

*Learn these by heart before the exam.*

## Business and its environment

**Stakeholder:** any group affected by a business – owners, employees, customers, suppliers, government, the community; their aims often conflict

*Sectors: primary (raw materials), secondary (manufacturing), tertiary (services), quaternary (knowledge).*

*Ownership: sole trader and partnership (unlimited liability) vs private and public limited companies (limited liability).*

**Opportunity cost:** the next-best alternative given up when a business decision is made

## Marketing

*Marketing mix (4 Ps): Product, Price, Place, Promotion – extended for services with People, Process, Physical evidence.*

**Market share:** a firm's sales as a % of total market sales; a measure of competitiveness

$$\text{market share} = \frac{\text{firm sales}}{\text{total market sales}} \times 100\%$$

*Pricing: penetration (low to enter), skimming (high for new tech), cost-plus, competitive, price discrimination.*

**Elasticity of demand:** how much quantity responds to a price change; inelastic products can raise price and earn more revenue

## Operations and people

$$\text{productivity} = \frac{\text{output}}{\text{number of workers}}$$

**Economies of scale:** average cost per unit falls as output rises; diseconomies (poor communication, low morale) raise it again

*Quality: quality control (inspect at the end) vs quality assurance / TQM (build it in at every stage).*

**Motivation theories:** Taylor (pay), Maslow (hierarchy of needs), Herzberg (hygiene factors vs motivators)

*Leadership styles: autocratic, democratic, paternalistic, laissez-faire – suit different situations.*

## Finance and accounting

$$\text{break-even} = \frac{\text{fixed costs}}{\text{price} - \text{variable cost per unit}}$$

$$\text{contribution} = \text{price} - \text{variable cost per unit}$$

$$\text{gross profit} = \text{revenue} - \text{cost of sales}$$

$$\text{net profit margin} = \frac{\text{net profit}}{\text{revenue}} \times 100\%$$

**Working capital:** current assets – current liabilities; the day-to-day cash a business needs to pay its bills

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}} \quad \text{liquidity; a healthy value is around 1.5-2}$$

## Strategy

*SWOT analysis: internal Strengths and Weaknesses, external Opportunities and Threats.*

**Ansoff matrix:** growth routes – market penetration, market development, product development, diversification (rising risk)

*Investment appraisal: payback period, average rate of return (ARR), net present value (NPV).*

**Economies of scope:** cost savings from producing a range of related products together rather than separately

*Change management: Kotter's steps; overcome resistance with communication, involvement and training.*