AL AIN JUNIOS SCHOOL

CLASS 9

BUSINESS STUDIES

REVISION MATERIAL-ETE -1

DEFINITIONS:

Definitions to learn

A **need** is a good or service essential for living.

A **want** is a good or service which people would like to have, but which is not essential for living. People's wants are unlimited.

The **economic problem** – there exist unlimited wants but limited resources to produce the goods and services to satisfy those wants. This creates scarcity.

Definitions to learn

Factors of production are those resources needed to produce goods or services. There are four factors of production and they are in limited supply.

Scarcity is the lack of sufficient products to fulfil the total wants of the population.

Definitions to learn

Division of labour is when the production process is split up into different tasks and each worker performs one of these tasks. It is a form of specialisation.

Definitions to learn

Specialisation occurs when people and businesses concentrate on what they are best at.

Definitions to learn

Added value is the difference between the selling price of a product and the cost of bought in materials and components.

Definitions to learn

Businesses combine factors of production to make products (goods and services) which satisfy people's wants.

Definitions to learn

Division of labour is when the production process is split up into different tasks and each worker performs one of these tasks. It is a form of specialisation.

Definitions to learn

Entrepreneur is a person who organises, operates and takes the risk for a new business venture.

Definitions to learn

Limited liability means that the liability of shareholders in a company is only limited to the amount they invested.

Unlimited liability means that the owners of a business can be held responsible for the debts of the business they own. Their liability is not limited to the investment they made in the business.

Definitions to learn

A **business plan** is a document containing the business objectives and important details about the operations, finance and owners of the new business.

Definitions to learn

Capital employed is the total value of capital used in the business.

Definitions to learn

Sole trader is a business owned by one person.

Definitions to learn

Partnership is a form of business in which two or more people agree to jointly own a business.

A **partnership agreement** is the written and legal agreement between business partners. It is not essential for partners to have such an agreement but it is always recommended.

Definitions to learn

Incorporated businesses are companies that have separate legal status from their owners.

Shareholders are the owners of a limited company. They buy shares which represent part ownership of a company.

Definitions to learn

An **unincorporated business** is one that does not have a separate legal identity. Sole traders and partnerships are unincorporated businesses.

Definitions to learn

Dividends are payments made to shareholders from the profits (after tax) of a company. They are the return to shareholders for investing in the company.

Definitions to learn

A **franchise** is a business based upon the use of the brand names, promotional logos and trading methods of an existing successful business. The franchisee buys the licence to operate this business from the franchisor.

Definitions to learn

An **Annual General Meeting** is a legal requirement for all companies. Shareholders may attend and vote on who they want to be on the Board of Directors for the coming year.

Definitions to learn

Business objectives are the aims or targets that a business works towards.

Definitions to learn

Market share is the proportion of total market sales achieved by one business.

A **social enterprise** has social objectives as well as an aim to make a profit to reinvest back into the business.

Definitions to learn

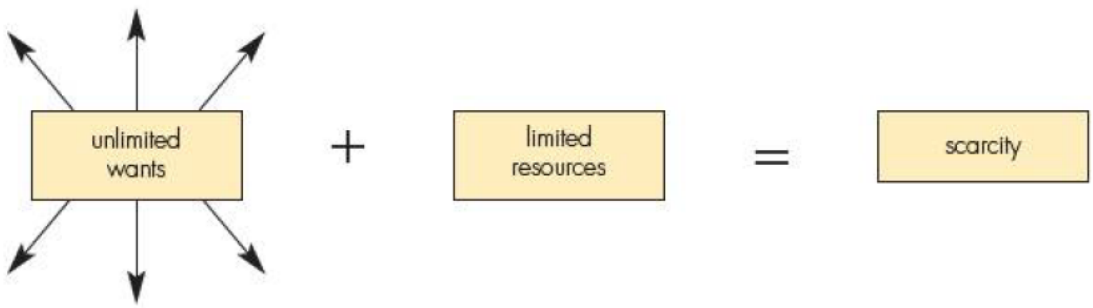
A **stakeholder** is any person or group with a direct interest in the performance and activities of a business.

Definitions to learn

Profit is total income of a business (sales revenue) less total costs.

