

Business Management

H

N5

# 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
- 14 Describe what is meant by the term WEALTH 1
- 15 Explain how production creates wealth. 1
- 16 Explain what VALUE ADDED is. 1
- 17 For each of the following production stages, calculate the value added.

	Input	Output	
Quarry	£0	£100,000	
Brickwork	£100,000	£500,000	
Builders Merchant	£500,000	£1,000,000	
Builder	£1,000,000	£2,000,000	4

- 18 Describe what a PRODUCTION CHAIN is, and explain why it exists. 4
- 19 Prepare a PRODUCTION CHAIN for any 2 of the following items.
  - \* JAR OF COFFEE
  - \* CHOCOLATE BISCUIT
  - \* CAR TYRES
  - \* TEA BAGS
  - \* TIN OF SOUP
  - \* PAPER HANKIES
- 20 Choose a business that you know about. Outline the PRODUCTION CHAIN they are part of, their position in it and what they do to create wealth. 3

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

21	Explain what the difference between NEEDS and WANTS is.	1
22	Identify 2 examples of a NEED and 2 examples of a WANT.	4
23	Explain what is meant by the term CONSUMPTION.	1
24	Explain what EFFICIENCY means.	1
25	Explain what an ECONOMIC BENEFIT is.	1
26	Describe at least 2 economic benefits from the existence of businesses.	2
27	Explain what a SOCIAL BENEFIT is.	1
28	Describe at least 2 social benefits from the existence of businesses.	2
29	What are the negative effects of businesses known as?	1
30	Explain what a SOCIAL COST is.	1
31	Describe at least 2 social costs from the existence of businesses.	2
32	Describe what OPPORTUNITY COST is, and give an example of it.	2
33	Explain why opportunity cost can be a problem.	1
34	Choose a business that you know about. Describe whether it satisfies a NEED or a WANT. Identify the BENEFITS and COSTS from its' work.	3

## **THE BUSINESS CYCLE**

35	Explain what is meant by the term the BUSINESS CYCLE.	1
36	Describe what happens at each stage of the business cycle.	4
37	Explain why the cycle repeats itself over and over again.	1
38	Explain how the business cycle affects the work of businesses.	1

## **SATISFYING CONSUMERS NEEDS AND WANTS**

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

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

- 44 Are all businesses are the same? Give a reason for your answer. 2
- 45 What is a MISSION STATEMENT, and why do businesses have them? 2
- 46 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**

- 47 When businesses are identified by SIZE, what does this usually mean? 1
- 48 Describe the following sizes of businesses. 3
- a SMALL
  - b MEDIUM
  - c LARGE
- 49 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
- 50 Compare INTERNAL and EXTERNAL growth. 2

- 51 Describe what the following different methods of growth are.
- a MANAGEMENT BUY OUT
  - b MANAGEMENT BUY IN
  - c MERGER
  - d AMICABLE TAKEOVER
  - e HOSTILE TAKEOVER
- 52 Explain the benefits of external growth which make it popular with many different businesses. 2
- 53 Explain what the following different DIRECTION OF GROWTH are, and give an example of each.
- a HORIZONTAL
  - b FORWARDS VERTICAL
  - c BACKWARDS VERTICAL
  - d CONGLOMERATE
- 4

## TYPES OF BUSINESS – ECONOMIC SECTOR (PUBLIC)

54	Describe what an ECONOMIC SECTOR is.	1
55	Identify the 3 main economic sectors.	3
56	Describe who sets up and owns PUBLIC SECTOR organisations.	1
57	Explain why PUBLIC SECTOR organisations exist.	1
58	Identify 3 examples of goods and services provided by the PUBLIC SECTOR.	3
59	Explain where the money to start PUBLIC SECTOR organisations comes from.	2
60	Explain what a NATIONAL GOVERNMENT DEPARTMENT is and identify an example of one.	2
61	Explain what an EXECUTIVE AGENCY is and identify an example of one.	2
62	Explain what a PUBLIC CORPORATION is and identify an example of one.	2
63	Explain what a DEVOLVED GOVERNMENT is and identify an example of what it does.	2
64	Explain what a LOCAL AUTHORITY is and identify an example of what it does.	2
65	Identify what type of public sector business each of the following are.	
	a THE MINISTRY OF DEFENCE	
	b STRATHCLYDE POLICE	
	c LOCAL LIBRARY	
	d COMPETITION AND MARKETS AUTHORITY	
	e NHS HOSPITAL IN GLASGOW	
	f REFUSE COLLECTION	
	g THE BBC	6

