**Own Learning questions**

**Theme 2 – Managing business activities**

These questions are designed for you to complete in your Study Periods. The aim is for you to consolidate your learning and identify any knowledge gaps. The outcome is a complete set of revision notes.

You can use the following resources to help you:

* Getting Started Guide (this is on XXXXXXX)
* Tutor2U website (google the topic area and Tutor2u as the site is difficult to navigate around!)
* Tutor2u Youtube channel
* Your class notes
* The Edexcel A-Level Business text book
* Edexcel A-Level Business revision guide
* The CGP A-Level Business revision guide

When you have completed each section of Own Learning Questions, why don’t you print them out and file them in the appropriate section of your folder? We’ll be checking them!!!

An electronic copy of these questions is on XXXXXXXXX

**2.1 Raising finance**

1. What is the difference between internal and external sources of finance?
2. What are the pros and cons of the different sources of internal finance?

|  |  |  |  |
| --- | --- | --- | --- |
| Source | Description | Pros | Cons |
| Owners capital |  |  |  |
| Retained profit |  |  |  |
| Sale of assets |  |  |  |

1. What are the different sources of external finance that are available to businesses?
2. What are the pros and cons of the different sources of external finance?

|  |  |  |  |
| --- | --- | --- | --- |
| Source | Description | Pros | Cons |
| Loans |  |  |  |
| Share capital |  |  |  |
| Venture capital |  |  |  |
| Overdraft |  |  |  |
| Leasing |  |  |  |
| Trade credit |  |  |  |
| Grants |  |  |  |

1. How does limited and unlimited liability impact on a firm’s ability to access finance?
2. Which sources would be appropriate for limited liability businesses, and which for unlimited liability businesses?
3. What is a “business plan”, and how important is a business plan when obtaining finance?
4. What does a cash-flow forecast show us, and how is net cash flow calculated?
5. What are the pros and cons of cash flow forecasting?

**2.2 Financial planning**

1. What is a “sales forecast”, and what is its purpose?
2. What are the different factors that impact on a sales forecast?

|  |  |
| --- | --- |
| Factor | Description |
| Consumer trends |  |
| Economic variables |  |
| Actions of competitors |  |

1. What makes sales forecasting difficult?
2. What is “sales volume”, and how is it calculated?
3. What is “sales revenue”, and how is it calculated?
4. What is the difference between a fixed and a variable cost, and what examples can you give of each?
5. How are fixed and variable costs calculated?
6. What is the breakeven point? – and what does this tell businesses?
7. What does “contribution” mean, and how is it calculated?
8. How can contribution help us to calculate the breakeven point?
9. What is the “margin of safety”, and what does it tell businesses?
10. What does a breakeven chart look like, and how can we use it to work out profit/loss at given levels of output?
11. How can we illustrate the margin of safety on a breakeven chart?
12. What are the limitations of using breakeven analysis?
13. What is a “budget”, and why do businesses budget?
14. What are the two different methods of budgeting?
15. How can we analyse actual and predicted budget figures?
16. What are the difficulties with budgeting?

**2.3 Managing finance**

1. What is the difference between gross, operating, and profit-for-the-year (net profit), and how is each calculated?
2. What does a Statement of Comprehensive Income (profit & loss account) tell us?
3. How is the Gross Profit Margin calculated, what makes a good GPM, and how can it be improved?
4. How is the Operating Profit Margin calculated, what makes a good OPM, and how can it be improved?
5. How is the Net Profit Margin calculated, what makes a good NPM, and how can it be improved?
6. What is the difference between “profit” and “cash”, and why are both important?
7. What does a Statement of Financial Position (Balance Sheet) tell us?
8. What does the term “liquidity” mean?
9. What is the difference between an asset and a liability?
10. What is the difference a “debtor” and a “creditor”?
11. Why does the Statement of Financial Position “balance”?
12. What is the difference between current and non-current assets?
13. What are the two test of liquidity, and how are they calculated?
14. What does “inventory” mean, and why is the Acid Test a better test of liquidity?
15. How do we calculate “capital employed”?
16. What is “working capital”, and how do we calculate it?
17. Why is it important to manage working capital effectively?
18. What is the “gearing ratio”, and how is it calculated?
19. How is Return On Capital Employed (ROCE) calculated, and what does it tell us?
20. What are the financial and non-financial factors that can cause a business to fail, and how can we mitigate against them?

**2.4 Resource management**

1. What are the different methods of production, and what types of products do they particularly suit?

|  |  |  |
| --- | --- | --- |
| Method | Description | Example |
| Job |  |  |
| Batch |  |  |
| Flow |  |  |
| Cell |  |  |

1. What does “productivity” mean, and how is it calculated?
2. What factors will increase/decrease productivity for a business?
3. How can increased productivity help a business gain competitive advantage?
4. How are average costs calculated, and what does the Long Run Average Cost curve tell us?
5. What factors will enable a business to become more efficient?
6. What is the difference between labour-intensive production and capital-intensive production?
7. What does “capacity utilisation” mean, and how is it calculated?
8. What are the implications to firms of operating under capacity, and what are the possible benefits?
9. What are the implication to firms of operating over capacity?
10. How can firms improve capacity utilisation?
11. What does “stock control” mean, and what does a “bar gate” stock control diagram show us?
12. What is a “buffer stock”, and what are the pros and cons of keeping buffer stock?
13. What issues can poor stock control cause firms?
14. What is “Just In Time” (JIT) stock control, and what are the pros and cons of operating this method?
15. How can waste management help achieve a competitive advantage?
16. What is “lean production”, how can it be achieved, and what are its benefits?
17. What does “quality” mean, and how will this change from business to business?
18. What is the difference between quality assurance and quality control?
19. What is the purpose of quality circles?
20. What is Total Quality Management (TQM), and what are the benefits of this cultural shift?
21. What does “Kaizen” mean, and how can a Kaizen culture be stimulated?
22. How does “quality” help businesses achieve competitive advantage?

**2.5 External influences**

1. What is “inflation”, how is it measured, and what is the current rate of inflation in the UK?
2. How does inflation impact on businesses and consumers?
3. What is the difference between an appreciating and a depreciating exchange rate?
4. What is the current £ Vs Euro, £ Vs $?
5. How does a fluctuating exchange impact on businesses, and what does this depend upon?
6. What is an “interest rate”, who sets the “base rate” in the Uk, and what is the current base rate?
7. How do interest rates impact on businesses and consumers, and what does this depend upon?
8. What is the difference between direct and indirect taxes? – and what does government do with this money?
9. What is the “business cycle”, what are the economic indicators at “peak” and “trough”, and how do these impact on businesses and consumers?
10. How can businesses reduce the level of uncertainty caused by changes in the economic environment?
11. How does consumer protection legislation impact on businesses?
12. What benefits and issues does employee protection such as the Equality Act bring to businesses?
13. How does environmental protection impact on businesses?
14. What is “competition policy”, and what is the role of the Competition and Markets Authority (CMA)?
15. How has the Health & Safety At Work Act impacted on businesses?
16. How does competition from other firms influence business decision making? – what types of decisions would competition impact on?
17. How is “market size” measured, and why is market size particularly important for businesses that wish to launch a new product or service?