

O-Level Business Studies (7115)

TaYYaB Elahi

(0300-8461922)

Visiting Teacher

Lahore Grammar School

KIMS

GACS

SICAS

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About the author

The author, Mr. **Tayyab Elahi** is a **veteran teacher** with over a **decade of experience** at educating and **cultivating success** in students for O & A-level business and the life thereafter. He has upskilled students to their true potential at **prestigious schools** like the Lahore Grammar (Phase 1 & 5 campuses), Keynesian institute of management & sciences (KIMS), Garrison academy for Cambridge studies (GACS), SICAS, etc, as a visiting member of the faculty. Having worked and lived in London, he has an **innovative and diverse approach** to stimulate a **learning environment** to not just pursue **success** but rather have **excellence** follow it.

Preface

These revision notes have been long overdue and been in the works for the past two to three years. It is mainly thanks to my loving wife and the kids who have patiently held on to the sight of me being a sleep-deprived laptop zombie. These notes are an amalgamation of the collective knowledge pooled in over the years thanks to my inquisitive students, exemplary resources and most prominently my own teachers who instilled within me a love for knowledge and its practical application.

Key attributes to this book, which not just students but teachers as well might find helpful in achieving the best grades:

- Specifically written for the O level Business Studies (7115) CAIEs 2019-2021 syllabus.
- **Colour-coded** content and **reader-friendly** infographics enhancing visual memory.
- **Gradual** building block **learning**.
- Concise yet comprehensive definitions constituting of **all key terms** that could get tested.
- An exemplary guide to **“concise writing”** expected of O level business candidates.
- **Mind-maps** that your mind will not mind mingling within your mind’s memory. They cling on.
- **Innovative** approach to **exam preparation**.

Even though it is highly recommended that these notes are used in conjunction with Business textbooks prescribed by your teachers, these are reliable enough to help you pull through your final days towards exam prep sessions as well as to establish an all-round thorough understanding of key business concepts and how they should be put to practice differently in each of the respective papers; P1& P2.

Feel free to get in touch with me through my Facebook page

<https://www.facebook.com/OALevelsBusiness/>

to clarify any ambiguities or thoughts these newer perspectives might provoke in your mind.

Wishing you all the best for your exams.

Best regards,

TaYYaB Elahi.

How to **make** the **most** of **these** colour-coded **notes**:

- This **colour** represents all the **key terms and definitions**.
- This **colour** represents all the **benefits** of a given concept.
- This **colour** represents all the **drawbacks** of a given concept.
- This **colour** represents all the **characteristics** of a given concept.
- If this is the only colour you see, this is the reason cheap piracy sucks.

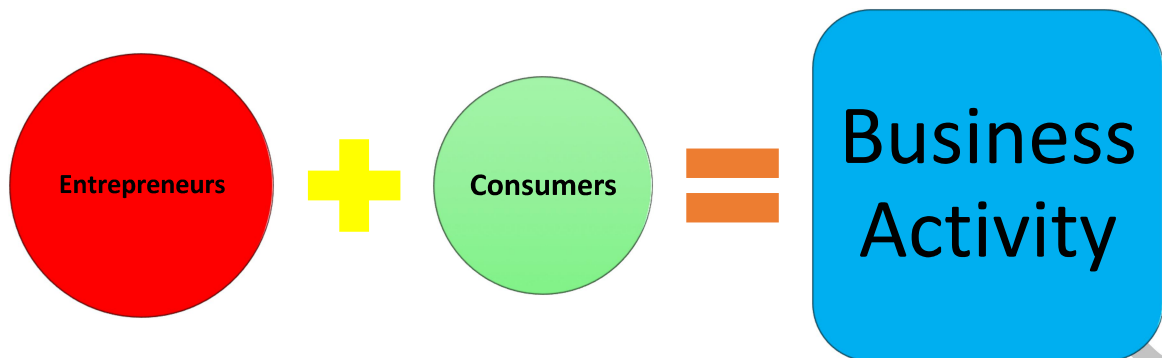
For your final exam-focused quick revision, **Read the words in bold** along with infographics.

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SEC 1: BUSINESS ACTIVITY AND EXTERNAL INFLUENCES

Who needs Business Activity and Why?



