments are made with little development</p> <p>Advice may be given but it is not soundly justified</p> <p>Unsupported conclusions are made</p>
0	<p style="text-align: center;">0 marks</p> <p>No knowledge or understanding of the characteristics of partnerships or sole traders is demonstrated</p>	<p style="text-align: center;">0 marks</p> <p>No reference is made to Judith`s business</p>	<p style="text-align: center;">0 marks</p> <p>No valid analysis and advice is given</p>

Key Term	Definition	Key Term	Definition
Aims	Is the long term objective of the business. Its aim might be to become the biggest business in its sector.	Market	Where buyer and sellers meet to trade goods/ service for a price.
Business Plan	Helps in decision making by showing the aims and objectives of a business and the strategies and requirements needed to achieve these. It also provides information to banks and other possible providers of finance to persuade these to grant loans and other monies to the business.	Market Share	Is the percent of total sales in an industry generated by a particular company.
Competitive environment	is where there are a number of businesses attempting to persuade consumers to buy their products. Such competition will be based on such factors as price, design and quality.	Motives	Reasons why and entrepreneur sets up/ runs a business e.g. gap in the market, legacy, be own boss
Consumer Good	Are those which are produced for the final consumer.	Non- durable good	Are goods which are immediately consumed or which have a lifespan of less than three years.
Cooperatives	are generally seen as social enterprise businesses owned by the employees or, most commonly, their customers.	Objective	Is a short or medium term target of a business needed to reach its aim. An objective might be to increase sales by 20% in the next 5 years.
Deed of Partnership	A document containing an agreement that details the rights and obligations of each partner participating in a venture	Partnership	Are businesses owned by between 2 and 20 who generally have unlimited liability.
Diversification/ conglomerate	allows a business to enter a different market in addition to the one they are already involved. This enables the business to spread its risks should the original business fail.	PLC	Public Limited Company - Businesses which are owned by shareholders who have limited liability. Their shares are available to others by selling to the general public often at the Stock Exchange. They are generally recognized with plc after the business name.
Dividends	A sum of money paid from the company to its shareholders	Private Sector	Business that are ran by entrepreneurs for profit
Durable Good	Are consumer goods which are not used at once and do not have to be bought frequently because they last for a long time.	Producer Good	Are those which are produced for other businesses to be able to produce other goods and services.
Economies of scale	are the benefits a business gains as a result of being large. All costs can be spread between the large number of goods produced so the cost per good is lower than for smaller businesses.	Public Sector	Businesses that are owned or funded by the government e.g. NHS, Schools, Public Services
Entrepreneur	is a person who sets up a business by taking on the financial risks in the hope of making a profit.	Reward	A business gain for the entrepreneur from running a enterprise e.g. fame, income, satisfaction
External Growth	involves increasing the size of a business by buying other businesses.	Risk	A negative impact from business activity e.g. financial risk, lack of demand.
Franchise	is the right given by one business to another to sell goods or services using its name. They should be seen as a method of growth for the franchisor and a business opportunity for the franchisee rather than a type of business organisation.	Service	Are those services provided for individuals. They include services for personal grooming, house maintenance, car repair etc.
Franchisee	is a business which pays royalties for the right to sell goods or services using established processes and under the name of another business.	Shareholders	Has invested in the business and owns a % of shares within it.
Franchisor	is a business which allows a franchisee to sell using their processes, experience and name in return for royalties.	Site	Is the area/ premises where the business can be found e.g. Llanrwst
Horizontal integration	means the buying or merger of other businesses producing the same or similar products.	SMART Objectives	Is an acronym used as a guide to setting business objectives. It stands for Specific Measurable Agreed Realistic Timed.
Interdependence	When different businesses or departments within a business are dependent on each other to run successfully.	Social enterprise	are businesses which operate for the benefit of the community or its workers or as a charity.
Internal Growth	Involves increasing the size of a business by increasing its sales, revenue, profits and workforce. involves increasing the size of a business by increasing its sales, revenue, profits and workforce.	Sole trader	Are businesses owned by one person who has unlimited liability. Other people can be employed but there is only one owner.
Limited Liability	means that the owners of a business are not responsible for the debts of a business. Personal belongings will not need to be given up to pay the debts of the business. The owners however will lose the money they invested in the business if it fails.	Stakeholders	Are individuals and organisations who are affected by the decisions and actions of a particular business.
Location	is a geographical area where businesses may be found. E.g. Gwynedd, North Wales	Unlimited Liability	Means that the owners of a business are responsible for all of the debts of a business. Personal belongings may need to be given up to pay the debts of the business.
LTD	Private Limited Company - re businesses which are owned by shareholders who have limited liability. Their shares are not available to others except with the agreement of other shareholders. They are generally recognized with Ltd after the business name.	Vertical backwards integration	occurs when the suppliers of a business are taken over by that business.
Market	Where buyer and sellers meet to trade goods/ service for a price.	Vertical forward integration	occurs when a business takes over another business to control the direct distribution of a businesses' products.

The Impact of Business Activity

What impact would a business growing have on:



Function	Impact of growth
Business operations	
Marketing	
Human Resources	
Production	



Make the link.

Chose a topic from Business Activity and consider how it would link to these industries:

- Retail
- Communications e.g. Call Centres
- Hospitality e.g. Hotels
- Food Manufacturing

Ready to face the exam– The revision list.

Area	Outline of topics covered	Notes check	Revised?
Nature of business activity	Competitive environment Dynamic environment Identifying business opportunities The scale of business local, national global		
Providing goods and services	The difference between goods and services (including durable and non durable, personal and commercial) Private and public sector Sectors of industry (Primary, Secondary and Tertiary)		
Business enterprise	The role of an entrepreneur Characteristics of an entrepreneur Risk and rewards		
Business planning	The main sections of a business plan Why is business planning important?		
Business aims and objectives	Main business aims SMART objectives Business stakeholders (including influence and conflict)		
Business ownership	Sole traders Partnerships Private Limited Companies (LTD) Public Limited Companies (PLC) Co-operatives Charities		
Business Growth	Why grow? Why stay small? Internal growth (Organic) External growth (Integration, diversification) Franchising		
Business location	Factors influencing location (Cost, infrastructure, materials) Factors impacting site (Footfall, size, competitors)		
Interdependence	How do different functional areas work together (Business operations, finance, marketing and human resources)		