1 Why businesses exist – Part 1

Name: __________ Class: ________ Date: _________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
business	企业			
goods	商品			
services	服务			
need	需要			
want	欲望			
factors of production	生产要素			
land	土地			
labour	劳动力			
capital	资本			
enterprise	创业精神			
entrepreneur	企业家			
risk	风险			
scarce	稀缺			
Adding value	增值			
branding	品牌			

English	中文	Write it 3 times (English)		
sector	产业			
primary sector	第一产业			
raw materials	原材料			
secondary sector	第二产业			
tertiary sector	第三产业			
quaternary sector	第四产业			

Recall

You have bought things all your life. Bring this with you:

- A **business** 企业 makes things and sells them to people.
- You use **goods** 商品 (things you can touch) and **services** 服务 (useful actions) every day.
- Money is limited, so people choose carefully what to buy.

At AS we look more closely at what a business uses to produce, and how it makes a profit.

New ideas

1 Needs, wants, and what a business does

- A **need** 需要 is something you must have to live — food, water, shelter.
- A **want** 欲望 is something you would like but can live without — a phone, a holiday.

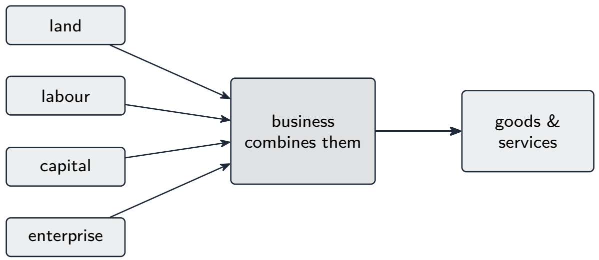
A business meets these needs and wants by making goods and services and selling them.

Micro-check. Is a warm coat a need or a want? [1]

2 The factors of production

To make anything, a business combines four **factors of production** 生产要素:

- **land** 土地 — natural resources such as soil, water and minerals;
- **labour** 劳动力 — the work done by people;
- **capital** 资本 — the machines, tools and buildings used to produce;
- **enterprise** 创业精神 — the skill of the **entrepreneur** 企业家, who brings the other three together and takes the **risk** 风险.



These resources are **scarce** 稀缺 — there are never enough for all our wants — so a business must use them carefully.

Micro-check. Which factor of production is a delivery van? [1]

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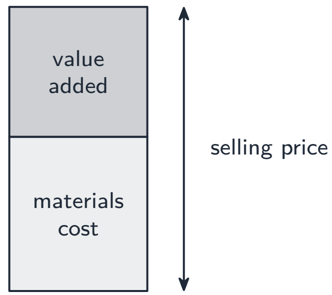
3 Adding value

Adding value 增值 means selling a product for **more** than the cost of the materials bought to make it:

$$\text{value added} = \text{selling price} - \text{cost of bought-in materials}.$$



A firm can add value by **branding** 品牌, better quality, good design, or fast service.

Worked example. A baker buys flour and other materials for \$0.40 and sells a loaf for \$1.50. The value added is $\$1.50 - \$0.40 = \$1.10$.

Micro-check. A maker buys parts for \$8 and sells the product for \$20. Find the value added. [1]

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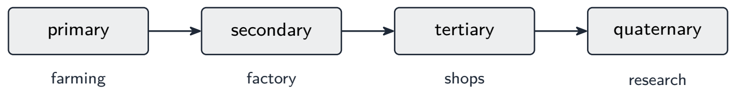
4 Sectors of business activity

Every business works in one **sector** 产业:

- **primary sector** 第一产业 — takes **raw materials** 原材料 from nature (farming, mining, fishing);
- **secondary sector** 第二产业 — makes (manufactures) goods (a car factory, a baker);
- **tertiary sector** 第三产业 — provides services (shops, banks, transport);
- **quaternary sector** 第四产业 — knowledge and information services (research, IT).



As a country develops, it usually moves from mostly primary work towards more tertiary and quaternary work.

Micro-check. Which sector is a hairdresser in? [1]

> **Watch out:** the entrepreneur provides *enterprise* (and takes the risk) — that is a separate factor from *labour*. And "value added" subtracts only the *bought-in materials*, not all the other costs (so it is not the same as profit).

Practice

1.1 State whether each is a **need** or a **want**: (a) clean water, (b) a games console. [2]

1.2 Name the **four** factors of production. [4]

1.3 State which factor of production each is: (a) a factory worker, (b) a coal deposit, (c) an oven. [3]

1.4 A shop buys a jacket for $30 and sells it for $75. Find the value added. [2]

1.5 State the sector of business activity for each: (a) a wheat farm, (b) a furniture factory, (c) a bus company. [3]

1.6 Explain why a business must use its resources carefully. [2]

1.7 Challenge. Two cafés each buy the coffee for a cup for $0.30. One sells it for $2, the other for $4 in a smart setting. Explain how the second café adds more value. [2]