

NEW

OCR 9-1 GCSE Business

TARGET 9-5

Revision Handbook for Top Grades



Ian Marcousé

OCR 9-1 GCSE Business

TARGET 9-5

Revision Handbook for Top Grades

Ian Marcousé

Contents

Section 1: Business activity, marketing and people - Getting to Level 9

1.1	Enterprise and Entrepreneurship	
1.1.1	The Purpose of Business and Enterprise.....	5
1.1.2	Characteristics of an Entrepreneur.....	6
1.1.3	The Concept of Risk and Reward.....	8
1.2	Business Planning	
1.2.1	Business Plans.....	9
1.2.2	Importance and Usefulness of Business Plans.....	11
1.3	Business Ownership	
1.3.1	Business Ownership and Liability.....	12
1.3.2	Suitability of ownership to context.....	14
1.4	Aims and Objectives	
1.4.1	Business aims and objectives.....	15
1.4.2	Changes in Business Aims and Objectives.....	17
1.5	Stakeholders in Business	
1.5.1	Stakeholders internal and external.....	18
1.5.2	Stakeholder effects to and from business.....	19
1.6	Business Growth	
1.6.1	Organic growth.....	20
1.6.2	External growth – takeovers and mergers.....	21

Section 2

2.1	The role of marketing	
2.1.1	The purpose of marketing within business.....	23
2.1.2	Understanding customer needs.....	24
2.2	Market research	
2.2.1	Market research – purpose.....	25
2.2.2	Market research – methods and sources.....	26
2.2.3	Use and interpretation of market research.....	28
2.3	Market segmentation	
2.3.1	Market segmentation.....	29
2.4	The Marketing Mix	
2.4.1	Introduction to marketing mix.....	30
2.4.2	Product (including product life cycle).....	32
2.4.3	Price.....	34
2.4.4	Promotion.....	36
2.4.5	Place.....	37

2.4.6	Marketing Mix and Decisions.....	38
2.4.7	Interpretation of market data.....	40

Section 3

3.1 The Role of Human Resources

3.1.1	Purpose of Human Resources.....	41
-------	---------------------------------	----

3.2 2 Organisation structure

3.2.1	Identifying and meeting human resource needs.....	42
3.2.2	Terminology of organisation charts.....	43
3.2.3	Different ways of working.....	44

3.3 Communication in Business

3.3.1	Communications.....	45
-------	---------------------	----

3.4 Recruitment and Selection

3.4.1	Effective recruitment.....	46
3.4.2	Methods of selection.....	47

3.5 Motivation and Retention

3.5.1	Importance of Employee Motivation.....	48
3.5.2	Financial and non-financial methods of motivation.....	50
3.5.3	Importance of employee retention.....	51

3.6 Training & development

3.6.1	Importance of Employee Motivation.....	52
3.6.2	Why business train their workers.....	54

3.7 Employment law

3.7.1	Impact of legislation on recruitment and employment.....	55
-------	--	----

Section 4

4.1 Production Processes

4.1.1	Production Processes.....	56
4.1.2	Technology and production.....	58

4.2 Quality of goods and services

4.2.1	Quality management.....	59
-------	-------------------------	----

4.3 Sales process and customer service

4.3.1	The sales process.....	60
4.3.2	Customer service and engagement.....	62

4.4 Consumer law

4.4.1	Impact of consumer law on business.....	63
-------	---	----

4.5 Business Location

4.5.1	Factors affecting business location.....	64
-------	--	----

4.6	Working with suppliers	
4.6.1	Procurement.....	65
Section 5		
5.1	Role of finance function	
5.1.1	Purpose and influence of finance function.....	66
5.2	Sources of finance	
5.2.1	Reasons business need finance.....	67
5.2.2	Suitable finance.....	68
5.3	Revenue, costs, profit and loss	
5.3.1	Revenue and costs.....	70
5.3.2	Profit and loss.....	72
5.3.3	Calculating profitability and Average rate of return.....	74
5.4	Break-even	
5.4.1	Break-even.....	76
5.5	Cash and cash flow	
5.5.1	Cash and cash flow.....	78
Section 6		
6.1	Ethical and environmental considerations	
6.1.1	Ethics and Environment in business.....	80
6.2	The economic climate	
6.2.1	The economy and business.....	82
6.3	Globalisation	
6.3.1	Business and Globalisation.....	83
6.3.2	How businesses compete internationally.....	84
Section 7		
7	Interdependent nature of business	
7.1	Business and Globalisation.....	85
7.2	How businesses compete internationally.....	86
7.3	Impact of risk and reward on business activity.....	87
7.4	Use of financial information in understanding performance.....	88
Section 8		
8.1	Application: the Key Skill.....	89
8.2	Answers to Maths Questions.....	90

Suitability of ownership to context

What? (Grade 5 basics)

There are far more unlimited liability businesses in the UK than limited liability (companies). And most are sole traders. So this form of ownership must be much more suitable than you might think. After all, it seems obvious for a business owner to opt for the security offered by limited liability. Therefore you expect there to be lots of private limited companies. But there are twice as many unlimited liability businesses (sole traders and partnerships) as limited ones (private and public companies).

Why? (Grade 6)

Three quarters of all UK businesses have no employees. In other words the business is simply the owner, e.g. a plumber who trades under the name *Harrogate Plumbers*. For such a small business there may be few financial risks to worry about – therefore the entrepreneur stays as a sole trader. This avoids the paperwork and annual accounting required for all (limited) companies.

