

Welcome to KS5 Business Studies Essential work

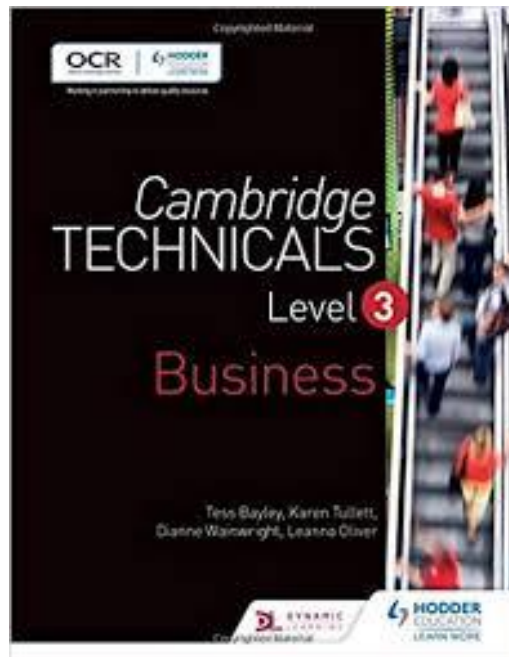


Welcome to Business Studies, one of the most international subjects in the world. Business Studies opens the doors to study a range of specialties such as accountancy, finance, organisation, human resources management or marketing. Studying Business will help you to appreciate the realities of managing a business, how to effectively manage and lead people, how to gain a competitive edge as a business person and how to recognise the principles of success.

Overview of the course

This is a two-year course which includes 2 examinations and 3 elements of coursework

Year 12	Year 13
Unit 1 The Business Environment – exam Unit 4 – Customers and communication - coursework Unit 20 – Business Event Planning – practical event planning and coursework	Unit 2 – Working in Business- exam Unit 8 – Introduction to Human Resources - coursework



These are some tasks that will help you to prepare for Unit 1 – The Business Environment

Task 1

- Explain your understanding of both the private and public sectors using examples to support your findings
- Find out what a not-for-profit organisation is. How would you explain this to someone?

Task 2 – Report

Choose an example from the public sector, the private sector and a non-for-profit organisation and write about similar and different features of each. Consider their activities, the number of people working in this business or organisation, their size, where they operate, how they are funded, what they spend their money on, what they aim to do, how successful they are and how they measure their success. You can use this table to help with your notes and then this can be presented as a 200-word mini report.

Choose an example of each	Similarities	Differences
Private sector business		
Public sector organisation		
Not for profit organisation		

Task 3

Choose something from the suggested Reading/ Watching /Listening list for Business Studies on the 'Keep Learning' document. Can you prepare to report on this in your first week in Business Studies? Your report can be with or without a visual aid. So, for example, which podcast /TedTalks did you listen to and what did you take/learn from it?



Task 4

Find an article related to the devastation on the economy caused by the coronavirus pandemic. Can you write a 250-word summary of some of the overwhelming impacts on:

- The UK economy
- The hospitality sector
- Employment

Task 5

Research the different types of **ownership** a business can decide to operate as.

This should include

- Sole Traders, Partnerships, Limited Companies (LTDs) and PLCs.

For all four business structures, I would like you to research:

- a) The characteristics of these structures
- b) The advantages of operating this way
- c) The disadvantages of operating this way

Task 6

- Use the government website to create a fact file on how to set up a limited company. <https://www.gov.uk/limited-company-formation>
- Explain the differences between a company limited by shares and a company limited by guarantee.
- Include the 7 steps the government suggest you take when you set up a limited company.
- Give some more details about each stage such as the documents you have to create to set up the business (memorandum of association and articles of association, the financial records you will have to keep)



Task 7

- Find out what a 'Mission statement' is in the corporate world and note down the mission statements of 5 different organisations.
- Identify the financial and non-financial aims a business may have i.e. they may choose to make a profit or be seen as a more ethical company.
- Find out what a stakeholder is and identify the different stakeholders a business may have. Explain what each one would want from a business



Task 8

Choose a large business that is **based in the UK** e.g. Tesco PLC. Using the company website, company annual report and other research write a report on the business.

In your report you should:

- Identify the features of the business –explain its history, what its activities are, where is it based, how many stores it has, how many people it employs, who owns the business.
- Write about the company's aims and objectives. The company report might help you here.
- Try and find examples to illustrate each aim. i.e. if one aim is to make a profit find out their profit figures in the last year. If another aim is to help society, give examples of the charity events they hold. Do you think they have achieved their aims? What is the evidence?
- Identify the stakeholders of the business (anyone who is affected by the business or influence the business) and explain what each one might want out of the business.

