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Edexcel

# BTEC in BUSINESS

Level 2

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## Business Purposes



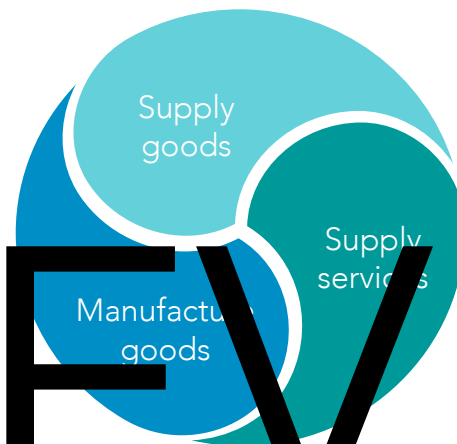
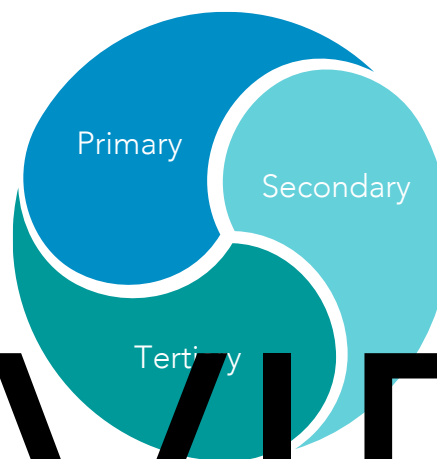
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**Key aims:**

to understand the nature of business organisations & the environment in which they operate.

**What is business?****Type of business****Size or scale of a business****Classification of a business****Reasons for business:**

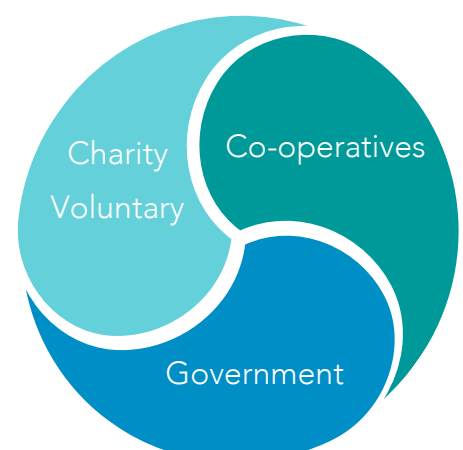
1. manufacture (make) products (goods)
2. sell products
3. sell (offer) services

**Profit:**

most businesses make money from manufacturing or selling a product or service

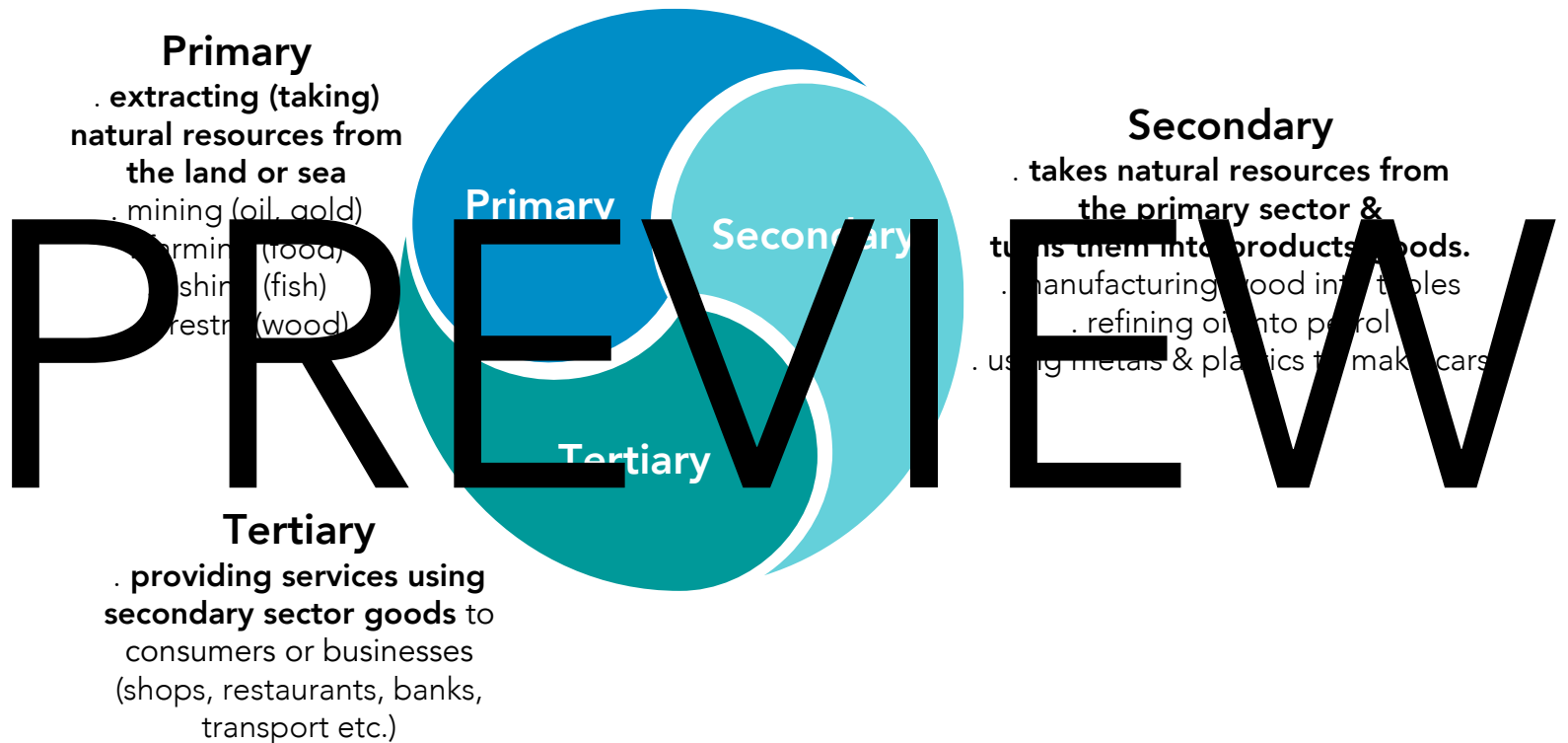
**Not for profit**

- . some businesses are charities & sell products or services not to make money, but to promote or cause or help people
- . many government organisations are non profit - offering services to people

