

# GCSE Business Revision Notes - All Chapters

## 1) Business in the Real World (papers one & two)

1	<b>Business</b>	A business is an organisation that produces a good or supplies a service.
2	<b>Purpose of business</b>	Produce goods or supply services that are demanded by others to fulfil the needs and wants of its customers, distribute products, fulfil a business opportunity and provide a good or service to benefit others.
3	<b>Needs</b>	A need is a basic human requirement – we need to eat and drink.
4	<b>Wants</b>	A want is a desire for a particular product – we need to drink, but we want Coca-Cola.
5	<b>Good</b>	Is a physical tangible product such as a car.
6	<b>Service</b>	Is an intangible product, such as financial advice, or a hair dresser.
7	<b>Customer</b>	Is someone who buys a product from a business.
8	<b>Consumer</b>	Is someone who uses goods and/or services produced by a business
9	<b>Reasons for starting a business</b>	<ul style="list-style-type: none"> <li>• They want to be their own boss and make their own decisions.</li> <li>• They want to keep all the profits of a business for themselves – (earn more money).</li> <li>• They need a job (starting a business is one way of getting a job).</li> <li>• They have an interest or hobby and this grows into a business.</li> <li>• They want to prove something to themselves and get a sense of satisfaction.</li> <li>• They are unhappy with their current job and want to do something different.</li> <li>• They want more flexible working hours and work when they want.</li> <li>• They have spotted a business opportunity to provide a good or service – identified a gap in the market.</li> <li>• They want to provide a service to help others (social enterprise).</li> </ul>
10	<b>Entrepreneur</b>	Is someone who is willing to take the risks involved in starting a new business in return for the rewards (profit, status, satisfaction etc.)
11	<b>Entrepreneurship</b>	Refers to the ability to be an entrepreneur – to take risks to develop a business idea.

1 2	<b>Characteristics of an Entrepreneur</b>	<ul style="list-style-type: none"> <li>• <b>Innovative</b> – good at spotting an opportunity – can identify problems and develop solutions. They have a vision of how things could be.</li> <li>• <b>Risk Takers</b> – in reality many new ideas fail – you may have lost your savings.</li> <li>• <b>Hard working and determined</b> – you need to be prepared to struggle, you will not be well known and will have to work hard to develop good relationships with customers and suppliers.</li> <li>• <b>Organised</b> – running your own business involves many skills and many decisions. You will have to be good at meeting deadlines.</li> </ul>
1 3	<b>Social Enterprise</b>	Is a business that is set up to help society rather than to make a profit.

1 4	<b>Factors of production</b>	<ul style="list-style-type: none"> <li>• <b>Land</b> – the physical land and the site on which the business is located and other natural resources a business might use.</li> <li>• <b>Labour</b> – the skills and numbers of employees employed by a business.</li> <li>• <b>Capital</b> – the equipment used to provide the goods or services, such as machinery or equipment.</li> <li>• <b>Enterprise</b> – the skills of the people involved in the business to identify business opportunities and bring together resources to meet these opportunities.</li> </ul>
1 5	<b>Enterprise</b>	Is another word for a business. It also refers to the skills.
1 6	<b>Resources</b>	Are the inputs that businesses use to provide their goods or services.
1 7	<b>Opportunity Cost</b>	Is the sacrifice we make whenever we decide to do anything e.g. if you decide to invest in a business, then you are not using these savings to earn money, which is known as interest, in the bank.
1 8	<b>Primary Sector</b>	Is made up of organisations that are at the first stage of production and use raw materials. (Farms, oil exploration companies and fishing fleets).
1 9	<b>Secondary Sector</b>	Is made up of organisations that are at the second stage of the production process. They are involved in using primary resources and converting these into products. (manufacturers and printers).
2 0	<b>Tertiary Sector</b>	Is the final stage of the production process and is made up of organisations that provide services. (fast food stores, estate agents,

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4 7	<b>Exchange rate</b>	An exchange rate is the price of one currency expressed in terms of another.  £1 = \$1.31 or £1 = €1.12									
4 8	<b>Effects of a rise in the exchange rate</b>	If the exchange rate of the pound rises against other currencies, it means that fewer pounds are needed to purchase goods and services from other countries. This makes imports cheaper. At the same time it makes UK exports more expensive and therefore sales are likely to decline.									
4 9	<b>Effects of a fall in the exchange rate</b>	If the exchange rate of the pound falls against other currencies, it means that more pounds are needed to purchase goods and services from other countries. This makes imports more expensive. At the same time it makes UK exports cheaper, and therefore sales are likely to increase. It also means that business that import raw materials from other countries could have reduce profits.									
<p><b>The exchange rate (in pounds)</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"><b>Example Prices of UK exports</b></td> <td style="width: 33%; text-align: center;"><b>Prices of imported overseas (in foreign currencies)</b></td> <td style="width: 33%; text-align: center;"><b>Products in the UK (in pounds)</b></td> </tr> <tr> <td>Rises £1 originally worth \$1.20:  increases in value to be worth \$1.50</td> <td>Increases in prices Fall in prices</td> <td></td> </tr> <tr> <td>Falls £1 originally worth \$1.20  decreases in value to be worth \$1.05</td> <td>Fall in prices Increase in prices</td> <td></td> </tr> </table>			<b>Example Prices of UK exports</b>	<b>Prices of imported overseas (in foreign currencies)</b>	<b>Products in the UK (in pounds)</b>	Rises £1 originally worth \$1.20:  increases in value to be worth \$1.50	Increases in prices Fall in prices		Falls £1 originally worth \$1.20  decreases in value to be worth \$1.05	Fall in prices Increase in prices	
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5 0	<b>Legislation</b>	Is a set of rules that governs the way society operates, it is another term for "laws" you do not need to quote the names of these laws or the dates they were introduced., but you should aim to understand how they affect businesses.									