Finance

Businesses would struggle to survive if they were not on top of their Accounting. As much as many large businesses pay Accountants to manage their finances, often this can be a very costly process for SMEs (can you look up the meaning of SMEs)?

Unit 1 includes a significant element of Financial Accounting in the exam. This is not 'Maths', but is more about interpreting the accounts of a business and how they are performing.

There are three financial statements that if researched in advance of starting the course, would really help you to get ahead of the game:

- 1) Income statements
- 2) Statement of financial position
- 3) Cash flow statements and forecasts



The financial performance of a business can be assessed using two key financial reports:

Income statement (profit and loss account)

- A formal financial document that summarises a business' trading activities and expenses to show whether the business has made a profit or a loss over a specified period of time

Statement of financial position (balance sheet)

- A formal financial document that summarises the net worth of a business at a given point in time
- It balances net assets with total equity

Why do numbers matter?

Increasing profit is often a major aim for growing businesses. There are several ways in which this can be achieved

- ⊙ Sell the same quantity but at a higher price
- ⊙ Sell more at the current price
- ⊙ Sell the same at the same price but reduce costs

Businesses are not limited to one of these options but must realise each option has knock on implications

Task 1

Read this article 'EE losses shrink as costs savings hit £457m'

<http://www.bbc.co.uk/news/business-26273365>



Mobile operator EE has reported a pre-tax loss of £101m for 2013, as it continues to pay down the costs of buying mobile bandwidth.

In 2012, the firm made a loss of £251m. The company estimates it has paid £16bn in capital costs in the past 12 years.

But EE said operating profits increased sharply last year, while cost savings as a result of merging Orange and T-Mobile totalled £457m.

Revenue was down slightly at £6.48bn, from £6.66bn in 2012.

"We successfully executed our strategy, growing our pay monthly base, delivering our targeted cost savings and achieving our best margin yet, all while cementing EE's position as the UK's best network for consumers and businesses alike," chief executive Olaf Swantee said.

The £16bn is broken down equally between spectrum costs, which go to the Treasury, and infrastructure costs, such as mobile masts. These large capital expenditures are then spread out over a number of years, a common accountancy practice known as amortisation.

EE said that profits for 2013, taking out tax, interest, amortisation and depreciation, were up 10% at £1.57bn. Using this measure, known as EBITDA, profit margins were 24.3%.

The operator also said it had added 756,000 contracted customers last year, some of which were previously pay-as-you-go customers.

On Thursday, EE announced that it would bring back 1,000 customer service jobs to the UK from overseas.

Task 1

Write a short summary to show your understanding of the factors contributing towards the financial performance at EE.

Income Statements

Profits are the surplus of revenue over costs

Profit = total revenue – total cost

There are 2 types of profit:

- ⊙ Gross profit
- ⊙ Operating profit

These are shown on an income statement (profit and loss account) which is a formal financial document that summarises a business' trading activities and expenses to show whether it has made a profit or loss.

Task 2

Write a list of possible expenses for a business.

Income statement	£
Sales revenue	£100 000
Cost of sales	£45 000

Gross profit	£55 000
Other operating expenses	£32 000
Operating profit	£23 000
Interest and taxation	(£6 000)
Exceptional items	£0
Profit for the year (net profit)	£17 000

Below is an Income statement

Task 3

Rora Ltd is a tyre and exhaust centre. The table below shows data for month 1 of the financial year.

Total sales	Cost of sales	Average expenses per customer	Number of customers
£225 000	£75 000	£35	1 500

- a. What is Rora Ltd's gross profit for month 1?

- b. What is Rora Ltd's gross profit margin for month 1?
marks

- c. What is Rora Ltd's operating profit?
marks

d. What is Rora Ltd's operating profit margin?
/3marks

Task 4

Fawcett & Sons Ltd is a manufacturer of tractors. Use the information listed below to complete the key financial data table.

- Sales revenue in year 1 £21.2m
- Sales revenue in year 2 was 10% higher than year 1
- Cost of sales in year 1 30% of sales revenue
- Cost of sales in year 2 28% of sales revenue
- Expenses in year 1 £10.3m
- Operating profit in year 2 £11.1m

Key financial data for Fawcett and Sons Ltd	Year 1	Year 2
Sales revenue		
Cost of sales		
Gross profit		
Expenses		
Operating profit		

Statement of financial position (balance sheet)

This is a formal financial document that summarises the net worth of a business at a given point in time

- ⊙ It balances net assets with total equity
- ⊙ Net worth is if you took all of a business' assets and turned them into cash and then paid off all of the businesses liabilities how much would be left?

