

# GCSE Business Studies

## *Unit 1: Business Activity* *Revision Guide*



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Name:

Target grade:

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## Unit 1: Business Activity - An overview




Paper 1: Business Activity, Marketing and People		
Content overview	Assessment overview	
<b><u>Business Activity</u></b> Marketing People	Business 1 80 marks 1 hour 30 minute paper	50% of total GCSE

Topic	Content
1.1 The role of business enterprise and entrepreneurship	<ul style="list-style-type: none"> <li>▪ The purpose of business activity and enterprise</li> <li>▪ Characteristics of an entrepreneur</li> <li>▪ The concept of risk and reward</li> </ul>
1.2 Business planning	<ul style="list-style-type: none"> <li>▪ The purpose of planning business activity</li> <li>▪ The role, importance and usefulness of a business plan</li> </ul>
1.3 Business ownership	<ul style="list-style-type: none"> <li>▪ The features of different types of business ownership</li> <li>▪ The concept of limited liability</li> <li>▪ The suitability of differing types of ownership in different business contexts</li> </ul>
1.4 Business aims and objectives	<ul style="list-style-type: none"> <li>▪ The aims and objectives of business</li> <li>▪ How and why objectives might change as businesses evolve</li> <li>▪ Why different businesses may have different objectives</li> </ul>
1.5 Stakeholders in business	<ul style="list-style-type: none"> <li>▪ The roles and objectives of internal and external stakeholder groups</li> <li>▪ The effect business activity has on stakeholders</li> <li>▪ The effect stakeholders have on business</li> </ul>
1.6 Business growth	<ul style="list-style-type: none"> <li>▪ Organic growth</li> <li>▪ External growth</li> </ul>

## Personalised Learning Checklist

Complete the checklist below to rate your understanding of each of the topics in  
Unit 1: Business Activity

Tick the relevant column to identify your learning and understanding of each of the areas studied.

Unit 1: Business Activity			
<b>1.1 The Role of Business Enterprise and Entrepreneurship</b>			
The purpose of business activity <ul style="list-style-type: none"> <li>○ Spotting an opportunity</li> <li>○ Developing an idea for a business</li> <li>○ Satisfying the needs of customers</li> </ul>			
Characteristics of an entrepreneur <ul style="list-style-type: none"> <li>○ Creativity</li> <li>○ Risk taking</li> <li>○ Determination</li> <li>○ Confidence</li> </ul>			
The concept of risk and reward			
<b>1.2 Business Planning</b>			
The purpose of planning business activity <ul style="list-style-type: none"> <li>○ Reducing risk</li> <li>○ Helping a business to succeed</li> </ul>			
The role, importance and usefulness of a business plan <ul style="list-style-type: none"> <li>○ Identifying markets</li> <li>○ Help with obtaining finance</li> <li>○ Identifying resources a business needs to operate</li> <li>○ Achieving business aims and objectives</li> </ul>			
<b>1.3 Business Ownership</b>			
The features of different types of business ownership <ul style="list-style-type: none"> <li>○ Sole-traders</li> <li>○ Partnerships</li> <li>○ Private and public limited companies</li> </ul>			
The concept of limited liability			
The suitability of differing types of ownership in different business contexts <ul style="list-style-type: none"> <li>○ Start-ups and established businesses</li> </ul>			

<b>1.4 Business Aims and Objectives</b>			
The aims and objectives of businesses			
<ul style="list-style-type: none"> <li>○ Profit</li> <li>○ Survival</li> <li>○ Growth</li> <li>○ Providing a service</li> <li>○ Market share</li> </ul>			
How and why objectives might change as businesses evolve			
Why different businesses may have different objectives			

<b>1.5 Stakeholders in Business</b>			
The roles and objectives of internal and external stakeholder groups			
<ul style="list-style-type: none"> <li>○ Owners</li> <li>○ Employees</li> <li>○ Customers</li> <li>○ Suppliers</li> <li>○ Government</li> <li>○ Local community</li> </ul>			
The effect business activity has on stakeholders			
The effect stakeholders have on business			

<b>1.6 Business Growth</b>			
Organic growth			
<ul style="list-style-type: none"> <li>○ Increasing output</li> <li>○ Gaining new customers</li> <li>○ Developing new products</li> <li>○ Increasing market share</li> </ul>			
External growth			
<ul style="list-style-type: none"> <li>○ Mergers</li> <li>○ Takeovers - including horizontal, vertical, diversification</li> </ul>			

## Glossary/Key Terms

In your exam you will be required to explain the meaning of a range of key terms.

In most cases 2 marks are available for demonstrating full understanding of the key term and 1 mark for providing a relevant example.

Complete the glossary below so that you have a full set of key term definitions with examples.

Key Term	Explanation	Example
Backwards vertical growth		
Business objectives		
Business plan		
Capital		
Deed of partnership		
Diversification		
Dividend		
Enterprising characteristics		
Entrepreneur		
External growth		
External stakeholders		

Finance		
Forwards vertical growth		
Growth		
Horizontal growth		
Internal stakeholders		
Limited liability		
Market share		
Markets		
Merger		
Organic growth		
Partnership		
Private limited company		
Profit		
Providing a service		
Public limited company		

Satisfaction		
Shareholders		
Sleeping Partner		
Sole trader		
Spotting an opportunity		
Stakeholder group		
Survival		
Takeover		
Unlimited liability		



## Exam 'Top Tips'

### Multiple Choice Test Taking Tip

Come up with the answer in your head before looking at the possible answers, this way the choices given on the test won't throw you off or trick you.



*Be specific about what the product or service actually is. Use actual competitor names too"*

Read the question carefully and decide on the answer.

Check the possible options and cross out the ones that are **definitely wrong!**

Read the question and the information very carefully. Some of your answers will come directly from the text!

**Highlight/underline** key information in the text

*"Follow the correct structures, you have been given them for a reason"*

### DO YOUR BEST TO BEAT THE TEST Test Taking Strategies



1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.



2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.

*"Where the question asks for TWO reasons/example/benefits, make sure you include TWO"*

*"If the question doesn't tell you how many to include, look at the number of marks available"*



### Test Taking Tip

**Use all your time. If you happen to finish the test before time is up, go back over the questions, especially the ones that seemed hard, and check your work.**

If you finish your paper before the 90 minutes are up:

Check, check and check again!  
Ask yourself: So? Why? How? If?

## Exam Structures

Follow each of the structures below when answering your exam questions

<b>Explain [2 marks]</b>
Point
Explain <i>2 strands of information using a connective</i>

<b>Recommend [3 marks]</b>
Point
Explain <i>2 strands of information using a connective</i>
Impact
However

<b>Explain [4 marks]</b>
Point
Explain <i>2 strands of information using a connective</i>
Point
Explain <i>2 strands of information using a connective</i>

<b>Evaluate/Discuss [7/9 marks]</b>
Point 1
Explain positive <i>2 strands of information using a connective</i>
Impact
However
Explain negative <i>2 strands of information using a connective</i>
Impact
Point 2
Explain positive <i>2 strands of information using a connective</i>
Impact
However
Explain negative <i>2 strands of information using a connective</i>
Impact
In conclusion the business should..... The most important reason for this is.....because..... While they do need to consider..... I would still recommend.....for the business because.....

