Welcome to Business Studies!

Y10 Learning Cycle 1

Course overview: During this course you will study six units (1 per learning cycle) in the order shown below. Cycle 3 of Year 11 will be revision.

Unit 1 Business in the Real World	Unit 2 Influences on Business	Unit 3 Business operations
Unit 4 Human resources	Unit 5 Marketing	Unit 6 Finance

Exam skills

As we work through the course you will also be developing your three exam skills. These are as follows:

AO1: Demonstrate knowledge and understanding of business concepts and issues. This means learning all the key terms in this knowledge organiser.

AO2: Apply your knowledge and understanding of business concepts and issues to a variety of contexts.

AO3: Analyse and evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions.

POINT
Make your point in relation to the business

Cycle 1: Unit 1 Business in the real world

This unit splits into seven sections as shown below

1.1 Purpose & nature of business	1.2 Business ownership	1.3 Setting aims and objectives	1.4 Stakeholders
1.5 Business location	1.6 Business planning	1.7 Expanding a business	

You'll need to learn all the following key terms for unit 1

1.1 The purpose and nature of business

Goods
Items that are produced from raw materials for sale to businesses or consumers.

Service
An action that is carried out to fulfil a need or demand in return for payment.

Needs
The human wants that are essential to survival; clothing, food, shelter, warmth or water.

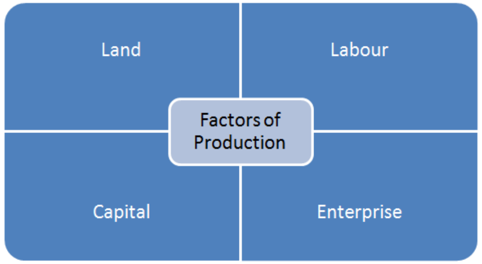
Wants
Things that people would like to have; not limited to the things they need to survive.

Factors of production
The elements that combine in the production process: land, labour, capital and enterprise.

Opportunity cost
The cost of making one choice concerning the use of limited resources at the expense of an alternative choice.

Primary industry
A business that extracts the earth's natural resources.

Secondary industry
A business that uses raw materials to manufacture goods or construct items.



Tertiary industry
A business that provides services to consumers or other businesses.

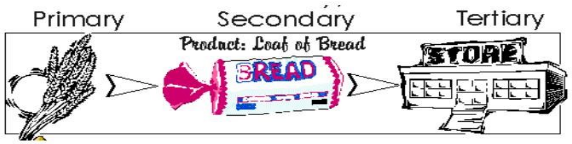
Retailer
A business or person that sells goods to the consumer.

Enterprise
The ability to identify business ideas and opportunities to bring them to fruition and to take risks where appropriate.

Entrepreneur
A person who has the vision to use initiative to make business ideas happen, managing the resources and risks. They have to be hard working, innovative, organised and willing to take a risk.

Market
Where those wishing to buy goods/services make contact with those who have them to sell.

Gap in the market
An opportunity for a new business (or expansion) which may meet a need that is not being met, or a group of potential customers who are not yet purchasing a particular good/service.



1.2 Business ownership

Sole traders
A business that is owned and operated by one person. The owner has unlimited liability.

Partnerships
A business that is owned and operated by a group of between 2 or more people. The owners have unlimited liability.

Private limited company (ltd)
A business that is owned by shareholders; the shares are not available to the general public. Shareholders have limited liability.

Public limited company (plc)
A business that is owned by shareholders. Anyone can buy shares in the business. Shareholders have limited liability.

Liability
The extent of the owner's/owners' responsibility for the debts of the business.

Unlimited liability
When the owner(s) are responsible for all the debts of the business. Their personal funds would be used to settle the business' debts if the business' funds were insufficient. Applies to sole traders and partnerships.

Limited liability
The owners are not responsible for the debts of the business. The limit of their liability for the business' debts is the amount they invested. Applies to Ltds and Plcs.

Share(s)
The units of the business that are available for sale to investors.

Share issue
New shares in a business made available for the public to buy.

Shareholder(s)
Those people who own shares in a limited company; each shareholder is a part owner of the business.

Dividend
A portion of the after-tax profit that is paid to shareholders according to the number of shares they own.

Not-for-profit organisations
Associations, charities, co-operatives or voluntary organisations set up to further non-monetary ideals such as cultural, educational, religious and public service. Profits/losses are retained/absorbed.

1.3 Setting business aims and objectives

Aim

The intention to reach a goal.

Objective

A specific statement that defines a precise goal that can be measured and delivered within a given time.

Survival

The capacity of a business to stay in business. It is dependent on the business selling sufficient amounts of its goods/services to cover all its costs.

Profit maximisation

A business' ability to make maximum profit with low operating expenses.

Growth

A business' increase in size. Methods include: asset value, employees, market share, markets, profits and sales.

Market share

The proportion of the whole market for a product that is held by the business.

Customer satisfaction

Whether customers are pleased with the goods/services they receive; whether they would purchase again.

Social objectives

A business' goals that relate to fair treatment of the people concerned: customers, investors, suppliers or workers.

Ethics

The moral principles that guide how a business operates.