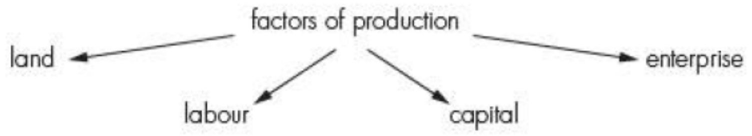
MAKE YOUR REVISION EASY THROGH MIND MAPS AND CONCEPT MAPS

1.



The real cause of the economic problem

2.



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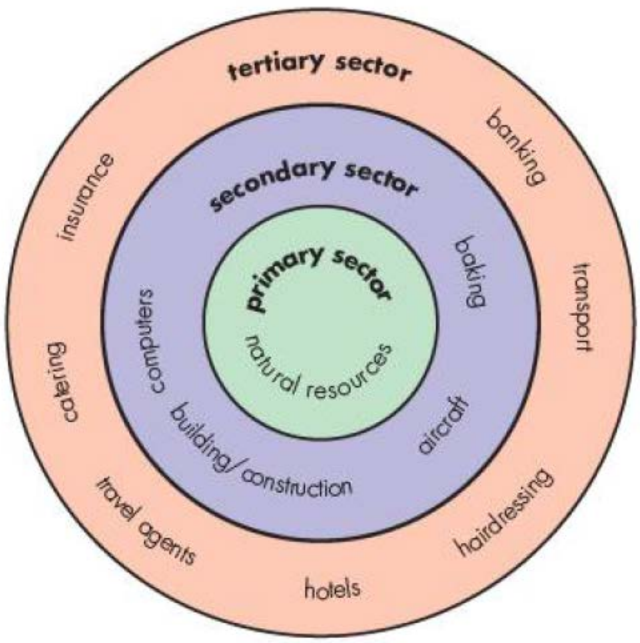
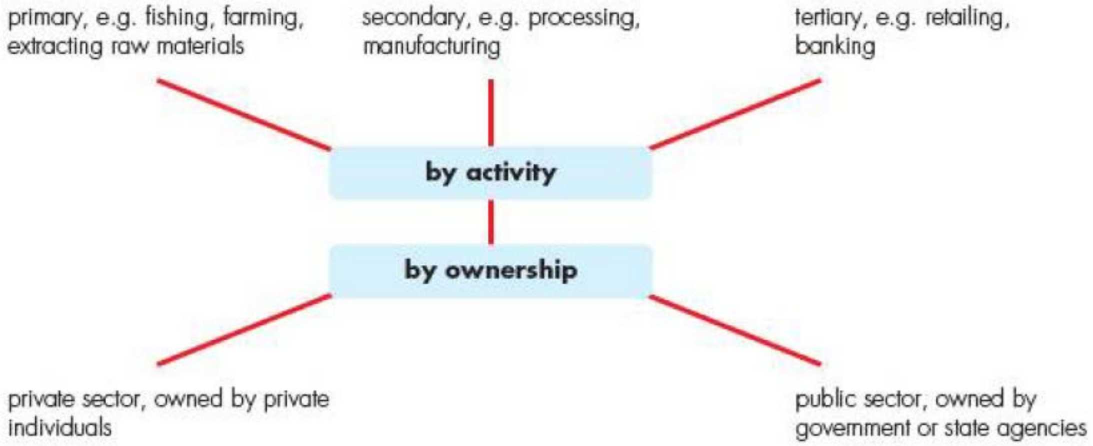


The three types of business activity

5.Sector of Business



6.

Characteristics of successful entrepreneurs	Reasons why important
Hard working	Long hours and short holidays are typical for many entrepreneurs to make their business successful.
Risk taker	Making decisions to produce goods or services that people might buy is potentially risky.
Creative	A new business needs new ideas – about products, services, ways of attracting customers – to make it different from other existing firms.
Optimistic	Looking forward to a better future is essential – if you think only of failure you will fail!
Self-confident	Being self-confident is necessary to convince other people of your skills and to convince banks, other lenders and customers that your business is going to be successful.
Innovative	Being able to put new ideas into practice in interesting and different ways is also important.
Independent	Entrepreneurs will often have to work on their own before they can afford to employ others. Entrepreneurs must be well motivated and be able to work without any help.
Effective communicator	Talking clearly and confidently to banks, other lenders, customers and government agencies about the new business will raise the profile of the new business.

