

What have we been doing in Business & Economics?

Business

When the college closed our year 10 had nearly completed their first unit of work (there are 2 units over the 2 years) so we spent a couple of weeks finishing that off – covering business plans which we leave until the end of the unit on purpose so that the students can understand all of the sections that have to be completed prior to submission to a bank to secure finance. We have now moved on to look at the second unit, starting with how a business grows and what it has to consider when it grows. We have been amazed and proud of the work that our students are completing and the desire to produce top quality notes is fantastic and shows how much the students care about their progress in their GCSE subjects. We have also been impressed by the quality of written exam answers that the students are producing – they have been listening well to the guidance prior to closure!

Public Limited Companies (PLCs)

As a business grows it may choose to become a public limited company.

Shareholders who invest in a business receive shares in the company. People who own shares are called **shareholders**. They receive part of the business and have a vote in how it operates. Eg CEO.

Financial shares in a company/business are sold to the public on the **stock market - Capitalist market**. Where shares are traded. Shares are sold for anyone to buy.

When a business shares are sold on a stock market, this is known as **floating on the stock exchange**.

Advantages

- Investors more willing to buy shares as they have more choice of selling them if needed.
- Can sell shares to the general public.
- Have more shares.
- More media coverage.
- Better access to capital.

Disadvantages

- Outside investors may have very different opinions and viewpoints to existing shareholders.
- More regulations than a limited company.
- Can receive negative publicity.
- More susceptible to takeover.

Exam Question Example: Factors for choosing to become a PLC

Public limited companies tend to have 'more shares' than other types. They sell their shares directly to the general public. This will give them recognition in the media which could increase the amount of capital they receive. This will therefore result in a higher profit.

business plans - OCR test questions - Edexcel

You got 10 out of 10

1. What is usually the first section of a business plan?
You said: **Business idea**

✓ Correct


The business idea is usually the first element of a business plan. It is important because without the business idea, the rest of the plan cannot be completed.

What is a Public limited Company?

A public limited company has limited liability and whose shares may be freely sold and traded to the public. Some examples of PLC are Manchester United plc, Spencer PLC and legal plc.

Some reasons that a company might want to become public limited is because their shares are open for anyone to buy, their shares are bought and sold on the stock exchange. Another reason would be that the business can expand at any time by selling more shares to raise finance and the business has its own legal status, so the owners cannot be sued.

Public Limited Company

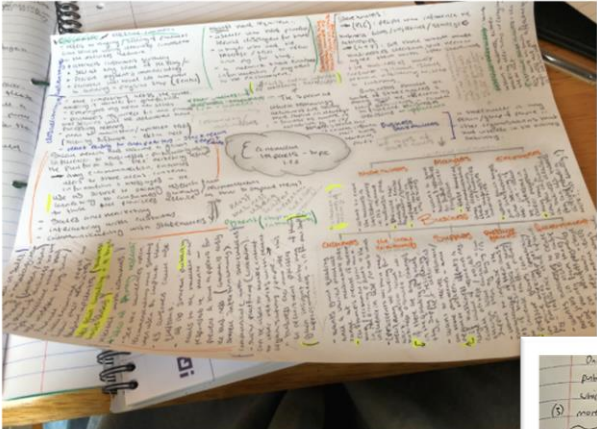


- A growing business may decide as it gets larger to float shares on the stock exchange to raise funds

will mean the business will have to gain plc status – public limited pany

Advantages of becoming a PLC are:

- side investors may have very different opinions and viewpoints to existing shareholders
- more regulations than a Ltd company
- more susceptible to takeovers as no control over who buys shares
- receive negative publicity about business issues



Business plan

1. **Types of finance for your business:**

- Internal:** This means the business finds the money to start the business through selling an asset or through profit that it has.
- External:** This means that the business will need to borrow the money to expand. Sources include banks, overdrafts and credit facilities on the open market.

Internal Finance:

- Retained profits
- After a year or more of trading, a business may have some profit that they can use to invest in the business to help it grow.
- With an owner owned company, it is a new staff (equipment), stock/purchase/inventories.

- If a business is in its first year of trading, it will NOT have any retained profits as it will not have made any to retain.
- The advantage is there is no interest to pay.
- The disadvantage is there is a need to be given this as an internal source of funds.

Sale of assets:

- A business can raise finance by selling items that they already own.
- This could be:
 - Machinery
 - Land
 - Furniture
 - Vehicles

The business that sells the assets will no longer have the benefit of that asset and it will not appear on the balance sheet of the company – meaning the business will look less attractive to investors.

Business Stakeholder	Technology & Business	Legislation & Business	Legislation & Business	The Economy & Business	External Inter
83%	83%	71%	86%	78%	63%
100%	89%	100%	86%	90%	71%
100%	100%	100%	100%	100%	100%
67%	100%	71%	75%	75%	86%
100%	78%	100%	100%	89%	71%
100%	100%	100%	100%	100%	100%
67%	78%	63%	50%	43%	50%
83%	100%	100%	100%	100%	100%
86%	90%	71%	100%	73%	86%
67%	64%	67%	67%	72%	40%
100%	100%	50%	86%	70%	83%

One advantage is that PLCs can sell shares to the general public which means that there is more shares available to sell which would mean more support and it would give the company more status.

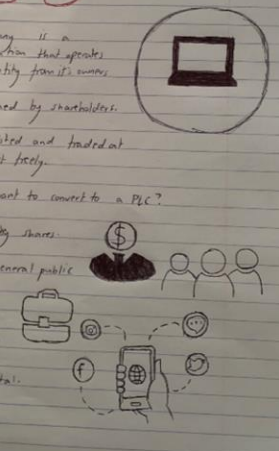
PLC'S

A Public limited company is a form of business organisation that operates as a separate legal entity from its owners. It is formed and owned by shareholders.

