

1.1 – Understanding the Nature and Purpose of Business

Why Do Businesses Exist

- To provide goods and services

Entrepreneurs

- Set up small business to grow, by themselves or in a small group
- Start their own businesses through their own talents and skill
- Taking a big risk setting up their own business. Lack of job security

Mission Statements

- Big long term goals of a business

Objectives

- Short term goals set to help achieve the mission statement

Why Do Businesses Set Objectives

- To coordinate business activity and give a sense of direction
- They are the focus of decision making
- Objectives set and encourage a common sense of direction among staff
- Success or failure can be measure against objectives

SMART Business Objectives

- S – Specific
- M – Measurable
- A – Agreed
- R – Realistic
- T – Timed

What are Common Business Objectives

- Profit Maximisation
- Expansion (Into other countries, larger workforce)
- Improve customer satisfaction
- Survival
- Exposure -> Popularity
- Good cash flow

What Is Revenue and Price

Revenue – The money a business makes from selling goods and services

Price – The amount that the customer or consumer actually pays for the good or service

Classifying Costs

Wages – Can be a variable cost if paid to operatives who make the product

Salary – A fixed cost paid to staff not directly involved in production

Power – If used in machinery it's a variable cost. If used for lighting it's a fixed cost.

Telephone – This is an example of a semi-variable. Fixed cost for the line rental, but variable costs for charges per call made.

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