Understanding Business Activity

IGCSE Business Studies ▪ Topic 1

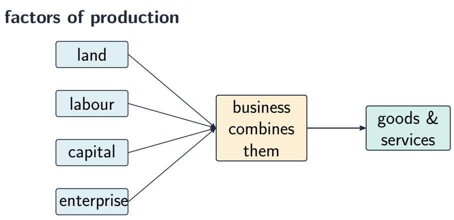
IGCSE Business Studies

What we will cover

1. Purpose & factors of production
2. Scarcity & added value
3. The three sectors
4. Entrepreneurs & ownership
5. Business growth
6. Economies of scale & stakeholders

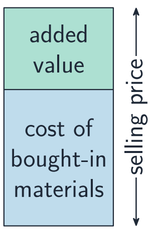
1 Purpose

Purpose and factors of production



- Goods are physical things you can touch – bread, phones, cars.
- Services are useful actions done for you – a haircut, a bus ride, a doctor's visit.

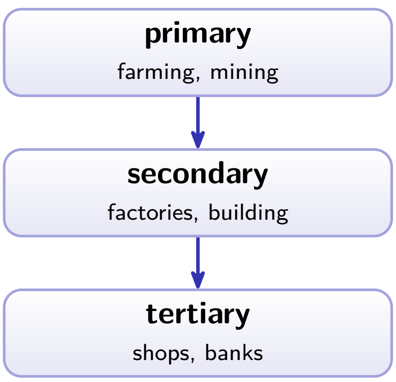
Scarcity and added value



added value
= selling price
− materials cost

- raising the price, often through a strong **brand** 品牌 or better design,
- lowering the cost of materials, for example by finding cheaper suppliers,
- improving the product so customers will pay more.

The three sectors



- **primary** 第一产业 – takes natural resources
- **secondary** 第二产业 – makes goods
- **tertiary** 第三产业 – provides services

2 Ownership and growth

Entrepreneurs and ownership

the entrepreneur 企业家
takes **risk** 风险, is **innovative** 创新; writes a **business plan** 商业计划书 to raise finance

two sectors
private 私营部门 aims for **profit** 利润; **public** 公共部门 provides services

Business organisation

Owners split by **liability** 责任:

- **sole trader** 独资 & **partnership** 合伙 – unlimited liability
- **limited company** 有限公司 – limited liability

- business legal structures
  - unincorporated (unlimited liability)
    - sole trader
    - partnership
  - incorporated (limited liability)
    - private (Ltd)
    - public (plc)

Business growth

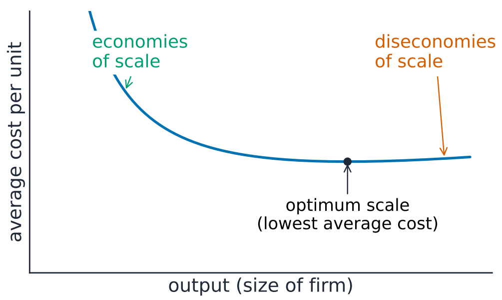
internal growth 内部增长

grow by itself – new branches & products; slower, safer

external growth 外部增长

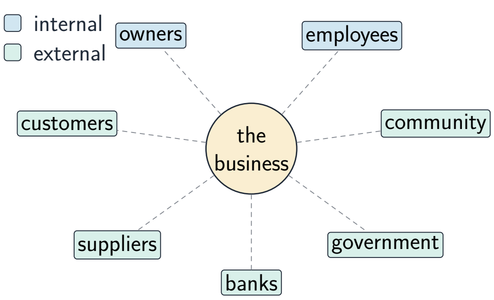
merger 合并 or **takeover** 收购: horizontal, vertical or conglomerate

Economies of scale



As a business grows, the cost per unit falls – **economies of scale** 规模经济. Grow too big & it can rise again (**diseconomies of scale** 规模不经济).

Stakeholders



A **stakeholder** 利益相关者 is anyone affected by the business.

- internal: owners, workers, managers
- external: customers, suppliers, government, community

3 Recap

Worked example – the three sectors

A farm sells wheat to a mill, which sells flour to a bakery, which sells bread in its own shop. Name each sector.

- Primary: taking natural resources from the earth ⇒ the farm.
- Secondary: making or processing goods ⇒ the mill and the bakery.
- Tertiary: providing a service ⇒ the shop that sells the bread.
- Each stage adds value to what it bought from the stage before.

As a country develops, employment shifts primary → secondary → tertiary. One firm can sit in several sectors at once – a bakery with a shop does.

Topic 1 – key takeaways

1. **Factors**
   land, labour, capital, enterprise
2. **Added value**
   selling price minus bought-in materials
3. **Sectors**
   primary, secondary, tertiary
4. **Growth**
   internal vs external (merger/takeover)

Check yourself

1. Name the four factors of production.
2. What is opportunity cost?
3. Which sector provides services?
4. What does a limited company give its owners?

Answers **1.** land, labour, capital, enterprise **2.** the next best choice given up **3.** the tertiary sector **4.** limited liability