

1.1 Business activity

Name: _____ Class: _____ Date: _____

Total: 22 marks

KEY WORDS business 企业 • added value 增值 • finance 资金 • needs 需要 • management 管理

Objective

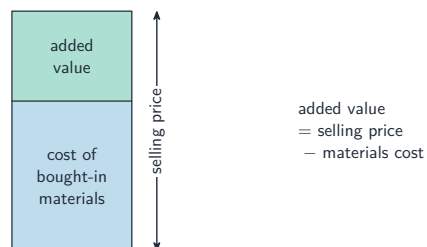
Build the skills to answer exam questions on **business activity** 商业活动 — the **factors of production** 生产要素, the **economic problem** 经济问题, **opportunity cost** 机会成本, and **added value** 增值.

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

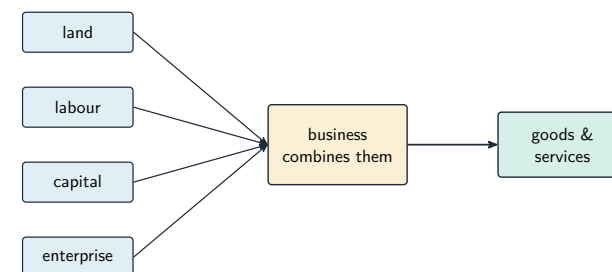


Businesses combine resources to make goods and services people want

added value = selling price – 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.

factors of production



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]

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.