<b>Analyse [3 marks]</b>
Point
Explain <i>2 strands of information using a connective</i>
Impact

<b>Analyse [6 marks]</b>
Point
Explain <i>2 strands of information using a connective</i>
Impact
Point
Explain <i>2 strands of information using a connective</i>
Impact

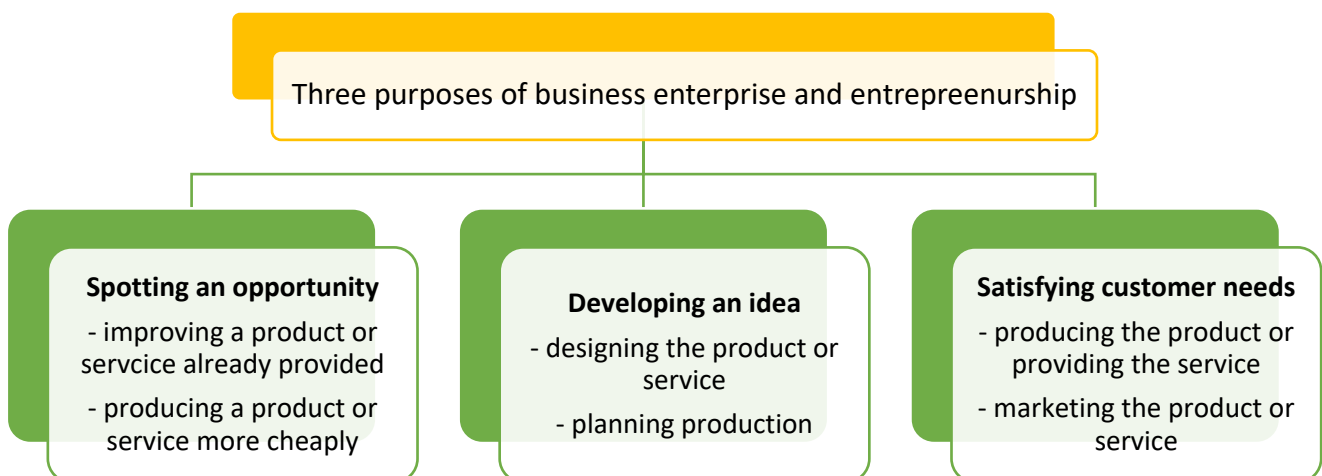
## 1.1 The role of business, enterprise and entrepreneurs

Specification content	What you should know
The purpose of business activity and enterprise	✓ Spotting an opportunity, developing an idea for a business, satisfying the needs of customers
Characteristics of the entrepreneur	✓ Creativity, risk taking, determination, confidence, keen, persistent
The concept of risk and reward	✓ Potential risks to the entrepreneur such as financial, pressure, stress, health issues ✓ Potential rewards to the entrepreneur such as making a profit, being your own boss, satisfaction of developing you own ideas for others to use

### Why do businesses exist?

Businesses exist to satisfy the needs and wants of customers. They provide goods and services that people want and at a price they are willing to pay. In return for this the business should make a profit.

The diagram below shows the main purposes of business, enterprise and entrepreneurs. An **entrepreneur** may see an existing product and **spot an opportunity** to develop and improve it.



### Characteristics of an entrepreneur

**Characteristics** refers to the qualities, skills or abilities that a person must have to be a successful entrepreneur. There are four main **characteristics** that you should know.



Can you match the explanation up with the correct **characteristic**?

Being prepared to put their own or other people's money at risk.

Being positive, believing in their own ability to make things happen.

Thinking up ideas and solving problems i.e. thinking of new products to meet consumer needs.

Not being put off when difficulties or problems arise, but working hard to solve them.

Think of successful entrepreneurs such as Richard Branson or Mark Zuckerberg, what **characteristics** do they possess and how did they help them to become so successful?

**Risks and rewards in business**

When an entrepreneur starts a business they hope for **rewards** however, they have to take **risks** in order to receive these **rewards**.

Complete the table to explain the **risks** and **rewards** of being an entrepreneur

Risks	Rewards

**Independence**

**Health**

**Self-satisfaction**

**Strained relationships**

**Financial loss**

**Making a profit**

## 1.2 Business planning

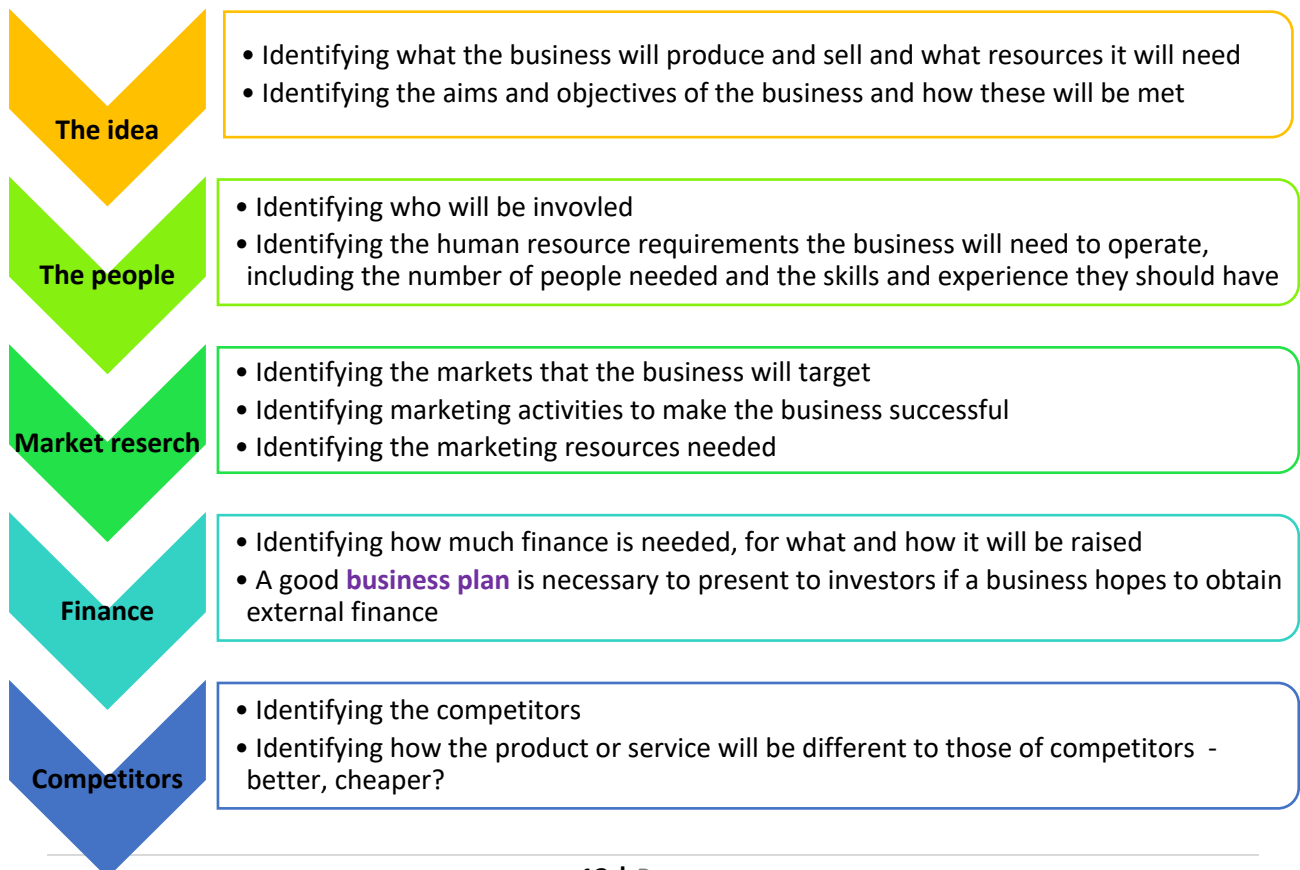
Specification content	What you should know
The purpose of planning business activity	✓ Reducing risk, helping a business to succeed
The role, importance and usefulness of a business plan	✓ Identifying markets, help with obtaining finance, identifying resources a business needs to operate, achieving business aims and objectives