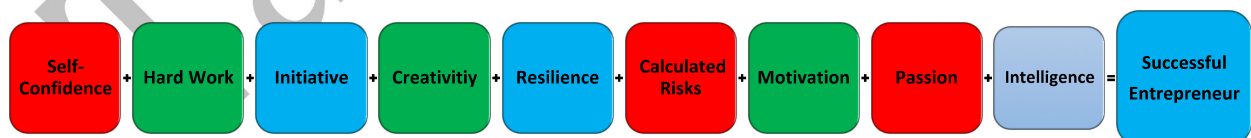
An **Entrepreneur** is a person who has a **flair for business ideas** and is willing to **take the risk** of setting up a business by investing his **capital** into it.

Risk refers to the chances of:

- × **being unable to achieve objectives.**
- × **incurring a loss.**
- × **business closure.**

Why still choose entrepreneurship?

- ✓ **In order to make money;** “Higher the risk, higher the reward” principle comes to action, when the entrepreneur gives up the safer option of earning a salary, he/she would want to make the most out of his own business. **(Profits > Salary)**
- ✓ **To be his/her own boss;** Having power over one’s own life and being able to control others brings satisfaction.
- ✓ **To be independent;** Freedom from not having to wait for the pay cheque and anyone’s approval is a perk of entrepreneurship.
- ✓ **To enjoy flexibility;** Work when you need to, don’t when you don’t want to.
- ✓ **Personal ambition, status and/or Individuality;** One of the most common questions when you introduce yourself: “What do you do for a living”. The proud answers: “I am an entrepreneur.” Recognition and fame come along.



BUT that’s all just one side of the picture, entrepreneurs in order to make money need someone willing pay them money, in return for providing them with something they might be interested in. Who are they?

THE CONSUMERS!

WHY DO CONSUMERS NEED BUSINESS ACTIVITY?

Before the why, what exactly is a consumer?

A **Consumer** is an existence that uses commodities for **personal or business use**. So, in short, its everyone We all consume because, being alive, we **need** no.1 to stay alive and no.2 we **want** to live it in the best possible way. As such consumers need business activity to be provided with commodities that can satisfy their **needs** and **wants**.

Needs

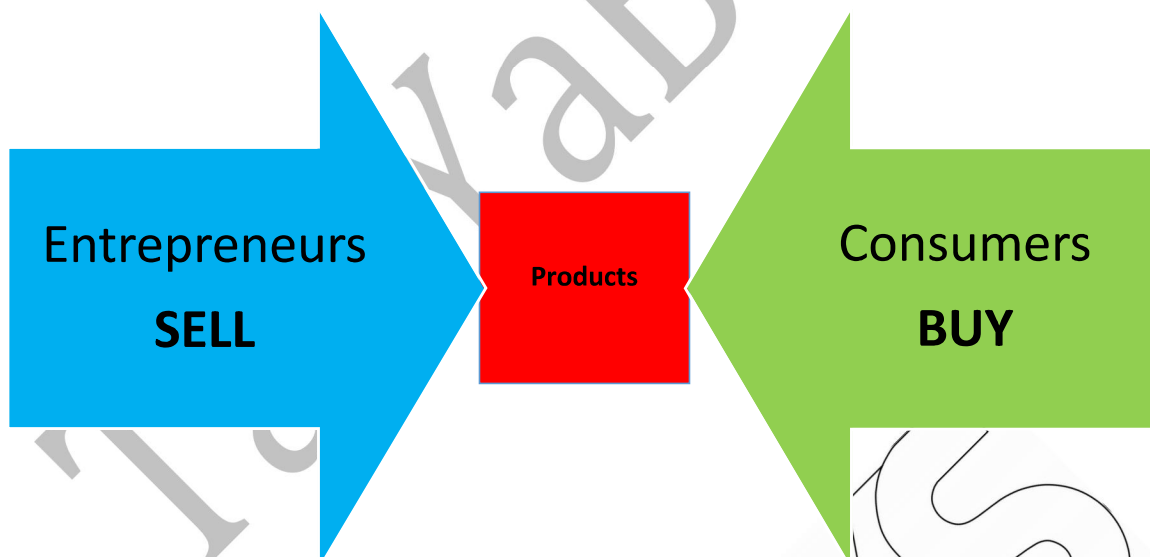
The basic survival kit, the necessities common to everyone to be able to continue living.

