Answer sheet

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Worksheet 1

**1** Students have complete freedom to choose any form of business (this means that there are no right/wrong answers).

**2** **a and b** Possible answers:

|  |  |  |
| --- | --- | --- |
| Type of objective | Financial or non-financial? | Example objective (based on opening a small bakery business) |
| Social | Non-financial |  |
| Profit | Financial | To make a profit of $20,000 in the first year that the business is in operation |
| Survival | Financial | To find a large enough customer base so that the business is still in existence 3 months after it launches |
| Owner’s work–life balance | Non-financial |  |
| Market share | Financial | For at least 1 in every 10 loaves of bread sold in the town to come from our business |
| Personal challenge | Non-financial |  |
| Sales | Financial | To supply an average of 500 loaves of bread per week to local customers in the fourth month after opening |
| Financial security | Financial | For the business to have at least $10,000 in its bank account at the end of its first year of trading |

Worksheet 2

**Section A**

**1** For example:

* the total income earned from selling goods OR
* SP × Q.

**2** For example:

* to measure whether a business has achieved its goals OR
* to provide targets for the owners to aim for.

**3** £209,000

**4** Xiaomi (20.4%)

**5** For example:

* sales of $40,000, OR
* more sales/market share than local rival OR
* survival through first year with all costs paid OR
* financial security of being able to give up her job.

**Section B**

**6 a and b** Students’ own ideas.

**7** For example:

Micromax’s market share fell to less than 1% by 2022. Therefore it was part of the ‘others’ group in Question 4 as the largest five companies had at least 13% market share. This means that any market share objectives would almost certainly not have been met. If the objective had simply been survival, given the issues facing the company in the case study, then it had achieved this objective. However, profit and sales objectives were unlikely to have been met given the increased competition from Chinese brands and Samsung.

Worksheet 3

**1** For example:

|  |  |
| --- | --- |
| **Short description of new small business** | My original business was selling baked goods such as bread from a very small shop on the local high street. |
| **Name/short description of large established company** | Greggs – the largest chain of hot and cold baked goods retailers in the UK. It sells pies, pastries and sandwiches along with cakes and hot/cold drinks. |

|  |  |  |  |
| --- | --- | --- | --- |
| Type of objectives (sales, profit etc.) | List the financial objectives you identified for your new small business | For each objective, decide if it is relevant for the large established company you have identified. Briefly describe how it is or is not relevant | Re-write each objective to make it relevant to the large established company you have identified |
| Profit | To make a **profit** of $20,000 in the first year that the business is in operation | Greggs still aims to maximise its profits but as a much bigger company, will want far higher annual profits | To increase operating profit by 8% between 2021 and 2023 |
| Survival | To find a large enough customer base so that the business is still in existence 3 months after it launches | This is not that relevant to a large, successful and well-established business. Survival is crucial but Greggs has many loyal customers and large amounts of saved profits so would look to longer-term survival | To purchase all of the shops we operate from, so that the expense of paying rent no longer occurs and the business could safely survive an increase in rent charges |
| Market share | For at least 1 in every 10 loaves of bread sold in the town to come from our business | Loaves of bread are not the main part of Greggs’ business and so a more appropriate objective would look at the wider baked goods market (or a fresh one it is trying to enter) | To become the third-largest supplier of coffee in the UK within a year of launching our new ‘hot drinks’ menu |
| Sales | To supply an average of 500 loaves of bread/week to local customers in the fourth month after opening | Again, this figure is far too low for a national business, however setting a sales target is crucial | To achieve sales revenue of at least £1.5 bn in 2023 |
| Financial security | For the business to have at least $10,000 in its bank account at the end of its first year of trading | Greggs’ finances are far more complicated than a smaller company’s. Therefore, it may have lots of cash but also many loans, so a more detailed objective may be required (or a combination to reflect security in different forms) | To reduce overall levels of debt by 10% by the end of 2023  To increase the value of the company’s assets to $10 bn by the end of 2023 |

**2** Answers will vary. For example:

The objectives for my business are different to Greggs’ because the sizes of the two businesses are so different. My business is newly established and operates from just one small shop so the number of products it expects to sell is very different from a large, national chain of shops. Similarly, the amount of money that would be needed for financial security for a large company is very different to what a small company could hope to achieve in its first year of trading.