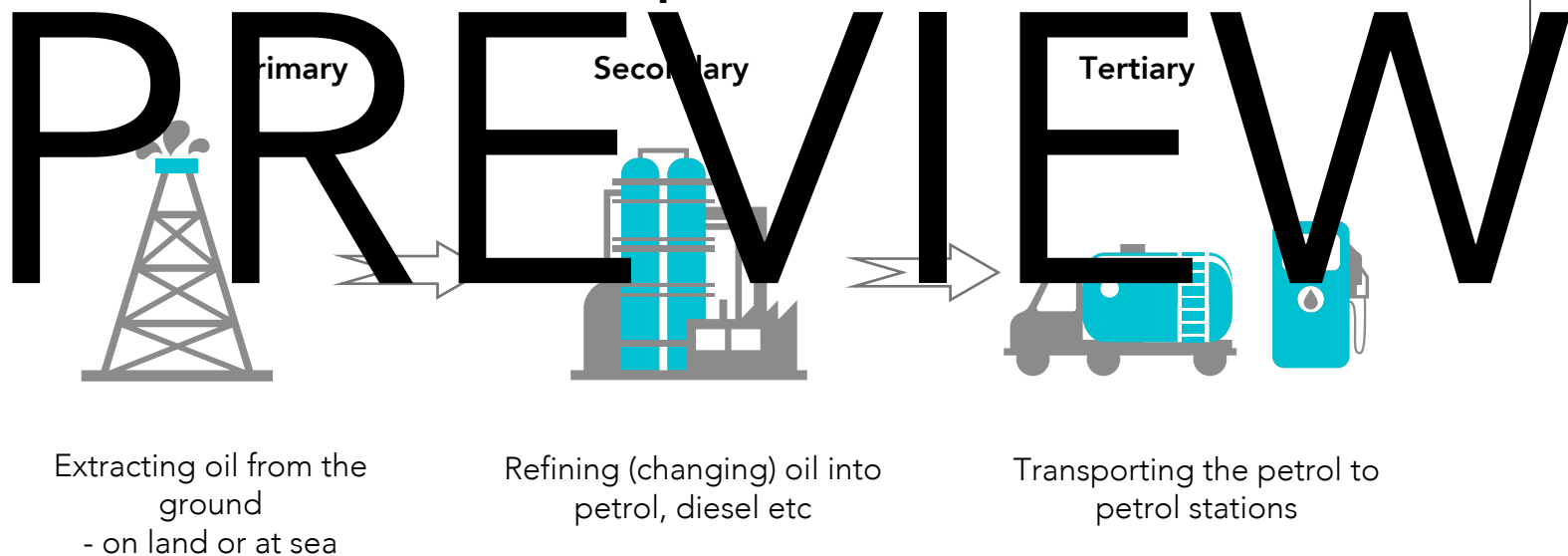
**Ownership of a business**

2

## Classification of a business (sectors)



### Chain of production: oil



At each stage **value is added**:

- \$ . oil extracted from the ground
- \$\$ . refined into petrol
- \$\$\$ . selling at a petrol station

3

## Type of business

### Manufacture

- . **manufacture (make) goods**
- often manufacture in factories
- & sell to those that supply goods
- e.g. pencils, cars, clothes, chairs, computers, etc

Manufacture goods

Supply services

### Supply services

- . supply (sell) services
- known as **intangible**
- e.g. bank loans, sports activities, airline flight, internet etc

Supply goods

### Supply goods

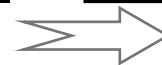
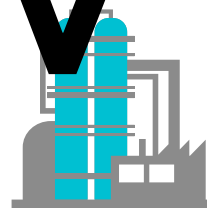
- . buy goods from manufacturers & supply (sell) to other businesses or consumers known as: **tangible goods**
- . some used many times e.g. TVs, tables etc
- . some used once e.g. food, drink etc

## Type of businesses in the petrol industry

Manufacture goods: parts to make an oil refinery

Manufacture goods: oil refinery

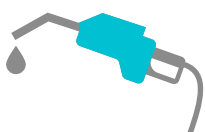
Supplies goods: petrol



Supplies service: man fills your car with petrol

Supplies goods: petrol station

Supplies service: transports petrol





## Size or scale of a business

### Local & National

- . local = town/city or area
- . national = country
- e.g. Dubai /U.A.E

### Regional

- . regional = neighbouring countries
- e.g. G.C.C - Al Futtaim

# PREVIEW

### Global or International

- . international = several countries
- . global = across the world
- e.g. Dubai Ports World

## Classification of businesses by size

### Supplying products

- **A micro business:** less than or equal to 9 employees AND a turnover of less than or equal to AED 9 million.
- **A small business:** less than or equal to 25 employees AND turnover of less than or equal to AED 50 million.
- **A medium business:** less than or equal to 75 employees AND turnover of less than or equal to AED 150 million.

- **A large business:** has more than 75 employees OR turnover greater than 250 million will be considered 'large'.

### Supplying services

- **A micro business:** less than or equal to 20 employees AND a turnover of less than or equal to AED 3 million.
- **A small business:** less than or equal to 100 employees AND turnover of less than or equal to AED 15 million.
- **A medium business:** less than or equal to 250 employees AND turnover of less than or equal to AED 150 million.
- **A large business:** greater than 250 employees OR turnover greater than 150 million will be considered 'large'.

### Manufacturing products

- **A micro business:** less than or equal to 20 employees AND a turnover of less than or equal to AED 10 million.
- **A small business:** less than or equal to 100 employees AND turnover of less than or equal to AED 100 million.
- **A medium business:** less than or equal to 250 employees AND turnover of less than or equal to AED 250 million.
- **A large business:** with greater than 250 employees OR turnover greater than AED 250 million.

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## Ownership of a business

### Sole trader

- . smallest type of business
- . owned by one person
- (s)he get all the profit (or loss)
- e.g.

Sole trader

Limited  
companies

### Limited companies

- . **Private Limited Company**
- . owned by more than one person - each person a shareholder
- They share the profits (or loss)
- e.g. family companies

LC  
LC

### Partnership

- . owned by two or more people
- . usually small business
- . partners share profit
- e.g. doctors, vets etc
- Some companies have their employees as partners, who share the profits.

