

Exercise walk-through

1.3

Enterprise, business growth and size

IGCSE Business Studies

Entrepreneurs and ownership

the entrepreneur

takes **risk** , is **innova-
tive** ; writes a **business
plan** to raise finance

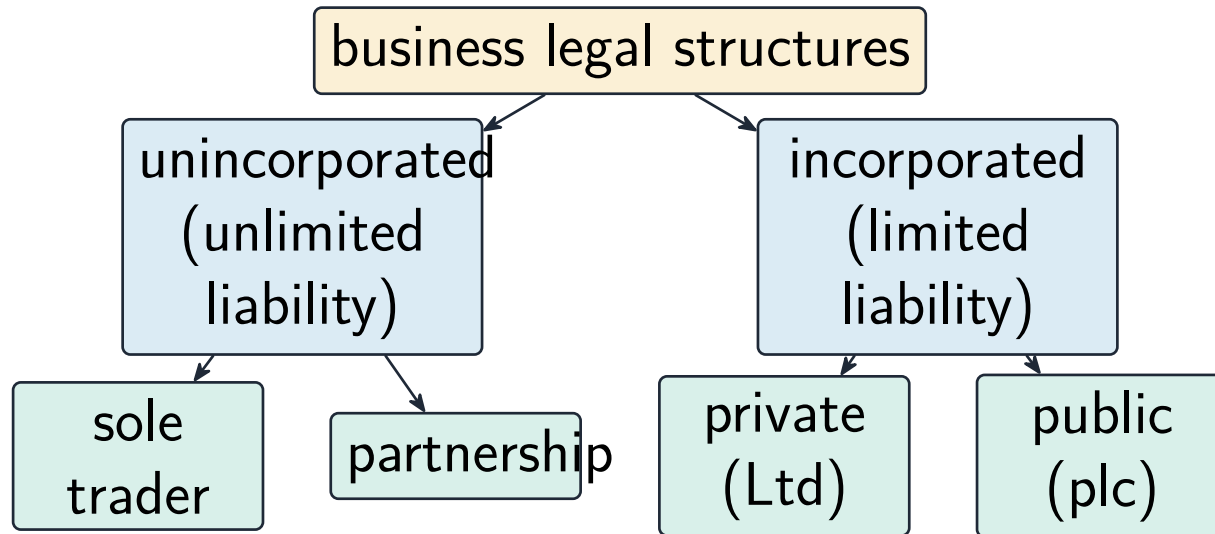
two sectors

private aims
for **profit** ; **pub-
lic** provides services

Business organisation

Owners split by **liability** :

- **sole trader** & **partnership** – **unlimited** liability
- **limited company** – **limited** liability



Government support for start-ups

A **start-up** is a brand-new business.

- **grants** – money given that does not have to be paid back,
- low-interest **loans** – money lent on easy terms,
- training and advice for new owners,
- lower taxes in the first years.

Franchises, and the public sector

franchise

the **franchisee** pays to use the name, products and methods of an existing successful business (the **franchisor**)

why take one

a known brand and a proven method – so the risk of failure is far lower

the cost

a fee plus a share of the revenue, and **little freedom** to change anything

public corporation

owned and run by the government – a national rail or postal service

its aims

a **service to everyone** rather than the largest profit – which is why it may run routes no private firm would

A public corporation is judged on different objectives from a private firm. Comparing them on profit alone misses the point of the question.

Staying small or growing

Some businesses stay small on purpose: the owner wants to keep control, the market is small, or the product is specialised.

- **Internal growth** (also called organic growth): the business grows by itself, by selling more, opening new branches, or adding new products. It is slower but lower-risk.
- **External growth** : the business joins with another business. This is faster.

Exercises 2.1-2.3

2.1 Define the term *entrepreneur*.

[2]

2.2 Identify two ways to measure the size of a business.

[2]

2.3 State the difference between a *merger* and a *takeover*.

[2]

Exercises 2.1-2.3

2.1 Define the term *entrepreneur*.

[2]

2.1

- an **entrepreneur** sets up a business and **takes the risk** of running it (K)
-

2.2 Identify two ways to measure the size of a business.

[2]

2.2

- any **two** of: number of **employees** / **revenue** / **capital employed** (K, K)
-

2.3 State the difference between a *merger* and a *takeover*.

[2]

2.3

- a **merger**: two firms **agree to join** (K)
- a **takeover**: one firm **buys control** of another (K)

Exercises 3.1-3.2

3.1 Identify two uses of a business plan.

[2]

3.2 Explain two benefits to a business of growing larger.

[6]

Exercises 3.1·3.2

3.1 Identify two uses of a business plan.

[2]

3.1

- any **two** of: makes the owner **plan ahead** / helps **raise finance** (K, K)
-

3.2 Explain two benefits to a business of growing larger.

[6]

3.2

- for **each** of two benefits: K + An, max 3 each
- e.g. **economies of scale**: bulk buying → lower cost per unit → higher profit or lower prices
- e.g. **market power**: bigger market share → compete more strongly

Exercise 3.3

3.3 A successful sole trader wants to grow. Do you think internal growth is better than external growth for this business? Justify your answer. [6]

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3.3

- **internal:** lower risk, keeps control, financed from profits – but slow
- **external:** fast growth – but risky, costly, may lose control
- **judgement (Ev):** internal is usually safer for a small sole trader; external suits a firm that must grow fast – it depends on finance and risk