

# BTEC Tech Award in Enterprise C1 & C2

## A: The Purpose and Nature of Business

<b>Good</b>	A physical product e.g. car
<b>Service</b>	An intangible (cannot touch) product e.g. haircut
<b>Customer</b>	Someone who buys a product from a business
<b>Consumer</b>	Someone who uses goods and services produced by a business
<b>Entrepreneur</b>	Someone who is willing to take risks involved in starting a new business; innovative, risk taker, hard working/determined, organised
<b>Social Enterprise</b>	A business that is set up to help society rather than to make a profit
<b>Factors of Production</b>	Resources: the inputs that businesses use to provide their goods and service e.g. land, labour, capital
<b>Enterprise</b>	Another word for a business. It also refers to the skills of the people involved in the business to identify business opportunities and bring together resources to meet these opportunities
<b>Sectors</b>	PRIMARY: 1 <sup>st</sup> stage of production, use raw material e.g. farms SECONDARY: Use primary resources to make products e.g. printers TERTIARY: Provide services e.g. fast food stores, estate agents
<b>Interest</b>	The money paid by a bank as a reward to attract people to save with them
<b>Interest Rates</b>	The cost of borrowing money or the reward for saving money, expressed as a percentage
<b>Inflation</b>	The rate at which prices are increasing, for example, if inflation is growing by 2% per year prices are generally rising by 2% that year
<b>Gross Domestic Product (GDP)</b>	Measures all the income earned in a countries economy in that year
<b>Functions within a business</b>	Marketing; Operations; Human Resources and Finance
<b>External Influences</b>	Technological change; economic change; legal change; environmental expectations

## B: Business Ownership

### SOLE TRADER

- Owned and managed by one person

### PARTNERSHIP

- 2 or more (usually 20) people set up a business

### COMPANY

- Private Limited Company (Ltd) has shareholders who can vote
- Public Limited Company (Plc) shares sold on the stock exchange

### NOT-FOR-PROFIT

- Set up to achieve objective other than profit – has social objectives – people/environment e.g. a charity

<b>Profit</b>	Measures the difference between the values of a business's revenue (sales) and its total costs
<b>Unlimited liability</b>	The personal possessions of owners of a business are at risk if there are any problem. No limit to amount of money an owner has to pay out.
<b>Company</b>	Has its own legal identity, it can own items, owe money and be sued
<b>Stock Exchange</b>	Market for buying and selling shares of PLCs
<b>Flotation</b>	When a LTD becomes a PLC and its shares are listed on the stock exchange

## C: Setting Business Aims & Objectives

**Aims** – long term goal of the business

**Objectives** – target that is set for a business to achieve

### Purpose of setting objectives:

- Helps decision making & establish priorities
- Understand the direction the business is heading
- Provides a target to measure success against
- Can motivate

### Role of objectives in running a business

- > Survival
- > Earning a Profit
- > market share
- > Shareholder value
- > Customer satisfaction
- > Growth
- > Ethical, environmental, Sustainable

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## D: Stakeholders

Stakeholder Group	Typical objectives
Employees	Secure jobs, higher earnings
Owner/shareholder	High dividends and share price
Local community	Local jobs, minimise environmental impact on the community
Government	Legal behaviour,, taxes paid
Suppliers	Paid on time, kept informed of changes to the business
Customers	Useful, accurate information on the product, good service, value for money

## E: Business Location

Location is important because it can impact on COSTS, SALES and IMAGE

### Factors that influence location include:

- The type of business
- Proximity to market
- Competitors
- Availability of raw materials
- Availability and cost of labour
- Transport links
- Technology
- Costs
- Overseas location



## F: Business Planning

**A business plan is a document setting out what a business does and what it hopes to achieve in the future. It can help set up a business successfully, raise finance, set objectives and co-ordinate actions.**

### Sections of a Business Plan

- Background Information
- Market analysis
- Objectives
- Selling price/expected sales
- Competitive advantage
- Financial Position (profit forecast/cash flow)

### Profit = Revenue - Total Costs

**Revenue** is the income that a firm receives from selling goods and services (= number of units sold X price)

**Total costs** are fixed costs plus variable costs

**Fixed costs** do not change when the output of the business changes e.g. rent

**Variable costs** change with output e.g. raw materials such as ingredients for a menu

## G: Expanding the Business



### Internal/Organic Growth

Sells more of its own products

### External Growth/Integration

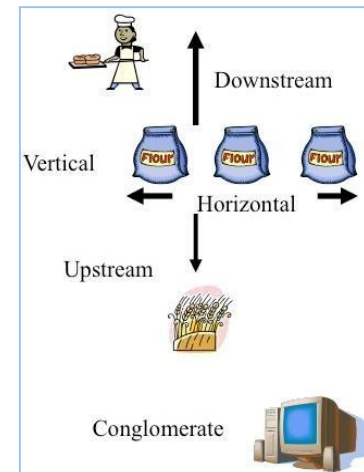
Joining with another business

#### Internal Growth

- **Franchising** - franchisor sells right of products to franchisee, usually in return for a fee or %
- Opening new stores
- **E-commerce** – going online to sell
- Outsourcing

#### External Growth

- Merger 2 or more firms join to make another joint business
- Takeover is when one firm gains control of another and buys it up



#### Impact of expansions

Advantages can include: **Economies of scale** occur when a business's unit costs of production fall as its output rises and the business expands; more power, status, safety, staff rewards

Disadvantages can include slow decision making; employee isolation and **diseconomies of scale** (cost per unit increases as the business expands)

Business sales can be measured by

Value of sales (**revenue**)

**Number of employees**

Value of the business

(**assets and liabilities or market capitalisation**)