### *The purpose of planning business activity*

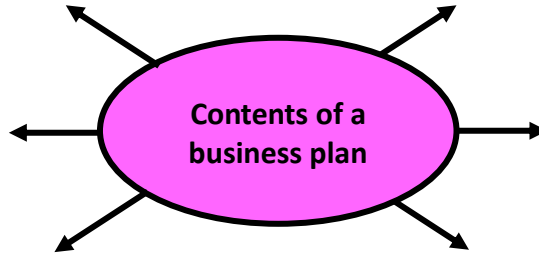
A business must **plan** its activities in order to:

- Reduce the risk of failure
- To be as successful as possible

The diagram below shows the steps involved in developing a business idea



Complete the spider diagram to identify the contents of a business plan



**The Role, importance and usefulness of a business plan**

A **business plan** explains how a business intends to achieve its objectives. It may be written before the business starts, or when planning a major change to the way an existing business operates.

A good **business plan** will include the following:

Planning is a vital part in the successful start-up and development of a business.

A **business plan** is useful when someone is simply trying to see if a business idea will really work, before actually starting in the business.



Should the following be included in a **business plan**? Tick the correct box, true or false.

Statement	True	False	Statement	True	False
Information about the owners			What finance is needed		
Information about the hobbies of the owners			A list of favourite school subjects of the business owners		
What marketing is planned			Analysis of the competitors		
A description of the target market			Titles of business textbooks		

### 1.3 Business Ownership

Specification content	What you should know
The features of different types of business ownership	✓ Sole traders, partnerships, private limited companies, public limited companies
The concept of limited liability	<ul style="list-style-type: none"> <li>✓ The difference between limited and unlimited liability</li> <li>✓ Which forms of business ownership has which type of liability</li> </ul>
The suitability of different types of ownership in different business contexts	✓ Which form of business structure should a new start up use as opposed to a well-established business

There are four types of business ownership that you need to know about; **sole traders**, **partnerships**, **private limited companies** and **public limited companies**. The table below shows the main features of each type along with their advantages (✓) and their disadvantages (✗)

Feature	Sole trader	Partnership	Private limited company	Public limited company
Easy to set up	<ul style="list-style-type: none"> <li>✓ Few forms to complete</li> <li>✓ Cheap to set up</li> </ul>	✓ Only needs a <b>deed of partnership</b>	✗ The Registrar of Companies requires legal documents, which take time to produce and cost money	✗ The registrar of Companies requires legal documents, which take time to produce and cost money
Continuity	✗ The business stops when the owner dies or retires	✗ The <b>partnership</b> ends when one partner dies or retires	✓ The business continues even if shareholders sell their shares or die	✓ The business continues even if shareholders sell their shares or die
Business information can be kept private	✓ No information about profits must be published	✓ No information about profits must be published	✗ The public can see information about the business - accounts must be published	✗ The public can see information about the business - accounts must be published
Level of liability	✗ The owner has unlimited liability	✗ The owners have unlimited liability	✓ The shareholders have and benefit from limited liability	✓ The shareholders have and benefit from limited liability

<p><b>Easy for the owner(s) to control</b></p>	<ul style="list-style-type: none"> <li>✓ The owner makes all the decisions</li> <li>✓ The owner gets to keep all of the profits</li> </ul>	<ul style="list-style-type: none"> <li>✓ The <b>partners</b> usually make the decisions between themselves</li> <li>✗ It is possible that the <b>partners</b> may disagree which would lead to problems making decisions</li> <li>✗ The profits will have to be shared between all owners</li> </ul>	<ul style="list-style-type: none"> <li>✓ Shareholders can restrict who can buy shares</li> </ul>	<ul style="list-style-type: none"> <li>✗ Anyone can buy shares meaning there is a risk of a takeover</li> </ul>
<p><b>Raising finance</b></p>	<ul style="list-style-type: none"> <li>✗ This is limited because there is only one person to invest savings and banks think they are risky to lend to</li> <li>✗ The business cannot sell shares to raise finance</li> </ul>	<ul style="list-style-type: none"> <li>✗ Usually there are only a few partners to invest in the <b>partnership</b> and banks may think they are risky to lend to.</li> <li>✗ The <b>partnership</b> cannot sell shares to raise finance</li> <li>✓ There are more partners to invest so more initial start up capital is available</li> </ul>	<ul style="list-style-type: none"> <li>✓ New shareholders can invest and banks are willing to lend.</li> <li>✓ Larger amounts can be raised than <b>sole traders</b> and <b>partnerships</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ New shareholders can invest and banks are willing to lend</li> <li>✓ Large amounts of money can often be raised</li> </ul>

Are the statements true or false? Tick the correct box.

Statement	True	False	Statement	True	False
A <b>partnership</b> has at least four <b>partners</b>			<b>Sole traders</b> often have difficulty raising money for their business		
A <b>sole trader</b> has one owner			A <b>sleeping partner</b> is always sleeping		
A <b>deed of partnership</b> will state how much capital <b>partners</b> should contribute to the business			Ordinary <b>partners</b> in a <b>partnership</b> and <b>sole traders</b> have unlimited liability		
A <b>partnership</b> has shareholders			A <b>sole trader</b> can employ people		



Using the words below, fill in the gaps to complete the paragraph

Sole \_\_\_\_\_ have one owner, are very easy to set up and can make \_\_\_\_\_ quickly because there is \_\_\_\_\_ owner. Like partnerships, sole traders have \_\_\_\_\_ liability, which means that they are responsible for all of the \_\_\_\_\_ of the business. This means that they may have to sell \_\_\_\_\_ possessions. A partnership would normally have a \_\_\_\_\_ of partnership, which sets out the \_\_\_\_\_ of the partners and the amount of \_\_\_\_\_ they put into the business.

**duties**

**decisions**

**traders**

**one**

**deed**

**debts**

**unlimited**

**capital**

**personal**

For each of the features below, identify whether they are features of a **private limited company**, a **public limited company** or both.

