OCR GCSE Business Studies – Unit 1

1. Business terms

Enterprise: Word used to describe the ideas and initiative involved in starting a new business.
Entrepreneur: A person who owns and runs a business and will take risks.
Spotting an opportunity: The ability to see the need for a particular product or service customers need.

2. Purposes of business activity and enterprise:

Spotting an opportunity: Spotting a gap in the market or improving a product or service already provided.
Developing an idea: Designing the product or service and planning production.
Satisfying customer needs: Producing the product or providing the service customers want.

3. Characteristics of an entrepreneur:

Creative: Ability to design something new or improve on a current product or service.
Risk taker: Putting their own money into the business.
Determined: Entrepeneur will need to put a lot of time and effort into their business if it is to be successful. It may not be successful straight away.
Confident: Entrepreneur needs to be confident that their ideas will succeed and be able to pass on that feeling of confidence to others who may have invested in the business.

4. Risk and reward in business

When a business starts, the entrepreneur takes a risk. This risk brings the potential for great rewards.

Rewards: The benefits an entrepreneur receives from starting up and running a business. They can be financial or non-financial.
Risks: The possible losses that an entrepreneur may suffer from starting up and running a business.

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5.Rewards for risk taking

- Financial
- Independence
- Self satisfaction
- Changing customer habits

6. Drawbacks for risk taking:

- Financial
- Health
- Strained relationships

7. Business terms

Business plan: A simple plan which sets out details of the product or service being sold.
Markets: Where a business sells its goods and services.
Aims and objectives: This is what a business is trying to achieve, such as growth.
Finance: A business word used instead of money.
Resources: The things a business needs to make it work, including staff and materials.

8. The role of a business plan

Identify markets: Helps a business to think clearly about who it is targeting its products or services at.
Helping with finance: Shows careful thought has been given to all aspects of starting and running the business. Banks are more likely to lend to a business as a result.
Identifying resources: This could be equipment, finance or additional people to work for the business.
Achieving objectives: Gives a business the best chance of achieving its objectives through a written business plan.

9. The purpose of planning business activity

Reducing the risk of failure: E.g. it must think about the prices and goods competitors offer.
Helping a business succeed: E.g. decide the kind of people it needs to run the business and how to market its products as effectively as possible.

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10. Contents of a business plan

Business idea: This is the starting point for any business plan.
People running the business: Details of who is involved and their experience.
Market research: Details of where the business should advertise and what price they should charge through asking consumers.
Finance: The cost of setting up the business and where the finance will come from.
Objectives: Short, medium and long term goals of the business and how they will meet them.
Target market: Who they will be selling their products or services to.
Competitors: Details of the competition and how the business will compete with them.

11. Business ownership

Sole trader: A business that is owned by one person. It may have one or more employees.
Partnership: A business where there are two or more joint owners of the enterprise.
Private Limited Company (Ltd): The business has a separate legal identity from the owners. They are often small, family run businesses which are owned by shareholders. Can only sell shares to family and friends.
Public Limited Company (Plc): The business also has a separate legal identity from the owners. They are usually larger businesses and can sell shares on the stock exchange.

Unlimited liability: Where the responsibility for all of the debts of a business rests with the owners of the business. A feature of sole traders and partnerships.
Limited liability: Where the responsibility for the debts of a business is limited to the amount invested by a shareholder. A feature of private and public limited companies.
Dead of partnership: A document setting out the operations of the partnership, including how profits will be shared.
Sleeping partner: A partner who invests in a business but has no part in running the business.
Dividend: The money paid to a shareholder from the profits of a limited company.

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12. Business terms

Assets: Items owned by the business, such as stock, buildings and vehicles.
Share: Part ownership of a business.
Established business: A business that has been trading for some time.
Start-ups: New businesses that are just beginning.

13. Suitability of different types of businesses

Sole trader: Suitable for start-ups that only need a small amount of finance and have low financial risk.
Partnership: Suitable for start-ups and established businesses wanting to grow that need larger amounts of finance (than a sole trader) and need a wider range of skills.
Private limited company: Suitable for start-ups and established businesses wanting to grow that need larger amounts of finance and have owners who wish to keep control of the business.
Public limited company: Suitable for an established business that wishes to grow and needs very large amounts of finance.

14. Business aims and objectives

Survival: A short term objective for a new business.
Profit maximisation: To make as much profit as possible.
Sales growth: The business tries to make as many sales as possible in order to increase profits.
Market share: A business grows its market share and this could be done through taking over a competitor business.
Providing a service: Some owners want the satisfaction of giving customers a good service.