Partnership

- . **Public Limited Company**
- . larger companies, whose 'shares' can be bought or sold on the stock market
- e.g. Emaar, Apple etc

### Limited or not limited companies

- . companies that are limited means the shareholders are not personally 'liable' (pay) for any losses
- . sole traders get all the profit but are liable for all the debts of the company

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## Not-for-profit organisations

### Charity - Voluntary

- . charities raise money for a cause
- . paid workers + volunteers
- . small & large organisations
- e.g. K9 Friends, Red Crescent

Charity  
Voluntary

Co-operatives

### Co-operatives

- . businesses that use the work to improve the lives of others
- . owned by its members (can be profit making)

### Government

- . govt. depts provide services often not for profit
- e.g. health services

Government



## Test your knowledge

### True or False

Read each sentence and tick whether it is TRUE or FALSE

T F

1	Large businesses are usually limited companies	<input type="checkbox"/>	<input type="checkbox"/>
2	Sole trader companies are usually small businesses	<input type="checkbox"/>	<input type="checkbox"/>
3	In the UAE very small businesses are called micro businesses	<input type="checkbox"/>	<input type="checkbox"/>
4	Sole traders are safe from liability payments	<input type="checkbox"/>	<input type="checkbox"/>
5	Only small businesses can be partnerships	<input type="checkbox"/>	<input type="checkbox"/>
6	Governments offer many not-for-profit services	<input type="checkbox"/>	<input type="checkbox"/>
7	Many manufacturing companies are based in China	<input type="checkbox"/>	<input type="checkbox"/>
8	Banks are service businesses	<input type="checkbox"/>	<input type="checkbox"/>
9	Tangible goods are service businesses	<input type="checkbox"/>	<input type="checkbox"/>
10	Equity shares are available to all	<input type="checkbox"/>	<input type="checkbox"/>
11	Limited companies protect their shareholders from losing their own money	<input type="checkbox"/>	<input type="checkbox"/>
12	Secondary sector is very big in the UAE	<input type="checkbox"/>	<input type="checkbox"/>
13	Petrol stations are examples of manufacturing businesses	<input type="checkbox"/>	<input type="checkbox"/>
14	All businesses are to make profits	<input type="checkbox"/>	<input type="checkbox"/>
15	The service sector in the UAE is the largest sector	<input type="checkbox"/>	<input type="checkbox"/>
16	UAE's main primary sector activity is farming	<input type="checkbox"/>	<input type="checkbox"/>



## Test your knowledge

### Classification of a business

research UAE businesses and find examples for each sector: Primary, Secondary & Tertiary

Primary sector

Company name

Type of business

Company name

Type of business

Secondary sector

Company name

Type of business

Company name

Type of business

Tertiary sector

Company name

Type of business

Company name

Type of business

Company name

Type of business



## Test your knowledge

### Know your words

match the new words with their correct meanings

PREVIEW

Business sector that provides services

Charity

sole trader

A person or organisation who owns a part of a large company

Liability

A not-for-profit organisation  
e.g. Red Crescent

Manufacture

An intangible,  
not a product

Business owned by  
one person

PREVIEW

Services

Tertiary

Owners responsible for  
the debt of  
business

Global

Make products to sell

Shareholder

A business with  
a few owners

Tangible

A product rather  
than a service

Partnership

A large  
company doing  
business  
around the  
world

**Test your knowledge: research not-for-profit businesses****Co-operative**

Company name: \_\_\_\_\_

website: \_\_\_\_\_

# PREVIEW

What does the company do? \_\_\_\_\_

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**Charity**

Company name: \_\_\_\_\_

website: \_\_\_\_\_

# PREVIEW

Company aim: \_\_\_\_\_

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What does the company do? \_\_\_\_\_

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**Test your knowledge: research not for profit businesses****Voluntary**

Company name: \_\_\_\_\_

website: \_\_\_\_\_

# PREVIEW

What does the company do? \_\_\_\_\_

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# PREVIEW

Company name: \_\_\_\_\_

website: \_\_\_\_\_

Company aim: \_\_\_\_\_

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What does the company do? \_\_\_\_\_

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## Sole trader

business own by one person

unlimited - owner has to pay the debts of the company

### Advantages

# PREVIEW

. own boss - complete control of the company

. cheap to set-up

. keep all the profit

. easy to set up the business

. make own decisions

. work when (s)he wants

hairdresser

shop

plumber

carpenter

mechanic

dentist

Most common form of new businesses around the world

. is liable for all debts - has to pay out of their own money

# PREVIEW

### Disadvantages

. may not have enough money for the business

. need a range of skills to run a business e.g. finance, marketing

. have to do everything yourself

. offer less services

. if owner is ill the business can close

electrician

designer

fitness coach

**Sole traders = unincorporated business**

owner responsible (liable) for everything to do with the company including the debt



## Partnership

business own by two or more people

- may have a sleeping partner - who invests but does not work in the company

unlimited company - owners have to pay the debts of the company

# PREVIEW

Advantages

. have more money than sole traders

. shares decisions

. make quick decisions

. work shared between partners

easy to set up a partnership

. share the profits

. can be cheaper than big companies

vets

doctors

architects

consultants

accountants

dentists

Common form of business for 'professionals'

# PREVIEW

Disadvantages

. partners share profits

. difficult to get finance

. if a partner leaves, a new partnership has to be formed

. is liable for all debts - has to pay out of their own money

engineers

restaurant

lawyers

real estate

. can be difficult to make decisions if all not agree

**Partnership = unincorporated business**

owner responsible (liable) for everything to do with the company including the debt



## Private & public limited companies

own by shareholders (people buy (invest) shares of a company)

business that are not liable (incorporated) for the debts of the company - limited companies

### Private Limited Companies

### Public Limited Companies

Owners

Size

Usually small businesses

Usual for large companies

Control

Only a few shareholders.  
Sometimes one shareholder will  
hold 51% of the shares and  
therefore control the company.  
Ownership = control

Can be thousands of  
shareholders. Shareholders  
choose a Board of Directors to  
control the company.  
Ownership ≠ control

Sales of shares  
by the company

Sales of shares  
by the shareholders

Finance

Can sell more shares to raise  
money for the business



## Private & public limited companies

own by shareholders (people buy (invest) shares of a company)

business that are not liable for the debts of the company - limited companies

Advantages

# PREVIEW

. less risky than smaller companies (sole or partnerships)