Feature	LTD	PLC	Both
Financial information is available to the public			
Shareholders have limited liability			
Shares are sold on the stock market			
Dividends are paid to shareholders			
Shares are usually sold to family and friends			
Can be taken over without the consent of original shareholders			
Can have any number of shareholders			
Share capital must be at least £50,000			
Has LTD after its name			
Can only be taken over with consent of existing shareholders			
Often a family owned company			

### **Concept of liability**

When we talk about business **liability**, we are referring to the responsibility of the business' owners for debts incurred by the business. The owners of a sole trader or partnership have **unlimited liability**. This means that they are responsible for **all** of the debts of the business.

Shareholders who own private limited or public limited companies benefit from **limited liability**.

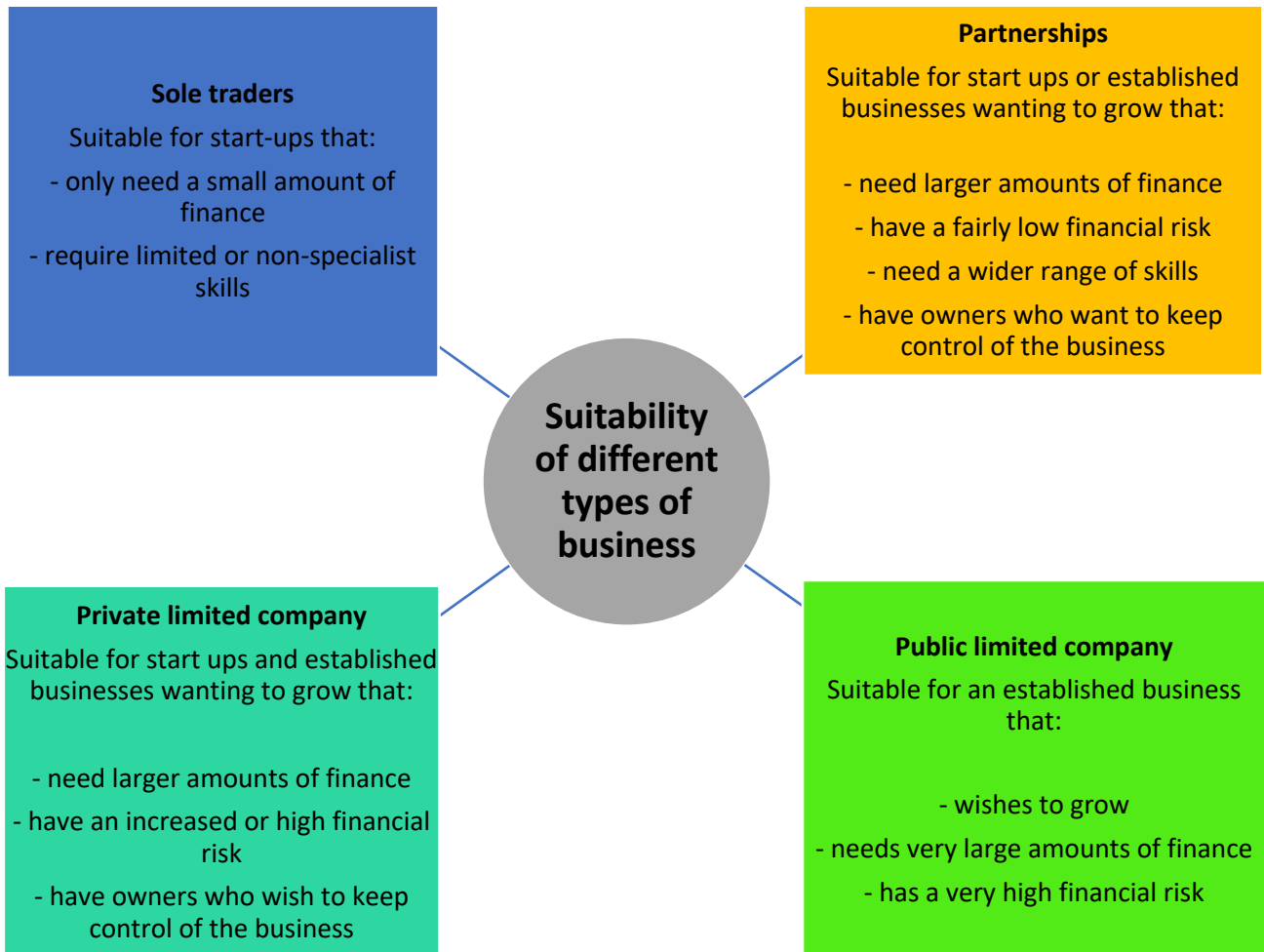
The table below shows the differences between **limited** and **unlimited liability**.

Issue	Unlimited liability	Limited liability
Effect on the owner(s)	<ul style="list-style-type: none"><li>▪ The owners must pay back all the debts of the business they own</li><li>▪ If the business goes bankrupt, the owners must sell any assets the business has</li><li>▪ If this sale does not raise enough to pay off the debts, the owner(s) can be ordered to use their savings or sell personal possessions to raise the money needed to pay off the debts</li></ul>	<ul style="list-style-type: none"><li>▪ The shareholders who own the company do not have to use their own savings or other personal possessions to pay off the debts of the company if the business fails</li></ul>
Effect on business	<ul style="list-style-type: none"><li>▪ People may be discouraged from setting up a business because of the risk to their savings and other personal possessions</li><li>▪ This can limit the creation and expansion of sole trader and partnership businesses</li></ul>	<ul style="list-style-type: none"><li>▪ It helps businesses to start up and raise extra finance to expand because people are prepared to invest, knowing that they are not risking their personal possessions</li></ul>
Other impacts	<ul style="list-style-type: none"><li>▪ It is easier to start up as a sole trader or partnership because legal documents do not have to be sent to the Registrar of Companies</li></ul>	<ul style="list-style-type: none"><li>▪ Forming a business as a limited company can be complicated because various legal documents need to be prepared and sent to the Registrar of Companies</li></ul>

### **Suitability of different types of ownership**

The most appropriate type of **ownership** for a business will depend on the needs of that particular business. A start-up business and an established business will have very different finance requirements and their type of **ownership** will reflect that.

