

Theme 2 Managing Business Activities

2.1 Raising finance

- 2.1.1 Internal finance
- 2.1.2 External finance
- 2.1.3 Liability
- 2.1.4 Planning

What do you know about:

Sources of Finance

Think: Method, Ways, Pros, Cons....

How might a business use trade credit as a method of finance?

List the appropriate finance for both unlimited and limited liability businesses:

Unlimited liability

Limited liability

List the **methods** of external sources of finance:

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What is meant by peer to peer funding?

What is meant by crowd funding?

What factors influence the appropriate choice of finance?

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Key Term	Definition
Unlimited Liability	
Limited Liability	
Collateral	
Share Capital	
Venture Capital	
Seed capital	
Debentures	
Sale and leaseback	
Incorporated Business	

Theme 2 Managing Business Activities

2.1 Raising finance

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- 2.1.2 External finance
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- 2.1.4 Planning

What do you know about:

Liability

Think: Method, Ways, Pros, Cons....

Why is a limited liability business most likely to raise capital?

Why might crowd funding prove harmful to a new small business?

Define 'cash flow':

What are the advantages of using cash flow forecasts?

- ✓
- ✓
- ✓
- ✓
- ✓

What are the disadvantages of using cash flow forecasts?

- ✗
- ✗
- ✗
- ✗

Give 5 reasons why it is important to manage cash flow?

- 1.
- 2.
- 3.
- 4.
- 5.

What are the typical contents of a business plan?

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What is the relevance of a business plan in obtaining finance?

Key Term	Definition
Closing Balance	
Cash Flow Forecast	
Solvency	
Business Plan	
Net cash flow	

What is working capital?

State the ways that working capital could be improved

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What is undercapitalisation?

Theme 2 Managing Business Activities

- 2.2.1 Sales forecasting
- 2.2.2 Sales, revenue and costs
- 2.2.3 Break-even
- 2.2.4 Budgets

What do you know about:

Sales forecasts

Think: Pros, Cons....

Why might a business want to predict future sales?

FORMULA / QUANTITATIVE

Sales revenue:

Profit:

2.2 Financial planning

State two ways a business can forecast sales:

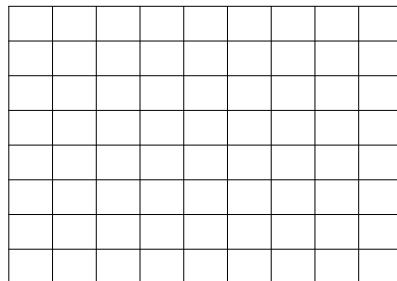
- 1.
- 2.

What factors affecting sales forecasting?

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What is the difference between sales volume and sales revenue?

Draw both a fixed cost and variable cost line:



What is meant by a semi-variable cost?

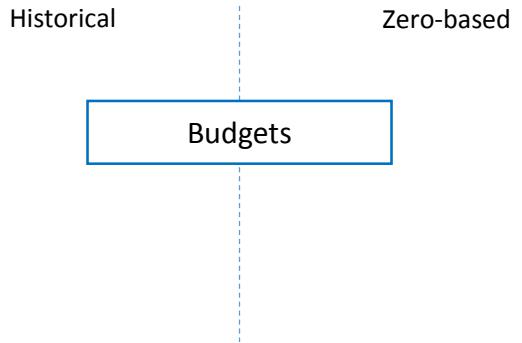
Key Term	Definition
Price Manipulation	
Fixed Cost	
Contribution	
Margin of Safety	
Historical Budgeting	
Sales Volume	
Variable cost	
Favourable Variance	
Adverse Revenue Variance	

Theme 2 Managing Business Activities

2.2 Financial planning

- 2.2.1 Sales forecasting
- 2.2.2 Sales, revenue and costs
- 2.2.3 Break-even
- 2.2.4 Budgets

What do you know about:



Think: Purpose, Ways, Pros, Cons....

FORMULA / QUANTITATIVE

Break Even:

Contribution per unit:

Total Contribution:

Margin of Safety:

Draw a break-even diagram outlining the margin of safety and break even point.

Label: Fixed costs, variable costs, total cost, revenue axis, margin of safety, b/e point

Why may a business want to calculate its margin of safety?

What are the limitations of break-even analysis?

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Suggest 3 three reasons for why a business may conduct a break-even analysis?

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-
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What is budget variance?

What is meant by an adverse variance?

What are the main purpose of budgets:

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-
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-

What are the main difficulties in setting budgets:

-
-
-
-

What could cause a favourable sales revenue variance?

Theme 2 Managing Business Activities

2.3 Managing finance

- 2.3.1 Profit
- 2.3.2 Liquidity
- 2.3.3 Business failure

What do you know about:

Profit

FORMULA / QUANTITATIVE

Gross profit:

Operating profit:

Net profit:

Gross profit margin:

Operating profit margin:

Net profit margin:

What is a statement of comprehensive income? What does it look like?

Key Term	Definition
Cost of sales	
Fixed overheads	
Credit period	
Liquidation	
Business model	
Administration	
Dividends	

State three ways a business can improve profitability:

- 1.
- 2.
- 3.

How does cash and profit differ?

