EDEXCEL GCSE BUSINESS

Paper 1

PAPER 1

Business - Year 11 Assessment Manifest

Paper 1 – Investigating a Small Business

– 90 Marks

1 Hour 45 Minutes 50% OF THE GCSE

Content overview	R	A	G
Content overview Topic 1.1 Enterprise and entrepreneurship Topic 1.2 Spotting a business opportunity Topic 1.3 Putting a business idea into practice Topic 1.4 Making the business effective Topic 1.5 Understanding external influences on business	R	A	G

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Topic 1.1 Enterprise and entrepreneurship 1.1.1 The dynamic nature of business	Why new business ideas come about: ● Changes in technology. ● Changes in what consumers want. ● Products and services becoming obsolete. ● How new business ideas come about: ○ Original ideas ○ Adapting existing products/services/ideas			
1.1.2 Risk and reward	The impact of risk and reward on business activity: ● Risk: business failure, financial loss, lack of security ● Reward: business success, profit, independence			
1.1.3 The role of business enterprise	The role of business enterprise and the purpose of business activity: ● To produce goods or services. ● To meet customer needs. ● To add value: convenience, branding, quality, design, unique selling points. The role of entrepreneurship: ● An entrepreneur: organises resources, makes business decisions, takes risks.			

Topic 1.2 Spotting a business opportunity 1.2.1 Customer needs	Identifying and understanding customer needs: ● What customer needs are: price, quality, choice, convenience. The importance of identifying and understanding customers: generating sales, business survival.			
1.2.2 Market research	The purpose of market research: ● To identify and understand customer needs. ● To identify gaps in the market. ● To reduce risk. ● To inform business decisions.			
1.2.2 Market research	Types of market research: ● Methods of primary research: survey, questionnaire, focus group, observation ● Methods of secondary research: Internet, market reports, government reports ● The use of qualitative and quantitative market research data The role of social media in collecting market research data. The importance of the reliability of market research data.			
1.2.3 Market segmentation	How businesses use market segmentation to target customers: ● Identifying market segments: location, demographics, lifestyle, income, age ● Market mapping to identify a gap in the market and the competition			
1.2.4 The competitive environment	Understanding the competitive environment: ● Strengths and weaknesses of competitors based on: price, quality, location, product range and customer service. The impact of competition on business decision making.			

Topic 1.3 Putting a business idea into practice 1.3.1 Business aims and objectives	What business aims and business objectives are. Business aims and objectives when starting up: • Financial aims and objectives: survival, profit, sales, market share, financial security • Non-financial aims and objectives: social objectives, personal satisfaction, challenge, independence and control Why business aims and objectives differ between businesses.			
1.3.2 Business revenues, costs and profits	The concept and calculation of: • Revenue • Fixed and variable costs • Total costs • Profit and loss • Interest			
1.3.2 Business revenues, costs and profits	Interpretation of break-even diagrams: • The impact of changes in revenue and costs • Break-even level of output • Margin of safety • Profit and loss			
1.3.3 Cash and cash-flow	The importance of cash to a business: • To pay suppliers, overheads and employees. • To prevent business failure (insolvency). • The difference between cash and profit. Calculation and interpretation of cash-flow forecasts: • Cash inflows • Cash outflows • Net cash-flow • Opening and closing balances			
1.3.4 Sources of business finance	Sources of finance for a start-up or established small business: • Short-term sources: overdraft and trade credit • Long-term sources: personal savings, venture capital, share capital, loans, retained profit and crowd funding			
Topic 1.4 Making the business effective 1.4.1 The options for start-up and small businesses	The concept of limited liability: • Limited and unlimited liability. • The implications for the business owner(s) of limited and unlimited liability.			

1.4.1 The options for start-up and small businesses	The types of business ownership for start-ups: ● Sole trader, partnership, private limited company. ● The advantages and disadvantages of each type of business ownership. The option of starting up and running a franchise operation: ● The advantages and disadvantages of franchising.			
1.4.2 Business location	Factors influencing business location: ● Proximity to: market, labour, materials and competitors ● Nature of the business activity ● The impact of the internet on location decisions: e-commerce and/or fixed premises			
1.4.3 The marketing mix	What the marketing mix is and the importance of each element: ● Price, product, promotion, place			
1.4.3 The marketing mix	How the elements of the marketing mix work together: ● Balancing the marketing mix based on the competitive environment. ● The impact of changing consumer needs on the marketing mix. ● The impact of technology on the marketing mix: e-commerce, digital communication.			
1.4.4 Business plans	The role and importance of a business plan: ● To identify: the business idea; business aims and objectives; target market (market research); forecast revenue, cost and profit; cash-flow forecast; sources of finance; location; marketing mix. The purpose of planning business activity: ● The role and importance of a business plan in minimising risk and obtaining finance.			
Topic 1.5 Understanding external influences on business 1.5.1 Business stakeholders	Who business stakeholders are and their different objectives: ● Shareholders (owners), employees, customers, managers, suppliers, local community, pressure groups, the government Stakeholders and businesses: ● How stakeholders are affected by business activity. ● How stakeholders impact business activity. ● Possible conflicts between stakeholder groups.			