Ethical objectives

A business' goals that relate to fair business practice or moral guidelines and make a positive contribution to the business' reputation.

Shareholder value

The value that a shareholder is able to get for the money invested in the business: capital gains, dividend payments, pay-outs to shareholders or proceeds from buyback programmes.

1.4 Stakeholders

Stakeholders
Those with an interest in the way that a business operates. The main ones are owners, employees, customers, local community, suppliers and banks. Stakeholders may sometimes want different things from the business.

Owners
Individuals who own the business or own a share(s) in it, in return for the rights to decision making and profits, balanced with the risks involved.

Customer
Individuals, businesses or organisations that purchase goods/services and make decisions about which supplier to choose.

Local community
The individuals, other businesses and organisations that are located close to the business. The business interacts with these groups.

Supplier
A business that provides goods/services.

1.5 Business Location

Location
The site of a business and the reasoning behind the choice of site. The main ones are proximity to market, availability of raw materials, labour, competition and costs.

Proximity to market
Businesses that serve their customers directly must be located close to those customers.

Raw materials
Businesses that use raw materials that are heavy and/or bulky choose to locate close to their suppliers to reduce the cost of transport or storage.

Competition
The rivalry between businesses looking to sell their goods/services in the same market.

1.6 Business planning

Business plan
A detailed statement of how the business intends to operate, either at start-up or during a given period of time. Business plans are based on forecasts and so cover only a short time.

Raising finance
Getting the money to pay for starting the business or for developing it.

Unique selling point (USP)
The key benefit of a good/service; it differentiates the product from others and will be the focus of advertising and promotion.

Risk
The possibility that the return on investment will be lower than expected.

Revenue
The income generated from the sale of goods/services.

Cost
The money spent by a business on goods and services. They are divided into fixed costs and variable costs.

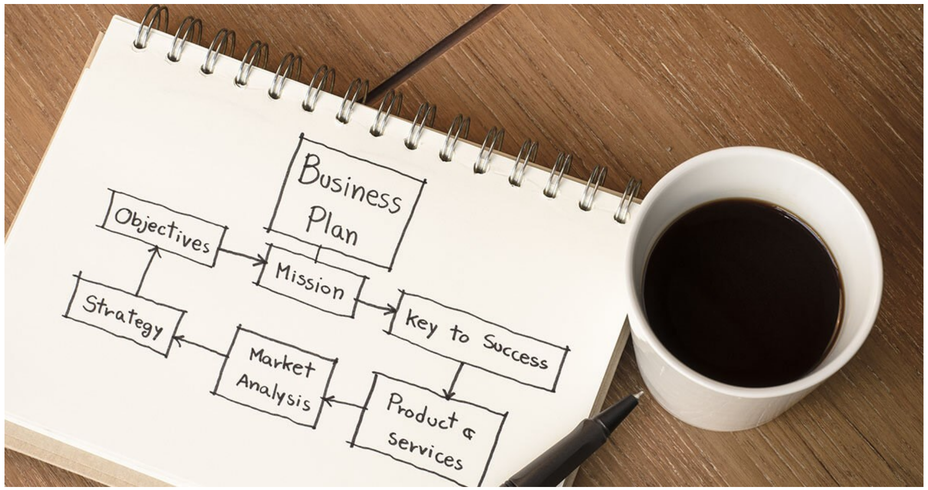
Fixed costs
The costs that stay largely the same, regardless of the business’ output.

Variable costs
The costs that change as the business' output changes.

Total costs
All the costs involved in producing goods/services.
Total costs = fixed costs + variable costs

Profit
The difference between the money received from the sale of a good/service and the amount it cost; the amount that remains after all the costs have been paid.
Profit = total revenue – total cost

Loss
Where expenditure is greater than income.



1.7 Expanding a business

Expansion
The process of increasing a business' size.

Growth
A business' increase in size. Methods include: asset value, employees, market share, markets, profits and sales.

Organic growth
A business grows by increasing its output, by increasing its customer base or by developing new product(s). The main ways are franchising, opening new stores, e-commerce and outsourcing. Also called internal growth.

Franchising
The sale of the rights to use/sell a product by a franchisor to a franchisee. A fixed fee and/or a percentage is paid in return. The franchiser specifies the standards and provides training and support.

E-commerce
Business transactions carried out electronically on the internet.

Outsourcing
Contracting another business to carry out some of the business' activities, often to reduce costs.

External growth
The growth of a business by joining with another by merger or takeover.

Mergers
When two or more businesses agree to join together.

Takeover
One business takes control of another.

Integration
Two or more businesses join together.

Economies of scale
The cost advantage of producing on a large scale. As output increases the unit cost decreases. Two examples are purchasing economies of scale and technical economies of scale.

Purchasing economies of scale
The benefits that large businesses gain from buying items in larger quantities and paying a reduced price per item as a result. Also known as bulk buying or bulk discount.

Technical economies of scale
The benefits that large businesses gain from having the funds to invest in expensive machinery that brings cost savings.

Diseconomies of scale
When a business grows too large, leading to a possible increase in unit cost. Often as a result of poor communication, coordination issues or reduced staff motivation.

Unit cost
The average cost of each unit.
Unit cost = total cost ÷ quantity