- Food (Hunger)
- Shelter (Protection)
- Clothing (comfort and covering)
- Transport (move)

Wants

Everything in excess of a need, everything born out of desire, our wishes which vary from person to person.

- a lavish and delicious meal served with an eye-catching presentation in an ambient environment.
- Luxury bungalow with a swimming pool and jacuzzi
- Armani, Hugo Boss, Zara, Sapphire
- Bugatti Cheyron



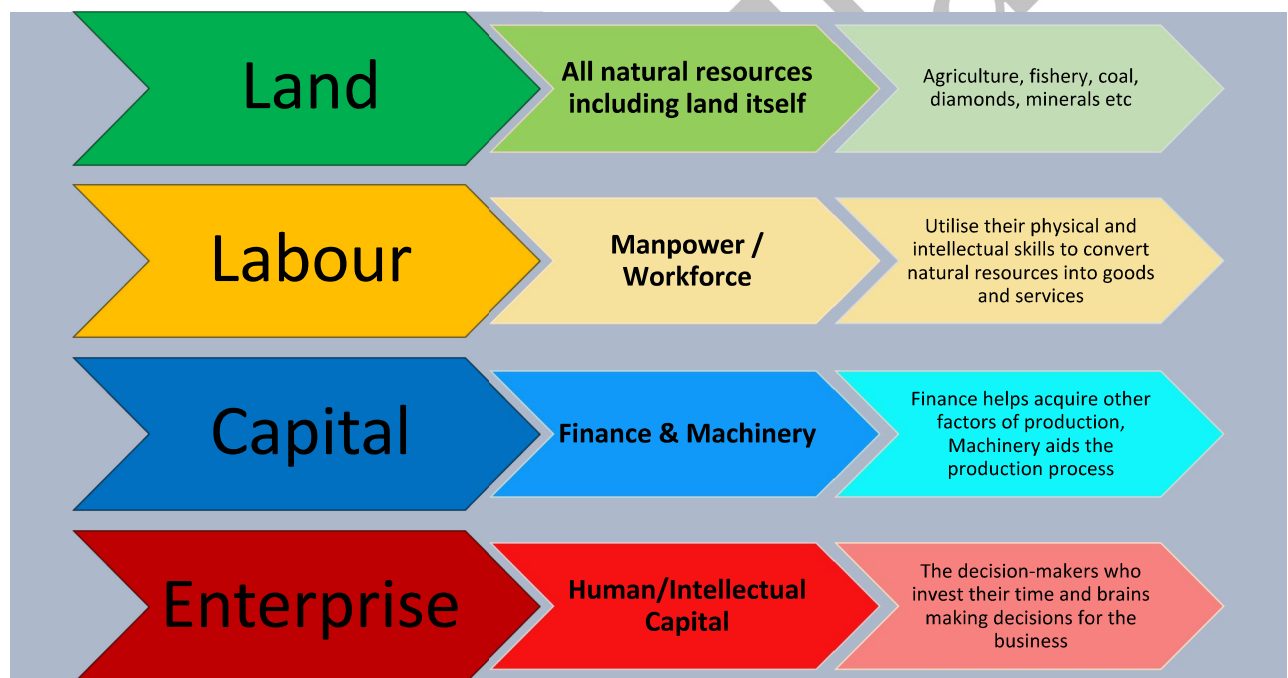
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Products can be categorized into:



In order to produce goods and services, businesses need resources popularly categorized as