. can sell shares to get more money

. can get finance from bank etc

. profit shared amongst all shareholders

. can pay for best people to run the company

doctors

architects

consultants

accountants

dentists

Common form of business for large companies

Disadvantages

# PREVIEW

. can be differences between shareholders & board of directors

. all finances are available for everyone to see

. very strict rules about how the company can operate

. very complicated & expensive to set-up

engineers

restaurant

lawyers

real estate

. anybody can buy shares & the company can be easily taken over

Limited company = incorporated business

owners (shareholders) separate from company

company responsible for its activities including the debt

**Test your knowledge: type of business**

**i** Company name

Primary  
Secondary  
Tertiary

Manufacturer  
Supply products  
Supply services

Local/International  
Regional  
Global

Sole trader  
Partnership  
Private Ltd Co.  
Public Ltd Co.  
Non Profit

**ii** Company name

Primary  
Secondary  
Tertiary

Manufacturer  
Supply products  
Supply services

Local/National  
Regional  
Global

Sole trader  
Partnership  
Private Ltd Co.  
Public Ltd Co.  
Non Profit

**iii** Company name

Primary  
Secondary  
Tertiary

Manufacturer  
Supply products  
Supply services

Local/National  
Regional  
Global

Sole trader  
Partnership  
Private Ltd Co.  
Public Ltd Co.  
Non Profit

**iv** Company name

Primary  
Secondary  
Tertiary

Manufacturer  
Supply products  
Supply services

Local/National  
Regional  
Global

Sole trader  
Partnership  
Private Ltd Co.  
Public Ltd Co.  
Non Profit

**Test your knowledge: key words**

Add the word or the meaning

**Word****Meaning**

Shareholder

A person who owns a part of a company

i

Company that makes products/goods

ii

Partnership

iii

A company that does business around the world

iv

Incorporated

v

A business already established

vi

Shareholder

vii

Two companies joining together for a project

viii

Finance

ix

Money owed by a company

x

Unincorporated

**Test your knowledge: type of business**

Statement

Type of Company

i

ii

iii

iv

v

vi

vii

**Test your knowledge: type of business**

Statement

Type of Company

viii

ix

x

xi

xii

xiii

xiv

PREVIEW

PREVIEW

10

## Franchises

a company (franchisor) allows another person (franchisee) to set up a business using its name, logo, products/services etc.

. less risky as proven business

. company already has good reputation

. cheaper than starting own business

. guaranteed quality supplies

. full support in setting up & running the business

Franchise can be as a sole trader, partnership or limited company

. can be expensive to set-up

. franchisor takes a percentage of income or profits

. very strict control over product/service, store layout, prices etc.

. all finances are available for everyone to see

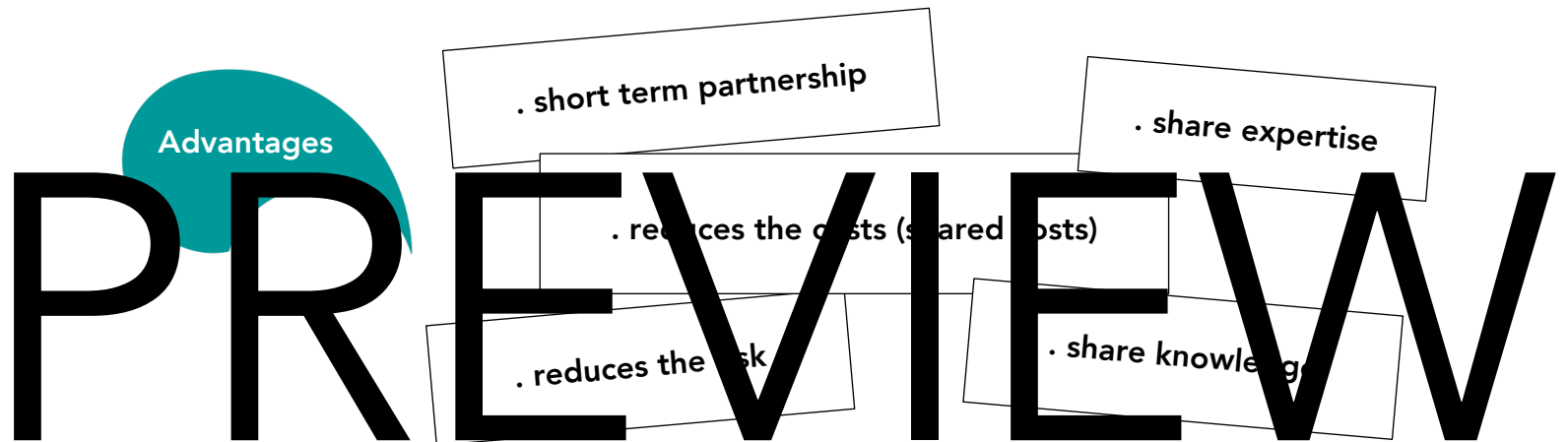
. franchisee is restricted in what they can do except local promotion



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## Joint ventures

two or more companies join together for a particular business



Common form of business for big projects





## Test your knowledge: true or false

### True or False

Read each sentence and tick whether it is TRUE or FALSE

T F

1	A franchise has less chance of failure	<input type="checkbox"/>	<input type="checkbox"/>
2	A joint venture is only for big companies	<input type="checkbox"/>	<input type="checkbox"/>
3	Sony and Ericsson have a joint venture	<input type="checkbox"/>	<input type="checkbox"/>
4	McDonalds is a franchise	<input type="checkbox"/>	<input type="checkbox"/>
5	Joint ventures are good for sharing the cost	<input type="checkbox"/>	<input type="checkbox"/>
6	Franchisees may have to pay a share of the profits to the franchisor	<input type="checkbox"/>	<input type="checkbox"/>
7	Franchising can mean a company can expand quickly	<input type="checkbox"/>	<input type="checkbox"/>
8	Franchises always work	<input type="checkbox"/>	<input type="checkbox"/>
9	Joint ventures can share expertise	<input type="checkbox"/>	<input type="checkbox"/>
10	Joint ventures are not for public corporation	<input type="checkbox"/>	<input type="checkbox"/>
11	A franchise is a cheap way to start a business	<input type="checkbox"/>	<input type="checkbox"/>
12	Many fast food businesses are franchises	<input type="checkbox"/>	<input type="checkbox"/>
13	There are no franchises in the UAE	<input type="checkbox"/>	<input type="checkbox"/>
14	Franchises have very strict rules about what a franchisee can and can't do	<input type="checkbox"/>	<input type="checkbox"/>
15	The service sector in the UAE is the largest sector	<input type="checkbox"/>	<input type="checkbox"/>
16	Land Rover have a joint venture with KIA Motors	<input type="checkbox"/>	<input type="checkbox"/>



## Test your knowledge: which type of business is best?

i

Ahmed has just finished a course in designing apps. He loves making apps. For a while he could not decide whether to work for a big company or set-up his own app business. Ahmed decided to set-up his own app design business, specialising in the car industry.

