

# Understanding Business

## *1.1 - Business Activity*



Question  
Bank

## WHAT DO BUSINESSES DO?

- 1 Describe what a business is. 1
- 2 Describe what GOODS and SERVICES are. 2
- 3 Explain what the difference between TANGIBLE and INTANGIBLE products is. 2
- 4 Explain what the difference between DURABLE and NON DURABLE products is. 2
- 5 Explain what the difference between CONSUMER and CAPITAL products is. 2
- 6 For each of the following items identify whether it is:
  - a a GOOD or a SERVICE
  - b DURABLE or NON DURABLE
  - c CAPITAL or CONSUMER  

* COFFEE	* BANK LOAN
* PRINTER	* SHOES
* £100 TRAINERS	* INTERNET
* HOUSE	* TOURIST INFORMATION OFFICE
* NEWSPAPER	* MOBILE PHONE
- 7 Choose 2 businesses that you know about, and describe the type of GOOD or SERVICE that they provide. 4

## **HOW DO BUSINESSES PROVIDE GOODS AND SERVICES?**

- |    |   |   |
|----|---|---|
| 8  | Describe what PRODUCTION is.  | 1 |
| 9  | Describe what the 3 main stages of the PRODUCTION process are.                          | 3 |
| 10 | Describe what RAW MATERIALS are.  | 1 |
| 11 | Describe what the FACTORS OF PRODUCTION are. Give an example of each.                   | 8 |
| 12 | Identify the PAYMENT made for the use of each factor of production.                     | 4 |
| 13 | Explain why businesses must carefully choose which factors of production they will use. | 1 |

## **WHY DO WE USE BUSINESSES TO PROVIDE GOODS AND SERVICES?**

- |    |   |   |
|----|---|---|
| 14 | Explain what the difference between NEEDS and WANTS is. | 1 |
| 15 | Identify 2 examples of a NEED and 2 examples of a WANT. | 4 |
| 16 | Explain what is meant by the term CONSUMPTION.          | 1 |

## **THE BUSINESS CYCLE**

- |    |  |   |
|----|--|---|
| 17 | Explain what is meant by the term the BUSINESS CYCLE.          | 1 |
| 18 | Describe what happens at each stage of the business cycle.     | 4 |
| 19 | Explain why the cycle repeats itself over and over again.      | 1 |
| 20 | Explain how the business cycle affects the work of businesses. | 1 |

## **SATISFYING CONSUMERS NEEDS AND WANTS**

- 21 Explain why satisfying the needs and wants of consumers is important to businesses. 1
- 22 Describe 3 actions businesses can take to help satisfy consumers' needs and wants. 1
- 23 Describe what a FUNCTIONAL DEPARTMENT or AREA is in a business. 1
- 24 Describe what the role of the 4 main functional areas in a business is. 4
- 25 Identify one example of an activity that each functional area would usually do. 4

## **ARE ALL BUSINESSES THE SAME?**

- 26 Are all businesses are the same? Give a reason for your answer. 2
- 27 What is a MISSION STATEMENT, and why do businesses have them? 2
- 28 From the resources provided by your teacher, find an example of a mission statement. Describe the message that you think it is trying to get across to you about the business. 1

## **BUSINESS DIFFERENCES – SIZE**

- 29 When businesses are identified by SIZE, what does this usually mean? 1
- 30 Describe the following sizes of businesses. 3
- a SMALL
  - b MEDIUM
  - c LARGE
- 31 From the resources provided by your teacher, find out which size of business is most popular in the UK. Explain why you think this is. 2

## TYPES OF BUSINESS – ECONOMIC SECTOR (PUBLIC)

32	Describe what an ECONOMIC SECTOR is.	1
33	Identify the 3 main economic sectors.	3
34	Describe who sets up and owns PUBLIC SECTOR organisations.	1
35	Explain why PUBLIC SECTOR organisations exist.	1
36	Identify 3 examples of goods and services provided by the PUBLIC SECTOR.	3
37	Explain where the money to start PUBLIC SECTOR organisations comes from.	2
38	Explain what a DEVOLVED GOVERNMENT is and identify an example of what it does.	2
39	Explain what a LOCAL AUTHORITY is and identify an example of what it does.	2
40	Identify what type of public sector business each of the following are.	
	a STRATHCLYDE POLICE	
	b LOCAL LIBRARY	
	c NHS HOSPITAL IN GLASGOW	
	d REFUSE COLLECTION	3

