

## **Knowledge Organisers**

### **OCR GCSE (9-1) Business - Year 10 – Business 1**

#### **1 – Business Activity**

**1.1 – The role of business enterprise and entrepreneurship**

**1.2 – Business planning**

**1.3 – Business ownership**

**1.4 - Business aims and objectives**

**1.5 - Stakeholders in business**

**1.6 – Business growth**

## OCR GCSE (9-1) Business - Year 10 – Autumn Term – Business 1

### 1 – Business Activity – 1.1 – The role of business enterprise and entrepreneurship

Key words	
Entrepreneur	Person who takes the risk of starting and running a business enterprise.
Spotting an opportunity	Ability to see the need for a particular product or service that customers need.
Enterprising characteristics	Features of an entrepreneur eg determination, creativity.
Risks	Losses that entrepreneur may suffer from starting up and running a business.
Rewards	Benefits received from starting up and running a business.

3 purposes of business enterprise and entrepreneurship
Spotting an opportunity
Developing an idea
Satisfying customer needs

Characteristics of an entrepreneur
Confidence
Creativity
Determination
Risk-taking

Potential risks and rewards of entrepreneurship	
Rewards	Risks
Financial	Financial
Independence	Health
Self-satisfaction	Strained relationships
Changing customer habits	

#### Questions

**State & explain** the characteristics of an entrepreneur.  
**Analyse** 2 characteristics of an entrepreneur.  
**Evaluate** the risks and rewards to an entrepreneur.

#### Challenge Activity

Research a business entrepreneur and write a report on the business they have set up and developed.

### 1 – Business Activity – 1.2 – Business planning

Key words	
Business plan	A simple plan that sets out details of the product or service being sold, finance etc.
Markets	Where a business sells its goods or services.
Resources	Things a business needs to make it work.
Finance	Another word for money or capital.
Aims & objectives	Things a business is trying to achieve.
Operate	Term used to explain how a business works.

The purpose of business planning
Reducing risk
Helping a business to succeed

Contents of a business plan
The business idea
People involved
Market research
Finance
Competitors
Target market
Aims & objectives

Importance and usefulness of a business plan
Identifying the market
Identifying the resources needed
Identifying the finance needed
Achieve the business' aims and objectives

#### Questions

**Explain** the main purpose of a business plan.  
**Analyse** 2 possible problems for a business if a business plan is not completed.  
**Evaluate** the effectiveness of a business plan.

#### Challenge Activity

Interview a business owner and find out if they produced a business plan. Write up your results.

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## 1 – Business Activity – 1.3 – Business ownership

<b>Key words</b>	
Limited liability (Ltds and plcs)	Responsibility for debts of the business is limited to the amount invested by a shareholder.
Unlimited liability (Sole traders & partnerships)	The owner of the business is responsible for repaying all the debts of a business.
Sole trader	Business owned by one person.
Partnership	Business owned by between 2-20 partners.
Private limited company (Ltd)	Often a small business - owned by at least 2 shareholders. Cannot sell shares to general public.
Public limited company (plc)	Large business - owned by shareholders – shares sold to general public – large sums of money can be raised.
Deed of partnership	Document setting out the operations of a partnership.
Sleeping/silent partner	Partner who invests in the business but has no part in running the business.
Limited liability partnerships	Owners are members not partners, they have limited liability.
Shareholders	Owners of limited companies.
Share	Part ownership of a company - invested money in the business.
Dividend	Money paid to shareholders from profits of the limited company.
Capital	Money raised to start or develop a business.
Assets	Items owned by a business eg stock, vehicles, buildings, good reputation.

<b>Advantages &amp; disadvantages of sole traders</b>	
Advantages	Disadvantages
Easy to set up	Shortage of capital to set up the business
Little capital needed	Long hours
Complete control of business	Skill shortage of sole trader
All profits go to the sole trader	The business stops when the owner dies
Financial information is private	Unlimited liability - risk
	Illness of sole trader

<b>Advantages &amp; disadvantages of partnerships</b>	
Advantages	Disadvantages
Easy to set up – deed of partnership should be completed	Continuity - the business stops if a partner dies
Capital – more owners to invest money	Shortage of capital if only a few partners
More skills as more owners	Slower decision making
Workload shared	Unlimited liability
Financial information is private	

