

1:1 Role of Business Enterprise and Entrepreneurship

Enterprise is:
seeing an opportunity to provide a product or service that people are willing to buy

Risk-taking

Creativity

Entrepreneurial characteristics

Determination

Confidence

Risk

- **Financial**
Possibility of losing money
- **Health**
The strain of being in charge can affect health
- **Strained relationships**
Starting a business is time consuming

Reward

- **Financial**
Some successful entrepreneurs can make a lot of money
- **Independence**
Some people like to be their own boss
- **Self-satisfaction**
Some people like to see and idea work

Entrepreneur

A person who takes the risk of starting and running a business

Enterprising characteristics

Features of an entrepreneur

Purpose of a business plan:

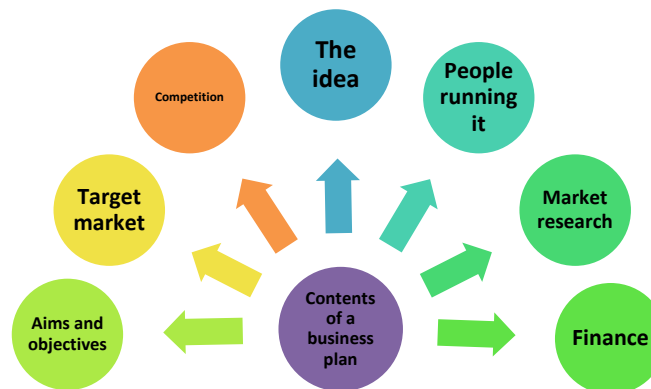
- To reduce the risk of starting a business
- To help a business succeed

1:2 Business Planning

A business plan:
details how a business aims to achieve its objectives

Role of a business plan:

- Identify markets
- Helping with finance
- Identifying resources needed
- Achieving aims and objectives



Business plan

A simple plan which sets out the details of the business

Finance

The money needed to start the business

1:3 Business Ownership

Sole trader

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Easy to set up ▪ Little finance required ▪ Full control ▪ Keep all the profits ▪ Financial information is private 	<ul style="list-style-type: none"> ▪ Unlimited liability ▪ Business stops if ill or on holiday ▪ Long working hours ▪ Shortage of capital ▪ Skills shortage ▪ No continuity

Partnership

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ More capital available ▪ Easy to set up ▪ More skills available ▪ Shared workload ▪ Financial information is private 	<ul style="list-style-type: none"> ▪ Shared profit ▪ Unlimited liability ▪ Shortage of capital ▪ Slower decision making ▪ No continuity

Private Limited Company (LTD)

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Limited liability ▪ Continuity ▪ Can raise capital more easily ▪ Control over share sale 	<ul style="list-style-type: none"> ▪ Financial information available to the public ▪ Complex and expensive to set up ▪ Sale of shares is restricted ▪ Dividends to be paid

Public Limited Company (PLC)

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Can raise large amounts of capital ▪ Easier to borrow money ▪ Limited liability for shareholders 	<ul style="list-style-type: none"> ▪ Possibility of a takeover ▪ Complex and expensive to set up ▪ Hard to manage as so large ▪ Financial information available to the public

Unlimited liability

Responsibility for the debts of the business rests with the owners

Capital

Money raised to start or develop a business

Deed of partnership

A document setting out the operations of the partnership

Sleeping partner

Someone who only invests in a partnership

Limited liability

Responsibility for the debts of the business is limited to the amount invested

Shareholders

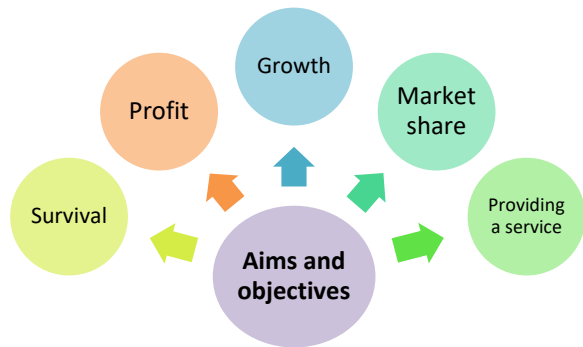
Owners of a limited company

Dividend

Money paid to shareholders from business profits

Business objectives:
are what the business wants to achieve

1:4 Business Aims and Objectives



- Survival**
The business can pay its costs but has nothing left
- Profit**
The difference between revenue and costs
- Market share**
The share of the total market for a product
- Growth**
The business becomes larger

As businesses evolve their objectives may change

Initially: the aim may be to simply survive
Later: the aim may be to increase profit or market share

The objectives will also depend on the type of business ownership i.e. sole trader or limited company

Stakeholders are:
groups of people or individuals who have an interest in a business

1:5 Stakeholders in Business

- Internal stakeholders**
People with an interest in and who work in the business
- External stakeholders**
People with an interest in but who are outside of the business

Stakeholder	Internal or external	Effects
Owners	Internal	See profit as their main aim so will want to run the business cost effectively
Employees	Internal	Employees want to be treated well and receive a fair wage. Without this they could go on strike
Customers	External	Customers want to receive a good service and pay a fair price. Without this they could go to competitors
Suppliers	External	Suppliers want to be paid on time. Delayed payments could mean the supplier refuses orders
Government	External	The government wants businesses to succeed however an increase in income tax means less money for customers
Local community	External	The local community will want jobs in their area however they could protest against a new business development

1:6 Business Growth

- Organic growth**
Internal growth using own resources i.e. opening more shops
- Merger**
Two or more businesses agreeing to join together
- Takeover**
One business takes control of another
- Horizontal growth**
Two businesses in the same production sector joining together
- Vertical growth**
Two businesses in different production sectors joining together

There are two methods of business growth:

Organic growth	External growth	
<ul style="list-style-type: none">▪ Increasing output Selling more products▪ Gaining new customers Reduce the price, open more shops▪ Developing new products To target a wider range of customers▪ Increasing market share Selling more than competitors	Merger	Takeover
	Horizontal Two businesses in the same production sector	
	Vertical Two businesses in different production sectors	
	Diversification Two businesses coming together with no connection	

Assessment Information

Your assessment will take place during a normal timetabled lesson but you should be revising at home.

Number of marks available: 40
Time allowed: 50 minutes

Answer **ALL** of the questions

The first 10 questions will be multiple choice - you must only select **ONE** answer, selecting two will score 0 marks.

The other questions will include a range of 2, 3, 4, 6, 7, & 9 mark questions

- Possible questions**
1. State two aims of a new start up business.
 2. Define the term 'entrepreneur'.
 3. Explain how a business' objectives may have changed since first starting out.
 4. Analyse how a business decision may impact on two stakeholders.
 5. Analyse two benefits of being a public limited company.
 6. Evaluate the effectiveness of a business plan.