

How to use a Knowledge Organiser Effectively

3.1 Business in the Real World

Purpose and Reasons for starting a business

A business is an organisation that produces a good or supplies a service often with the aim of making a profit.

People that start their own businesses are known as **Entrepreneurs**.

A person may decide to be an entrepreneur because;

- They want to be their own boss
- They want to keep all the profit
- They have an interest or hobby that develops into a business
- They have spotted a business opportunity
- They want to provide a service to others

Characteristics of an entrepreneur

- Innovative
- Risk taker
- Hard working
- Organised

Business Sectors

- Primary
- Secondary
- Tertiary

Aims and Objectives

An aim is a goal of a business.

Typical business objectives include:

- Survival
- Profit maximisation
- Growth (domestic and international)
- Increase market share
- Customer satisfaction
- Social and ethical objectives

Why set objectives?

- Helps with decision making
- Helps investors understand the direction
- Provides a target
- It can motivate staff

Stakeholders

A stakeholder is an individual or organisation that affects and is affected by the activities of an organisation.

They include;

- Employees
- Owners/shareholders
- Local community
- Government
- Suppliers
- Customers

Each stakeholder will have their own objectives and may influence the targets set by the business.

Business Ownership

Type	Description	Advantages	Disadvantages
Sole Trader	Owned and managed by one person, although they may employ additional staff.	Own boss Easy to set up Keep all the profits	Unlimited liability Heavy workload Lack finance
Partnership	Created when two or more people set up a business. They are advised to write a deed of partnership, this sets out the rules of the partnership.	Share workload More sources of finance Share skills	May disagree with partners Unlimited liability Liable for partners actions
Private Limited (ltd)	Cannot publicly advertise their shares, often owned by family members. It is possible to place restrictions on who buys the shares.	Limited liability If owner dies the business still exists Control over who becomes an owner	Financial accounts must be produced and made public Legal procedures
Public limited (plc)	Shares can be sold to the general public on the Stock Exchange	Able to generate income through issuing shares Limited liability	Can't control who buys the shares Financial accounts must be published
Not-for-profit	Set up to achieve objectives other than profit. For example, a charity to help the homeless.	Can benefit from Gift aid Lower wage bill as use volunteers	Rely on donations Rely on volunteers

Location

The location of a business will have a huge impact on its costs, sales and image. Factors that influence location include costs, availability of resources, proximity to market, transport links, technology and the type of business.

Business Planning

A business plan states what a business is trying to achieve over the next few years and how it intends to accomplish these aims.

Its purpose maybe to raise finance, set objectives or start a business.

The sections of the plan include background information about the founders, analysis of the market, objectives, selling price & finances.

Key Formulas

Total revenue = price x quantity

Total costs = fixed + variable costs

Profit = total revenue – total costs

Expanding a business

Internal growth – selling more of its own products (organic). Methods include franchising, opening new stores, ecommerce & outsourcing.

External growth – joining with other businesses through mergers or takeovers (integration).

1. Look, cover, write, check
2. Create 10 quiz questions and answers
3. Create your own knowledge organiser
4. Get someone else to test you on it
5. Use it to create a mind map
6. Turn it into pictures
7. Revisit each week