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# 1

## Understanding business activity

### Student Book Chapters 1–4

#### 1 Business activity and economic sectors

Farah opened her business, Farah's Salon (FS), just after leaving school. She offers hairdressing and beauty services for women. She employs 3 workers who have quite different skills: 1 is a hair stylist, 1 is a beauty specialist and the other is a receptionist. This means that Farah is able to offer a wide range of beauty and hairdressing services very efficiently. Shampoos, hairsprays and many other beauty products are bought from several suppliers. Farah's business is now very busy. She is planning to use some of FS's capital to buy IT equipment to keep customer records of treatments they have received and to allow an accurate record of appointments to be kept.

Farah is keen to increase the added value of her business. She has not yet decided on the best way to do this. She thinks that redecorating the salon to give it a unique style will improve its image with customers and could allow her to increase prices.

FS operates in Country X. The business uses several suppliers to obtain all the materials, furniture and other equipment it needs. FS is in the tertiary sector and depends on other businesses in this sector for important services.

**1 a** Define 'factors of production'. [2 marks]

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**b** Outline **two** different factors of production used by Farah. [4 marks]

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c Explain **one** secondary sector and **one** tertiary sector business used by Farah. [6 marks]

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d Do you think redecoration of the salon is the best way for FS to increase added value? Justify your answer. [8 marks]

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## 22 Location decisions

The directors of BCC have decided to move all production to a larger factory in Country X. The following information on the map (Figure 22.1) is for two sites the company could buy. BCC is also considering opening a second factory in Country Z, where 75% of the clothes it produces are sold, or in another country where BCC wants to increase its sales.

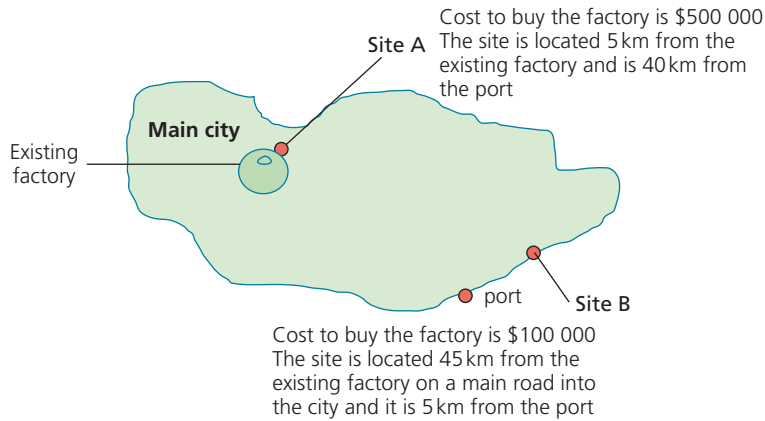


Figure 22.1: Map of two sites for sale in Country X

1 a Identify **two** examples of when location decisions are important to a business. [2 marks]

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b Outline **two** factors that affect the location of a retailer of BCC products. [4 marks]

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**c** Explain **two** factors that are likely to affect the location of the new BCC factory. [6 marks]

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**d** Which site do you think BCC should buy? Justify your answer. [8 marks]

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**2 a** Identify **two** ways governments influence location decisions. [2 marks]

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### 30 Business and the environment

ABC is developing more energy-efficient motorbikes. These motorbikes produce less harmful gases from the exhaust and use less fuel (per kilometre). The government in Country X is introducing legal controls to restrict the amount of pollution produced in emissions from cars and motorbikes. Many other countries' governments are using similar controls to try to reduce the emissions of harmful greenhouse gases.

ABC is also considering using solar panels to generate electricity. The electricity generated will be used in the factory and it will reduce energy costs for ABC. However, the solar panels are expensive to buy and install.

The government is encouraging businesses to recycle and reduce waste during the manufacturing process. ABC is considering using recycled metals in the manufacture of new motorbikes.

Advert from the government

**Protect the environment  
– fit solar panels to your  
factory roof**

*The government will give you a grant towards the cost of installing solar panels. Your customers will appreciate this too!*

1 a Define 'pollution'.

[2 marks]

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b Outline **two** effects on ABC of the government of Country X introducing legal controls on emissions.

[4 marks]

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## 6 EXTERNAL INFLUENCES ON BUSINESS ACTIVITY

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- c Explain **one** advantage and **one** disadvantage to ABC of installing solar panels in its factories.

[6 marks]

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- d Do you think ABC should respond to environmental issues by reducing the waste produced during manufacturing? Justify your answer.

[8 marks]

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