What type of business should Ahmed set-up?

# PREVIEW

ii

Bin Abdullah is a very successful family company. They have lots of different businesses. However it wishes to expand the business and needs lots of money to do this. The family do not want to risk all their own money.

What type of business should the bin Abdullah family set-up?

# PREVIEW



## Test your knowledge: which type of business is best?

iii

Khalid wants to start up a new business. His family have the money to help him, but he cannot decide what sort of business to set-up. He does like the fast food industry, but there are lots of things to think about in setting up such a business and he is not sure where to begin.

What type of business should Khalid set-up?

# PREVIEW

iv

Mariam has been very successful in her law practice. After graduating with a law degree from London, and passing her professional qualifications she has set-up a law practice in Dubai specialising in divorce and family law. Now she wants to expand into other areas of law, like criminal and commercial law, to offer counsel to lawyers.

What type of business should Mariam set-up?

# PREVIEW



## Test your knowledge: which type of business is best?

**v**

Al Harbi Construction LLC has been building large structures for over 30 years in the UAE, everything from villas, to office towers and apartment blocks. It knows the UAE market very well. It is interested in bidding to construct the new canal in Dubai.

What type of business should Al Harbi set-up?

# PREVIEW

**vi**

Bin Harbi brothers have a range of qualifications and skills having worked for different companies abroad and in the UAE. Their father wants to help them set-up a company, he has the money and a lot of business knowledge.

However, he is a traditional businessman and does not trust banks and other people.

What type of business should Bin Harbi brothers set-up?

# PREVIEW



## Test your knowledge: advantages/disadvantages

List the advantages and disadvantages for type of business

Type of company	Advantages	Disadvantages
sole trader		

Type of company	Advantages	Disadvantages
partnership		

Type of company	Advantages	Disadvantages
Private Limited Company		



## Test your knowledge: advantages/disadvantages

List the advantages and disadvantages for type of business

Type of company	Advantages	Disadvantages
Public Limited		

Type of company	Advantages	Disadvantages
Franchise		

Type of company	Advantages	Disadvantages
Joint Venture		



## Legal standing for companies

Unincorporated

### Sole traders & partnerships

Owners responsible for everything to do with the business:

- product is faulty
- person is injured
- if the company is sued
- all the debts of the company

Owners lose all their personal money to pay what they owe

Incorporated

### Private & public limited companies

Owners and companies - separated legally

- person is injured company pays
- company pays the debt

Shareholders can lose the money they invested in the company, but not their personal money

Size of business

Number of owners

Cost of set-up

Choosing a type of business

what to think about?

Unincorporated  
or incorporated

Run it yourself  
or managers  
to run it

13

**Business in the government sector**

public corporations

**Features****Public Corporations**

- . own by the government
- . run by the government
- . pay money to the government
- . products/services often at a low price
- . not there for a profit
- . provide products/services for the good of people

Examples:

DEWA . ADNOC . Etisalat . Du . Dubai Internet/Media City .



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## Role of government in business



# PREVIEW



Regulatory

**Governments make laws & rules which can help (or not) business on:**

- Business licensing: costs to licence a business
- Tax: taxes inc. business, import, VAT, restaurants, road tolls etc.
- Monetary and credit policies: cost of borrowing money, inflation (price rise)
- Income and wages: minimum wages for workers
- Technology and employment policies: employment contracts, hiring/firing
- Import and export policies: rules for import/export & costs
- Foreign exchange policies: rates effect prices of imports & exports
- Industrial safety: safety in office/factory/warehouse - can add costs
- Environment policies: business to include environment - insulation, solar & wind power

**Government taxes:** (in most countries - only VAT in UAE)

- . **income tax:** pay on the money (salary) you earn (UK: 20-40%)
- . **VAT:** on goods/services you buy (UK: 20% - UAE:5%)
- . **corporation tax:** business pays tax on the profits they make
- . **local taxes:** taxes paid to local government



## Promotional

### Government can promote/help business in a variety of ways:

- Transport and communication facilities: airports, roads, metros, internet etc
- Supply of energy: oil, gas, electricity for business
- Expansion of businesses having strategic importance: encourage large key business, which will bring in other businesses
- Advanced technology: internet, AI, drone government
- Education: provide schools, college, universities to educate population with knowledge skill needed
- Promote country to international business: encourage

Companies say government providing infrastructure is most helpful to them (McKinsey Global Survey 2016)



## Ethos

### Regularity & promotional ++

Regularity & promotional, should create an ethos (atmosphere) of the government being pro business - encouraging business

- Encourage young people to be business minded
- Positive attitude about country & business opportunity
- Support of banks to help business
- Growing economy encourages businesses to grow
- Government buying from small businesses

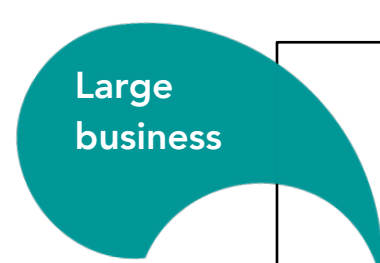
### UAE supporting business - ethos

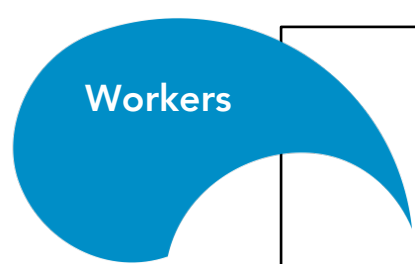
- **supporting young people** (SME loans, advise etc)
- **government to buy from SMEs** (10% of govt. spending to SMEs)
- **low licence fees for social media companies**

**Test your knowledge: role of government in business**

Which government regulations would the groups below like and dislike the most?