Assets: Items of value owned by a business.	Liabilities: Money a business owes i.e. debts.
<p>Non – current assets Likely to be kept by the business for more than one year e.g.</p> <ul style="list-style-type: none"> • Vehicles • Premises • Machinery <p>Current assets Likely to be turned into cash within a year e.g.</p> <ul style="list-style-type: none"> • Inventories • Receivables • Cash and cash equivalents 	<p>Non – current liabilities Debts that the business has more than one year to repay e.g.</p> <ul style="list-style-type: none"> • Bank loans • Mortgages <p>Current liabilities Debts that the business may have to repay within one year e.g.</p> <ul style="list-style-type: none"> • Overdrafts • Payables

What was Taylor Swift's net worth in 2015?
<http://www.forbes.com/sites/zackomalleygreenburg/2015/05/27/taylor-swift-net-worth-in-2015-200-million/>

Below is a Statement of Financial Position

Non-current assets	Long term or fixed assets
Current assets	Short term assets
Inventories	The value of stock held
Receivables	Cash owing from credit sales

Cash and cash equivalents	Cash in hand or at the bank
Total current assets	All current assets added together
Current liabilities	Money owed to be repaid in the short term
Net current assets	Total current assets minus current liabilities
Non current liabilities	Long term debts
Net assets	The net worth of the business' assets
Share capital	Finance raised from the sale of shares
Retained profit and reserves	Cumulative profits kept in the business
Total equity	The value of shareholders' funds

	£ms	£ms	Calculations
Non-current assets		19 550	
Current assets			
Inventories	2 375		
Receivables	1 170		
Cash and cash equivalents	2 300		
Total current assets		5 845	2 375 + 1 170 + 2 300

Current liabilities		8 160	
Net current assets		(2 315)	5 845 - 8 160
Non current liabilities		(6 000)	
Net assets		<u>11 235</u>	19 550 - 2 315 - 6 000
Share capital		6 000	
Retained profit and reserves		5 235	
Total equity		<u>11 235</u>	6 000 + 5 235

Task 5

Fill in the gaps to complete the statement of financial position for Zavolla Coffee Ltd.

Statement of financial position for Zavolla Coffee Ltd.		
	2016 (£ms)	2015 (£ms)
Non-current assets	2.3	2.1
Current assets		
Stock	0.5	0.4
Debtors	0.3	0.4
Cash	0.2	0.1
Current liabilities	0.6	0.4
Non-current liabilities	1.5	1.7
Net worth		
Share capital		0.6
Retained profit	0.5	
Total equity		

Workings

Working capital is very important. It is a measure of a firm's solvency / ability to meet day to day expenses.

Working capital = current assets – current liabilities

It is stated on the statement of financial position as net current liabilities or net current assets. Working capital answers the basic question if the firm had to pay off all its short term debts could it do so out of its short term cash resources i.e. inventories, payables and cash. If not then it will have to sell non-current assets to pay its debts and the business may cease trading e.g. if a limousine hire business has to sell its limousines it no longer has a business

Task 6

Calculate the working capital for 2015 and 2016.

Task 7

What is meant by equity? Can you explain in your own words?

Subject knowledge quizzes

Have a go at the two quizzes below to check your understanding of income statements and statements of financial position.

