1.1 Business activity

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

Objective

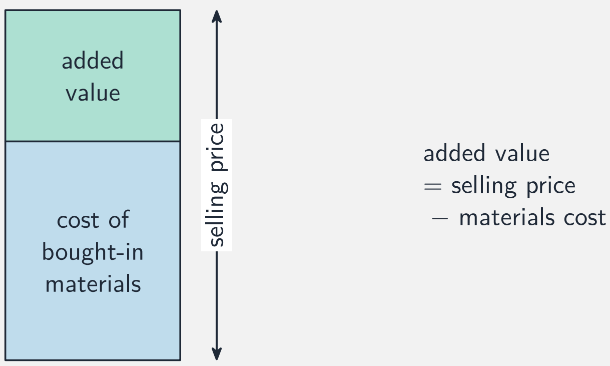
Build the skills to answer exam questions on **business activity** 商业活动—the **factors of production** 生产要素, the **economic problem** 经济问题, **opportunity cost** 机会成本, and **added value** 增值.

You must be able to:

- explain the purpose of business activity and the four factors of production
- define opportunity cost and added value, and calculate added value
- explain why businesses succeed or fail

1 Worked examples

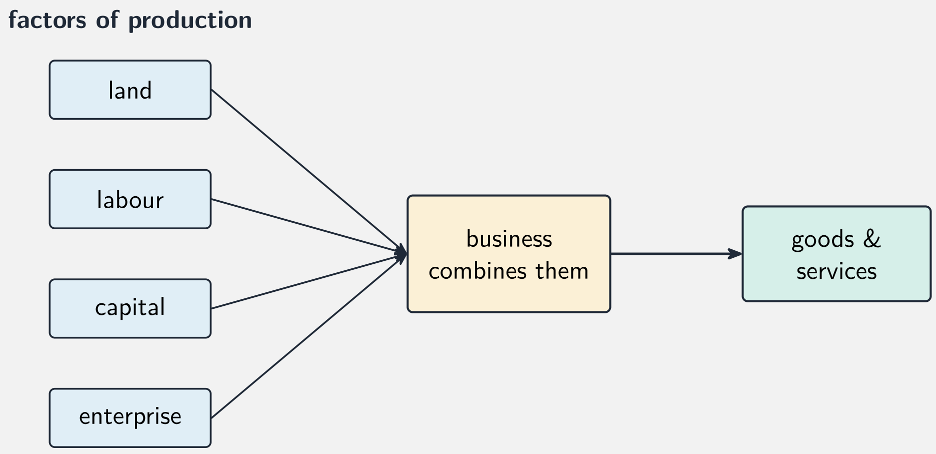
■ Adding value



Businesses combine resources to make goods and services people want

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

- **Worked:** a baker buys materials for \$5 and sells a cake for \$12 → added value = \$7.
- **Factors of production: land** 土地, **labour** 劳动力, **capital** 资本, **enterprise** 企业家才能.



The four factors of production a business combines to add value

- **Opportunity cost** 机会成本: the next best choice given up.

Answer shapes (marked by **level of response** —award **K** knowledge, **App** application, **An** analysis, **Ev** evaluation/judgement):

- **Explain two⋯[6]:** for each —identify a point (K) + develop why it matters (An).
- **Do you think⋯? Justify [6]:** give both sides, then a supported judgement (Ev).

2 Practice

2.1 Define the term *opportunity cost*. [2]

2.2 A firm buys materials for $8 and sells the product for $20. Calculate the added value. [2]

2.3 Identify the four factors of production. [4]

3 Exam-style questions

3.1 Identify two ways a business could increase the added value of its product. [2]

3.2 Explain two reasons why a new business might fail. [6]

3.3 Do you think good management is the most important reason a business succeeds? Justify your answer. [6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **1.1 Business activity** past-paper sheet in the Library, or try these in **Practice mode**:

- 0450/11 J25 —Q1 (business activity)
- 0450/12 N24 —Q1 (factors of production / added value)

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 the next best alternative given up when a choice is made (2 for a clear definition; 1 for a partial idea).

2.2 \$20 − \$8 = \$12 (2; award 1 for a correct method with the wrong figure).

2.3 land; labour; capital; enterprise (1 + 1 + 1 + 1).

3.1 any two of: raise the price (e.g. a strong brand); lower the cost of materials; improve the product (1 + 1).

3.2 *[6]* For **each** of two reasons: K 1 + An up to 2 —e.g. *runs out of cash*: it cannot pay wages and suppliers → it is forced to stop trading. *Poor management*: weak planning and decisions → costs rise and customers are lost → the business fails. Maximum 3 per reason.

3.3 *[6]* Both sides + judgement. **For:** good management plans well, controls money and motivates staff, avoiding the most common causes of failure. **Against:** success also needs enough finance, a product customers want, and an edge over competitors. **Judgement (Ev):** management matters greatly, but it must be combined with finance and a good product —so it is *a* key factor, not always *the* most important; it depends on the business.