How? (Grade 7)

To match the type of ownership to the business context there two key tests: does the business use a lot of credit and or borrow a lot from banks? If so, a limited liability structure makes a lot of sense. It protects the owner from any possible debts run up by the business. And secondly, just how profitable may your business prove to be? Annual accounts have to be published for limited companies, but not for sole traders or partnerships. So if you want to hide your huge profits from the eyes of others, stay as a sole trader.

So? (Grade 8)

Ambitious entrepreneurs hoping to float their companies and make £hundreds of millions would be wise to start up as a private limited company, then develop towards public (plc) status. Only those with modest financial objectives should consider sole trader or partnership status.

Grade 9

Although it's clear that some businesses should become companies, it's less clear why any businessperson would want to be in a partnership. This structure allows you to not only lose personal capital due to your own mistakes, but also due to mistakes by your partner(s). Most regard it as a structure that's never suitable.

Do think hard about when sole trader status might be best – including for a low-cost start-up which is short of capital – better, perhaps, to avoid higher accountants' fees for a limited company

Don't underestimate the downsides of becoming a public limited company (plc). Ownership and control are under permanent threat from outside shareholders, who also may encourage the business to focus too much on the short term

Exam tip: remember that a private company has limited liability – always. That might make suppliers reluctant to supply on credit – as they know the owners can walk away without paying

Suitability of Ownership: 5-step logic chain (to get the top response)

Chain 1. Some businesses inevitably require borrowing, such as housebuilding companies (1) ... They can't ask for cash before the house exists, so borrowing is needed (2). This makes a limited liability structure especially important (3) ... but in other cases you might see that a sole trader or partnership approach should work better (4) ... If so, explain why with confidence. (5)

Chain 2. For a fast growing business a public limited company structure can work well (1) ... as a flotation can raise huge sums by selling shares to new investors (2) ... and avoid raising capital by large-scale borrowing from the bank (3). But the disadvantage is sharing future profits with your new shareholders (4) ... who also have a say in future business decisions. (5)

Interdependence and decision making

What? (Grade 5 basics)

Businesses should be ambitious, but also realistic. Marketing managers may want to run a Buy One Get One Free (BOGOF) but the operations (factory) staff may not be able to produce the extra stock needed. So the decision must be to scrap – or postpone this decision. When the four functions work together they can reduce the number of mistakes – and therefore help improve the company's decision-making.

Do see that right decisions may not prove that the boss is brilliant. It may be the boss is helped by brilliant staff - working together in the four functions.

Why? (Grade 6)

The four functions are interdependent, so they rely on each other. One department cannot act without talking to the other three. When they work together the business is much more likely to succeed with: crowd-pleasing new products; keeping up with sales going crazy before Christmas; and the crucial thing of keeping existing customers happy.

How? (Grade 7)

If the boss of the company understands the four functions well, it will be tempting to take decisions – then tell them what to do. But it would be better to meet together to discuss opportunities – and possible problems. No-one will understand marketing decisions better than the marketing staff – and so-on through the four functions.

Don't be too harsh on businesses (or bosses) who've made a wrong decision. The key is how well they recover from it.

So? (Grade 8)

Today markets change rapidly as fashions and technology keep changing. So it's great to be the first with a new type of phone or affordable fashion straight from the catwalk. Speed matters. Quick, effective decision-making relies on the four functions working together. When marketing, finance, operations and human resources believe in their interdependence they'll work together to help the business succeed.

Exam tip: there are always two sides to every difficult decision. Reflect that in your answers to 9+-mark questions. Then draw your conclusion about which side is the stronger.

Grade 9

All business decisions are about the future. Therefore they are uncertain because no-one knows what the future will be. So no business can get all its decisions right. Success comes from being wrong less often than others. And this will be easier if the four business functions work together.

Interdependence and decisions: 5-step logic chain (for top level response)

Chain 1. The toughest decisions are the ones no-one saw coming (1) ... like having to close the factory for a month because sales are so weak (2). Marketing staff may be the first to hear of problems from customers (3) ... and can help the business by quickly telling operations and human resources about the threat to sales (4) ... allowing a speedy decision on 'mothballing' the factory. (5)

Chain 2. Decisions are also about opportunity and potential success (1) ... which is helped enormously by staff talking to each other (2). With a new product, the business ideal is something that's easy to make but brilliant for the customer to own (3) ... which needs a lot of work between the marketing and operations functions (4). These two departments then need support from finance and human resources to ensure overall success. (5)

OCR 9-1 GCSE Business

TARGET 9-5

Revision Handbook for Top Grades

Valuable from Day 1 through to Exam revision

- Covers all key concepts in the OCR GCSE. Builds from pass-grade knowledge to Grade 9 evaluation. Valuable after every new classroom lesson ... and in the lead-up to exams
- With each topic, a format of What, Why, How and So? gives clarity – and shows how to develop more complex arguments
- Every concept supported by a 5-step logic chain – exactly what examiners want for a top-level answer
- Business maths covered in detail. Lots of questions to test yourself. All with answers in the book

Ian Marcousé spent 11 years as Chief Examiner for A Level Business and a further 3 years as Chair of Examiners for Business GCSE. He now teaches at Central Foundation School for Boys and at London University's Institute of Education.

Target 9-5 Revision Handbook can be bought online through:

www.a-zbusinessstraining.com

ISBN 978-1-9996321-1-3



www.a-zbusinessstraining.com