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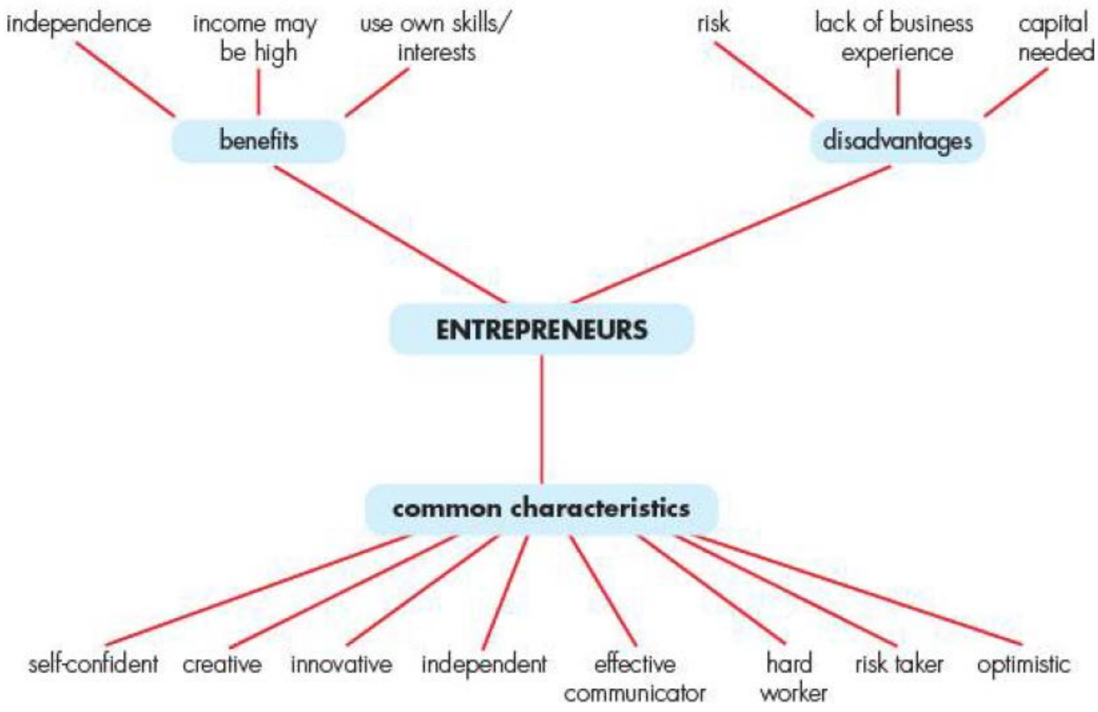
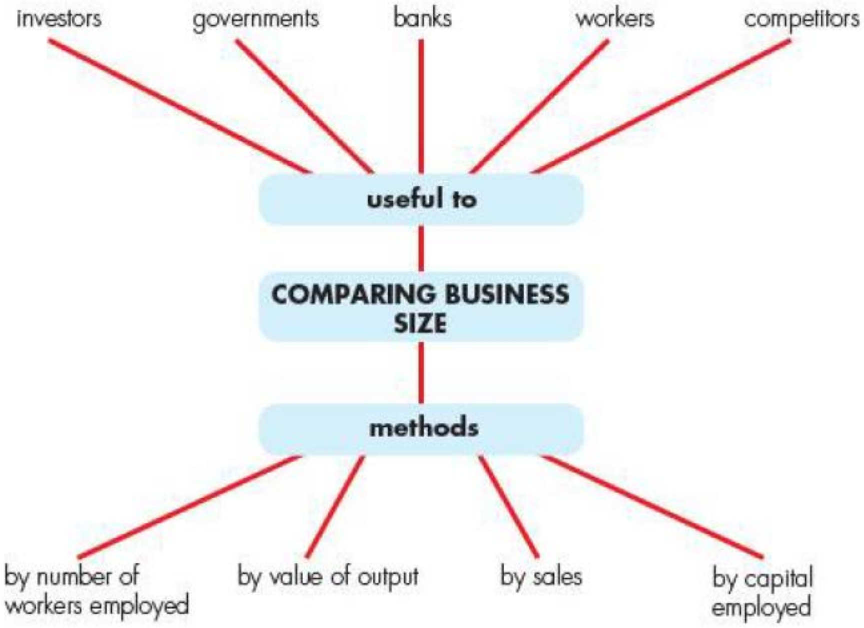

independence
income may be high
use own skills/ interests
risk
lack of business experience
capital needed
benefits
disadvantages
ENTREPRENEURS
common characteristics
self-confident
creative
innovative
independent
effective communicator
hard worker
risk taker
optimistic