The figure below summarises the main points to consider when deciding on a type of **ownership**

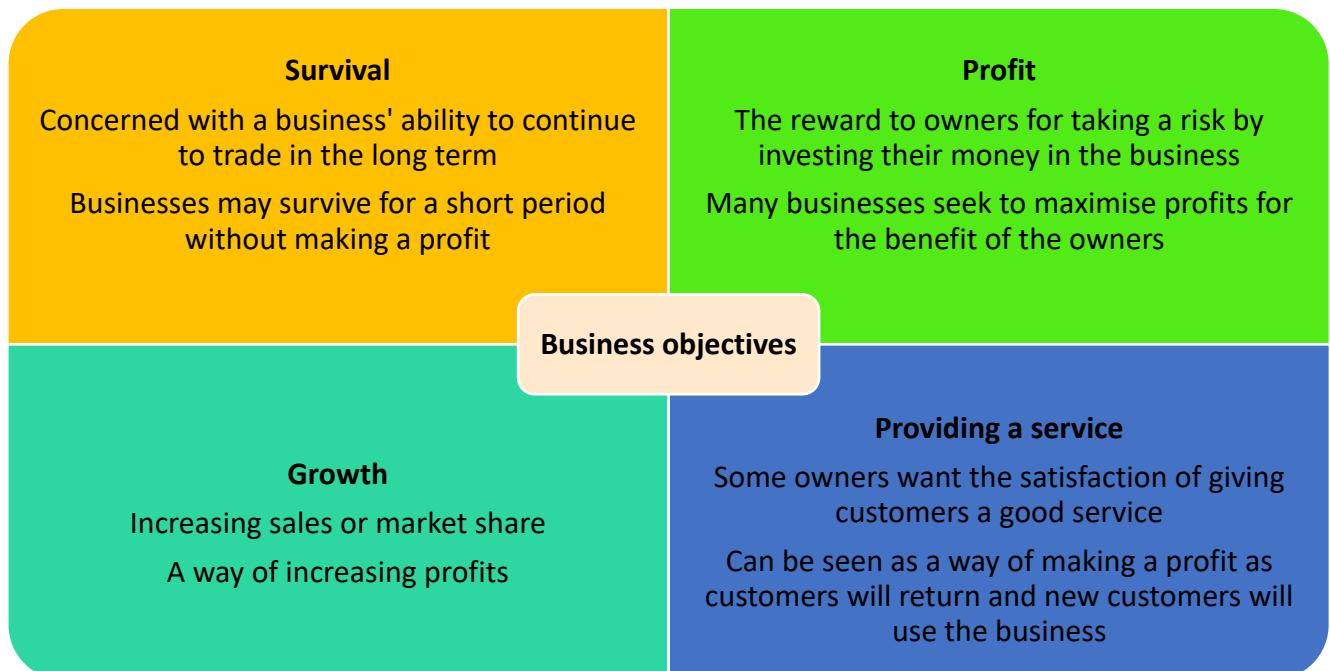


## 1.4 Business aims and objectives

Specification content	What you should know
The aims and objectives of business	✓ Profit, growth, survival, providing a service, market share
How and why objectives might change as businesses evolve	✓ As a business grows, as new competition emerges, if the business starts to fail
Why different businesses may have different objectives	✓ New businesses v well-established businesses, reason for starting the business i.e. some people start a business to provide a good service

All businesses have one or more **objectives** and they will vary according to the size and situation of the business. A large well-established public limited company will have very different **objectives** to a sole trader just starting out.

The figure below summarises the different **business objectives**.



For each of the businesses in the table below, match them with their **objective**.

Objective	Business Description
Survival	E.ON, the energy company, has raised its prices even though costs have not risen
Profit	Abdul has just opened a coffee shop in a small town where there are already four other coffee shops. He needs to establish the business in this competitive market by gaining sufficient customers to help it to stay in business in the longer term
Growth	The Co-Operative supermarket chain aims to act responsibly and respectfully to its customers
Providing a service	American business, Post Holdings, has bought the Weetabix brand from owners, China Bright Food

### ***How and why objectives might change as businesses evolve***

As businesses evolve they will have different **objectives** because:

- They are at different stages of their development
- Their owners have different motivations
- They are influenced by different market conditions
- They are experiencing different economic conditions

The figure below shows some of the reasons why businesses have different **business objectives**

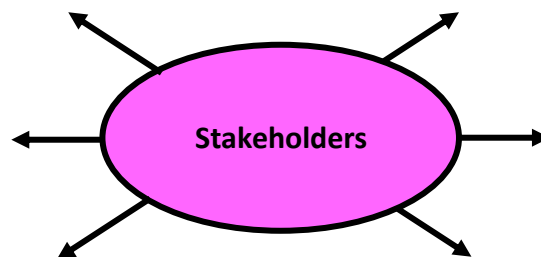


## 1.5 Stakeholders in business

Specification content	What you should know
The roles and objectives of internal and external stakeholder groups	✓ Owners, employees, customers, suppliers, government, local community
The effect business activity has on stakeholders	✓ How does business activity affect the above stakeholders - this will depend on the context
The effect stakeholders have on business	✓ Protests, boycotts, taxation from the government, laws from the government i.e. National Living Wage

A **stakeholder** can be an individual or group of people who have an interest in a business. They would be affected, either positively or negatively, by what the business does.

On the spider diagram below, make a list of **stakeholders**



Colour code them - one colour for internal, one colour for external

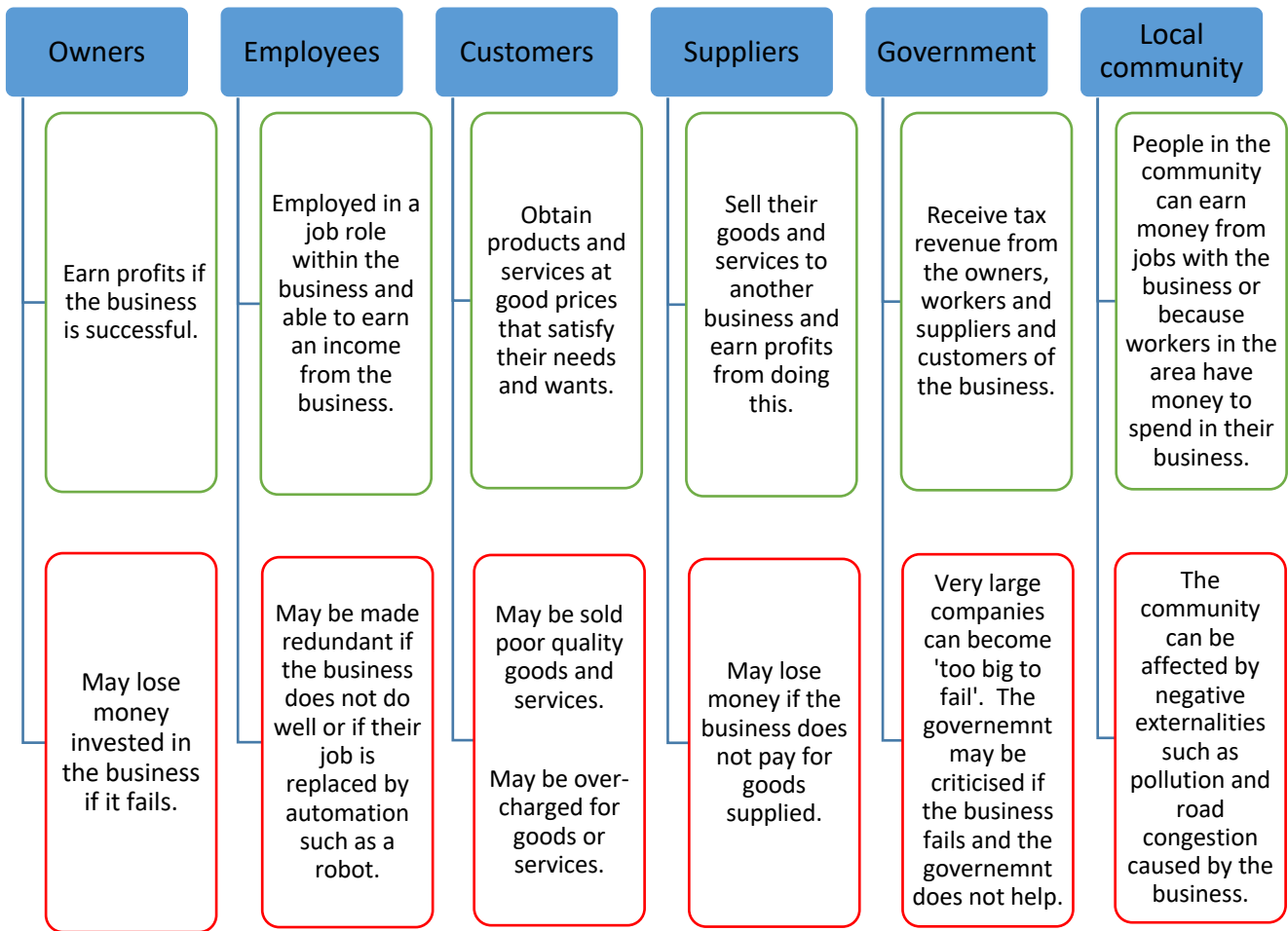
The table below gives the role and objectives of **stakeholders**. When we say 'role', we refer to what the **stakeholder** might do in connection with the business, while objective refers to what the **stakeholder** wants to achieve.

