

PiXL Independence:

Business Studies - Student Booklet

KS5

Unit 1: The Purpose of Business

Elements covered: 3.1.1 understanding the nature of business, 3.1.2 understanding business forms, 3.1.3 understanding that businesses operate within an external environment

Contents:

- I. Multiple Choice Questions - 20 credits per quiz
- II. Short Exam Questions - 5 credits with additional 10 credits available
- III. Wider Reading - 20 credits per summary
- IV. Academic Reading - 50 credits per summary
- V. Extended Exam Style Questions - 80 credits per essay

i. Multiple Choice Questions

Answer the questions that explore the themes of this unit, you will need to draw on your knowledge and wider reading to support you in completing this.

20 credits for completing this quiz.

1. Identify one key objective of any start up business to achieve in the first year of trading
 - a. Profit maximisation
 - b. Cost minimisation
 - c. Survival

2. Identify the formula for calculating profit
 - a. Revenue – fixed costs
 - b. Revenue – total costs
 - c. Price – variable costs

3. What is the formula for calculating total revenue?
 - a. Price x quantity
 - b. (price – costs) x quantity
 - c. Net profit/turnover

4. Which of the following is a PLC most likely to do with profits earned throughout the financial year?
 - a. Pay out shareholder dividends
 - b. Bulk buy stock for the next trading year
 - c. Invest in training for its staff

5. An LTD typically receives additional funding by which means?
 - a. IPO
 - b. External investors in exchange for a share of the company
 - c. Bank loans

6. Poolside Villas LTD wishes to offer an IPO. It has been advised to offer 500,000 shares at 125p each. What is the value of the ordinary share capital?
- a. £62,500,000
 - b. £400,000
 - c. £625,000
7. Identify the formula for Market capitalisation
- a. $(\text{Shares issued}/\text{initial share price}) * 100$
 - b. Ordinary shares issued x current share price
 - c. Ordinary shares issued x original share price
8. A significant increase in competition within its market segment is likely to have what impact on the share price of a firm in the short run?
- a. An increase in share price
 - b. Fall in share price
 - c. No significant impact on share price
9. Current interest rates are 0.25% as set by the Bank of England. A significant rise in the interest rates is likely to see what impact on demand for general goods?
- a. No impact at all
 - b. A small decrease in demand for goods
 - c. A large decrease in demand for goods
10. A firm is looking to increase its use of fair trade goods and suppliers. This is likely to lead to:
- a. An increase in the cost of the products for the firm and consumers
 - b. A decrease in the cost of the products for the firm and consumers
 - c. No impact on costs for the firm

ii. Short Exam Questions

Explain the following, each are worth 4 marks in total

Answer these questions, each of them are based on the unit of study but may draw from your wider reading. You should time yourself for each answer and aim to complete each question to a high standard in 5 minutes.

Each question answered is worth 5 credits. There are a further 10 credits available for self-assessment marking and adding to your answers if needed!

1. A firm posts record revenue figures for the trading year. Their profit levels however are below expectations. Explain why this would lead to a fall in share price
(4)

2. Explain one reason why UK firms tend to pay out dividends instead of re-investing in the long term future of the business
(4)

3. Explain one reason why being an LTD allows a firm more opportunity to diversify into 'risky' markets
(4)

4. Explain why survival tends to be the most important objective for a start-up business
(4)

5. Explain why a firm will need both mission statement and objectives
(4)

6. Explain why PLC firms in the UK tend to focus on profit maximisation above other objectives
(4)

7. Explain why a firm struggles to keep stakeholders happy during times of cost minimisation **(4)**

8. Explain why an increase in inflation could affect demand for any business **(4)**

9. Explain why a business funded on borrowed money would be concerned by the actions of the BoE **(4)**

10. Explain one reason how a recession could impact on consumer confidence **(4)**

iii. Hyperlinks for Reading

Read each of the articles below, they have strong links and themes to the unit of study but also focus on Business as a holistic topic. Once you have completed your reading of each, summarise the key points in a bullet point format. You should aim for between 5 – 10 significant points from each article.

20 credits for each summary completed

1. **Mission and objectives:**

<http://smallbusiness.chron.com/purpose-mission-vision-statements-strategic-planning-13161.html>

2. **Objectives of entrepreneurs:**

<https://www.tutor2u.net/business/reference/starting-a-business-objectives-of-an-entrepreneur>

3. **Bank of England interest rates:**

<https://www.theguardian.com/business/2017/jul/04/bank-of-england-michael-saunders-interest-rates-mpc-brexit>

4. **Inflation and businesses:**

<http://www.telegraph.co.uk/business/sme-home/low-inflation-business/>

5. **PESTLE:**

<https://www.tutor2u.net/business/reference/what-is-pest-analysis>

6. **Maximising profit, why?**

<https://www.theguardian.com/sustainable-business/maximising-shareholder-profits-rules-us-businesses>

7. **Beyond profit:**

<https://www.ft.com/content/b22933e0-b618-11e5-b147-e5e5bba42e51>

8. **Understanding the impact of a recession:**

<http://www.economicshelp.org/blog/5618/economics/negative-impact-of-economic-recession/>

9. **Revenues high but profits fall:**

<http://www.bbc.com/news/business-36034403>

10. **Revenue up but key product sales fall:**

<https://www.theguardian.com/technology/2017/may/02/apple-iphone-drop-again-2017-quarterly-earnings>

11. **The world's richest person, briefly...:**

<https://www.theguardian.com/business/2017/jul/27/amazon-founder-jeff-bezos-worlds-richest-man-bill-gates>

iv. Academic Reading

The following chapters/ books/ academic articles have been chosen for you to help in extending your understanding of this theme. They will have value in other units as well. You should read the selected items and compose a 200 – 300 word summary of the main themes found.

