

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....

Identify three sources of internal sources of finance:

-
-
-

State two pros and cons of using internal sources of finance:

✓

✓

✗

✗

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

-
-
-
-
-
-
-

What is meant by peer to peer funding?

What is meant by crowd funding?

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

What factors influence the appropriate choice of finance?

-
-
-
-
-

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

Unlimited liability

Limited liability

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

- 2.1.1 Internal finance
- 2.1.2 External finance
- 2.1.3 Liability
- 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 is it important to manage cash flow?

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

What are the typical contents of a business plan?

-
-
-
-

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

-
-
-

What is undercapitalisation?

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:

Sales forecasts

Think: Pros, Cons....

What factors affecting sales forecasting?

-
-
-
-
-
-
-
-
-
-

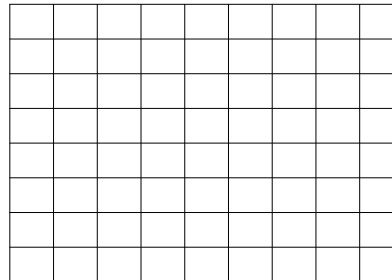
Why might a business want to predict future sales?

State two ways a business can forecast sales:

- 1.
- 2.

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?

FORMULA / QUANTITATIVE

Sales revenue:

Profit:

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:

Historical Zero-based

Budgets

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 main purpose of budgets:
- -
 -
 -
 -

- What are the main difficulties in setting budgets:
- -
 -
 -

- What are the limitations of break-even analysis?
- -
 -
 -
 -
 -

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

- What is budget variance?
- What is meant by an adverse variance?
- 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?

State three ways a business can improve profitability:

- 1.
- 2.
- 3.

How does cash and profit differ?

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

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?

Describe the below:
Non-current assets:

Current assets:

Current liabilities:

Non-current liabilities:

Net assets:

Share holders equity:

Key Term	Definition
Working capital	
Overtrading	
Inventories	

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

What are the internal causes of business failure:

-
-
-
-
-
-

What are the external causes of business failure:

-
-
-
-
-
-

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 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:

What factors influence productivity:

-
-
-
-
-
-
-

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:

-
-
-
-
-

Why might rationalising improve capacity utilisation?

Theme 2 Managing Business Activities

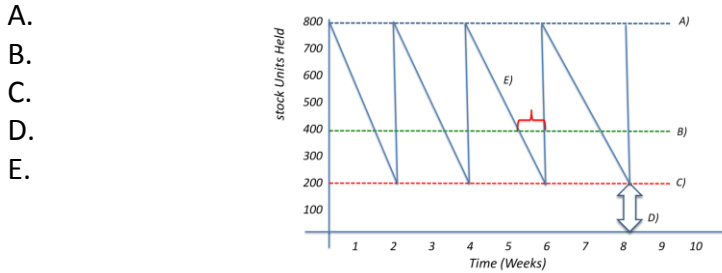
2.4 Resource management

- 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



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
- 2.5.2 Legislation
- 2.5.3 The competitive environment

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

P:

E:

S:

T:

L:

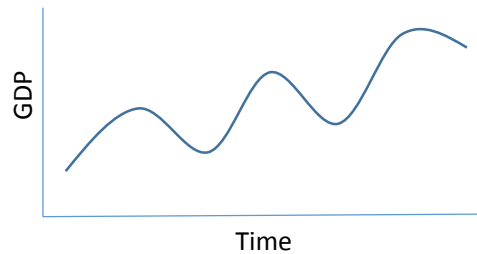
E:

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:



How does inflation affect businesses?

-
-
-
-
-

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
- 2.5.2 Legislation
- 2.5.3 The competitive environment

How does consumer legislation affect businesses?

-
-
-
-

How are employees protected?

-
-
-
-

How does employment legislation affect business?

How is the environment protected by legislation?

-
-
-
-

How does environment legislation affect business?

Outline the purpose of competition policy:

How does health and safety legislation affect businesses?

-
-
-
-

What are porters 5 forces?

-
-
-
-
-

How does the competitive environment impact:

- Price
- Profit
- Communication with customers
- Innovation
- Product range
- Marketing

Key Term	Definition
The environment Protection act	
Competition policy	
Monopoly	
Oligopoly	

Label the arrow with monopolistic competition, oligopoly & monopoly



What is meant by one dominant business?

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