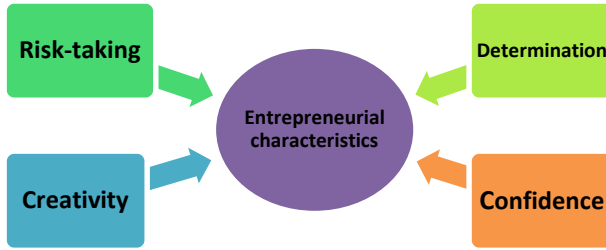


## 1:1 Role of Business Enterprise and Entrepreneurship

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



Risk	Reward
<ul style="list-style-type: none"> <li>▪ <b>Financial</b> Possibility of losing money</li> <li>▪ <b>Health</b> The strain of being in charge can affect health</li> <li>▪ <b>Strained relationships</b> Starting a business is time consuming</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Financial</b> Some successful entrepreneurs can make a lot of money</li> <li>▪ <b>Independence</b> Some people like to be their own boss</li> <li>▪ <b>Self-satisfaction</b> Some people like to see and idea work</li> </ul>

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

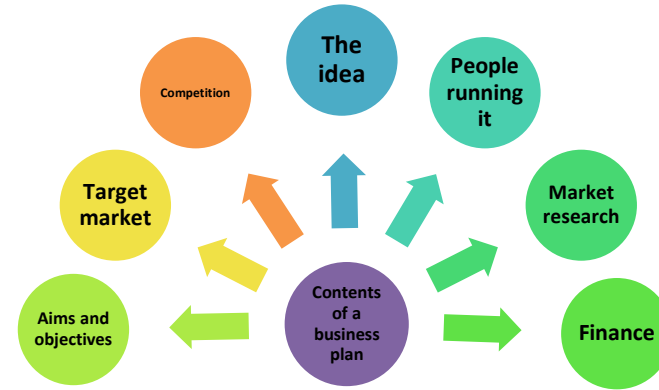
**Enterprising characteristics**  
*Features of an entrepreneur*

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

### Partnership

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

### Private Limited Company (LTD)

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

### Public Limited Company (PLC)

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

**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**

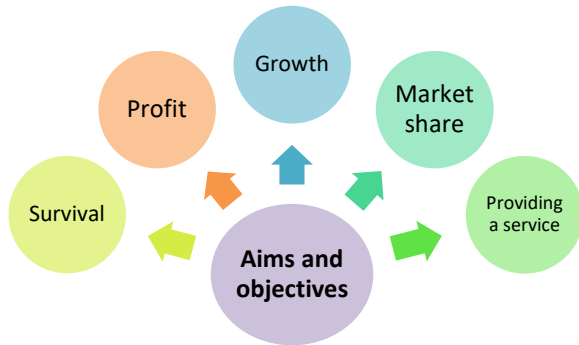
*Owners of a limited company*

**Dividend**

*Money paid to shareholders from business profits*

**Business objectives:**  
are what the business wants to achieve

### 1:4 Business Aims and Objectives



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

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

**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

**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

**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

### 1:6 Business Growth

There are two methods of business growth:

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

### 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

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

**State Explain Analyse Recommend Evaluate**