Stakeholder	Role	Objective
Owners	<ul style="list-style-type: none"> <li>Provide finance to start up and expand the business</li> <li>They may manage or run the business or they may employ managers to run it on their behalf</li> </ul>	<ul style="list-style-type: none"> <li>Make profits</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Produce goods and services</li> </ul>	<ul style="list-style-type: none"> <li>Satisfaction of having a job and earning an income</li> <li>Be treated fairly by employers</li> <li>Enjoyment of social aspects of working with colleagues</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Buy goods and services</li> </ul>	<ul style="list-style-type: none"> <li>Enjoy the benefits provided by goods and service</li> <li>Pay affordable prices</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Sell goods for resale or components and materials needed to manufacture goods or provide a service</li> </ul>	<ul style="list-style-type: none"> <li>Make sales</li> <li>Earn profits</li> </ul>
Government	<ul style="list-style-type: none"> <li>Help businesses, workers and communities</li> </ul>	<ul style="list-style-type: none"> <li>Encourage businesses as this leads to high employment and prosperous communities</li> <li>Government wants to encourage businesses because this increases the taxes paid to government</li> </ul>
Local community	<ul style="list-style-type: none"> <li>Provide workers</li> <li>Monitor and influence business activity</li> </ul>	<ul style="list-style-type: none"> <li>Have a local area which is prosperous, healthy and safe</li> </ul>

For each of the statements below identify whether it is true or false.

Statement	True	False	Statement	True	False
All stakeholders are owners of a business			Stakeholders can influence business activity		
All businesses have stakeholders			Stakeholders are only interested in the profits of a business		
All stakeholders have the same interests			Stakeholders generally want a business to succeed		
All the employees of a business are stakeholders			All stakeholders work within the business		

A business can affect **stakeholders** both positively and negatively. The figure below gives examples of the benefits and problems caused by business activity.



**Stakeholders** can influence business success. The table below summarises ways in which each **stakeholder** can help a business to succeed or cause business failure.

Stakeholder	How the stakeholder can influence success	How the stakeholder can influence failure
Owners	<ul style="list-style-type: none"> <li>Investing enough money</li> <li>Using the investment in ways that will help the business to grow and succeed</li> </ul>	<ul style="list-style-type: none"> <li>Not investing enough to make the business efficient</li> <li>Failing to change the business when the market changes</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Working hard to produce good quality goods or services at competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>Producing poor quality goods or services</li> <li>Demanding higher wages will lead to higher costs</li> <li>Disrupting production by industrial action</li> </ul>



Customers	<ul style="list-style-type: none"> <li>▪ Purchasing goods and services</li> <li>▪ Creating a good reputation for the business by recommending it to others</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deciding to buy from competitors</li> <li>▪ Publicising instances of poor quality goods or bad service, leading to a poor reputation for the business</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>▪ Providing supplies promptly and at competitive prices to help the business produce its goods and services cheaply and reliably</li> </ul>	<ul style="list-style-type: none"> <li>▪ Supplying poor goods or services which lead to quality problems</li> <li>▪ Not supplying components or materials on time which can cause production delays</li> </ul>
Government	<ul style="list-style-type: none"> <li>▪ Giving the business a grant to enable it to pay for investment or by giving it planning permission to develop or expand its facilities</li> <li>▪ Government may also be a customer of the business, buying goods and services from it</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reducing the business' profits by increasing taxes or by raising the National Minimum Wage so that wage costs increase</li> <li>▪ Preventing the expansion of the business by refusing planning permission</li> </ul>
Local community	<ul style="list-style-type: none"> <li>▪ Providing the business with customers and supporting its plans for development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Opposing the business' plans for expansion or preventing production by not supporting its application for planning permissions</li> <li>▪ This may lead to increased legal costs for the business as it fights for planning permission</li> </ul>