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15. Business terms

Business objectives: These are the aims of a business, and can include survival, profit, growth and providing a service.
Evolving: Refers to the way a business develops and changes over time by becoming bigger or smaller.

16. As businesses evolve they will have different objectives because:

- They are at different stages of their development
- Their owners have different motivations
- They are influenced by different market conditions
- They are experiencing different economic conditions

17. Reasons behind business objectives:

Survival: Objective for a new business so that it can become established or when a market is very competitive.
Profit: New businesses may seek minimum levels of profit and established businesses may want to earn profits to reinvest and expand the business.
Growth: New businesses may set objectives for the growth of sales and established businesses may want to grow to gain more power in the market.
Providing a service: This will help the business to get a good reputation and providing a good service can help a business increase its profits.

18. Business terms

Stakeholder: Anyone that has an interest in the business.
Internal stakeholders are inside the business and are involved in its operation. E.g. managers
External stakeholders are outside the business and are not directly involved in its running. E.g. suppliers

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19. The roles of stakeholder groups:

Owners: Provide finance to start-up and expand the business.
Employees: Produce goods and services.
Customers: Buy goods and services.
Suppliers: Sell goods for resale or components and materials needed to manufacture goods or provide a service.
Government: Help businesses, workers and communities.
Local community: Provide workers.

20. The objectives of stakeholder groups:

Owners: Make profits.
Employees: Satisfaction of having a job and earning an income.
Customers: Enjoy the benefits provided by goods and services.
Suppliers: Make sales and earn profits.
Government: Encourage businesses as this leads to high employment and prosperous communities.
Local community: Have a local area which is prosperous, healthy and safe.

21. Benefits of business activity on stakeholders:

Owners: Earn profits if the business is successful.
Employees: Employed in a job role within the business and earn an income.
Customers: Obtain products and services at good prices.
Suppliers: Sell their goods to another business and earn profits.
Government: Receive tax revenue from the owners and workers.
Local community: People in the community can earn money from jobs with the business.

22. Problems of business activity on stakeholders:

Owners: May lose money invested in the business if it fails.
Employees: May be made redundant if the business is not doing well.
Customers: May be sold poor quality goods and services.
Suppliers: May lose money if the business does not pay for the goods supplied.
Government: Very large companies can become "too big to fail" so the government may have to step in and support the business.
Local community: Can be negatively affected by pollution and congestion.

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23. How stakeholders may influence the success of a business:

Owners: Investing enough money.
Employees: Working hard to produce good quality goods or services.
Customers: Purchasing goods and services.
Suppliers: Providing supplies promptly and at competitive prices.
Government: Giving the business a grant to enable it to pay for investments.
Local community: Providing the business with customers and supporting its plans for development.

24. How stakeholders may contribute the failure of a business:

Owners: Not investing enough to make the business efficient.
Employees: Producing poor quality goods or services.
Customers: Deciding to buy from competitors.
Suppliers: Supplying poor goods or services which lead to quality problems.
Government: Reducing the business' profits by increasing taxes or by raising the National Minimum Wage.
Local community: Opposing the business' plans for expansion or preventing production by not supporting its application for planning permission.

25. Business Terms:

Merger: Where two or more businesses agree to join to become one business.
Takeover: Where a business takes a controlling interest in another business, for example, by buying more than 50% of the shares in it.

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Business growth

26. Organic

Increasing sales of products and services internally. This can be done in a number of ways:

- **Increasing output –** Increasing the amount of goods produced. This could be through using more efficient technology, building more factory space or employing more workers.
- **Gaining new customers –** Through reducing the price, opening shops in new places or better marketing of the product or service.
- **Developing new products –** This will help the business appeal to a wider audience.
- **Increasing market share –** A business might look to increase its share of the market. E.g. from 10% to 15%.

27. External:

This can be done through a **merger** or a **takeover.**

Takeover: Where a business takes a controlling interest in another business.

Merger: Where two or more businesses agree to join together.

Types of merger and takeover:

Horizontal integration: This is where two firms join together in the same industry at the same stage of production. E.g. two banks.

Backwards vertical growth: The business will merge with or takeover a business that supplies it with goods.

Forwards vertical growth: The business will merge with or takeover a business that it supplies goods to.

Diversification: The business merges with or takes over a business with which it has no real connection.