## TYPES OF BUSINESS – ECONOMIC SECTOR (PRIVATE)

41	Describe who sets up and owns PRIVATE SECTOR businesses.	1
42	Explain why PRIVATE SECTOR businesses exist.	1
43	Explain where the money to start PRIVATE SECTOR businesses comes from.	2
44	Describe who owns a SOLE TRADER.	1
45	Explain who is entitled to make decisions in a SOLE TRADER.	1
46	Describe 3 ADVANTAGES to being a SOLE TRADER.	3
47	Describe what DRAWINGS are.	1
48	Describe what is meant by UNLIMITED LIABILITY.	1
49	Explain why unlimited liability can be a drawback to being a SOLE TRADER.	1
50	Other than unlimited liability, describe 2 other DISADVANTAGES a SOLE TRADER might experience.	2
51	What size are SOLE TRADER businesses usually? Give a reason for your answer.	2
52	Describe who owns a PARTNERSHIP.	1
53	Explain how a PROFESSIONAL PARTNERSHIP is different to an ordinary partnership.	2
54	Explain who is entitled to make decisions in a PARTNERSHIP.	1
55	Describe what a PARTNERSHIP AGREEMENT is, and explain how it affects decision making in a PARTNERSHIP.	2
56	Describe 3 ADVANTAGES to being a PARTNERSHIP.	3
57	Describe 3 DISADVANTAGES to being a PARTNERSHIP.	3
58	Explain what a LIMITED PARTNER is.	1
59	What size are PARTNERSHIP businesses usually? Give a reason for your answer.	2
60	Describe who owns a PRIVATE LIMITED COMPANY, and explain how they can prove they do.	2
61	Describe how are shares of ownership bought and sold in a PRIVATE LIMITED COMPANY.	1
62	Describe what the MEMORANDUM AND ARTICLES OF ASSOCIATION do.	1
63	Describe what a DIVIDEND is.	1
64	Describe what the BOARD OF DIRECTORS is and explain what it does.	2
65	Describe what COMPANIES HOUSE is and explain what it does.	2

66	Describe what is meant by LIMITED LIABILITY.	1
67	Explain why limited liability is an advantage to being a PRIVATE LIMITED COMPANY.	1
68	Explain why PRIVATE LIMITED COMPANIES must include “LTD” in their name.	1
69	Describe 2 DISADVANTAGES of being a PRIVATE LIMITED COMPANY.	2
70	What size are PRIVATE LIMITED COMPANIES businesses usually? Give a reason for your answer.	2
71	A friend comes to you looking for advice about starting a new window cleaning business. Suggest a suitable private sector business for them and give 2 reasons for your answer.	3

### **TYPES OF BUSINESS – ECONOMIC SECTOR (THIRD)**

72	Describe who sets up and owns THIRD SECTOR organisations.	1
73	Explain why THIRD SECTOR organisations exist.	1
74	Describe what CHARITIES are set up to do.	1
75	Identify 3 CHARITABLE PURPOSES that would allow an organisation to claim charitable status.	3
76	Explain where charities get money for their activities.	2
77	Identify the Government organisation which manages Scottish charities.	1
78	Explain why CHARITABLE STATUS is helpful to a charity.	1
79	Explain what a SOCIAL ENTERPRISE is.	2
80	Explain how SOCIAL ENTERPRISES pay for their activities.	2
81	Describe how an ASSET LOCK works.	1
82	Describe what each of the following social enterprises do.	
	a SOCIAL FIRM	
	b COOPERATIVE	
	c INTERMEDIATE LABOUR MARKET COMPANY	
	d COMMUNITY BUSINESS	
	e CREDIT UNION	5
83	From resources provided by your teacher, find at least 10 different businesses. For each business, identify the type of business that it is and suggest why you think this is the case.	10

## TYPES OF UK BUSINESS - OBJECTIVES

- 84 Explain what OBJECTIVES are and why they create differences between businesses. 2
- 85 Describe what each of the following objectives are, and suggest a business which may pursue it. 12
- a PROFIT MAXIMISATION
  - b PUBLIC SERVICE
  - c SOCIAL RESPONSIBILITY
  - d SURVIVAL
  - e MAXIMISE CONSUMER SATISFACTION
  - f INCREASE MARKET SHARE
- 86 Describe that the objective of ENTERPRISE involves. 4
- 87 Describe what an ENTREPRENEUR is 1
- 88 Identify SKILLS and QUALITIES that successful entrepreneurs often have. 4
- 89 Explain why it is important that a country has ENTREPRENEURS. 2
- 90 From resources provided by your teacher, find out about the work of an ENTREPRENEUR. Outline what they have done. 2
- 91 For each of the following businesses, suggest (with reasons) at least 2 objectives that they might have during their life. 6
- a SOLE TRADER
  - b NHS HOSPITAL
  - c OXFAM



## TYPES OF BUSINESS – INDUSTRIAL SECTOR

- 92 Describe what an INDUSTRIAL SECTOR is. 1
- 93 Identify the 3 main INDUSTRIAL SECTOR. 3
- 94 Explain what businesses in the following sectors produce.
- a PRIMARY
  - b SECONDARY
  - c TERTIARY 3
- 95 Identify which sector the following businesses are part of.
- a BUILDING COMPANY
  - b CINEMA
  - c COAL MINE
  - d LAUNDRY
  - e BOOK PUBLISHER
  - f ELECTRICIAN
  - g LOTTERY TICKET RETAILER
  - h KEY CUTTER
  - i BANK
  - j OIL DRILLING COMPANY
  - k CIVIL SERVICE
  - l FOOD MANUFACTURER
  - m CLOTHES RETAILER
  - n BUS DRIVER
  - o FOOD SALES PARTNERSHIP
  - p FISHING BOAT 8
- 96 Explain why businesses can be INTERDEPENDENT and why is this important. 2
- 97 Explain why the TERTIARY SECTOR has become so important to the Scottish economy. 2

## BUSINESS ACTIVITY – SUMMARY TASK

Choose a business that you know about or can find out about. Prepare a business profile for them that highlights the following information.

- NAME
- GOOD OR SERVICE PROVIDED
- NEED OR WANT SATISFIED
- SIZE
- ECONOMIC SECTOR
- BUSINESS TYPE
- OBJECTIVES
- INDUSTRIAL SECTOR

