

## **AQA A Level Business Transition Homework**

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### **Tutor2U – course familiarisation**

- Enrol and complete the online course.  
[Introduction to AQA A-Level Business Getting Started | tutor2u](#)

### **Seneca – Unit 1 content familiarisation**

- Please log into the Seneca classroom using your school email address.  
<https://app.senecalearning.com/dashboard/join-class/dex6rxmxt8>
- Then complete the online work  
<https://app.senecalearning.com/dashboard/class/dex6rxmxt8/assignments/assignment/3a5422fe-b741-409d-99a9-8066b7ec3435>

### **Research project**

Investigate a private sector business (either a Ltd or PLC)

- Create a timeline of the business's key milestones and achievements from being founded to current day
- Explain what their main business activities are: what sectors are they in, what types of products and services do they offer, what brands do they own, where geographically do they operate, how big are they, who are their main competitors, summarise their current aims and objectives
- To what extent is the company a winner or loser at the moment during cost of living crisis?

Please present your findings on a PPT (max 6 slides) – email to [SCassidy@trhat.org](mailto:SCassidy@trhat.org) before beginning of Autumn term

## Key Terms for Yr 12

### **Adding value**

A process through which a business increases the worth of the resources included in production so that customers perceive the product to be worth more than the cost of the inputs

### **Adviser**

An external contact of a business that provides support and advice, sometimes for free

### **Bank loan**

A fixed amount loan from a bank which is generally used to finance long-term assets

### **Bank overdraft**

Borrowings from a bank on a current account which are payable on demand

### **Breakeven output (or point)**

The point at which the total sales of a business equal total costs -i.e. the business is making neither a profit nor a loss

### **Budget**

A detailed plan of income and expenses expected over a certain period of time

### **Business angel**

A particular type of investor, usually a successful entrepreneur, who is willing to invest in high-risk, high-growth firms at a very early stage

### **Business plan**

A detailed description of a new or existing business, including the company's strategy, aims and objectives, marketing & financial plan

### **Business objective**

A stated goal or target of a business (note: a business can have more than one objective!)

### **Cash flow**

The movements of cash into ("inflows") and out of ("outflows") a business

### **Cash flow forecast**

A projection, usually by week or month, of the likely cash inflows and outflows in a business

### **Contribution**

The difference between total sales and total variable costs

### **Contribution per unit**

A key number for breakeven analysis: the difference between selling price per unit and variable cost per unit.

**Costs**

Amounts incurred by a business as a result of its trading operations

**Demand**

The amount of a product or service that customers are willing and able to pay at a given time

**Demographic**

Defining a market in terms of social-economic factors such as segmentation age, income, class etc

**Elasticity of demand**

The responsiveness of demand to a change in price or incomes

**Electronic market**

A market in which buyers and sellers are brought together using digital means of communication (e.g. online) in order to exchange information (e.g. prices) and conduct transactions. Compare with physical markets where buyers and sellers meet face to face.

**Enterprise**

The process by which new businesses are formed in order to offer products and services in a market

**Entrepreneur**

An individual who sets up and runs a new business and takes on the risks associated with the business

**Expenditure budget**

The budget which sets out the expected costs to be incurred by the firm, usually split into various categories (e.g. production, marketing, administration)

**Fixed costs**

Costs that do not vary with the level of output – e.g. rent, salaries)Franchisee The person or company which operates a franchised business format - under licence from a franchisor

**Franchisor**

The owner of a business format (franchise) which is licensed out to othr people or businesses (franchisees)

**Full-time employee**

An employees who works more than 30 hours a week in a business (compare with part-time, which is working for less than 30 hours)

**Income budget**

The budget which sets out estimates of the likely demand for and value of the firms sales

**Inputs**

The resources (land, labour, capital, enterprise) that go into producing goods and services

**Limited liability**

Shareholders are only liable for the money they have invested - not for the overall debts and liabilities of their company

**Location**

The place (or places) from which a firm does business. Can be both a physical location and also virtual.