	LIKE	DISLIKE
 Small business	<div>PREVIEW</div>	<div>PREVIEW</div>

	LIKE	DISLIKE
 Large business	<div>PREVIEW</div>	<div>PREVIEW</div>

	LIKE	DISLIKE
 Workers	<div></div>	<div></div>

**Test your knowledge: role of government in business**

Which government promotions and ethos do businesses like the most.

Rank them and explain your decision

Rank	Promotion/Ethos	Explanation
2		
3		
4		
5		



## Test your knowledge: advantages/disadvantages

Highlight (marker pen or circle, which statement is linked to  
Regulatory, Promotional or Ethos

Regulatory	Promotional	Ethos
<b>P</b>	<b>P</b>	<b>P</b>
<ul style="list-style-type: none"> <li>. industrial safety</li> <li>. advanced technology</li> <li>. business licensing</li> </ul>	<ul style="list-style-type: none"> <li>. industrial safety</li> <li>. advanced technology</li> <li>. business licensing</li> </ul>	<ul style="list-style-type: none"> <li>. industrial safety</li> <li>. advanced technology</li> <li>. business licensing</li> </ul>
<ul style="list-style-type: none"> <li>. encourage business from other countries</li> <li>. import &amp; export rules</li> <li>. positive attitude</li> <li>. encourage young people to start business</li> <li>. income tax</li> </ul>	<ul style="list-style-type: none"> <li>. encourage business from other countries</li> <li>. import &amp; export rules</li> <li>. positive attitude</li> <li>. encourage young people to start business</li> <li>. income tax</li> </ul>	<ul style="list-style-type: none"> <li>. encourage business from other countries</li> <li>. import &amp; export rules</li> <li>. positive attitude</li> <li>. encourage young people to start business</li> <li>. income tax</li> </ul>
<b>P</b>	<b>P</b>	<b>P</b>
<ul style="list-style-type: none"> <li>. support of banks</li> <li>. government buy from small businesses</li> <li>. events like EXPO</li> <li>. VAT</li> <li>. transport infrastructure</li> <li>. tax breaks</li> <li>. Local taxes</li> <li>. energy supply to business</li> <li>. safety rules</li> <li>. income &amp; wages control</li> <li>. environmental laws</li> </ul>	<ul style="list-style-type: none"> <li>. support of banks</li> <li>. government buy from small businesses</li> <li>. events like EXPO</li> <li>. VAT</li> <li>. transport infrastructure</li> <li>. tax breaks</li> <li>. Local taxes</li> <li>. energy supply to business</li> <li>. safety rules</li> <li>. income &amp; wages control</li> <li>. environmental laws</li> </ul>	<ul style="list-style-type: none"> <li>. support of banks</li> <li>. government buy from small businesses</li> <li>. events like EXPO</li> <li>. VAT</li> <li>. transport infrastructure</li> <li>. tax breaks</li> <li>. Local taxes</li> <li>. energy supply to business</li> <li>. safety rules</li> <li>. income &amp; wages control</li> <li>. environmental laws</li> </ul>
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## Role of government in business: economic growth

**Aim of government: for the economy (business of a country) to grow**

Economy of a country is measured in **gross** (total) **domestic** (country) **product** (goods/services)

**GDP** is the value of everything goods & services for a country

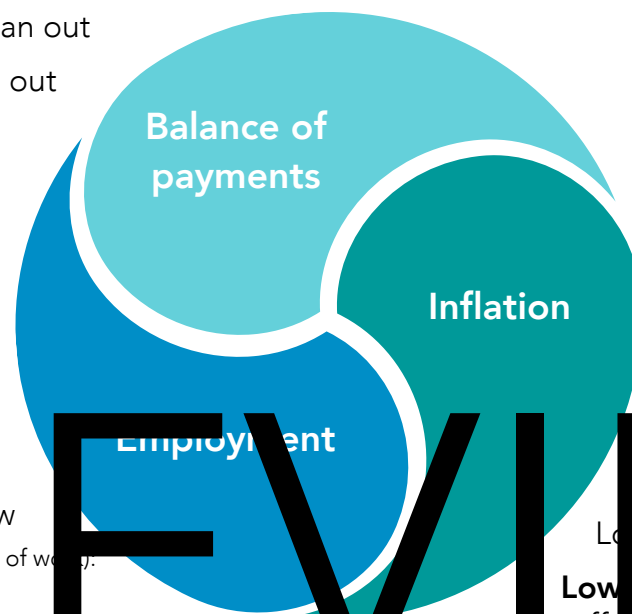
# PREVIEW

**Balance of payments**

. value of goods & services exported v value of goods & services imported

**Surplus** = more goods in than out

**Deficit** = less goods in than out



**Inflation**

Inflation is the price of goods & services

High inflation = price rises

Low inflation = less price rises

**Low inflation** is good as people can afford to buy goods/services & businesses grow

# PREVIEW

**Low unemployment** = higher wages for business, as less workers for jobs, may have to raise pay to attract workers

**High unemployment** = lower wages for business, as many people seeking the same job, people will work for less.

Usually employment can vary between different types of business. e.g. UK short of engineers

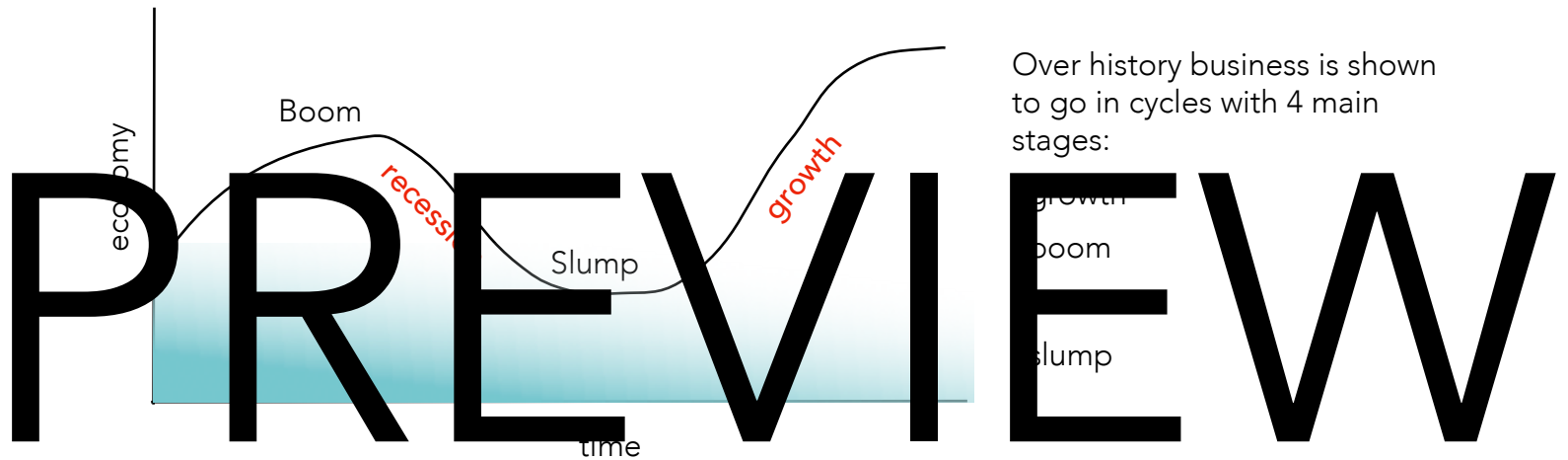
**High inflation** over 10% causes serious problems. Rising prices, have workers seeking higher wages