1.5.2 Technology and business	Different types of technology used by business: ● E-commerce ● Social media ● Digital communication ● Payment systems How technology influences business activity in terms of: ● Sales ● Costs ● Marketing mix			
1.5.3 Legislation and business	The purpose of legislation: ● Principles of consumer law: quality and consumer rights ● Principles of employment law: recruitment, pay, discrimination, and health and safety The impact of legislation on businesses: ● Cost Consequences of meeting and not meeting these obligations.			
1.5.4 The economy and business	The impact of the economic climate on businesses: ● Unemployment, changing levels of consumer income, inflation, changes in interest rates, government taxation, changes in exchange rates			
1.5.5 External influences	The importance of external influences on business: introducing the idea that some factors beyond the business can impact on the business			
1.5.5 External influences	Possible responses by the business to changes in: technology, legislation, the economic climate.			

KEY TERMS PAPER 1

1. Added value - The difference between the cost of the materials taken to make a product and the price that is charged for the product.

2. Aims and objectives - The goals of a business. These may be financial or non-financial.

3. Breakeven - The number of products a business must sell so that its total revenue is the same as its

total costs. At this point the business will make no profit or loss.

4. Business plan - A plan for the development of a business, giving details such as the products to be

made, resources needed, and financial forecasts.

5. Business success - A measure which could be sales, market share or profit related.

6. Cash flow - The flow of money into and out of a business over a period of time.

7. Cash inflow (Receipts) - Money coming into the business. E.g. Revenue, a loan or another source of

finance.

8. Cash outflow (Payments) - Money leaving the business. E.g. Wages, suppliers, loan repayments or

advertising.

9. Choice - A range of products aimed at differing needs and segments.

10. Closing balance - The amount of money left at the end of the current time period.

11. Competition - When companies produce comparable products or services within the same market.

12. Competitive advantage - The advantage one company has over another, or several others.

13. Competitive environment - A market which has many competitors.

14. Consumer - The person who uses the product.

15. Consumer income - The amount a person or household has to spend, after paying tax.

16. Consumer rights - What the consumer is entitled to by law.

17. Crowdfunding - Where a large number of individuals invest into a business project on internet sites

such as Kickstarter.

18. Customer - The person who buys the product.

19. Customer needs - What the customer wants, these can change over time. E.g. Price, quality, choice or convenience.

20. Customer service - Having a clear understanding of customer expectations and delivering.

21. Demographics - The characteristics of the population in terms of age and gender.

22. Digital communication - Communicating with customers electronically through things such as a website, social media and email.

23. Discrimination - Judging someone based on their age, gender, race, religion or disability.

24. Dynamic business - Businesses responding to what consumers want.

25. e-commerce - The use of online systems to sell goods and services.

26. Economic climate - The broad performance of the UK economy, as measured by GDP growth.

27. Enterprise - The skills shown by an entrepreneur.

28. Entrepreneur - A person who organises resources, makes decisions and takes risks in business, in order to benefit from the potential future rewards.

29. Exchange rate - The price of one currency in terms of another. E.g. £1=$2

30. Export - Goods or services that a firm produces in its home market, but sells in a foreign market.

31. Financial aim - Aims and objectives that relate to the money. E.g. Survival, profit, sales, market share.

32. Fixed cost - Costs which do not change with output. E.g. Rent or salaries.

33. Focus group - Where a number of customers are invited to attend a discussion about a product.

34. Forecast - A prediction of future finances. E.g. Sales, cash flow or profits.

35. Franchise - The right given by one business to another to sell goods or services using its name.

36. Franchisee - A business that buys the rights to a franchise.

37. Franchisor - The person who owns the rights to the franchise.

38. Gap in the market - An area of the market, with no products currently being provided.

39. Good - Physical items a business sells. E.g. Bikes, laptops & pens.

40. Import - Goods and services that are bought into one country from another.

41. Inflation - A general and persistent rise in prices which reduces purchasing power.

42. Insolvency - When a business can no longer afford to pay its debts.

43. Interest - The cost of borrowing and the reward of saving. Can be fixed or variable.

44. Legislation - Laws passed by Acts of Parliament.

45. Limited liability - Where a business and its owners have separate legal identities, meaning shareholders can only lose the original amount they invested into a business.

46. Location - Where a business locates.

47. Margin of safety - The amount of products a firm sells over and above the breakeven point.

48. Marketing mix - The elements of marketing that are designed to meet the needs of the customer. The elements are product, price, place and promotion.