8.


which products
cash flow
business costs
location
resources required
BUSINESS PLANS
uses
to help gain finance
careful planning reduces risks

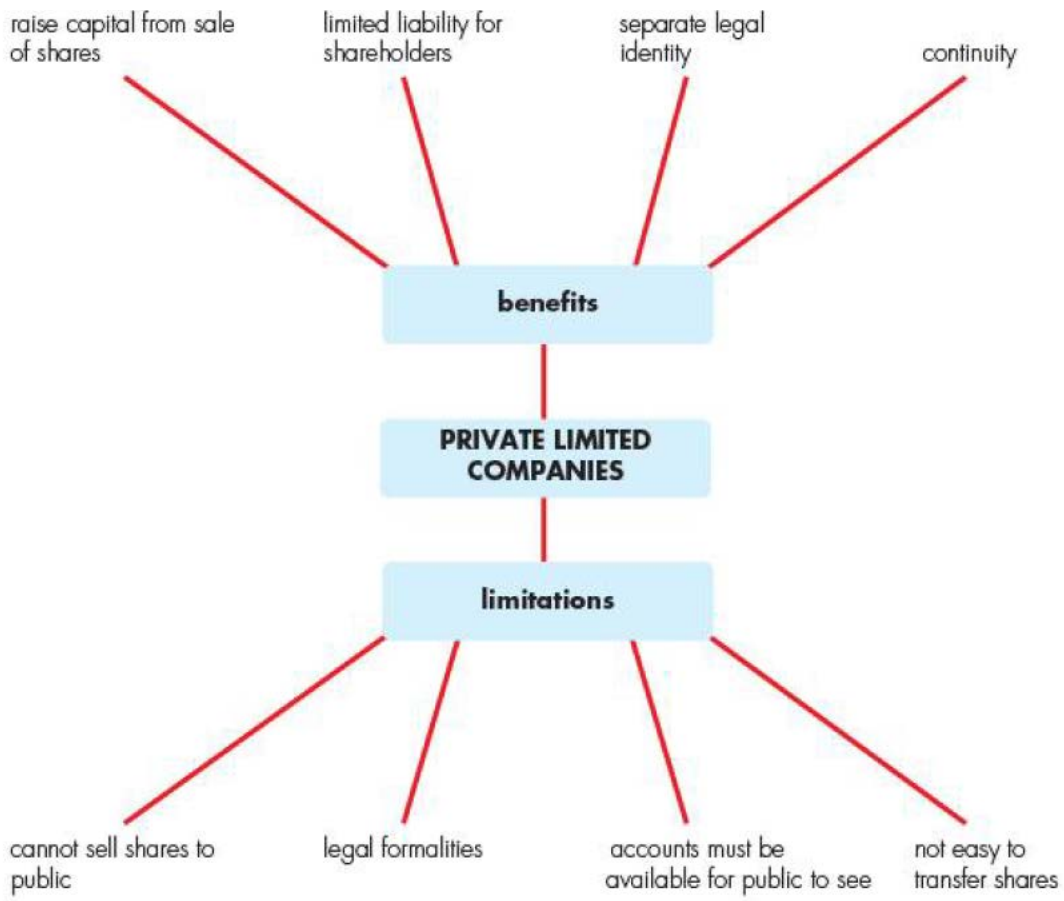
9.


investors
governments
banks
workers
competitors
useful to
COMPARING BUSINESS SIZE
methods
by number of workers employed
by value of output
by sales
by capital employed