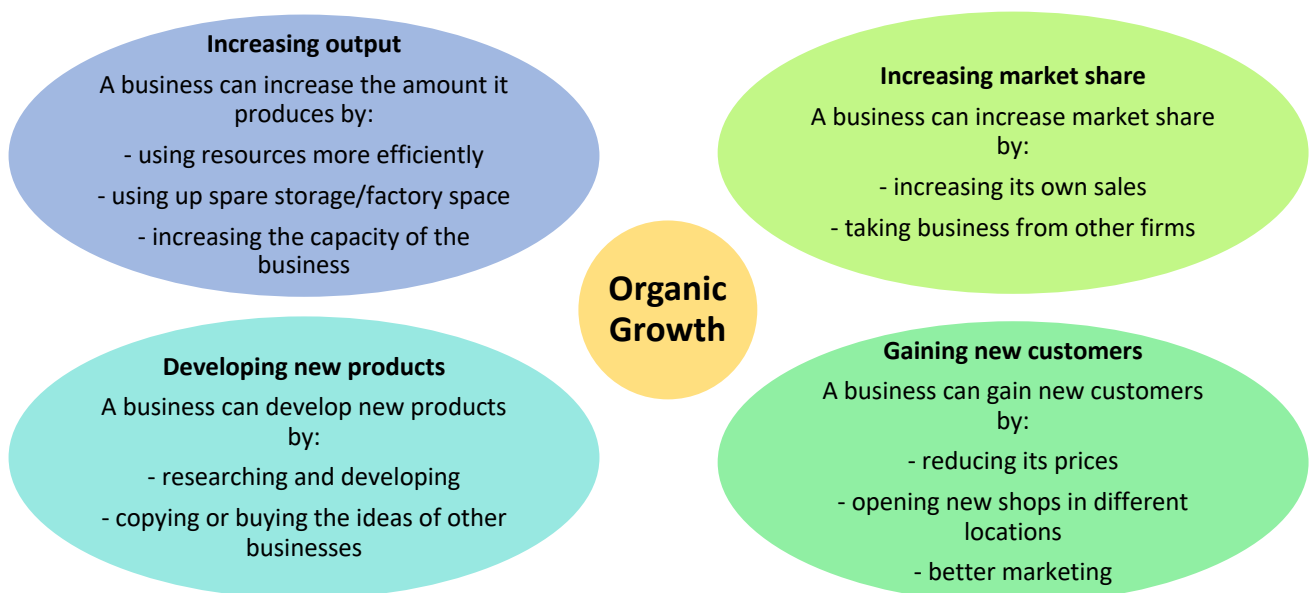
## 1.6 Business growth

Specification content	What you should know
Organic growth	✓ Increasing output, gaining new customers, developing new products, increasing market share
External growth	✓ Mergers, takeovers - including horizontal, vertical and diversification
The suitability of different methods of growth	✓ Should the business use internal or external growth - this will depend on the context

### **Organic growth**

**Organic growth** is concerned with increasing sales of products and services. It is internal as it grows by increasing its own size, using its own resources, rather than using someone else's and taking over another business.

The diagram below shows the common ways that a business can grow **organically**.



For each of the statements below identify whether it is true or false.

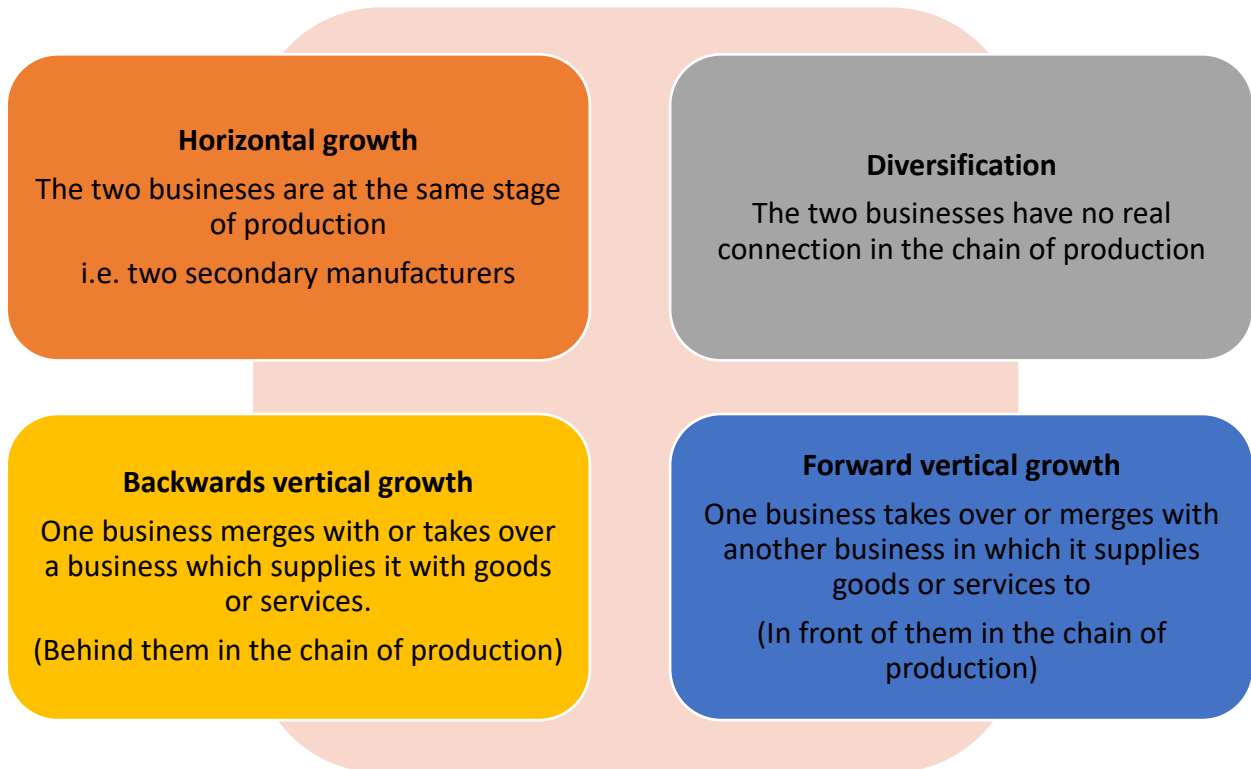
Statement	True	False	Statement	True	False
Organic growth in a business is about growing vegetables organically			It is important for technology based businesses to constantly bring out new products if they are to grow		
More effective marketing will help a business to grow			Reducing prices will help attract new customers to a business		
Market share is the share that a worker has in the business			With a 30% increase in the total market, a business that increases its sales by 20% will have increased its market share		

### External growth

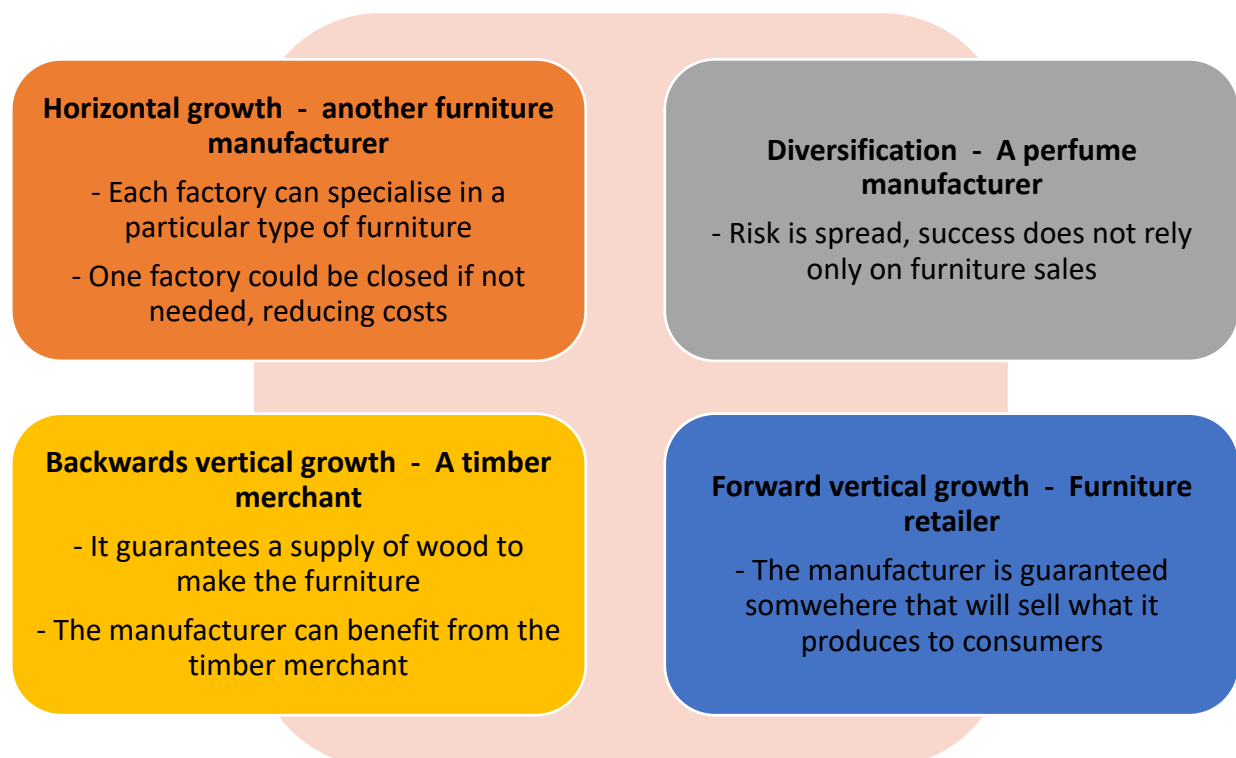
**External growth** is using other business' resources to expand. This can occur in one of two ways; **takeovers** or **mergers**. The diagram below shows the difference between **takeovers** and **mergers**.