49. Market mapping - A method of evaluating business ideas by setting out the features of a market and plotting on current products being provided. Normally these are used to find a gap in the market.

50. Market research - Collecting and analysing data from customers, competitors and the market in general.

51. Market segments - An identifiable group of people with the similar characteristics. This could be split by location, demographics, lifestyle or income.

52. Net cash flow - The difference between cash inflows and cash outflows over a period of time.

53. Non-financial aim - Aims and objectives that relate to areas other than finance. E.g. Social objectives, personal satisfaction, challenge and control.

54. Obsolete - A product which is out of date and no longer used.

55. Opening balance - The amount of money the business has at the start of the current time period.

56. Overdraft - With agreement from your bank, taking more out of your account than you actually have, leaving a negative bank balance.

57. Partnership - A business organisation that is usually owned by 2-20 people, who have unlimited liability.

58. Payment systems - The variety of ways in which customers can pay for a product. Includes contactless payments, apple & android pay, PayPal and more traditional methods.

59. Place - How the product passes from the producer to the consumer.

60. Pressure group - A group with a common interest/goal who work collectively to further the cause.

61. Price - The amount charged to the customer for the product.

62. Primary research - Research which is being collected for the first time.

63. Private limited company (Ltd) - An incorporated business, with Ltd after its name that can sell shares to family and friends. The shareholders have limited liability.

64. Product - The good or service a business is selling.

65. Product portfolio - The range of products a business sells.

66. Profit - The amount left from revenue after costs have been paid.

67. Promotion - An attempt to obtain and retain customers by drawing their attention to a business or its products. E.g. Sales promotions, advertising and public relations.

68. Qualitative data - Data which is detailed and contains information about people's feelings and opinions.

69. Quantitative data - Data which is limited in detail, but can easily be put into graphs and charts for analysis.

70. Resource - The land, labour and capital used by entrepreneurs. E.g. Buildings, equipment & staff.

71. Retained profit - Profit that is 'ploughed back' into the business.

72. Revenue - The money made from selling a product.

73. Reward - The return for taking a risk and making it a success.

74. Risk - A situation or decision that has exposure business failure, financial loss or lack of security.

75. Secondary research - The collection of data that already exists but is then used for a business's own requirements.

76. Selling assets - When a person or business sells assets it owns, such as equipment or vehicles it no longer uses, in order to raise finance.

77. Service - Non-physical items a business sells. E.g. Hairdressing, public transport & music streaming.

78. Share capital - A way of raising finance through sale of shares.

79. Shareholder - A person who owns a 'share' in a business.

80. Sole trader - A business with a single owner, who has unlimited liability.

81. Stakeholder - Those with an interest in the activities of a business. These can be internal or external. E.g. Shareholders, managers, customers and the local community.

82. Stakeholder conflict - When different stakeholder groups have different aims and objectives, which can be difficult for a business to satisfy at the same time.

83. Target market - The segments of the market you are aiming your product at.

84. Taxation - Charges from the government.

85. Technology - Hardware and software that businesses may use.

86. Trade credit - A period of time given to a customer between receiving the goods and payment being due.

87. Unemployment - The number of people who are looking for work but unable to find any.

88. Unique selling point - A characteristic of the product that makes it different from other similar products being sold in the market.

89. Unlimited liability - Where a business and its owners are one and the same, meaning the owners are responsible for all business debts.

90. Variable cost - A cost which rises as output rises. E.g. Raw materials or packaging.

91. Venture capital - An experienced business person provides funds for small or medium sized companies that may be considered too risky for other investors, in return for equity.

Key Equations Paper 1 & 2

Total costs

TC (total cost) = TFC (total fixed costs) + TVC (total variable costs)

Revenue

Revenue = price × quantity

Break even

$$\text{Break even point in units} = \frac{\text{fixed cost}}{(\text{sales price} - \text{variable cost})}$$

Break even point in costs / revenue = break even point in units × sales price

Margin of safety

Margin of safety = actual or budgeted sales − break even sales

Interest (on loans)

$$\text{Interest (on loans) in \%} = \frac{\text{total repayment} - \text{borrowed amount}}{\text{borrowed amount}} \times 100$$

Net cash-flow

Net cash-flow = cash inflows − cash outflows in a given period

Opening and closing balances

Opening balance = closing balance of the previous period

Closing balance = opening balance + net cash-flow

Gross profit

Gross profit = sales revenue − cost of sales

Gross profit margin

$$\text{Gross profit margin (\%)} = \frac{\text{gross profit}}{\text{sales revenue}} \times 100$$

Net profit

Net profit = gross profit − other operating expenses and interest

Net profit margin

$$\text{Net profit margin (\%)} = \frac{\text{net profit}}{\text{sales revenue}} \times 100$$

Average rate of return

$$\text{Average rate of return (\%)} = \frac{\text{average annual profit (total profit / no. of years)}}{\text{cost of investment}} \times 100$$