**Business Expansion Rapid Revision**

Ainm:

1. List three examples of organic expansion strategies.

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| **Organic Expansion Strategies** |
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1. Name two benefits and two drawbacks of franchising as an expansion strategy.

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| **Advantages** | **Disadvantages** |
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1. Match the correct organic expansion strategy to the definitions below:

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| 1. Synergy | 1. This involves two or more independent firms combining their skills & resources in a particular line of activity for mutual benefit. They remain separate legal entities. |
| 1. Diversification | 1. This is where one company takes over another by buying 51% of its shares. a result they gain the major control of firm. The seller will want as much as possible for the business & the buyer will want to pay as little as possible. The actual price will be somewhere in between. |
| 1. Grants | 1. Where two firms come together by mutual agreement to run their businesses as one. A new legal entity is formed |
| 1. Economies of scale | 1. This is a term meaning an unfriendly expansion strategy. |
| 1. Retained Earnings | 1. A financial control mechanism- used to help with planning for expansion. |
| 1. Hostile | 1. An ability for businesses to do better and achieve more by working together than they would alone. |
| 1. Cash Flow Forecast | 1. Are profits which are ploughed back into the business to create growth. |
| 1. Strategic Alliance | 1. This involves firms entering new markets, spreading risk, creating new products or buying businesses in an unrelated market in order to reduce dependency on one product or market. |
| 1. Acquisition | 1. Enterprise Boards can provide finance to help businesses grow and develop with capital that they will not have to pay back to get the business developing and growing |
| 1. Merger | 1. Cost saving through producing more units which can increase profits. |

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1. Evaluate Debt and Equity Capital using the following headings:

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|  | **Debt Capital** | **Equity Capital** |
| **Amount** |  |  |
| **Control** |  |  |
| **Cost** |  |  |
| **Risk** |  |  |
| **Collateral** |  |  |
| **Tax** |  |  |

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| **Evaluation:** |

1. Circle the correct answer for the following:

* A business may need to change from a functional to a geographic or product structure in the **short term/long term** as part of its expansion strategies
* In the long run, a business may have a **wider/narrower** product mix as part of expansion
* In the short run, profits should **increase/decrease** as part of expansion
* In the long run, profits should **increase/decrease** as part of expansion
* In the long run, customers can feel **less/more** of a personal experience and relationship with the store as part of expansion
* In the short term, customers will enjoy a bigger/smaller range of products in a business with lower/higher prices due to economies of scale