Business

Revision Booklet

The purpose of this booklet is to help with revision of your first year content. The booklet covers the following topic areas:-

* Enterprise
* Business plans
* Markets
* Market research
* Business structure
* Business location
* Business finance
* Business revenues and costs
* Marketing
* Finance
* People (Human Resources)
* Operations management

**Business Opportunities –** focus on new business start-ups and SMEs. This section of the specification covers not only starting new businesses but also different types of business organisations (profit vs not for profit), markets they operate in and stakeholders.

**Business Functions –** focus on a range of organisations not only small but large multinational businesses. It considers the importance of the core functions of business (marketing, finance, operations management and people) in ensuring a business is able to succeed in a competitive market.

**BUSINESS OPPORTUNITIES**

**Enterprise and Business Plans**

1. What do you understand by the term SME?
2. What characteristics and skills do entrepreneurs have?
3. What motivates entrepreneurs?
4. Why are SMES and entrepreneurs important to the UK economy?
5. Complete the diagram below with a list of stakeholders who are affected by a business

Customers

**Stakeholders**

1. What are the main components of a business plan?
2. Why is a business plan important?
3. What are the main sources of information and guidance that are available to entrepreneurs?

**Markets**

1. Explain what is meant by a market.
2. Complete the table below with different types of market

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1. Explain what market segmentation is and the ways in which a market can be segmented.
2. Why is segmentation of use to businesses?
3. Different markets have different degrees of competition place them on the continuum below from least to most competitive type of market

**Least competitive Most competitive**

1. Complete the table below with different types of market and explain the main features of them

|  |  |
| --- | --- |
| **Perfect competition** |  |
|  |  |
| **Monopoly** |  |
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1. Explain why consumers sometimes need to be protected from exploitation from businesses
2. Draw a diagram below showing demand, supply and equilibrium. Underneath the diagram define the three terms
3. Complete the table below with the factors that would cause the demand curve or the supply curve to shift right or left

|  |  |
| --- | --- |
| **Population** | **C** |
| **I** | **R** |
| **R** | **E** |
| **A** | **W** |
| **T** | **S** |
| **E** |  |

|  |  |
| --- | --- |
| **Draw a diagram and write a explanation in the box below to show the impact on the market for cars as a result of rising household incomes.** | **Draw a diagram and write explanation below regarding the impact of a drought on a market for an agricultural commodity used in food production** |
| **Explanation** | **Explanation** |

1. What do you understand by the term price and income elastic?
2. What do you understand by the terms: normal good, inferior good and luxury good?

**Market Research**

1. What is market research and why is it undertaken by firms?
2. Complete the table below

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Definition (include different methods)** | **Advantages** | **Limitations** |
| **primary** |  |  |  |
| **secondary** |  |  |  |

1. What is the difference between quantitative and qualitative data?
2. What do you understand by the term sampling? Why is it used? What methods can be used?

**Business Structure**

1. What is the difference between the public sector and the private sector?(use examples to illustrate)
2. How do public and private sector aims differ?
3. What is meant by the terms limited and unlimited liability?
4. Different types of legal structure

|  |  |
| --- | --- |
| **Type of structure** | **Description** |
| **Sole trader** |  |
| **Partnership** |  |
| **Plc** |  |
| **Ltd** |  |

1. What types of businesses are considered to be not for profit organisations?
2. What is the impact of the different types of legal structure for different stakeholder groups?

**Business Location**

1. Complete the diagram below with the main factors that will influence a business in deciding where to locate

**Factors affecting location**

**Business Finance**

1. Complete the table below with sources of finance available to entrepreneurs and SMES

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| --- | --- | --- | --- |
| **Source of finance** | **Explanation** | **Advantages** | **Disadvantages** |
|  |  |  |  |
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**Business Revenues and Costs**

1. Revenue = x
2. Profit = -
3. Classification of costs

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| --- | --- |
| **Type of cost** | **Definition** |
| **Fixed** |  |
| **Variable** |  |
| **Semi-variable** |  |
| **Overhead** |  |
| **Direct costs** |  |
| **Indirect costs** |  |

1. What is meant by the term contribution?
2. What is meant by the term break-even?
3. What is meant by the term margin of safety?
4. On the diagram below label the axis, sketch a Fixed cost line, total revenue line and total cost line. Shade profit and loss, indicate for certain level of output what the margin of safety would be.
5. Now draw in a new total revenue label it TR1 line assuming the company has increased its selling price. What impact has this had on the break even level of output?
6. What effect would a fall in fixed or variable costs have on the number of units needed to break even?
7. How useful is break even to a business?