Factors of Production



Scarcity of resources – The basic underlying economic problem



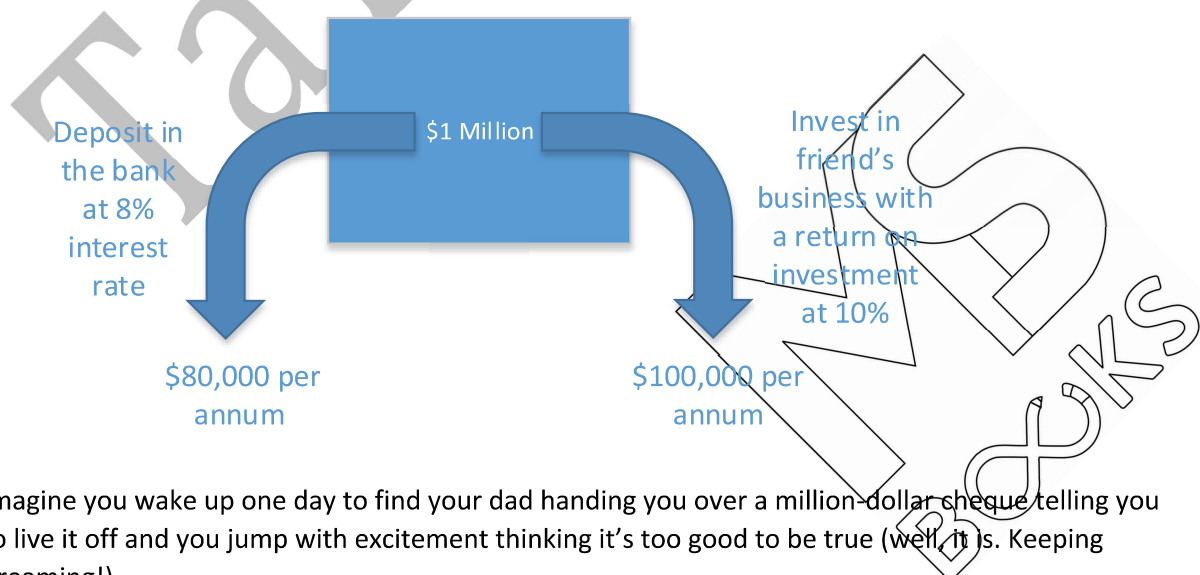
“Resources are scarce”; does not mean that we don’t have them. It implies the above three, that one resources are limited in quantity, have multiple uses and are being utilised to satisfy unlimited needs and wants. This leads to the cost that everyone of us (businesses included) incur whenever we decide on the use of a particular resource. Just count the number of uses you make of your monthly pocket money and see how the above three affect your spending decisions.

Opportunity cost is the cost of giving up the next best alternative use of a resource by utilizing the resource somewhere else.

This is a highly applicable concept not just to any business decision making but also to our daily lives. The simple gist is that because resources have multiple uses, we must choose how in particular that resource is to be utilized. Once we’ve finalized a particular use, we’ve also given up so many other uses of the resource that were possible but it isn’t all of them that are the opportunity cost, **it’s the next best use that we chose not to put it to that becomes our opportunity cost** – the runner up use. For example, for students like you the pocket money is an essential resource that your parents provide you with. It is firstly, limited in quantity. Secondly, you will put it to so many multiple uses such as buying lunch from the school canteen, topping up your mobile balance, buying video games, hangouts with friends, shopping for clothes, etc. and yet finally you won’t be able to do everything you wanted to with it. However, this only illustrates scarcity, in order to understand the opportunity cost lets pursue the example that you only have two possible uses for the pocket money and those are either you can go on a road trip with your friends or you could go shop for all those cool clothes you had been looking at online. Ideally, you would want to do both but given the limited amount of money you’ve you can only choose one of the two. This is where opportunity cost comes into play, now you must **incur the cost of giving up one opportunity to avail the other.**

And as we said earlier that it’s the next best alternative use of the resource that becomes the opportunity cost, given the example above if you choose to go shopping, then trip in itself isn’t the opportunity cost, the fun, leisure and memories that you are going to miss out on will be the opportunity cost. Similarly, if you decided to make the trip, shopping in itself isn’t the opportunity cost, which means “**it’s use**” i.e. the feeling of looking cool in those clothes, that modelling in front of the mirror and the selfies you were going to take will become the opportunity cost.

So, emphasizing on the use of the resource, as such **Opportunity cost of Capital is the cost of giving up the next best alternative rate of return by investing the capital somewhere else.**



Imagine you wake up one day to find your dad handing you over a million-dollar cheque telling you to live it off and you jump with excitement thinking it’s too good to be true (well, it is. Keeping dreaming!)