

Business Start Up Rapid Revision

1. Identify 5 reasons somebody would choose to start their own business.

1. Income - Make more money than working for someone else.
2. Independence - Be your own boss and make decisions
3. Challenge - Get bored easily and need to keep moving
4. Creativity - Ability to come up with new ideas
5. Redundancy - Laid off work and need a source of income

2. Ownership structure is a key consideration for business start-ups. Explain the following ownership structures:

<p>Sole Trader: Owns and runs their own business. One person in charge who makes all decisions, keeps profits. Has unlimited liabilities.</p> <p>Partnership: Between 2-20 people come together to set up a business. A set of rules and responsibilities agreed in partnership deed. Shared expertise - but unlimited liability</p> <p>Franchise: Licence agreement to use name/idea of business agreement in return for a fee. es. McDonalds</p> <p>Cooperative: Members pool resources for common goal. Each member has one vote regardless of shares. es. Credit union.</p>

3. Write out the full terms for the following abbreviations:

LTD	Private Limited Company
PLC	Public Limited Company
USP	Unique Selling Point

4. Choosing the correct finance option is a key consideration for business start-ups as this ensures the right finance option is matched to the correct business need. Input the following finance options from the list below to their correct category, and include what it may be used for. An example is done for you.

1-5 year loan, Bank Overdraft, Hire Purchase, Mortgage, Debt Capital, Trade Credit, Factoring of Debtors, Leasing, Accrued Expenses, Equity Capital, Grant

Short Term Capital	Medium Term Capital	Long Term Capital
Bank Overdraft (Pay staff wages)	1-5 year loan (Delivery Van)	Mortgage (Property) (House)
Trade Credit (Stock)	Hire Purchase (Delivery Van)	Debt Capital (Expansion)
Factoring of Debtors (Rent)	Leasing (Delivery Van)	Equity Capital (Expansion)
Accrued Expenses (Bills/Utilities)		Grant (Expansion)

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Any medium term
Asset replaced
every 1-5 years

5. Production is a key consideration for business start-ups. Write the correct production type beside its definition.

Mass Production	Involves making the product continuously, 24 hours a day, 7 days a week, 365 days a year. Therefore, mass production is suitable only for products that are in continuous demand by consumers, can avail of large economies of scale, e.g. pens
Outsourcing	This means that a business employs another firm to manufacture or produce part of the product or whole product. In order to reduce costs, many large multinational companies outsource some of their production.
Job Production	Refers to the production of a single customised product e.g. a bespoke oak kitchen, wedding dress etc. Highly skilled workers, expensive products, does not achieve economies of scale.
Batch Production	Refers to the production of certain quantities of identical products at the same time/in one production run e.g. loaves of brown bread, school textbooks etc.. Would be capital intensive, achieve economies of scale.

6. List four implications of changing ~~ownership structure~~ ^{production methods}.

1. Change ownership structure - es. change from sole trader to private limited company to increase investment
2. Marketing Plan - Revises marketing plan - es. new promotion methods, change price etc...
3. Investment - more capital required - es. buy machines capable of mass production
4. Stock Control - es. If changes from Job - Batch - will no longer be making to order and so need efficient stock control system to manage stock.

7. Name four headings of a Business Plan.

1. Business Description
2. Ownership Structure
3. Marketing Plan
4. Production Plan
- Financial Plan

8. List four ways a Business Plan can be important for a business.

1. Seek Financial Investment
2. Sets Targets
3. Gives Focus
4. Viability - data / Financial charts / Break even - shows if it is viable to be a success

9. Explain how the following stakeholders can use a Business Plan

Investors:	Capable of being profitable in the future, generate dividends
Employees:	Job security / promotion opportunities
Suppliers:	Sustain credit for stock - don't want bad debts