## TYPES OF BUSINESS – ECONOMIC SECTOR (PRIVATE)

66	Describe who sets up and owns PRIVATE SECTOR businesses.	1
67	Explain why PRIVATE SECTOR businesses exist.	1
68	Explain where the money to start PRIVATE SECTOR businesses comes from.	2
69	Describe who owns a SOLE TRADER.	1
70	Explain who is entitled to make decisions in a SOLE TRADER.	1
71	Describe 3 ADVANTAGES to being a SOLE TRADER.	3
72	Describe what DRAWINGS are.	1
73	Describe what is meant by UNLIMITED LIABILITY.	1
74	Explain why unlimited liability can be a drawback to being a SOLE TRADER.	1
75	Other than unlimited liability, describe 2 other DISADVANTAGES a SOLE TRADER might experience.	2
76	What size are SOLE TRADER businesses usually? Give a reason for your answer.	2
77	Describe who owns a PARTNERSHIP.	1
78	Explain how a PROFESSIONAL PARTNERSHIP is different to an ordinary partnership.	2
79	Explain who is entitled to make decisions in a PARTNERSHIP.	1
80	Describe what a PARTNERSHIP AGREEMENT is, and explain how it affects decision making in a PARTNERSHIP.	2
81	Describe 3 ADVANTAGES to being a PARTNERSHIP.	3
82	Describe 3 DISADVANTAGES to being a PARTNERSHIP.	3
83	Explain what a LIMITED PARTNER is.	1
84	What size are PARTNERSHIP businesses usually? Give a reason for your answer.	2
85	Describe who owns a PRIVATE LIMITED COMPANY, and explain how they can prove they do.	2
86	Describe how are shares of ownership bought and sold in a PRIVATE LIMITED COMPANY.	1
87	Describe what the MEMORANDUM AND ARTICLES OF ASSOCIATION do.	1
88	Describe what a DIVIDEND is.	1
89	Describe what the BOARD OF DIRECTORS is and explain what it does.	2
90	Describe what COMPANIES HOUSE is and explain what it does.	2



91	Describe what is meant by LIMITED LIABILITY.	1
92	Explain why limited liability is an advantage to being a PRIVATE LIMITED COMPANY.	1
93	Describe 2 DISADVANTAGES of being a PRIVATE LIMITED COMPANY.	2
94	Describe who owns a PUBLIC LIMITED COMPANY.	2
95	Describe how are shares of ownership bought and sold in a PUBLIC LIMITED COMPANY.	1
96	Describe who makes decisions for a PUBLIC LIMITED COMPANY.	2
97	Explain why PRIVATE LIMITED COMPANIES must include “PLC” in their name.	1
98	Describe 2 DISADVANTAGES of being a PUBLIC LIMITED COMPANY.	2
99	Compare the features of PRIVATE and PUBLIC LIMITED COMPANIES.	3
100	Explain why a Public Limited Company is NOT a public sector business.	2
101	Describe what a MULTINATIONAL BUSINESS is.	1
102	Explain the differences between the SUBSIDIARY and PARENT parts of a multinational.	2
103	Describe what GLOBALISATION is.	1
104	Suggest reasons why the number of multinational businesses has increased.	2
105	Outline the meaning of the following terms.	
	a GLOCALISATION	
	b INTERNAL ECONOMY OF SCALE	
	c TARIFF	
	d QUOTA	
	e TRANSFER PRICING	
	f MONOPOLY	
	g INWARD INVESTMENT	
106	Explain reasons why a business may want to become a multinational.	3
107	Explain drawbacks of becoming a multinational.	3
108	Describe what a FRANCHISE is.	1
109	Describe the costs and benefits of franchising for FRANCHISEE.	3
110	Describe the costs and benefits of franchising for FRANCHISOR.	3

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

- |     |   |    |
|-----|---|----|
| 111 | Describe who sets up and owns THIRD SECTOR organisations.   | 1  |
| 112 | Explain why THIRD SECTOR organisations exist.   | 1  |
| 113 | Describe what CHARITIES are set up to do.   | 1  |
| 114 | Identify 3 CHARITABLE PURPOSES that would allow an organisation to claim charitable status.   | 3  |
| 115 | Explain where charities get money for their activities.   | 2  |
| 116 | Identify the Government organisation which manages Scottish charities.  | 1  |
| 117 | Explain why CHARITABLE STATUS is helpful to a charity.  | 1  |
| 118 | Explain what a SOCIAL ENTERPRISE is.  | 2  |
| 119 | Explain how SOCIAL ENTERPRISES pay for their activities.  | 2  |
| 120 | Describe how an ASSET LOCK works.   | 1  |
| 121 | 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  |
| 122 | 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