Takeovers and mergers themselves can be divided into four different categories depending on the type of businesses involved. The diagram below illustrates these.



The following diagram illustrates the benefits of each type of external growth to a furniture manufacturer.



Match each of the statements with the types of external growth in the table below.

An example of a horizontal merger or takeover
An example of a backwards vertical merger
A definition of a merger
An example of a forwards vertical merger
A definition of a takeover

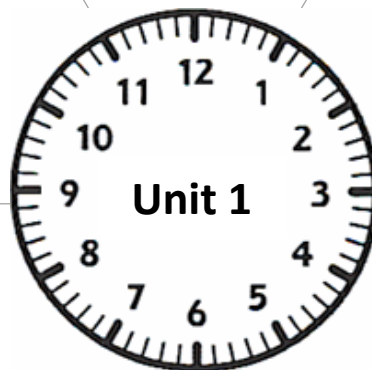
A maker of pottery takes over a pottery shop
A business buys control of another business
A business making radios joins with a business making televisions
A business assembling computers merges with a microchip supplier
Two businesses agree to come together

## Revision Clocks

The role of business and entrepreneurship

Business Growth

Business Planning



Stakeholders in Business

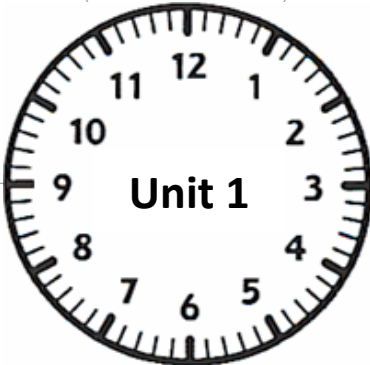
Business Ownership

Business Aims and Objectives

The role of business and entrepreneurship

Business Growth

Business Planning



Stakeholders in Business

Business Ownership

Business Aims and Objectives

**DO YOUR BEST TO BEAT THE TEST**  
Test Taking Strategies



1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.



2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.

## Possible Practice Exam Questions

Answer each of the following exam style questions. Use the structures on p10 to help you.

**DO YOUR BEST TO BEAT THE TEST**  
Test Taking Strategies



1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.



2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.

### TD Tom Davis Ltd (TD)

Tom Davis left university in 1996 with £200 in his pocket and boarded a plane to Hong Kong. After working in bars and restaurants he got a job in a Chinese factory designing glasses frames. Not knowing what he was doing, he started by drawing glasses on the models in Vogue magazine.

Tom left that job in 2000 and returned to the UK where he eventually set up TD Tom Davis in 2002, designing glasses in London but having them manufactured in Japan by another firm. Tom's frames are bespoke, handmade and sell for £5000 each, so a chance meeting in 2004 with a chief executive who ordered 30 pairs, gave Tom the £175,000 he needed to build a factory in China and 4 years later he opened a factory in the UK. With celebrity clients such as Ed Sheeran, Chef Heston Blumenthal and Hollywood actress Angelina Jolie, Tom has now been able to move all production to the UK with the money earned through these sales.

Tom's cautious approach to growth and his desire to provide each customer with a great level of service means he can charge between £335 and £600 for standard frames and his unique designs can cost up to £10,000 each, which has led to him having an estimated turnover of £10m last year.

1. State two characteristics of an entrepreneur. [2]

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2. Analyse one risk Tom Davis took when starting TD. [3]

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3. Explain one reason why Tom may have started TD as a private limited company. [2]

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4. Explain one objective Tom may have had when he started TD and one objective he has now the business is successful. [4]

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5. Identify two ways in which a firm may grow organically. [2]

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6. Discuss whether Tom's decisions to grow organically was better than using external growth [7]

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## Self-Review of Unit 1: Business Activity

I have completed the following tasks (✓):

- Personalised Learning Checklist
- Glossary of key terms
- Read the exam 'top tips'
- Learnt the exam structures
- Read the topic information and completed all tasks
- Completed at least two revision clocks
- Answered **all** of the possible exam questions using the exam structures

The topics I understand well are.....

The topics I need to improve on are.....

My targets to help me improve in this unit are.....

1.

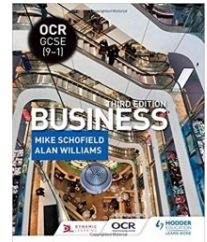
2.

## Additional Support

If you need any further support please speak to your teacher!

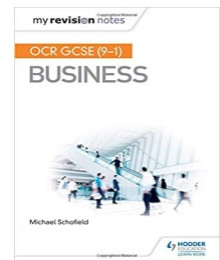
Course textbook: OCR GCSE (9-1) Business

[https://www.amazon.co.uk/OCR-GCSE-9-1-Business-Third/dp/1471899365/ref=sr\\_1\\_2?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556985885&s=gateway&srefix=ocr+gcse+business%2Caps%2C185&sr=8-2](https://www.amazon.co.uk/OCR-GCSE-9-1-Business-Third/dp/1471899365/ref=sr_1_2?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556985885&s=gateway&srefix=ocr+gcse+business%2Caps%2C185&sr=8-2)



Revision guide: My Revision Notes OCR GCSE (9-1)

[https://www.amazon.co.uk/My-Revision-Notes-GCSE-Business/dp/1510423699/ref=sr\\_1\\_1?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556986123&s=gateway&srefix=ocr+gcse+business%2Caps%2C185&sr=8-1](https://www.amazon.co.uk/My-Revision-Notes-GCSE-Business/dp/1510423699/ref=sr_1_1?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556986123&s=gateway&srefix=ocr+gcse+business%2Caps%2C185&sr=8-1)



You could also try the following websites:

<http://www.bbc.co.uk/education/subjects/zpsvr82>

<http://www.businessed.co.uk/index.php/home/activities/gcse-activities/gcse-activities-topic>



<https://www.tutor2u.net/>

<https://www.gcsepod.com>

OCR: BUSINESS BUSINESS ACTIVITY MARKETING AND PEOPLE