Task 8

<http://www.tutor2u.net/business/reference/income-statement-revision-quiz>

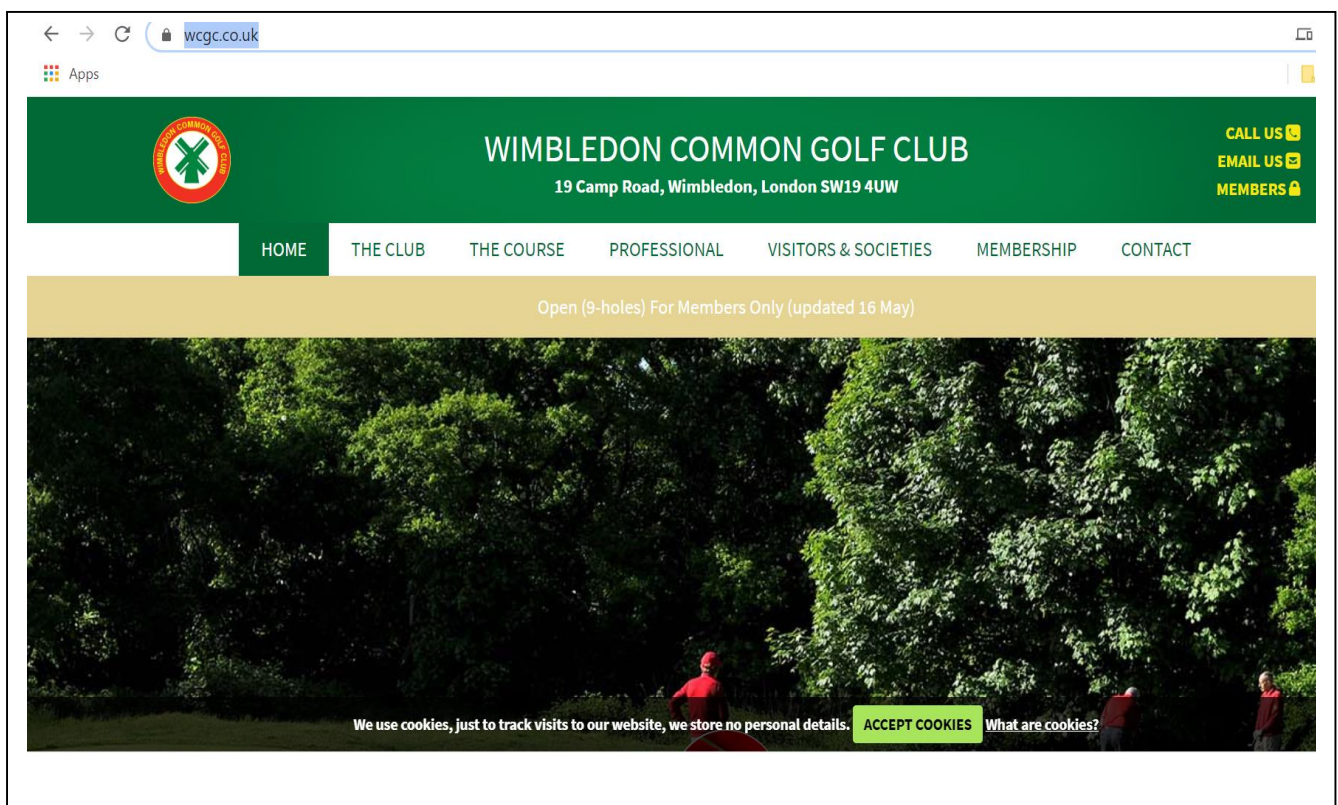
Task 9

<http://www.tutor2u.net/business/reference/balance-sheet-revision-quiz>

Unit 4 – Customers and communication

As well as working on Unit 1, you will start working on Unit 4 (coursework) as soon as you start the course. This coursework will be based on Wimbledon Common Golf Club, so if you can use their website to find out a bit more about them, this would be great.

<https://www.wcgc.co.uk/>



The type of information to research is:

- What does their website include?
- How do they use social media?
- How do their members sign up to join the club?
- What are your thoughts on communication and how they communicate with their members over their website or social media?

Before we visit the Golf club and conduct some in -depth research, we will need to understand some theory.