- 123 Explain what OBJECTIVES are and outline why they create differences between businesses. 2
- 124 Describe what each of the following objectives are, and suggest a business which may pursue it.
- a PROFIT MAXIMISATION
  - b PUBLIC SERVICE
  - c SOCIAL RESPONSIBILITY
  - d SURVIVAL
  - e MAXIMISE CONSUMER SATISFACTION
  - f CORPORATE SOCIAL RESPONSIBILITY
  - g SATISFICING
  - h MANAGERIAL OBJECTIVES 16
- 125 Describe that the objective of GROWTH involves. 4
- 126 Describe reasons why businesses may wish to grow. 3
- 127 Describe reasons why society may be happy about the growth of businesses. 3
- 128 Describe what an ENTREPRENEUR is. 1
- 129 Identify SKILLS and QUALITIES that successful entrepreneurs often have. 4
- 130 Explain why it is important that a country has ENTREPRENEURS. 2
- 131 Describe that the objective of ENTERPRISE involves. 4
- 132 For each of the following businesses, suggest (with reasons) at least 2 objectives that they might have during their life.
- a SOLE TRADER
  - b NHS HOSPITAL
  - c MULTINATIONAL
  - d FRANCHISE
  - e OXFAM
  - f PARTNERSHIP
  - g SOCIAL ENTERPRISE
  - h PUBLIC LIMITED COMPANY 16

## TYPES OF BUSINESS – INDUSTRIAL SECTOR

- 133 Describe what an INDUSTRIAL SECTOR is. 1
- 134 Identify the 3 main INDUSTRIAL SECTOR. 3
- 135 Explain what businesses in the following sectors produce.
- a PRIMARY
  - b SECONDARY
  - c TERTIARY
  - d QUATERNARY 4
- 136 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
- 137 Explain why businesses can be INTERDEPENDENT and why is this important. 2
- 138 Explain why the TERTIARY and QUATERNARY SECTORS have become so important to the Scottish economy. 2

## INTERNAL GROUPINGS

- 139 Explain what the term INTERNAL GROUPING means. 1
- 140 For each of the following Staff Groupings:
- a explain what it is;
  - b give at least one example of a business which uses this grouping;
  - c describe at least 1 benefit of this grouping;
  - d describe at least 1 drawback of this grouping.
- FUNCTIONAL GROUPING
  - PRODUCT( or SERVICE) GROUPING
  - CUSTOMER GROUPING
  - PLACE (or TERRITORY) GROUPING 16
- 141 Describe the main factors that affect which grouping will be used by a business. 3
- 142 Explain why choosing a suitable grouping important to business success. 3

## MANAGEMENT STRUCTURE

- 143 Explain what the MANAGEMENT STRUCTURE of a business is, and what it covers. 4
- 144 Describe at least 3 factors which influence the management structure of a business. 2
- 145 For each of the following management structures:
- a explain what it is;
  - b give at least one example of a business which uses this structure;
  - c describe at least 1 benefit of this structure;
  - d describe at least 1 drawback of this structure.
- HEIRARCHICAL STRUCTURE
  - FLAT STRUCTURE
  - MATRIX STRUCTURE
  - ENTREPRENEURIAL STRUCTURE 16
- 146 Explain (with an example) what is meant by DECENTRALISED decision making and control structures, and highlight their advantages and disadvantages. 4
- 147 Explain (with an example) what is meant by CENTRALISED decision making and control structures, and highlight their advantages and disadvantages. 4

## THE CHANGING NATURE OF INTERNAL STRUCTURE

148	Explain why businesses may wish to change their structure over time.	3
149	Outline the types of structure which are popular with many businesses today.	1
150	Explain (with a diagram) what DELAYERING is, and why businesses may pursue this action.	4
151	Describe how delayering affects the structure of a business and the activities of remaining staff.	4
152	Explain (with a diagram) what DOWNSIZING is, and why businesses may pursue this action.	3
153	Describe how downsizing might affect the actions of staff.	3
154	Explain what OUTSOURCING is, and why businesses may pursue this action.	6
155	Outline the benefits and drawbacks of outsourcing.	4
156	Explain what EMPOWERMENT is, and how it can be carried out.	4
157	Outline the benefits and drawbacks of empowerment.	6

## 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
- LIKELY STAFF GROUPINGS AND MANAGEMENT STRUCTURE