<b>Suitability of different types of businesses</b>	
Sole traders	Suitable for start-ups
Partnerships	Suitable for start-ups or established businesses
Private limited companies (Ltd)	Suitable for start-ups or established businesses wanting to grow but owners wanting to keep control
Public limited companies (plc)	Suitable for start-ups or established businesses wanting to grow

<b>Advantages &amp; disadvantages of private limited companies (Ltd)</b>	
Advantages	Disadvantages
Limited liability of owners (shareholders)	More difficult to set up
Business continues to operate if shareholder die or sell shares	Financial information made public
Easy to raise finance – eg bank loan	Dividends paid to shareholders from profits
Control over sale of shares	Cannot sell shares to the general public – less capital

<b>Advantages &amp; disadvantages of public limited companies (plc)</b>	
Advantages	Disadvantages
Limited liability of owners (shareholders)	Possibility of takeover as share sold on stock exchange
Continuity	Cost of setting up
Easy to borrow money	Problems of size
Ability to raise large amounts of capital	Financial information available to public

### Questions

**State and explain** the advantages and disadvantages of the different types of business ownership.

**Analyse** why limited liability is important to businesses.

**Evaluate** the benefits of changing the type of business ownership.

### Challenge Activity

Research Marks & Spencer plc. Write a report to explain how the different types of business ownership have helped the business to develop.

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### 1 – Business Activity – 1.4 – Business aims and objectives

Key words	
Business objectives	What the business aims to achieve eg may include survival, profit, growth and providing a service.
Survival	Business just manages to keep going.
Profit	The difference between revenue and costs.
Growth	Business becomes larger eg making more products, opening more outlets.
Providing a service	Business makes sure the needs of the customer are being met.
Market share	Share of total market for particular product/service shown as a %.

### 1 – Business Activity – 1.5 – Stakeholders in business

Key words	
Stakeholders	Groups or individuals who have an interest in a business.
Internal stakeholders	Are the business owners and people who work for the business.
External stakeholders	Are the local community, suppliers, customers and government.
Stakeholder group	Are owners, employees, suppliers, government, local community.

**As businesses evolve (change over time) 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.

**Reasons why businesses have different objectives:**

Survival	It may be a new business. It may be an objective in economic downturn.
Profit	To help new business to survive. To reinvest in business. Encourage more investors.
Growth	To help new business survive eg growth in market share or sales. Established business - to reduce competition, gain power in the market.
Providing a service	Gain good reputation. Could help business to survive or increase profits. Satisfaction for owners.

**Roles and objectives of internal and external stakeholders**

Stakeholder	Role	Objectives
Owners	Provide finance to start up and expand the business. Manage and run the business or employ people to do this.	Make profit.
Employees	Produce goods and services.	Job satisfaction, security and income. Social aspects of working with people.
Customers	Buy goods and services.	Benefits provided by goods and services. Pay affordable prices.
Suppliers	Sell components and materials to manufacture goods or provide a service.	Make sales. Earn profits.
Government	Help businesses, workers and communities.	Help businesses as this leads to high employment and increases taxes paid to government.
Local community	Provides workers. Influence business activity.	Have a local area that is prosperous, healthy and safe.

### Questions

**Explain** different ways in which businesses evolve and how their objectives may change .

**Analyse** why different business objectives are suitable for different businesses.

### Challenge Activity

Investigate the aims and objectives of 2 businesses – one in the public sector and one in the private sector. Explain similarities and differences. Write up your findings.

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### 1 – Business Activity – 1.5 – Stakeholders in business (continued)

Key terms	
Benefits of business activity	For stakeholders – these include profits, jobs and income, goods and services, sales, taxes and prosperity.
Problems caused by business activity	For stakeholders – these include financial losses, redundancy, poor goods and services, late or missed payments, bad publicity and negative impacts on the local environment and community.
Business failure	Can be indicated by losses, low sales, poor quality goods and services and a negative impact on the local community.
Business success	May be measured in terms of profits, growth, sales, returning customers and a positive contribution to the local community.

#### Questions

**Define** the term ‘stakeholder’.

**State and explain** the roles and objectives of the main internal and external stakeholders.

**Analyse** how each stakeholder in a business may be affected by it.

**Evaluate** the effect that each stakeholder in a business can have on the business.

#### Challenge Activity

Investigate a local business and analyse the influences that various stakeholders have on the business.

