IGCSE BUSINESS STUDIES • EXERCISE SHEET

1.3 Enterprise, business growth and size

Name: ____________ Class: ________ Date: __________ **Total: 20 marks**

KEY WORDS employees 员工 • entrepreneur 企业家 • economies of scale 规模经济 • business plan 商业计划书 • market 市场

Objective

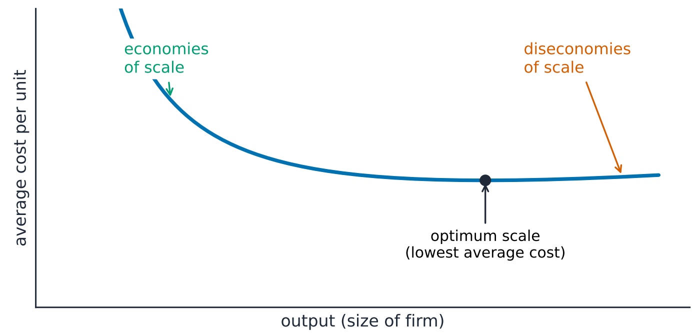
Build the skills to answer exam questions on **enterprise, business growth and size** 创业、企业成长与规模 — the **entrepreneur** 企业家, the **business plan** 商业计划书, measuring size, **internal and external growth** 内部与外部增长, and **economies of scale** 规模经济.

You must be able to:

- describe an entrepreneur and the uses of a business plan
- state ways to measure the size of a business
- explain internal and external growth, and economies of scale

1 Worked examples

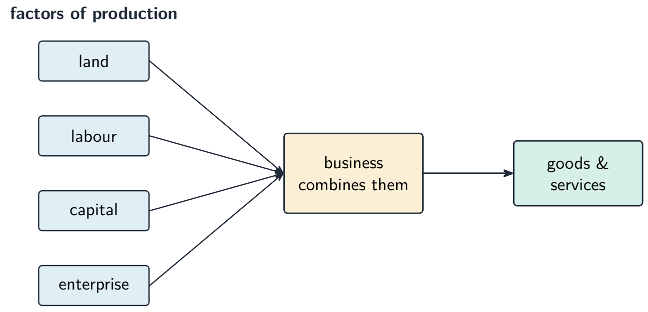
Growth and economies of scale



LRAC: economies → min AC → diseconomies

Businesses grow to cut the cost per unit — but only up to a point

- **Measuring size:** number of **employees** 员工, **revenue** 收入, **capital employed** 所用资本 (each has a weakness).



Enterprise is the factor that starts and grows the business — combining the other three

- **Internal growth** 内部增长 (organic): sell more, open branches — slower, lower risk. **External growth** 外部增长: a **merger** 合并 / **takeover** 收购.
- **Integration:** *horizontal* (same stage), *vertical* (different stage), *conglomerate* (different industry).
- **Economies of scale** 规模经济: cost per unit falls as the firm grows; **diseconomies** raise it if too big.

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

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]

3 Exam-style questions

3.1 Identify two uses of a business plan. [2]

3.2 Explain two benefits to a business of growing larger. [6]

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]

Solutions

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

2.1 a person who sets up a business and takes the risk of running it (2 for a clear definition; 1 for a partial idea).

2.2 any two of: number of employees; revenue (sales); capital employed (1 + 1).

2.3 a merger is when two businesses agree to join into one; a takeover is when one business buys control of another (2 for a clear difference; 1 for a partial idea).

3.1 any two of: it makes the owner plan ahead; it helps raise finance from banks or investors (1 + 1).

3.2 *[6]* For **each** of two benefits: K 1 + An up to 2 — e.g. *economies of scale*: a bigger firm buys materials in bulk → lower cost per unit → higher profit or lower prices. *Market power*: more sales and a bigger market share → it can compete more strongly. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **Internal:** lower risk, keeps control, financed from profits — but slow. **External:** fast growth and instant market share — but risky, costly and the owner may lose control. **Judgement (Ev):** for a small sole trader, internal growth is usually safer and keeps control, but external growth suits a firm that needs to grow fast — it depends on the owner's finance and attitude to risk.