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EDUCATION

MY REVISION NOTES
OCR GCSE (9–1)
BUSINESS

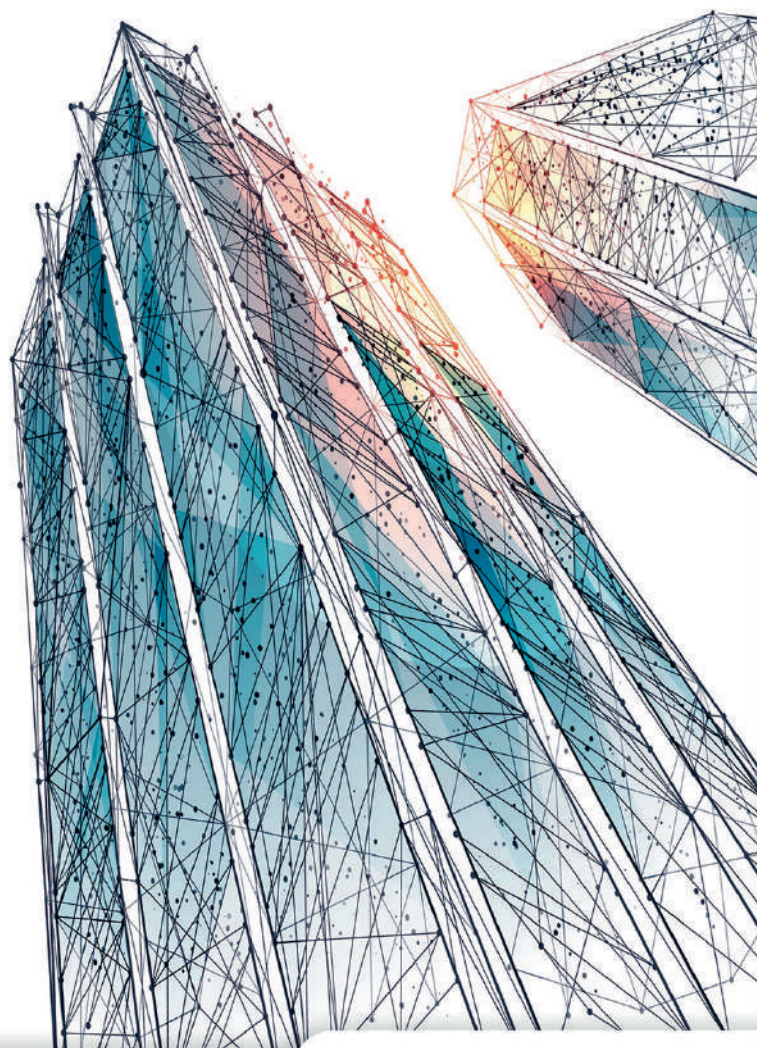
OCR

GCSE (9–1)

BUSINESS
SECOND EDITION

- + Plan and organise your revision
- + Reinforce skills and understanding
- + Practise exam-style questions

Mike Schofield



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1.2 Business planning

Purpose of planning business activity

REVISED

A business must plan its activities to:

- reduce the risk of failure – for example, it must think about the prices and goods competitors offer
- be as successful as possible – for example, decide the kind of people it needs to run the business and how to market its product as effectively as possible.

Figure 1.3 shows the steps involved in developing a business idea.



Resources: The things a business needs to make it work, including staff and materials.

Aims and objectives: Statements of what the business is trying to achieve, such as grow larger or make a profit.

Markets: Where a business sells its goods or services.

Finance: A business word used instead of money. The finance needed to start a business is the money required to buy the resources needed.

Business plan: A simple plan which sets out details of the product or service being sold and how it will be financed, marketed and details of market research findings.

Figure 1.3 Steps involved in developing a business idea

Now test yourself

TESTED

A case study was produced by www.englandgolf.org. The focus of the study was Dunning Golf Club, which had produced a plan about how it should increase its membership and profitability. The plan included the following:

- improving the golf course
- offering more benefits to paid-up members (such as subsidised lessons)
- using outside caterers to ensure better and cheaper catering
- more clearly stated priorities for the future and how these would be financed.

Explain **one** advantage to Dunning Golf Club of writing a business plan.

(3)

I can...

- Explain the main purposes of a business plan.

Exam tip

Note that this is an *application* 'explain' question, as you are instructed to write about the business plan of Dunning Golf Club.

Firstly, show that you understand the purpose of a business plan (*U* 1 mark). Then, explain how the business plan will help Dunning Golf Club to achieve its purpose (*App* 2 marks). As there are three marks for this question, assume that two will be for application.

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 cover all the objectives shown in Figure 1.4. It will also make these objectives SMART:

- **Specific** – clearly stating what is to be achieved.
- **Measurable** – stating how to measure the **success** of the plan using, for example, sales or profits.
- **Achievable** – the targets are possible for the business to achieve.
- **Realistic** – the targets are appropriate for the business.
- **Timely** – the plan includes a deadline for achieving the targets.

Operate: A term used to explain how a business works.

Success: For a business, success can take many forms, including making a profit, surviving and providing a good service to customers.



