

Public Limited Company (PLC)

The largest type of ownership, shares can be sold to anyone on the Stockmarket. It is easier to raise finance but decisions have to involve shareholders and there is risk of takeover.

Private Limited Company (Ltd)

A medium to large sized company where shares can be sold to friends and family. They have limited liability but shares can not be sold to the general public.

Partnership

An ownership of two or more owners with shared responsibility. They still have unlimited liability but it is easier to raise finance than a sole trader.

Sole Trader

An ownership with one owner. They can keep all the profits and it is easy to set up. It is difficult to raise finance and they have unlimited liability.

Objectives of an entrepreneur

To be their own boss, flexible working, pursue an interest, earn money, identify a gap in the market & dissatisfied with job.

Characteristics of an entrepreneur

Innovative, hardworking, risk taker & organised.

Sectors of operation

Primary - raw materials are extracted e.g. farming
Secondary - Products are manufactured e.g. Cars
Tertiary - Products & services are sold e.g. Restaurant.

Factors of production

Capital, Enterprise, Land & Labour

Non-for-profit organisation

An organisation whose main aim is to support a cause.

Judging success

Meeting aims & objectives, profitability, meeting customer expectations.

Changing Aims & Objectives

Objectives change over time as the business evolves or faces challenges. They have to change and adapt to the business.

Aims & Objectives differing for businesses

Different types of businesses have different aims, a small start up business will have a different aim to a large established organisation.

UNIT 1 Business in the real world

Business Ownership

Aims & Objectives

The purpose & nature of business

Stakeholders

Aims & Objectives

The main aims are, survival, profit maximisation, growth (domestic & international, market share, customer satisfaction, social & ethical and shareholder value.

Owners

Their main objective is high dividends, they have high power but they may conflict with employees.

Customers

Their main objective is good value. They may have conflict with employees as they want more pay.

Suppliers

Their main objective is prompt and fair payment.

Employees

Their main objective is fair pay and good working conditions.

Local Community

Their main objective is minimal impact on the local environment such as traffic and noise pollution.

Opportunity Cost

Choices have to be made and the value of the next-highest-valued alternative is given up.

Changes that businesses face

Businesses face constant change, due to technology, economic situation, legislation, and environmental expectations.

Reasons for starting a business

Producing goods, supplying a service, distributing a product & fulfilling a business opportunity.

Benefits & drawbacks of planning

1. Reduces Risk
2. Assesses viability
3. Conducts market research
4. Predicts finance

Revenue, costs, profit & loss

1. Revenue is all the money coming into the business
 $\text{Price} \times \text{quantity} = \text{Revenue}$
2. Costs- This is all the money going out of the businesses.
3. Profit is the money available after all costs have been deducted.
 $\text{Revenue} - \text{total costs} = \text{Profit / loss}$

Sections of a plan

1. The business idea
2. Aims & Objectives
3. Projected cashflow
4. Marketing
5. Location

Why plan

1. To reduce risk
2. To assess viability
3. To help set aims & objectives
4. To predict finances
5. To help organise the functions

Proximity to the market

How close you are located to your customers. Some businesses need to be near but some businesses just need a good distribution network.

Labour

Some businesses need specialist labour and they need to be located near to it.
Pharmaceutical company's located near Cambridge university for this reason.

Competition

Some businesses want to locate away from competitors. Some businesses like to locate near to their competitors e.g. Car showrooms.

Cost

Cost is an important location factor because smaller businesses will have limited finances and won't be able to afford the prime locations.

Business Planning

UNIT 1

Business in the real world

Location

Expanding a Business

Methods of expansion

Organic growth is where a business grows naturally due to increased sales, this could be through e-commerce outsourcing or franchising.
External growth could be through a merger, where two or more businesses join or, a takeover where one business buys another.

Benefits of expansion

- Organic - Keep full control of the business.
- Takeover - Instant increase in revenue and improvement in competitiveness.
- Merger - Take advantage of merging departments (economies of scale)

Drawbacks of expansion

- Organic - slow
- Merger - Redundancies
- Takeover - Redundancies

Economies of scale

Where large businesses can take advantage of bulk buying, bulk producing, purchasing highly technical equipment to improve efficiency. These all result in reduced unit costs.

Diseconomies of scale

This is where a business grows and due to longer decision making, more staff and more layers of management it becomes less efficient and the unit cost start to increase.