Demographics

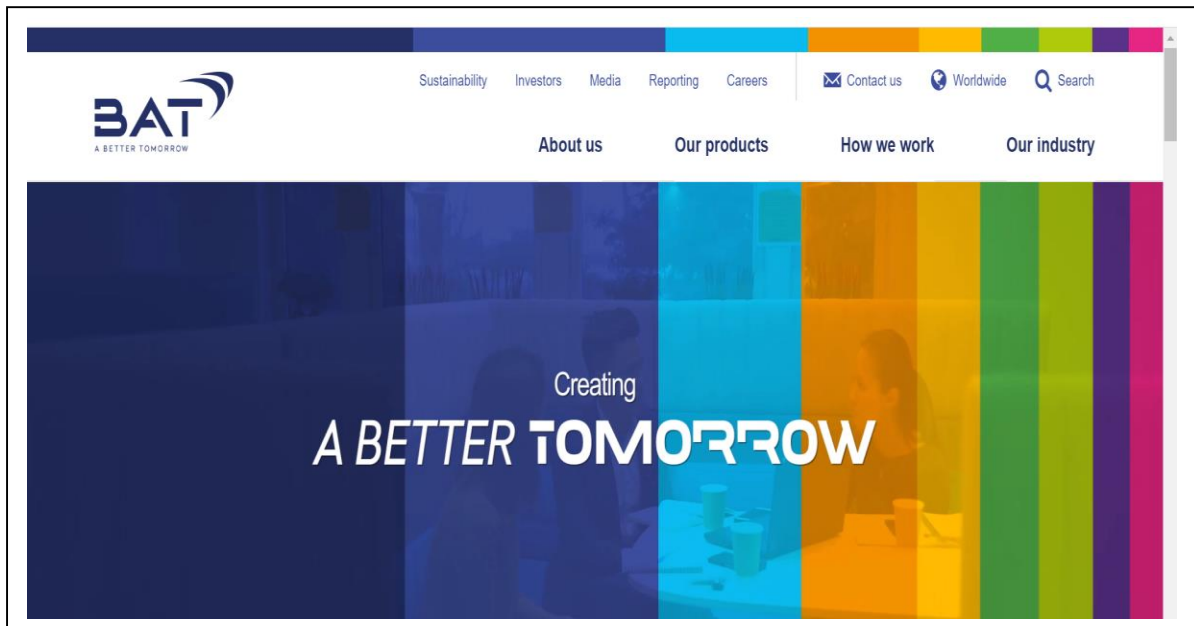
Task 1

To avoid having difficulties with understanding Demographics and how to discuss Demographics, you should research CACI's Acorn UK demographics profile which includes subsections of the population from 'affluent achievers' down to the 'hard-pressed'.

Task 2

Use the Investopedia website to search for a definition of the term demographics and write down all the possible ways that population could be classified ie age, gender, etc

Task 3

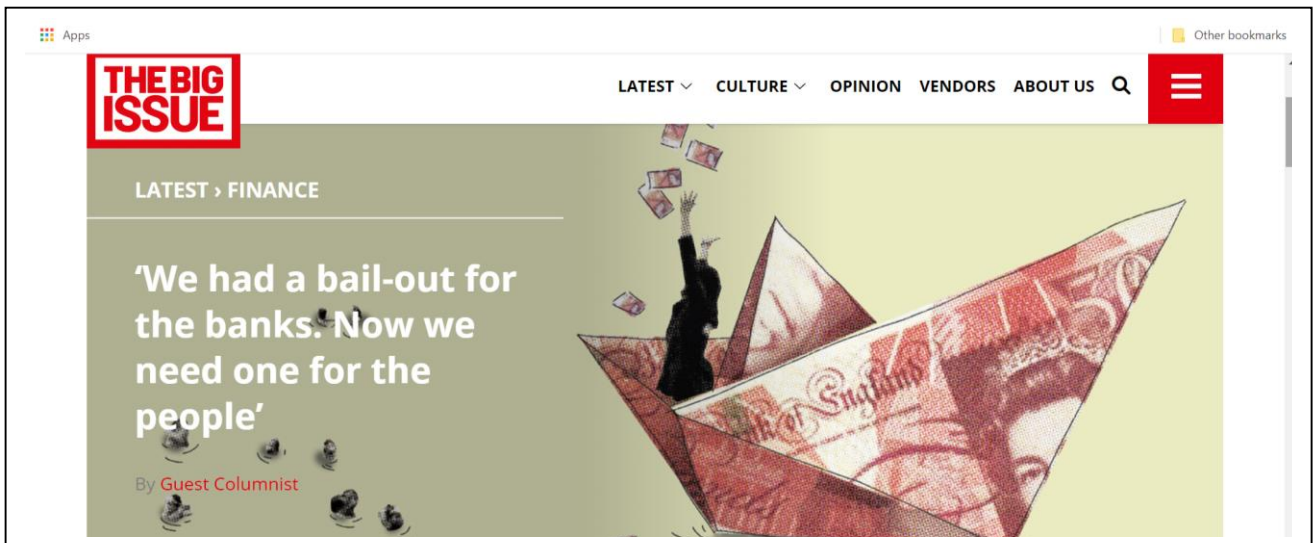


Look at the website for BAT (British American Tobacco) which outlines their corporate standards and then write down your thoughts on what you regard as a 'corporate standard'. You may need to research this. Do not get confused with corporate profile.

Third sector organisations and customer service

Some businesses do not have profit as their main objective and instead seek to help a community or a certain sector of the population, e.g. *Shelter* is a charity to help the homeless and *The Big Issue* is a social enterprise which also helps the homeless but through trading rather than donations. Look at the website of The Big Issue and their video gallery.

The Big Issue Foundation <https://www.bigissue.org.uk/> Their 'About us' page explains what The Big Issue is and how it aims to help the homeless through trade. The video gallery has short video clips about The Big Issue and how it helps the homeless through trade.



Task 4

Write a 400-word report encompassing detail from The Big Issue and other enterprises you may come across in your research.

- How do these social enterprises use customer service to communicate their messages?
- How do they market/advertise their work?
- What makes them successful in their aim to support others?
- How do they raise funds?