**De-flation** prices going down  
Good for consumers, bad for business

Prices often linked to **primary** industry  
- price of raw materials, effect prices of many products e.g. oil, iron ore etc

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## Role of government in business: business cycle



### Growth

- . businesses positive about the future
- . businesses making good profits
- . low unemployment
- . GDP rises
- . quality of life improves

### Boom

- . businesses growing
- . business profits at highest level
- . prices rise as demand for goods/ services high
- . very low unemployment = wages rise, business costs rise

### Recession

- . with coming businesses worried - lack of confidence
- . less business, profits down, less workers needed
- . workers lose jobs, spend less = less business = less profits

### Slump

- . low business confidence
- . less business (low demand) = businesses closes
- . high unemployment = less demand



## Test your knowledge

### True or False

Read each sentence and tick whether it is TRUE or FALSE

T F

1	High unemployment usually means lower wages	<input type="checkbox"/>	<input type="checkbox"/>
2	During a recession businesses are able to make good profits	<input type="checkbox"/>	<input type="checkbox"/>
3	Business confidence is low in an economic slump	<input type="checkbox"/>	<input type="checkbox"/>
4	The aim of a country is for its business to grow	<input type="checkbox"/>	<input type="checkbox"/>
5	De-flation is good for business	<input type="checkbox"/>	<input type="checkbox"/>
6	GDP increase is good for business	<input type="checkbox"/>	<input type="checkbox"/>
7	High inflation is good for business	<input type="checkbox"/>	<input type="checkbox"/>
8	During a boom, wages usually increase	<input type="checkbox"/>	<input type="checkbox"/>
9	Low unemployment usually means low demand for goods & services	<input type="checkbox"/>	<input type="checkbox"/>
10	There are four phases in the business cycle	<input type="checkbox"/>	<input type="checkbox"/>
11	There is a lack of business confidence during a boom	<input type="checkbox"/>	<input type="checkbox"/>
12	High inflation means prices of goods & services rises	<input type="checkbox"/>	<input type="checkbox"/>
13	Deficit means business is doing well	<input type="checkbox"/>	<input type="checkbox"/>
14	During a time of growth workers often lose their jobs	<input type="checkbox"/>	<input type="checkbox"/>
15	GDP rising is a sign that the country is doing well	<input type="checkbox"/>	<input type="checkbox"/>
16	When prices increase, workers want their wages to increase	<input type="checkbox"/>	<input type="checkbox"/>



## Role of government in business: competition

Governments like to see competition in business, competition leads to economic growth

Competition encourages companies to keep products/services cheap or people will go to other companies

Cheaper prices

Better service quality

Innovation of goods/service

Competition encourages companies to improve services/quality or people will go to other companies

Competition encourages companies to improve & develop products/services or other companies will do it & get all the business

# PREVIEW

### Government action

Cheaper goods

Better service

Innovation

Anti-trust / anti competition

UK & European laws:

- stop price fixing for companies with more than 40% of the market
- stop companies joining together (merge) & becoming too big (monopolies)

Government law

• Government sets standards (passes laws) in many areas to make sure that consumers get good service

- Encourage competition in areas like: energy, banks, transport etc. to improve service (easier to move banks)

Government encourages innovation for companies to develop new products

Companies work with universities

- Subsidise education & technology to help businesses innovate

### Regulators

(Office of Fair Trading, Monopolies & Mergers Commission)

Government regulators - make sure businesses obey the competition laws

### Privatisation

Many governments sell public corporations to encourage innovation, cheaper & better service



## Test your knowledge: competition

- a. Explain how cheaper prices are good for business

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- b. Explain how government keeps prices low

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- c. Explain how improved service is good for business

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- d. Explain how government encourages better service

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- e. Why is it important that governments encourage innovation?

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## Role of government in business: employees

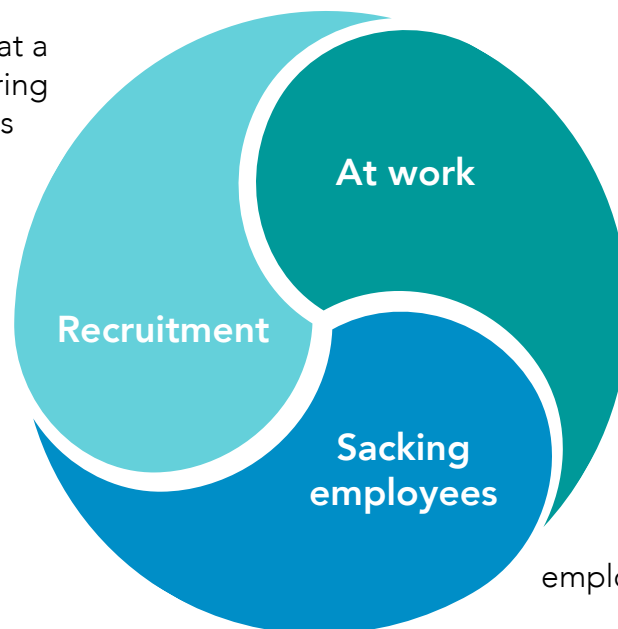
Governments make laws in all sorts of areas that effect businesses.