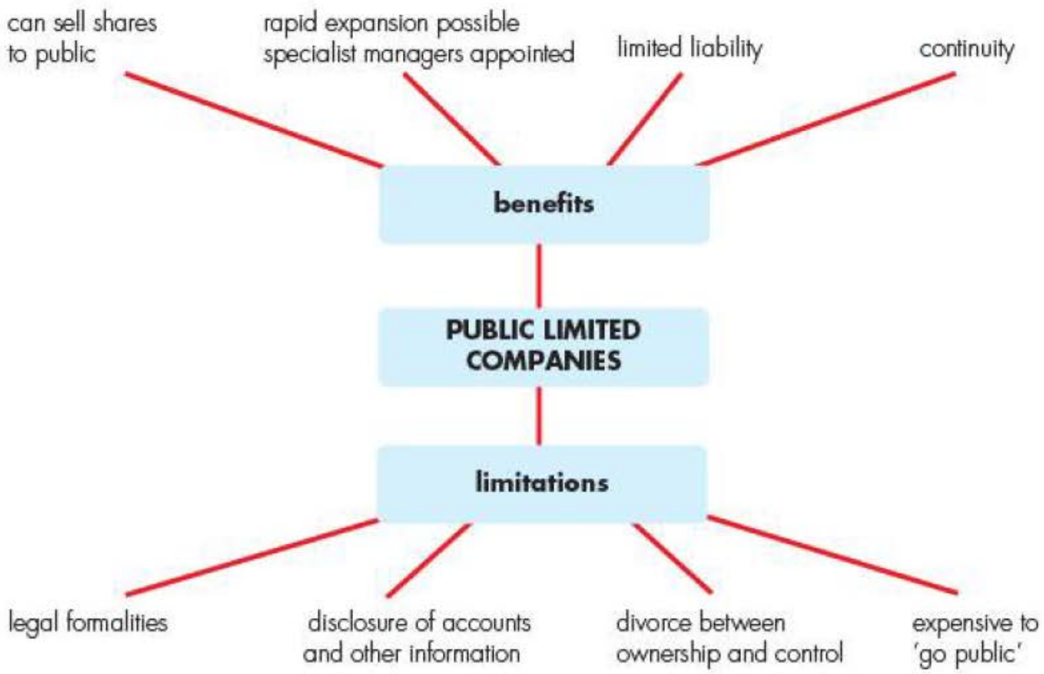
10.


owner in complete control
no sharing of profits
incentive to work hard
easy to set up
no limited liability
but
SOLE TRADER
PARTNERSHIP
but
no continuity
able to raise capital from all partners
responsibilities shared
more ideas from new partner(s)
partners can specialise

11.


raise capital from sale of shares
limited liability for shareholders
separate legal identity
continuity
benefits
PRIVATE LIMITED COMPANIES
limitations
cannot sell shares to public
legal formalities
accounts must be available for public to see
not easy to transfer shares