Figure 1.4 A business plan details how a business intends to achieve its objectives

Now test yourself

TESTED

- 1 State and explain the purpose of a business plan. (2)
- 2 Using the information provided on page 13, evaluate the Dunning Golf Club business plan. (7)

Exam tip

- 1 Give a purpose of a business plan (K 1 mark), then explain how a plan will help the business to achieve its business objectives (U 1 mark).
- 2 Mention two ways/strategies in which the business plan written by Dunning Golf Club is setting out how it will meet its business objectives (App 2 marks). For each strategy, explain how it will impact on Dunning Golf Club (An 2 marks).
Give your judgement: is the business plan detailed enough – yes or no (Ev 1 mark)? If you answer no, refer to the business plan and mention what further information would be useful to have. Consider SMART targets – measurable, time-specific and costed – that will help achieve the plan (Ev 2 marks).

I can...

- Explain the main purposes of a business plan
- Evaluate a business plan.

1.3 Business ownership

Features of different types of business ownership

REVISED

When a business becomes incorporated, it has a separate and distinct legal entity that is independent of the business owners. **Sole traders** and **partnerships** are not incorporated, while **private limited companies** and **public limited companies** are incorporated, which means they have limited liability (see next section).

The main features of the different types of business ownership are shown in Table 1.2, together with their advantages (✓) and disadvantages (✗).

Sole trader: A business owned by one person.

Partnership: A business owned by between 2 and 20 partners.

Private limited company (Ltd): Usually a smaller business, it can sell shares to invited people only.

Public limited company (plc): It can sell shares to anyone who wants to buy.

Deed of partnership: A document stating who owns the partnership, how much money each partner has invested and their role in the business.

Share: Part ownership of a business.

Table 1.2 Types of business ownership

Feature	Sole trader	Partnership	Private limited company	Public limited company
Easy to set up	✓ Few forms to complete.	✓ Only needs a deed of partnership (a written agreement between partners).	✗ The Registrar of Companies requires legal documents, which take time to produce.	✗ The Registrar of Companies requires legal documents, which take time to produce.
Easy for the owner(s) to control	✓ The owner makes all the decisions.	✓ The partners (usually) make decisions between themselves. ✗ It is possible that the partners may disagree which would lead to problems making decisions. ✗ The profits will have to be shared between all the owners.	✓ Shareholders can restrict who can buy shares.	✗ Anybody can buy shares .
Continuity	✗ The business stops when the owner dies.	✗ A new deed of partnership will be needed when an owner leaves or joins.	✓ 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.	✗ The public can see information about the business.

Table 1.2 continued

Feature	Sole trader	Partnership	Private limited company	Public limited company
Raising finance	✗ This is limited because there is only one person to invest savings and banks may think they are risky to lend to. The business cannot sell shares to raise finance.	✗ Usually there are only a few partners to invest in the partnership and banks may think they are risky to lend to. Ability to raise finance may be limited as a result. ✗ The partnership cannot sell shares to raise finance.	✓ New shareholders can invest and banks are willing to lend. Larger amounts can be raised than sole traders and partnerships (usually).	✓ New shareholders can invest and banks are willing to lend. Large amounts of money can often be raised.
Level of liability (risk)	✗ Owner has unlimited liability.	✗ The owners (partners) have unlimited liability.	✓ The owners (shareholders) have and benefit from limited liability.	✓ The owners (shareholders) have and benefit from limited liability.
Workload	✓ The owner makes all the decisions but may have to work long hours.	✗ The work is shared between the owners, but the fewer the partners, the greater the workload of each.	✗ Managers are employed to make decisions.	✗ Managers are employed to make decisions.

Now test yourself

TESTED

- Which of the following is a feature of a public limited company? (1)
 - The business does not need to publish its business information.
 - The owners have limited liability.
 - The owners draw up a deed of partnership when the business is created.
 - The business cannot sell shares to raise extra finance.
- Aaron Albright started a sole trader business manufacturing and fitting sun blinds. He began by selling the sun blinds to homeowners. However, the business has grown and he now sells to business customers as well, fitting blinds in shops and offices. Aaron needs to produce more blinds to meet demand. He wants to move production to a larger factory than he currently uses but will need a big investment to do this. Aaron is working long hours and is worried about coping with a bigger business. He is considering taking on a partner who will contribute some money to finance the investment.
 - Analyse **one** advantage to Aaron of taking on a partner. (3)
 - Analyse **one** disadvantage to Aaron of taking on a partner. (3)
 - Recommend whether or not Aaron should take on a partner. (3)

Exam tip

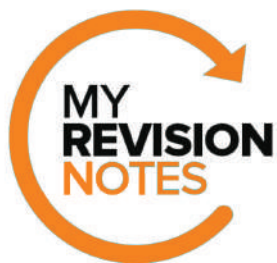
Give one benefit and one problem that having a partner can bring to a business – consider, for example, finance, management. (U 1 mark x 2). Explain, using information from the case study, how this benefit would be specifically relevant to Albright Blinds (App 1 mark x 2) and then show how the advantage/disadvantage would impact on Albright Blinds (An 1 mark x 2).

Make your judgement – Yes he should / No he should not take on a partner (Ev 1 mark); and then justify it by making reference to information in the case study (Ev 2 marks). Consider the business and personal needs of Aaron in your justification.

Note: Questions where you need to know advantages and disadvantages of something are very common – learn, learn, learn!

I can...

- State who owns the different types of businesses.
- State the advantages of different types of businesses.
- State the disadvantages of different types of businesses.
- Evaluate the benefits of changing the type of business ownership.



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SECOND EDITION

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