

## Unit 1 - Understanding Business Activity

- 1 BKH is a large public limited company. It has 2000 employees across 18 locations. BKH sells a range of insurance products including house and car insurance. BKH's shareholders want the business to increase profit. The Managing Director knows increasing profit can conflict with the objectives of other stakeholder groups. She said: 'Private sector businesses have different objectives to public sector organisations.' BKH is also planning to expand by taking over another insurance company.

(a) Define 'public sector'.

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..... [2]

(b) Define 'profit'.

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..... [2]

(c) Identify **four** ways to measure the size of a business.

Way 1: .....  
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Way 2: .....  
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Way 3: .....  
.....  
Way 4: .....  
..... [4]

(d) Explain **one** way each stakeholder's objectives might conflict with BKH's objective to increase profit.

Customers objective: .....

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How this objective might conflict: .....

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Employees objective: .....

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How this objective might conflict: .....

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..... [6]

(e) Do you think economies of scale are the most important reason for taking over another business? Justify your answer.

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..... [6]

4 KTF makes building materials, including cement and bricks. Last year KTF had sales of \$25bn. KTF's objectives have often changed since it was started 60 years ago. The Managing Director wants KTF to expand. KTF is going to take over one of its main competitors. The newly expanded business will have combined sales of \$40bn. The Managing Director said: 'Many stakeholder groups will be affected by this decision.' She knows there are many external factors that affect business activity including the business cycle, interest rates and legal controls to protect the environment.

(a) Define 'business cycle'.

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..... [2]

(b) Identify **two** reasons why a business might change its objectives.

Reason 1:.....  
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Reason 2:.....  
..... [2]

(c) Outline **one** advantage and **one** disadvantage to KTF of taking over the other business.

Advantage:.....  
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Disadvantage:.....  
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..... [4]

(d) Explain how **two** external stakeholder groups might be affected by the take over.

Stakeholder group 1:.....

Explanation: .....

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Stakeholder group 2:.....

Explanation:.....

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[6]

4 BMT is a business partnership owned by 2 brothers. The brothers received government support when they started BMT 6 years ago. BMT now has 30 employees who make high quality watches. The business tries to achieve lean production. Demand has increased each year and in 2019 BMT sold 8000 watches. BMT makes some parts for watches and all the other parts are imported. BMT had to consider a number of factors, including exchange rates, when deciding whether to import parts for watches.

(a) Identify **two** reasons why a government might support business start-ups.

Reason 1: .....

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Reason 2: .....

..... [2]

(b) State **two** types of business organisation (other than partnership).

Type 1: .....

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Type 2: .....

..... [2]

(c) Outline **two** disadvantages of BMT being a business partnership.

Disadvantage 1: .....

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Disadvantage 2: .....

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..... [4]