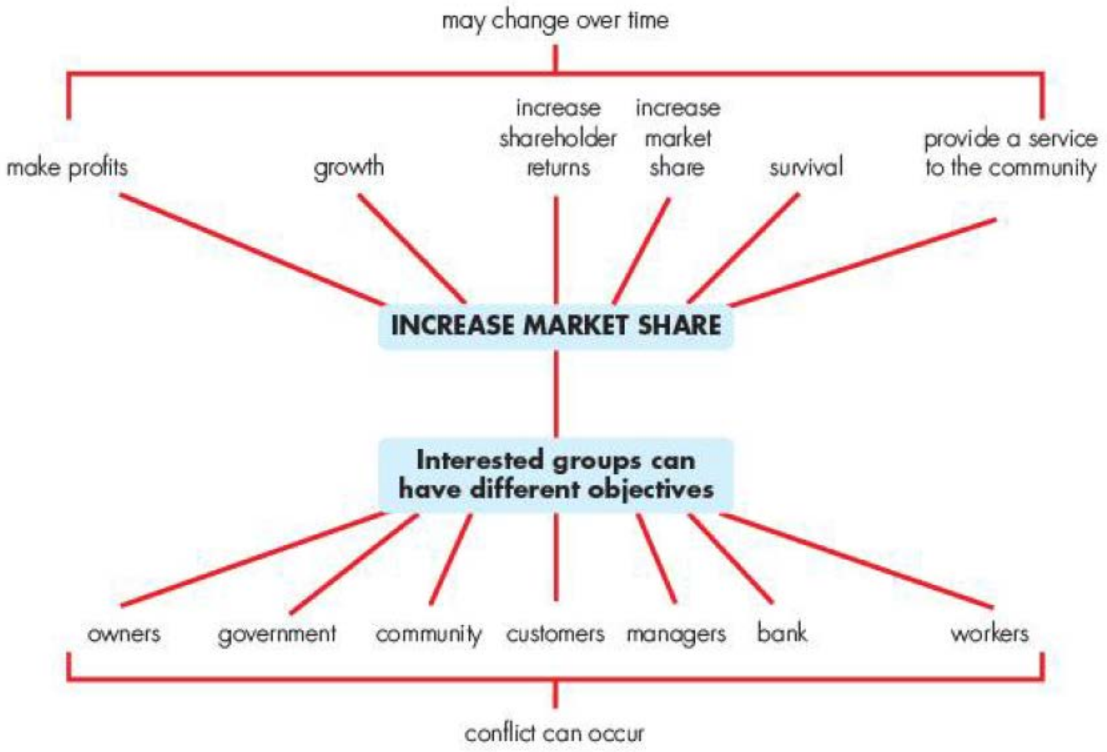
12


can sell shares to public
rapid expansion possible
specialist managers appointed
limited liability
continuity
benefits
PUBLIC LIMITED COMPANIES
limitations
legal formalities
disclosure of accounts and other information
divorce between ownership and control
expensive to 'go public'

13

	To the franchisor	To the franchisee
Advantages	• The franchisee buys a licence from the franchisor to use the brand name. • Expansion of the franchised business is much faster than if the franchisor had to finance all new outlets. • The management of the outlets is the responsibility of the franchisee. • All products sold must be obtained from the franchisor.	• The chances of business failure are much reduced because a well-known product is being sold. • The franchisor pays for advertising. • All supplies are obtained from a central source – the franchisor. • There are fewer decisions to make than with an independent business – prices, sto re layout and range of products will have been decided by the franchisor. • Training for staff and management is provided by the franchisor. • Banks are often willing to lend to franchisees due to relatively low risk.
Disadvantages	• Poor management of one franchised outlet could lead to a bad reputation for the whole business. • The franchisee keeps profits from the outlet.	• Less independence than with operating a non-franchised business. • May be unable to make decisions that would suit the local area – e.g. new products that are not part of the range offered by the franchisor. • Licence fee must be paid to the franchisor and possibly a percentage of the annual turnover.

14



15.

Stakeholder group	Main features	Most likely objectives for the stakeholder group
Owners (Internal)	• They put capital in to set up and expand the business. • They will take a share of the profits if the business succeeds. • If the business does not attract enough customers, then may lose the money they invested. • They are risk takers.	• share of the profits so that they gain a rate of return on the money put into the business • growth of the business so that the value of their investment increases
Workers (Internal)	• They are employed by the business; they are also called employees. • They have to follow the instructions of managers and may need training to do their work effectively. • They may be employed on full- or part-time contracts and on a temporary or permanent basis. • If there is not enough work for all workers, some may be made redundant (retrenchment) and told to leave the business.	• regular payment for their work • contract of employment • job security – workers do not want to look for new jobs frequently • job that gives satisfaction and provides motivation
Managers (Internal)	• They are also employees of the business and control the work of other workers. • They take important decisions. • Their successful decisions could lead to the business expanding. • If they make poor decisions, the business could fail.	• high salaries because of the important work they do • job security – this depends on how successful they are • growth of the business so that managers can control a bigger and better known business. This gives them more status and power
Customers (External)	• They are important to every business. They buy the goods that the business produces or the services that the business provides. • Without enough customers, a business will make losses and will eventually fail. • The most successful businesses often find out what consumers want before making goods or providing services – this is called market research.	• safe and reliable products • value for money • well-designed products of good quality • reliability of service and maintenance
Government (External)	• They are responsible for the economy of the country. • They pass laws to protect workers and consumers.	• want businesses to succeed in their country. Successful businesses will employ workers, pay taxes and increase the country's output • expect all firms to stay within the law – laws affect business activity
The whole community (External)	• The community is greatly affected by business activity. For example, dangerous products might harm the population. Factories can produce pollution that damages rivers, the sea and air quality. • Businesses also create jobs and allow workers to raise their living standards. Many products are beneficial to the community, such as medicines or public transport.	• jobs for the working population • production that does not damage the environment • safe products that are socially responsible
Banks (External)	• They provide finance for the business's operations.	• expect the business to be able to pay interest and repay capital lent – business must remain liquid