

Exercise walk-through

1.2

Classification of businesses

IGCSE Business Studies

Why businesses succeed or fail

A business is more likely to succeed when it has:

- good **management** – skilled leaders who plan well,
- enough **finance** – money to pay bills while it grows,
- a product customers want, and an edge over the **competition** (the other businesses selling similar things).

What businesses actually aim at

profit

earning more than it spends – the **main** aim of most private firms

survival

the first aim of a new business, and of any business in a downturn

growth

more sales, more sites, more staff – often at the cost of short-term profit

market share

the share of total sales in a market that one business holds

customer service

keeping customers happy so they **come back**

social objectives

helping society or the **environment** – the defining aim of a social enterprise

Objectives **change over time**. A firm that aimed at survival in year one may aim at market share in year five, and the exam asks you to say why.

Three kinds of integration

horizontal

two firms at the **same stage** of the same business – two car makers join

vertical

two firms at **different stages** of the same business – a car maker buys a tyre maker

conglomerate

two firms in **completely different** businesses – a car maker buys a food company

why horizontal

more market share, and economies of scale in the same activity

why vertical

control of supply or of the route to the customer

why conglomerate

spreading risk – if one market falls, the other may not

Name the type first, then give its *reason*. “Vertical, so it controls its own supply of tyres” earns both marks in one line.

Exercises 2.1·2.2

2.1 Define the term *secondary sector*.

[2]

2.2 Identify which sector each belongs to: (a) a fishing boat; (b) a bakery; (c) a hair-dresser.

[3]

Exercises 2.1-2.2

2.1 Define the term *secondary sector*.

[2]

2.1

- the **secondary sector** makes goods from raw materials (manufacturing and construction) (K)

2.2 Identify which sector each belongs to: (a) a fishing boat; (b) a bakery; (c) a hairdresser.

[3]

2.2

(a)

- a fishing boat: **primary** (K)

(b)

- a bakery: **secondary** (K)

(c)

- a hairdresser: **tertiary** (K)

Exercises 2.3-3.2

2.3 State the difference between the private and the public sector. [2]

3.1 Identify two examples of tertiary-sector businesses. [2]

3.2 Explain two features of the public sector. [6]

Exercises 2.3-3.2

2.3 State the difference between the private and the public sector. [2]

2.3

- **private:** owned by people/companies, usually for profit (K)
- **public:** owned by the government, to provide services (K)

3.1 Identify two examples of tertiary-sector businesses. [2]

3.1

- any **two** of: shops / banks / transport / tourism / restaurants (K, K)

3.2 Explain two features of the public sector. [6]

3.2

- for **each** of two features: K + An, max 3 each
- e.g. **government-owned:** run by the state → decisions serve the public, not just profit
- e.g. **service aim:** schools and hospitals even if unprofitable, because they are vital

Exercise 3.3

3.3 Do you think de-industrialisation is always bad for a country? Justify your answer. [6]

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3.3

- **against (bad)**: lost factory jobs, structural unemployment, fewer goods exports
- **for (not always bad)**: tertiary jobs, often higher-skilled and cleaner
- **judgement (Ev)**: harms declining industries in the short run, but a strong service sector can raise incomes if new jobs replace the old ones