Benefits and problems for stakeholders arising from business activities		
Stakeholder	Benefits of business activities	Problems from business activities
Owners	Earn profits if business is successful.	May lose money invested in the business if it fails.
Employees	Have a job and earn income from the business.	May lose job. Unfair employment conditions.
Customers	Obtain goods and services at good prices to satisfy wants.	May be sold poor quality goods and services, be over-charged etc.
Suppliers	Sell their goods to businesses and earn profits.	May lose money if not paid for goods supplied. Payments may be delayed.
Government	Receive tax from owners, workers, suppliers and customers of the business.	May be criticised if government doesn't step in to help large businesses survive.
Local community	People in local community earn money which they then spend in the local community.	Local community may be affected by negative externalities eg pollution, road congestion.

Stakeholder influences on business		
Stakeholder	How stakeholders may influence the success of a business	How stakeholders may contribute to the failure of a business
Owners	Investing enough money to help the business grow and success.	Not investing enough money to make business efficient. Failing to respond to market changes.
Employees	Working hard to provide goods and services at competitive costs.	Producing poor quality products, demanding high wages, industrial action.
Customers	Buying goods and services. Recommending the business to others.	Buying from competitors. Providing bad reviews resulting in poor reputation.
Suppliers	Providing supplies promptly and at a competitive price.	Providing poor quality supplies and not on time.
Government	Providing business grants or planning permission enabling business to expand. Being a customer.	Increasing taxes, raising National Minimum Wage which could increase costs. Refusing planning permission.
Local community	Providing the business with customers and supporting development plans.	Opposing plans for expansion which could increase business costs. Not buying from business.

## OCR GCSE (9-1) Business - Year 10 – Autumn Term – Business 1

### 1 – Business Activity – 1.6 – Business growth

Key words	
Organic growth (internal)	Growth of a business internally eg by increasing sales.
Capacity	Eg for shop/factory – refers to how much output it can produce or sell.
External growth	Growth of a business by takeover or merger.
Takeover	Where a business takes a controlling interest in another business. eg by buying more than 50% of shares in it.
Merger	Where 2 or more businesses agree to join together.
Horizontal growth	Merger or takeover where 2 business are involved in a similar operation.
Backwards vertical growth	When a business merges with or takes over a business that supplies it with goods/services.
Forwards vertical growth	When a business merges with or takes over a business that it supplies goods/services to.
Diversification	When a business merges with or takes over another business with which there is no connection.

#### Questions

**Explain** the meaning of organic growth.

**Analyse** how organic growth of a business can take place.

**Identify and explain** the different types of external growth.

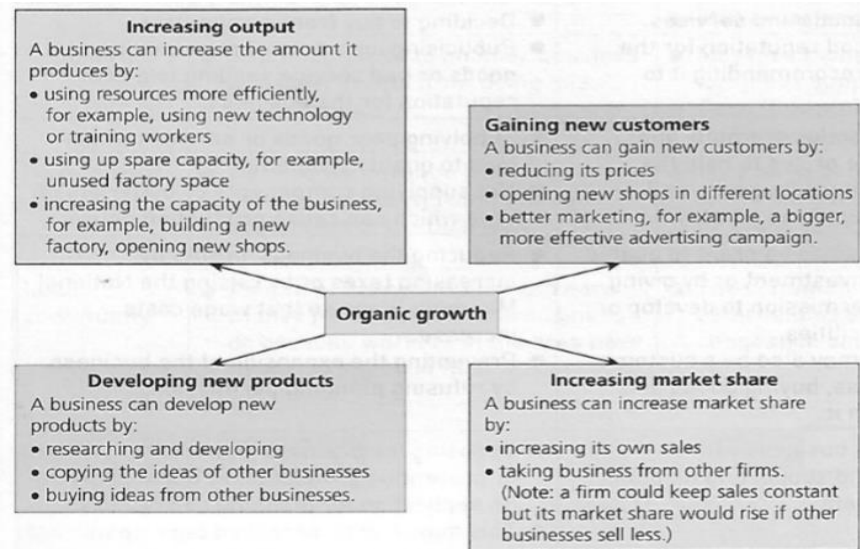
**Analyse** the reasons for, or benefits of, different types of external growth.

#### Challenge Activity

Research a business eg Apple, Costa Coffee, Domino's UK, to show how it's successfully implemented organic growth.

Research a business eg Facebook, BT that have successfully demonstrated external growth.

### Ways in which organic (internal) growth can occur in a business



### Types of external growth