Below is an example of employment laws that businesses have to follow

Employment laws cover what a business has to do when hiring (recruitment) of new workers

Employment laws cover a range of things over pay, holidays etc

**Employer:** company  
**Employee:** worker



Laws covering the way in which employees can be sacked

### Recruitment

#### Recruitment

Examples:

- . Job adverts
- . Can legally employ person
  - . Not discriminate: age, gender, race, disability etc
  - e.g. can't ask about age or disability unless its to do with the job

### At work

#### Employment laws

Examples:

- . Minimum pay
- . Max hours per week
- . Working anti-social hours
- . Rest breaks at work
- . Workers holidays
- . Health & safety at work
- . Discrimination & equality
- . Pay pension

### Sacking workers

#### Sacking workers

Examples:

- . Give notice (or pay)
- . Reasons to sack:
  - misconduct
  - can't do the job
  - redundancy
- . Must be fair in sacking
- warnings in writing

### Regulators

(Employment Tribunal)

Employees can take their employer to the 'tribunal' if they think they have been unfairly sacked



## Test your knowledge

- a. Explain why somebody might go to an employment tribunal

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PREVIEW

- b. Give two reasons why business might not like laws on recruitment & sacking workers

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PREVIEW

- c. Give two reasons why employees might like laws on recruitment & sacking workers

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PREVIEW



## Role of government in business: spending & taxes

Government can affect economic growth:

fiscal policies

### government income .

- . taking people (direct & indirect)
- . borrowing money
- . governments spend money on:

### government spending .

- . public services (schools & hospitals)
- . offering cheaper services
- . welfare payments (unemployment pay etc.)

direct tax

#### direct: income tax + corporation tax

**income tax:** govt. takes % of people's income

**less tax =**

- . more to spend for people
- . good for business - demand increases
- . govt. has less to spend

**more tax =**

- . less to spend for people
- . bad for business - less demand
- . govt. has more to spend

#### corporation tax:

govt. takes % of business profits

**less tax =**

- . more profit kept by business - for shareholders

**more tax =**

- . less profit for business & shareholders
- . may need to borrow money
- . business may move to another country (less corporate tax)

indirect tax

#### indirect: income tax

**indirect tax:** govt. takes % people's spending

#### VAT / sales tax:

- . added to price of goods/services

UK = 20%    UAE = 5%

#### import tariffs/customs duty:

- . everything imported to the govt. takes %
- . makes imports more expensive than local goods
- . more businesses that need imported goods

#### excise tax:

- . govt. can tax goods
- e.g. alcohol, tobacco, oil etc.

**borrowing**

**tax** is the main way a government gets its money  
other money may need to be **borrowed**

a government spending money on infrastructure, schools, hospitals etc. can create jobs

BUT: money borrowed needs to be repaid!

**borrow money:**

- . government bonds: govt. pays interest to people who lend it money
- . other countries: govt. pays higher interest

**monetary policies****interest rates**

- . when people or businesses borrow money they pay interest on the amount they borrow
- e.g. \$100 @ 5% interest = pay back \$105

**Sharia law:**

interest on money borrowed is not allowed (Islamic banking) charge on administration fees

**high interest rates:**

- . good for people with money in the bank (savings)
- . people borrow less = spend less (bad for business)
- . business borrow less = business does not grow, less economic activity

**low interest rates:**

- . bad for people with savings in bank
- . people borrow more = spend more (good for business), too much debt is bad
- . business borrow more = business grow, more economic activity



## Role of Government in business

### Test your knowledge: key words

Add the word or the meaning

Shareholder

A person who owns a part of a company

Hiring of new employees

ii Balance of payments

iii

Added to the price of goods and services

iv Excise tax

v

Less goods (money) in than out

vi Interest payments

vii

Government takes a % of business profits

viii Regulators

ix

Rise in prices of goods & services

x Privatisation



## Role of Government in business

Rank 10 government actions that positively influences business

Government action

How does it help business?

EXAMPLE

Anti competition

Stops monopolies & therefore helps new companies start & grow

i

ii

iii

iv

v

vi

vii

viii

ix

x



## Business environment characteristics: markets

### Markets

Businesses sell their products or services to customers in **markets**. The market may be a shop, or a website etc.

Markets can change all the time:

. quality      . price      .technology      .competition

### Examples of markets

Business

Industrial

Professional

Financial

Government

Consumers

Business to business B2B

Business to consumer B2C

Business to govt. B2G

High price


Low  
quality

High  
quality

Low price

21

## Business environment characteristics: market structures



# PREVIEW



## Competition

### Perfect competition

#### Perfect competition:

small businesses compete against each other, no one with an real advantage over the others

. goods or services the same & same price

= souks

### Imperfect competition

. all businesses not the same size

. different goods or services mean some businesses do better - can fix prices

= most markets



## Monopoly

### Monopoly

one business in the market, they fix the price & maximise profits (govts. may limit price)

= duopoly = Etisalat & du

(most brands in UAE have only one owner but compete against other brands e.g. Honda v Nissan)

### Monopolistic competition

. large number of firms selling similar goods/service that differ only a little

. can fix prices

= phone companies



## Oligopoly

### Oligopoly

. only a few firms dominate a certain market, fix prices & maximise profits

. often expensive to set up these businesses so puts off people

= gaming

(Sony, Nintendo & Microsoft)



## Test your knowledge

### Know your words

match the new words with their correct meanings

**PREVIEW**

Collecting money of which they spend

When the economy is doing well

When one business dominates

Prices increase

**PREVIEW**

Atmosphere created

Money taken from people as they earn

Finances

Market controlled by a few businesses

When an economy is not growing - it is going down

ethos

boom

indirect tax

monopoly

inflation

slump

direct

oligopoly

fiscal

regulatory



## Test your knowledge: what's good for business?

What are the advantages and disadvantages of each of the following for business

### Advantages

### Disadvantages

i  
Monopoly

ii  
High inflation

iii  
Low  
interest rates

iv  
Employment  
laws

v  
Low  
unemployment

vi  
Recession

vii  
High  
unemployment



Test your knowledge: what's good for business?

What are the advantages and disadvantages of each of the following for business

	Advantages	Disadvantages
viii Anti-competition laws		
x Economic slump		
xi VAT		
xii Import tariffs		
xiii Oligopoly		
xiv Employment laws		



## Test your knowledge: what's good for business?

What are the advantages and disadvantages of each of the following for business

### Advantages

### Disadvantages

xv

Perfect  
competition

xvii

Cheaper  
prices

xviii

Sacking/dismissing  
workers

ix

Public  
corporations

xx

Innovation

xxi

Providing  
infrastructure