**BUSINESS FUNCTIONS**

**Marketing**

1. Why is marketing important?
2. What do the terms market oriented, product oriented and asset led marketing refer to?
3. What is meant by the term marketing mix?
4. What do the terms product portfolio, brand, usp and differentiation refer to?
5. Is product the most important element in the marketing mix?
6. Sketch and fully label a product life cycle
7. Explain each of the stages in the product life cycle
8. Evaluate the impact of the use of extension strategies by a business.
9. What are the links between the product life cycle and cash flow?
10. Label the Boston Matrix

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| --- | --- |
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1. Explain how the Boston Matrix is used
2. Define the following types of pricing strategy

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| **Strategy** | **Definition** |
| **Penetration pricing** |  |
| **Skimming** |  |
| **Cost plus** |  |
| **Competitive** |  |
| **Psychological** |  |
| **contribution** |  |

1. What do you understand by the term promotion?
2. Distinguish between above and below the line promotion explaining under which circumstances these approaches would be used.
3. What do you understand by the term place in the marketing mix?
4. What are the main types of distribution channels used by businesses?
5. What is it called if a business uses more than one distribution channel?
6. Why is choice of distribution channel particularly important to a business?
7. What is global marketing?
8. Why are global brands important?
9. What factors influence the choice of marketing mix?
10. What is the role of new technology in marketing?
11. What has been the impact of technology on businesses such as high street retailers?
12. To what extent has new technology changed the way in which businesses market their products?

**Finance**

1. What is meant by a budget?
2. Why do businesses product budgets?
3. Sources of finance available to large/established businesses

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| --- | --- | --- | --- |
| **Source** | **Internal/External** | **Explanation** | **Advantages/limitations** |
| **Owners capital** |  |  |  |
| **Overdrafts** |  |  |  |
| **loans** |  |  |  |
| **leasing** |  |  |  |
| **Retained profit** |  |  |  |
| **Trade credit** |  |  |  |
| **Sale of assets** |  |  |  |
| **Venture capital** |  |  |  |
| **Debt factoring** |  |  |  |
| **Share capital** |  |  |  |

1. What do you understand by the term cash flow?
2. What does a cash flow forecast show? Replace the ? below with headings that you would see in a cash flow forecast

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Jan | February | March | April | May |
| ? |  |  |  |  |  |
| ? |  |  |  |  |  |
| Total cash in |  |  |  |  |  |
| ? |  |  |  |  |  |
| ? |  |  |  |  |  |
| ? |  |  |  |  |  |
| ? |  |  |  |  |  |
| Total cash out |  |  |  |  |  |
| ? |  |  |  |  |  |
| Opening balance |  |  |  |  |  |
| ? |  |  |  |  |  |

1. What are the benefits and limitation of the use of a cash flow forecast?
2. What are the main causes of cash flow problems?
3. How can a business improve its cash flow? What will determine the choice of solution required to improve the cash flow?
4. What are the main components of the income statement?
5. How do you calculate Gross profit?
6. How do you calculate net profit?
7. How can a firm improve its profit?
8. What are the formulae for calculating gross and net profit margin?
9. What does the gross and net profit margin tell us about a business? Are there any limitations to the conclusions we can draw about a business from the calculation of these ratios?

**People in Organisations (HR)**

1. What does an HR department do?
2. How has technology impacted on working practices?
3. What impact has changing working patterns had on employers and employees?
4. What do you understand by the term workforce planning?
5. Why is workforce planning important to firms?
6. Complete the boxes below for two types of recruitment? Include advantages and limitations of them.