5 1	<b>Employment law</b>	<ul style="list-style-type: none"> <li>Minimum (living) wage – workers over 25 must receive the living wage. Workers under 25 must receive the national minimum wage for their age group. The same rule apply for both part-time and full-time workers or temporary workers.</li> <li><b>Equality Act 2010</b> – states that employees cannot be discriminated against in the work place based on: age, disability, race, gender (or reassignment), marriage or civil partnership, religion, pregnancy, sexual orientation.</li> </ul>
		<ul style="list-style-type: none"> <li><b>Other employment laws</b> – pregnant employees entitled to 52 weeks leave, with the job kept open to return to. Legal right to paid holiday up to 5.6 weeks. Limited to work 48 hours per week unless agreed to work more. Employee's right to choose whether to belong to a trade union. Have to be given a contract of employment. Can have time off work such as for when a child is ill.</li> </ul>
	<b>How business are affected by employment laws</b>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Workers could be motivated by higher rates of pay or having their employee rights met and could lead to more efficient workforce – profit could therefore increase.</li> <li>Can ensure that they employ the best candidate regardless of age, gender, disability.</li> <li>Allowing staff to meet with trade unions could create good relationships, meaning disputes could be reduced.</li> </ul> <p><b>Drawbacks</b></p> <ul style="list-style-type: none"> <li>Minimum (living) wage increases can impact on profit levels as employment costs increase.</li> <li>Employers could decide to employ less people leading to reductions in output.</li> <li>When recruiting staff, firm may have to pay HR specialists to ensure that they do not break any rules.</li> <li>Meeting employees' rights can lead to additional costs, such as maternity pay (although it can be reclaimed)</li> </ul>

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		<ul style="list-style-type: none"> <li><b>Higher levels of sales</b> – motivated workers will work hard to meet the needs of customers. Customers treated like this will be more willing to buy goods and services.</li> <li><b>Improved recruitment and selection</b> – motivated staff gives the business a reputation as a good employer. This makes it easier for a business to recruit the best and most skilled employees.</li> </ul>
4 8	<b>Methods of motivation (non financial)</b>	<ul style="list-style-type: none"> <li><b>Increasing authority through job enrichment</b> – some employees may lack motivation because they are bored. Job Enrichment can help correct this by making jobs more demanding and challenging. It can give employees more diverse duties as well as more authority to take decisions at work.</li> <li><b>Training</b> – an employee may not be able to take on more demanding duties without being trained. Training in itself is likely to motivate employees because it shows that the business owner values the employees. It can also motivate by making the workplace safer following health and safety training.</li> <li><b>Management styles</b> – authoritarian managers tend not to motivate employees as they make all the decisions. Democratic managers to allow employees to help make decisions help motivate workers as they feel their opinion is valued as allow them meet their needs to self-esteem and self-actualisation.</li> <li><b>Fringe benefits</b> – these types of benefits supplement the pay that employees receive. They could include: health insurance, a company car, discounts when buying the company's products. If offered to a larger number of employees can become expensive.</li> </ul>

4 9	<b>Methods of motivation (financial)</b>	<ul style="list-style-type: none"> <li><b>Salaries</b> – is an income received by an employee, stated as an annual figure. These employees are not normally required to work a set number of hours per week. Employees paid in this way may be motivated by an increase in salary, perhaps alongside some fringe benefits.</li> <li><b>Wages</b> – usually paid each week and employees normally work an agreed number of hours. A higher hourly rate (overtime) is paid for any additional hours worked, an increase in the hourly rate may be used to motivate employees.</li> <li><b>Piecework</b> – employees are paid according to the amount they produce. They are paid an agreed figure for each unit of output they produce, this is subject to them receiving the National Living Wage as a minimum.</li> <li><b>Commission</b> – this is a payment to an employee based on the level of sales he or she has made of a period of time. It is normally paid in addition to a wage or salary.</li> <li><b>Profit sharing</b> – employees receive a share of the business's profits alongside their normal wages or salaries. This can motivate as</li> </ul>
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		employees benefit directly from an increase in the business's profits.
5 0	<b>Training</b>	Is a range of activities giving employees job-related skills and knowledge.