Shares of a PLC are listed and traded on a stock exchange market freely.

Why would a business want to convert to a PLC?

- Investors more willing to buy shares.
- Can sell shares to general public.
- more status.
- more media coverage.
- Better access to capital.



Economics

Well, I just know that in a couple of years' time (if not next year!) I will be using so many examples of how this challenging time has affected our economy. We are hearing on a daily basis about the impact to economic growth, job losses and cost to the economy. This will be something that the students can draw on as they have experienced this time. I wonder when it will appear in the exam papers. Prior to closure, we had completed Unit 1 and were making good progress on Unit 2 (there are 2 units in total). Economics is a challenging subject and one that can be difficult to learn independently. Lessons are being created to try and guide students through the topics with relevant notes and tasks to embed the knowledge. I would strongly recommend the use of the revision guide to enhance student learning and obviously for students to contact me about any topic we cover.

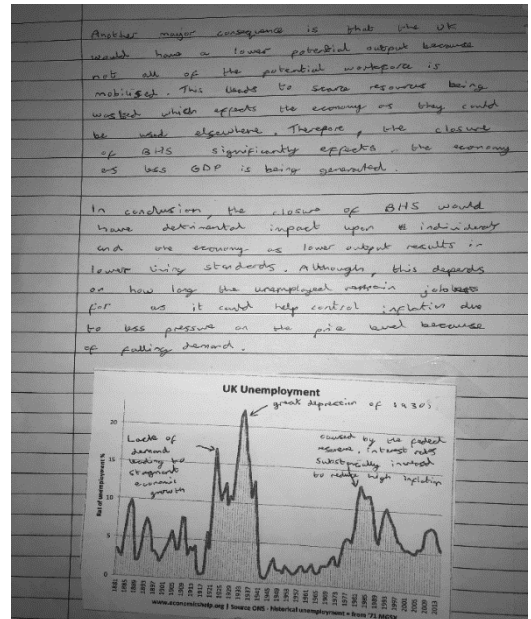
Poverty in the UK

Yes poverty in the UK does exist, as of 2017, 20% of the UK lived in poverty. Including 8 million working adults, 4 million children and 1.9 million pensioners.

According to new statistics 8 of the 10 poorest neighbourhoods in England are in Blackpool. The largest increases of a certain age in poverty are among younger working adults aged 16-19 and 20-24.

To reduce poverty, government policies include benefits to the poorest in society, for example, unemployment benefit, food stamps, income support and housing benefit. Minimum wages. Regulation of labour markets, for example, statutory minimum wages.

I think that poverty in the UK is bad, but not as bad as it is in some other low income countries. But I do think that it is awful that there are vets, nurses and other healthcare professionals living in poverty as there is a constant increase in demand as the UK's growth in population. Especially since these workers are very high skill and paid so much to become a high skilled worker (university fees etc).



Poverty in the UK

Since 2017, 20% of the UK live in poverty, which includes 8 million working-age adults, 4 million children and 1.9 million pensioners.

London

- The proportion of those who live in London, who live in poverty is 27%. The cost of housing is the main factor explaining London's high poverty rates. 700,000 children, 1.4 million working-aged adults and 200,000 pensioners in London are living in poverty.
- In central London the poverty rates are the worst. For example, North East and city & East are the worst showing that most of the area is in serious poverty.
- Childcare in London is 28% more expensive than the British average for those under the age of 5 and costs are rising faster than in any other region.
- 1 in 9 children receive informal childcare in London, compared with 3 in 9 children in England.
- There is an ack of part-time jobs which is a key in explaining London's high rates of poverty and part-time work alone will not always enable families to escape poverty.

Wales

- Almost 1 in 4 people in Wales lives in poverty. That is about 700,000 people. This is down to people having no jobs or having a large family to provide for.
- The highest rates of poverty are found across South West Wales.
- Cardiff also suffers from high rates of poverty, showing that South West and South East have the worst rates of poverty with areas having over 50% of people living in poverty.

Government intervention

The government provides income support and unemployment benefits.

People may be living in poverty due to many factors: It is proven that 68% of people living in workless families are in poverty. Another reason why people may be living in poverty is because if they have someone with a medical condition in the family, lots of money will go towards medical resources and help. This then prevents families having money to spend on other necessities.

In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 7 key terms. Before moving on, check that you understand these terms.

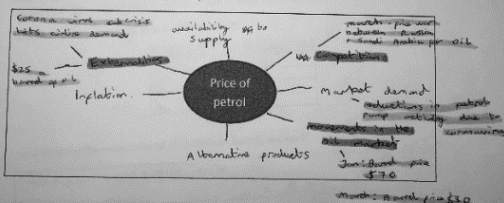
- Microeconomics = small scale economies
 - Macroeconomics = large scale economies
 - Goods = tangible products
 - Services = intangible products
 - Finite resources = limited amount of something
 - Infinite needs and wants = unlimited amount of essentials for survival
 - Scarcity = the basic economic problem: how best to use finite resources to satisfy infinite needs and wants
- In April 2020 the BBC reported that petrol prices, in the UK, were nearing £1 a litre. A key topic in economics is price determination.

Do you think this is a micro or macro topic? Justify your answer.

Micro or macro?

Micro as price levels vary across the world so they will be treated as a smaller economy. Also price is determined through supply + demand, which is a micro topic.

What factors do you think affect the price of petrol?



Remember, throughout your study of economics, it is important to keep up to date with national and global events. Good practice, after learning a new area of theory, is to practise applying it to a news story.

Open the BBC story: Coronavirus: Why is the petrol price nearing £1 a litre? <https://www.bbc.com/news/business-57188458>