

GCSE BUSINESS RO61 THEORY EXAM WEDNESDAY 24TH MAY

Learning Outcome 1: Understand business ownership

Sole Trader	A single self-employed local person (plumber, window cleaner, electrician etc.) Easy to set-up (no legal paperwork) they can make all decisions / Unlimited Liability (they are liable for all debts they incur). Long-hours, but more freedom to make decisions.
Partnership	Business is owned by one or more people (team of dentists, solicitors etc) Unlimited Liability , but responsibility is shared among partners. Harder to make decisions and end the business.
Private Limited Companies (Ltd).	Medium-sized (local or national) independent business. Shares owned by owners, employees or family. – Not sold on stock-market. Incorporated meaning the owners and business are separate legally (limited liability)
Public Limited Companies (Plc)	Large (national or international business). Shares are traded on stock-exchange . Limited liability. Vulnerable to take-overs . Also dividends (a share of the profit) have to be paid out to shareholders. Money can be raised by selling shares.

Learning Outcome 2: Understand Business Objectives

Social Benefit	Could be a charity or similar non-profit organisation.
Market Share	The number of customers sold to as a percentage of potential customers . (E.g Out of 100 <i>potential</i> customers a business sells to 10. Giving a 10% share of the market)
Service To The Public	Sale of non-physical items (hairdressing, car repairs, gardening services etc)
Survival	Essential for any new business start-up . Usually a business's aim for its first year .
Growth	An aim for a more established company after several years .
Why Business Objectives May Change Overtime	Customer needs (tastes / fashions) change / demographics change (the age, gender etc of customers) Keeping up with rivals / using latest technology / business may expand into new areas / original objectives have been met / Economic changes (more people unemployed or with <i>more</i> money to spend) / Government changes to laws, taxes change about what and how things are sold, also national minimum wage / Cost and availability of raw materials .
Importance of Planning	To know what objectives are and how and when they'll be met / Ensure deadlines are met.

Learning Outcome 3: Understand Key Functional Areas Of Business

Finance

Raising Finance	Retained profit from sales of goods and services / selling shares / investors / bank loan
Costs, Revenue And Profit	Costs = (Expenses) (staff wages, rent, mortgage, loan payments, materials, research) Revenue = (Turnover) the actual money raised from sales of goods and services Profit = The cash left over (from revenue) after costs are taken off.
Cash Flow	The movement of money coming into and out of a company. Cash flows in from sales of goods and services, loans etc / Cash flows out through costs (wages, materials, rent etc) A business needs to ensure a steady cash flow with money coming in to cover costs .
Break-Even	The exact point at which revenue (turnover) matches costs (expenses) (e.g has been £100 spent running the business and £100 of income (revenue) has come in.

Marketing

Market Segmentation	Groups of customers that have similar buying-habits or expectations about things. Some may only be able to afford low-cost items whilst others will demand the best in quality.
Market Research	Monitoring trends in buying habits, customer feedback and surveys about likes and dislikes
Primary Market Research	Data obtained by the actual company directly (through questionnaires, interviews, observations etc)
Secondary Market Research	Data obtained from other sources (non-direct) (Government statistics, newspaper reports etc)
Marketing Mix:	A blend of the 4's (Product, Price, Promotion, Place) Used to sell the right thing and the right price in the right way in the right place.
Marketing Mix: Product	Deciding on the right 'thing' (goods or service) to sell to customers
Marketing Mix: Price	Deciding on a realistic price your customers are willing to pay. Could be: Psychologically priced (Using £.99 to give the impression it is much cheaper) Penetration Pricing: Lowering price to break into market (introduction price to be raised later) Price Skimming: Selling at highest possible price (for much in-demand items) Loss-leader: Selling at a loss (below costs) to gain market share and get brand recognised

Marketing Mix: Promotion	Combination of different ways or advertising (adverts, offers, junk mail etc)
Marketing Mix: Place	The right location to sell your products (on high street, retail park or on-line)
USP	Unique Selling Point (Offering something <i>different</i> and original that your rivals don't)
Production And Operations	
Quality Control	Checking finished products meet a certain standard (checking a sample). Quality Assurance is checking products throughout the production process (more time-consuming but safer)
Resource Control	Stock Control – Ensuring that you have the right amount of raw materials needed for your business. Ensuring stock is not out of date (rotate stock) selling oldest first. Ensuring stock levels can meet demand .
Logistics	The term for moving items from one place to another. Supplies from one company to another one. Usually on a global scale. Logistics companies ship goods around the world. Ships, Planes, Trains, Lorries etc are all involved with logistics. Managing warehouses of stock – distribution .
Kaizen	Process of continual improvement . Making small gradual changes rather than one big change. The new ideas come from existing staff - not management. Therefore ideas are more realistic and likely to succeed. Kaizen can also motivate staff as they feel their views are valued .
Human Resources Management	
Recruitment	Getting the right person in to fill a vacancy . (When someone has left the company)
Training	Ensuring staff have the right skills needed for the workplace. Helps company to continue providing good service – beating rivals. Helps keep staff motivated and feel valued . However trained staff may become more ' employable ' and more likely to move elsewhere.
Retention	Ensuring staff stay at your company . This could be through promotion , giving them more pay or more responsibility . Keeps staff stable and content in business. A high turnover of staff (people leaving all the time) results in lack of morale, more training and lower levels of service.
Pay	Part-time and casual employees receive a daily or weekly wage . More permanent employees receive a yearly salary (a set amount divided by 12 and paid each month) Pay can include bonuses and overtime payments.
Working Conditions	Need to be safe , suit the needs of the business but also not cost too much. Noise, space, cleanliness, location to people's homes, distribution lines (roads rail etc) also important.
Performance Management	Where management check that employees are meeting targets set . Usually happens once a year and can result in people being promoted , receiving pay increases (or being demoted)
Learning Outcome 4: External Factors Which Impact On A Business	
Social	Demographics – Sections of society based on common characteristics . Age, Gender, Race, Income etc. These can affect what a business sells and how they market it to their audience . Social trends and fashions change and a business needs to respond and adapt to these.
Technological	A business should keep up with emerging technologies (e.g the internet, mobile technology, social media) and use them to create, sell and distribute items they sell. Consider technology we are on the verge of (flying delivery drones, driverless cars, internet enabled clothing etc)
Environmental	Greener working practices – ensuring company uses less electricity and wastes less materials. Also they could source materials from renewable sources . Green consumerism – the idea that people are willing to pay extra for things made in an environmentally friendly way.
Ethical	Ethics are <i>not</i> laws, but more what people and society thinks is right and wrong . (E.g employing people on low wages in poor conditions.) Bad ethical choices can result in bad publicity for a business and they could lose customers as a result.
Political	Changes in Government often means changes in laws that affect businesses. e.g taxes they have to pay, health and safety legislation , trade rules (people or counties they can and cannot sell to) when shops are allowed to open etc. (Most laws come from European Union)
Legal	Businesses have to comply to many laws. E.g. Health and safety, Minimum wage, Copyright. They may have to employ specific people to check they meet the legal requirements and also could be fined or sued if they break them.
Economic	The wider economy affects a business. In times of recession , their customers may find themselves out of work, or having low pay. This results in less sales, or more sales in cheaper quality goods. In times of prosperity , more people have more to spend.