5 2	<b>The distribution channel (place)</b>	<p>Describes how the ownership of a product passes from the producer to the final customer.</p> <p>Producer &gt; Wholesaler &gt; Retailer &gt; Customer (<b>two level</b>)      Producer &gt; Retailer &gt; Customer (<b>one level</b>)      Producer &gt; Customer (<b>zero level</b>)</p>	<ul style="list-style-type: none"> <li>Customers can order any time</li> <li>Customers can order from home</li> <li>Customers can order from anywhere in the world potentially</li> </ul>	<ul style="list-style-type: none"> <li>Need to be able to distribute to a much wider range of destinations; logistical and cost issues.</li> <li>Need to be able to handle returned goods; because customers cannot try on or touch items, they are more likely to return them.</li> <li>Need to ensure the security of the site and protect customers' data; logistical and cost issues when distributing overseas raises the price of products and can impact on competitiveness.</li> </ul>				
5 3	<b>Producers</b>	A producer supplies goods or services. Cadbury produces chocolate, Direct Line provides insurance						
5 4	<b>Wholesalers</b>	<p>Buy products from producers in bulk and supply smaller quantities to retailers (known as breaking bulk) some wholesalers sell through cash and carry stores.</p> <p>Selling to a few big wholesalers reduces the transport costs for manufacturers, because it is a lot cheaper than transporting to lots of retailers, it also means the manufacturer has fewer deals to negotiate.</p>						
5 5	<b>Retailers</b>	Are the shops that sell goods and services to the final customers.						
5 6	<b>Connecting the distribution channel</b>	<ul style="list-style-type: none"> <li><b>Mail-order businesses</b> – produce catalogues and customers order from these. The businesses do not have physical retail outlets.</li> <li><b>Telesales</b> – this is where businesses sell their products over the telephone.</li> <li><b>Online selling</b> – this gives customers the opportunity to use click and collect services.</li> </ul> <p>These are all examples of direct marketing as the business sells directly to the customer. Providing physical and online operations is known as a 'multi-channel' option.</p>	<p>5 9</p> <p><b>Levels of distribution</b></p>	<p>Wholesalers and retailers are intermediaries in the distribution channel.</p> <ul style="list-style-type: none"> <li><b>Zero level</b> – this means there is no intermediary between the producer and the customer. The maker of the product sells direct to the final buyer.</li> <li><b>One level</b> – this occurs when there is one intermediary between the producer and the customer. E.g. a business sells to a retailer and then to the customer.</li> <li><b>Two level</b> – when there are two intermediaries between the producer and the customer. A wholesaler buys in bulk from the producer and then sells a range of products to the retailer who sells onto the final customer. It is easier for the retailer to go to one wholesaler than to many producers.</li> </ul>				
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5 7	<b>E-commerce</b>	Is the act of buying or selling a product using an electronic system such as the internet. It allows a business to extend its reach to international markets.						
5 8	<b>M-commerce</b>	Is the buying and selling of products through wireless handheld devices such as smartphones.						
<b>Advantages of Direct Selling</b>		<b>Disadvantages of Direct Selling</b>						

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			knowledge and understanding from the specification that underpins the question.	4	<b>Example of command words</b>	Knowledge Area – Delayering		
	AO2 & 3	Advise or Recommend	Present the key points about different ideas or strengths and weaknesses of an idea. Make a choice from those given and use evidence from the information provided in the item to support that choice.			Any Section	What is meant by (or define) delayering	Knowledge only – AO1 (1-3 marks)
	AO2 & 3	Evaluate	You should discuss both sides of an issue. You should finish your answer with a conclusion giving your overall judgement.			Sections B and C	Explain one benefit to the business of delayering	Knowledge applied to the context – AO2 (2-4 marks)
	AO 1, 2 & 3	Calculate	Use the given material to carry out a calculation. Remember to show your working.			Sections B and C	Analyse the possible benefit to the business of delayering	Analysis of the knowledge applied to the context – AO3 (6 marks)
	AO2 & 3	Give reasons for your answer	This means you need to include lots of points and explain why they are relevant to your answer. Link your ideas together to build a balanced argument.			Sections B and C	Recommend whether the business should use delayering to reorganise the workforce	Judgement based on analysis of the knowledge applied to the context – AO3 (9 or 12 marks)
	AO2 & 3	Use evidence to support your answer	This means you need to pick out specific information from a case study or piece of data that you have been given, in order to back up your answer	5	<b>Case study</b>	<ul style="list-style-type: none"> <li>For questions that are based on case study information or on data, make sure you use evidence from the case study or data set as well as your knowledge of Business in your exams.</li> <li>For questions using analyse or recommend command word, there will usually be advantages and disadvantages of a situation to think about to get all the marks.</li> <li>Before you get started on your answer, read the case study and any data all the way through. Then read the whole question carefully and make sure you have understood what you are being asked to do.</li> <li>It is important that you remember the context of the question and the case study – if your business is a sole trader, your answer must be relevant to a sole trader and not to a well-established private limited company.</li> </ul>		
						<ul style="list-style-type: none"> <li>In your exams, you will have to do some maths – e.g. do some calculations using financial data, or interpret a graph.</li> <li>For calculation questions always make sure you show your working – even if your final answer is wrong you could still get some marks if your method was correct.</li> <li>Make sure you give your answer in the correct units £, % etc or to the correct decimal places asked for.</li> </ul>		