State two ways a business might increase its gross profit:

-
-

State two ways a business might lower its costs:

-
-

Theme 2 Managing Business Activities

2.3 Managing finance

- 2.3.1 Profit
- 2.3.2 Liquidity
- 2.3.3 Business failure

What do you know about:

Liquidity

Why is the acid test ratio considered a tougher measure of liquidity?

FORMULA / QUANTITATIVE

Current Ratio:

Acid Test Ratio:

Working Capital:

Identify the ways to improve liquidity:

What is a statement of financial position? What does it show?

Key Term	Definition
Working capital	
Overtrading	
Inventories	

Describe the below:
Non-current assets:

Current assets:

Current liabilities:

Non-current liabilities:

Net assets:

Share holders equity:

What factors could determine the level of working capital needs in a business:

What are the internal causes of business failure:

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-
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-
-

What are the external causes of business failure:

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-
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-
-

Theme 2 Managing Business Activities

- 2.4.1 Production, productivity and efficiency
- 2.4.2 Capacity utilisation
- 2.4.3 Stock control
- 2.4.4 Quality management

What do you know about:

Production	
Job production	
Batch production	
Flow production	
Cell production	

Think: Method, Ways, Pros, Cons....

FORMULA / QUANTITATIVE

Productivity:

Labour productivity:

Capacity utilisation:

2.4 Resource management

What factors influence productivity:

-
-
-
-
-
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-

What is meant by efficiency?

What factors influence efficiency:

-
-
-
-
-
-

Under-utilisation:

- ✗
- ✗
- ✓
- ✓

Over-utilisation:

- ✗
- ✗
- ✓
- ✓

Key Term

Definition

Lean production

Capital intensity

Labour Intensity

Mothballing

Opportunity cost

Competitive advantage

List the ways of improving capacity utilisation:

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Why might rationalising improve capacity utilisation?

Theme 2 Managing Business Activities

2.4 Resource management

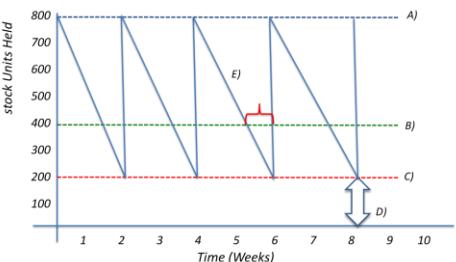
- 2.4.1 Production, productivity and efficiency
- 2.4.2 Capacity utilisation
- 2.4.3 Stock control
- 2.4.4 Quality management

What are the different types of stock?

-
-
-

Label the below stock control diagram

- A.
B.
C.
D.
E.



What do you know about:

Quality Control	Quality Assurance	Quality Circles	Total Quality Management (TQM)	Kaizen

What is JIT?

What are the pros / cons?

- ✗
- ✗
- ✗
- ✓
- ✓
- ✓

What is waste minimisation?

How can lean production create a competitive advantage?

What are the disadvantages of poor stock control?

-
-
-

Key Term	Definition
Trade-off	
Kaizen	
Capacity utilisation	
Capacity	
Excess capacity	
Buffer stock	
Quality circles	
Zero defects	

Theme 2 Managing Business Activities

2.5 External influences

- 2.5.1 Economic influences
- 2.5.3 The competitive environment
- 2.5.2 Legislation

PESTLE: What does each letter stand for and how does it affect business?

P:

E:

S:

T:

L:

E:

How does inflation affect businesses?

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-
-
-
-

How are businesses affected by exchange rates?

What does SPICED stand for?

S:

P:

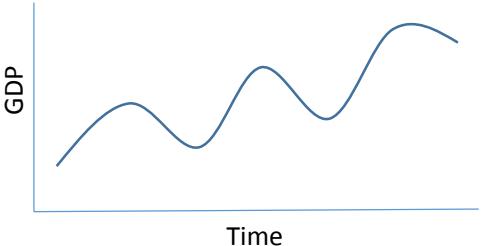
I:

C:

E:

D:

Label the business cycle & outline what happens to output, profit, confidence, employment and start-ups / closures at each stage:



What are the benefits of businesses complying with Health & Safety laws?

Key Term	Definition
Economic climate	
Economic uncertainty	
GDP	
Differentiation	
Recession	
Discrimination	
Barriers to entry	
Colluding	
Landfill tax	

Theme 2 Managing Business Activities

2.5 External influences

- 2.5.1 Economic influences
- 2.5.3 The competitive environment
- 2.5.2 Legislation

How does consumer legislation affect businesses?

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-
-
-

How are employees protected?

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-
-
-

How does employment legislation affect business?

How is the environment protected by legislation?

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How does environment legislation affect business?

Outline the purpose of competition policy:

How does health and safety legislation affect businesses?

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-
-

What are porters 5 forces?

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-
-
-
-

How does the competitive environment impact:

- a) Price
- b) Profit
- c) Communication with customers
- d) Innovation
- e) Product range
- f) Marketing

Key Term

The environment Protection act

Competition policy

Monopoly

Oligopoly

Label the arrow with monopolistic competition, oligopoly & monopoly

Increasing Market Concentration

What is meant by one dominant business?

What do company bosses often say 'we welcome competition'?