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1. What do you understand by the terms job analysis, job description and person specification?
2. Why is recruitment important to a business and its stakeholders?
3. What role does training play in an organisation?
4. Explain the different types of training

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| **Type of Training** | **Explanation** |
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1. What do you understand by the term appraisal?
2. Outline four methods of conducting an appraisal.
3. How is appraisal of benefit to both a firm and its employees?
4. How can you measure the performance of a workforce (name the measures and provide the formulae for calculation)
5. Explain the following terms

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| --- | --- |
| **Authority** |  |
| **Responsibility** |  |
| **Chain of command** |  |
| **Span of control** |  |
| **Delegation** |  |
| **Hierarchy** |  |
| **Centralisation** |  |
| **Decentralisation** |  |
| **Empowerment** |  |
| **delayering** |  |

1. Explain the characteristics of different organisational structures (ie. Tall and flat, matrix)
2. What are the advantages and disadvantages of changing organisational structure?
3. Under what circumstances would a firm use empowerment and control of the workforce?
4. What do you understand by the term motivation?
5. What are the benefits to an organisation of having a motivated workforce?
6. Explain the main theories of motivation (taylor, maslow, may, Herzberg, Vroom. Porter and Lawler).
7. How are the above theories relevant to businesses?
8. In the table below list financial and non-financial methods of motivation

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1. Evaluate how useful the above methods of motivation are
2. What do you understand by the term management?
3. What are the functions and roles of management?
4. What are the advantages and disadvantages of MBO?
5. Explain McGregor’s theory X and theory Y
6. Evaluate the importance of management to a business and its stakeholder groups.
7. Outline the main forms of leadership style

|  |  |
| --- | --- |
| Autocratic |  |
|  |  |
| Paternalistic |  |
|  |  |
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1. Explain leadership theories including Fiedler, Wright and Taylor.
2. What do you understand by the term employer employee relations?
3. Explain the duties and rights of employers and employees.
4. What is the role of a trade union? What are the advantages and disadvantages of trade unions?
5. What is meant by the term collective bargaining?
6. If a strike is a ‘last resort’ form of industrial action. What other forms of industrial action might be taken?
7. ACAS stands for the Advisory Conciliation and Arbitration Service. What is their role? What is the difference between conciliation and arbitration?

**Operations Management**

1. What do you understand by the term added value?
2. How do you calculate added value?
3. How can added value be increased?
4. Outline three methods of production?

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1. What does productivity measure?
2. How can productivity be increased?
3. Why is productivity important?
4. What do you understand by the term capacity utilisation?
5. How do you calculate capacity utilisation?
6. What is the ideal capacity utilisation? Why is it this figure?
7. How can technology be used by businesses?
8. What is the impact of technology on stakeholder groups?
9. How important is the use of technology to businesses?
10. Why is technology important to businesses and how has it had an impact on operations management?
11. What do you understand by the term lean production?
12. What are the main lean production practices that are used to reduce waste and improve productivity?
13. What do you understand by the term quality?
14. Why is quality important to a business?
15. Distinguish between quality control and quality assurance.
16. Explain what TQM is and the ways in which it can be achieved.
17. Explain the importance of purchasing and working with suppliers.
18. What do you understand by stock control?
19. What are the main methods of stock control?
20. Sketch and fully label a stock control diagram. Ensure that you label the reorder quantity, reorder level, lead time, buffer stock and minimum stock level.
21. Evaluate the impact on a business of holding too much or too little stock.
22. What do you understand by the terms innovation and R&D?
23. Evaluate the costs and benefits of innovation R&D for a business and its stakeholders.
24. What do you understand by the term economies of scale?
25. Distinguish between internal and external economies of scale.
26. What causes diseconomies of scale?
27. What is the impact of economies and diseconomies of scale on a business and its stakeholder groups?
28. Explain why if large businesses benefit from economies of scale small businesses continue to survive.