50 credits are awarded for each summary provided

Title: Business for A Level AQA, Ian Marcouse

Link: https://www.amazon.co.uk/AQA-Business-Level-Marcouse-Eurostars-x/dp/1471835693/ref=sr_1_16?s=books&ie=UTF8&qid=1501584998&sr=1-16&keywords=aqa+business+a+level

Reading: Page 1 – 27

Title: Business for A Level Year 1, Wolinski and Coates

Link: https://www.amazon.co.uk/d/Books/AQA-Level-Business-1-Third-Wolinski-Coates/1471836096/ref=sr_1_1?s=books&ie=UTF8&qid=1501585265&sr=1-1&keywords=aqa+business+a+level+wolinski

Reading: 1 – 55

Title: 101 mission statements from top companies, Jeremiah Abrams

Link: https://www.amazon.co.uk/d/Books/101-Mission-Statements-Top-Companies-Jeremiah-Abrams/1580087612/ref=sr_1_3?s=books&ie=UTF8&qid=1501585882&sr=1-3&keywords=mission+statements

Reading: choose 10 mission statements you connect with!

Title: Gems from Warren Buffett, 24 years of letters to shareholders

Link: https://www.amazon.co.uk/Gems-Warren-Buffett-Letters-Shareholders/dp/0980005647/ref=sr_1_2?s=books&ie=UTF8&qid=1501586042&sr=1-2&keywords=shareholders

Reading: page 34 - 37

Title: The shareholder value myth, Lynn Stout

Link: https://www.amazon.co.uk/Shareholder-Value-Myth-Shareholders-Corporations/dp/1605098132/ref=sr_1_5?s=books&ie=UTF8&qid=1501586042&sr=1-5&keywords=shareholders

Reading: 61 – 74

Title: Disciplined Entrepreneurship: 24 steps, Bill Aulet

Link: https://www.amazon.co.uk/d/cka/Disciplined-Entrepreneurship-Steps-Successful-Startup-Bill-Aulet/1118692284/ref=sr_1_3?s=books&ie=UTF8&qid=1501586242&sr=1-3&keywords=entrepreneurship

Reading: 1 - 23

Title: The idea in you, Martin Amor/Alex Pellew

Link: https://www.amazon.co.uk/Idea-You-Find-Build-Change/dp/024197139X/ref=sr_1_5?s=books&ie=UTF8&qid=1501586242&sr=1-5&keywords=entrepreneurship

Reading: section 1 – 7

Title: Screw it, lets do it, Richard Branson

Link: https://www.amazon.co.uk/d/Books/Screw-Lets-Do-Lessons-Life-Quick-Reads/0753510995/ref=sr_1_3?s=books&ie=UTF8&qid=1501586446&sr=1-3&keywords=entrepreneur+branson

Reading: chapters 1 – 3

Title: AQA economics. Powell & Powell

Link: https://www.amazon.co.uk/AQA-level-Economics-Book-1/dp/1471829782/ref=sr_1_2?s=books&ie=UTF8&qid=1501586600&sr=1-2&keywords=economics+aq

Reading: 188 - 199

v. Extended Exam Style Questions

Using the knowledge gained from completing all the above activities you are now ready to write high quality essay style answers. The reading you have done should be included within these essays

You should consider the structure and format of your essays and the context they are written in. Use this short presentation to help you with 'structuring your essay'. Each essay should take up to 20 minutes to write (you should use the format you would in the exam e.g. word processed/hand written so you are used to the length of the essay)

80 credits for each completed essay

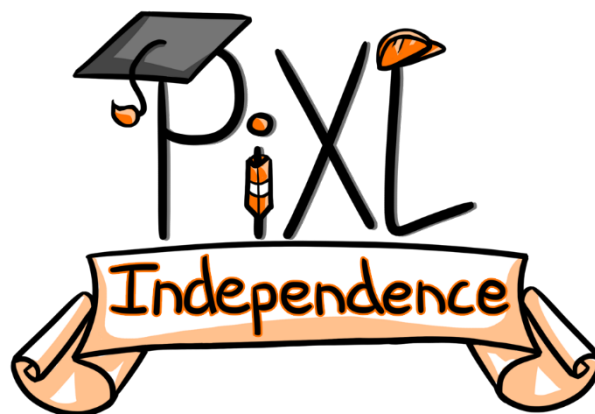
1. To what extent may changes in the demography of the UK affect the mission statement, objectives and plan of a business that you know?
(20)
2. Recession often leads to several businesses closing. Many believe a good business should plan and be able to adapt to a variety of changes in the economy. To what extent do you agree companies should be able to adapt and prepare for recessions
(20)
3. To what extent are mission statements and objective setting essential in making a business successful?
(20)
4. Analyse the factors which may influence the share price of PLC businesses, you should reference businesses you are familiar with
(16)
5. To what extent is competition the most significant external factor affecting a businesses financial performance
(20)

6. Analyse the factors which may influence a UK organisation to focus on adopting environmentally friendly approaches in the search for profits
(16)

7. To what extent are shareholders the most important stakeholder in every business?
(20)

8. Analyse the reasons why a business would move from being a LTD organisation into a PLC organisation
(16)

9. To what extent is profit the only objective worth focusing on in PLC organisations
(20)



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