**Margin of safety**

The difference between the actual level of output and the break even output

**Market**

Any place (e.g. physical, electronic) where buyers and sellers come together with a view to exchanging transactions

**Market growth**

The percentage growth in the size of the market, measured over a specific period

**Market research**

The process of planning, collecting, and analysing data relevant to help make marketing decisions

**Market segmentation**

The process of dividing a market into smaller sections (segments) segmentation which contain customers with similar needs and wants

**Market share**

The share of the total market that is owned by a particular business, product or brand. Usually expressed in percentage terms. The firm with the largest percentage market share is known as the market leader.

**Market size**

The total value or quantity of demand in a specific market over a specific period of time. Can be measured in value terms (e.g. sales) or in terms of quantities (e.g. units) bought or sold.

**Niche market**

A smaller part of a larger market in which customers have more specific needs and wants.

**Opportunity cost**

The cost of a decision as measured by the benefits foregone of the next best alternative

**Patent**

The right to be the only user or producer of a specified product or process

**Permanent employee**

An employee who is employed on a formal employment contract and remains with the firm for an open-ended period until the contract is ended. Compare with a temporary employee ("temp") who is employed for a shorter, time-limited period.

**Primary research**

The market research that involves the collection of data that does not yet exist

**Profit**

The difference between total sales and total costs

**Qualitative research**

Market research concerned with collecting data on attitudes, opinions, beliefs, intentions etc.

**Quantitative research**

Market research concerned with collecting data that can be quantified - e.g. sales statistics

**Return**

The rewards to enterprise – e.g. profit, satisfaction

**Revenue**

The income or sales that a business achieves in a period. Calculated by multiplying selling price per unit x units sold.

**Risk**

The probability or chance that hoped-for outcomes will not occur

**Sample**

In market research, a sample is a subset of a population. Sampling is the process of taking and analysing a research sample.

**Share capital**

The finance invested in a business (limited company) by the shareholders – part of the equity capital of a firm

**Social enterprise**

A business that has objectives other than making profit. Part of a group of organisations in the "not-for-profit" sector

**Sole trader**

A one-person business with unlimited liability for the debts of that business

**Supplier**

A business that provides goods and services to other firms.

**Total costs**

The total of variable and fixed costs in a business

**Trade credit**

Amounts owed to suppliers of a business – a source of finance

**Trademark**

A word, symbol, or phrase used to identify a particular company's product and differentiate it from other companies' products

**Unlimited liability**

Unlimited liability describes the potential risk that sole traders and partnerships face. They are liable for the debts of the business

**USP**

Unique selling point - a feature of a product or service that makes it stand out compared with the competition

**Variable costs**

Costs that vary directly in proportion to output (e.g. materials, pay related to amounts produced or sold)

**Venture capital**

Investment made by specialist funds to finance the launch, early development or expansion of a private company

**Working capital**

The amount of money that a business has available to conduct its day-to-day activities

## Key Formulae

Number	Formula
1	<p><b>Revenue (Sales or Turnover) =</b> Selling price per unit × Number of units sold</p> <p><b>Variable costs (Total variable costs) =</b> Variable cost per unit × Number of units sold</p> <p><b>Total costs =</b> Fixed costs + Variable costs</p> <p><b>Profit =</b> Total revenue – Total costs OR Total contribution – Fixed costs</p>
2	<p><b>Market capitalisation of a business =</b> Number of issued shares × Current share price</p>
3	<p><b>Expected value of a decision with two possible outcomes eg. A &amp; B =</b> [Pay-off of A × probability of A] + [Pay-off of B × probability of B]</p> <p><b>Net gain =</b> Expected value – Initial cost of decision</p>
4	<p><b>Market growth (%) =</b></p> $\frac{\text{Change in the size of the market over a period}}{\text{Original size of the market}} \times 100$
5	<p><b>Market share (%) =</b></p> $\frac{\text{Sales of one product OR brand OR business}}{\text{Total sales in the market}} \times 100$
6	<p><b>Added value =</b> Sales revenue – costs of bought-in goods and services</p>
7	<p><b>Labour productivity =</b></p> $\frac{\text{Output over a time period}}{\text{Number of employees}}$

Number	Formula
8	<p><b>Unit costs (average costs)=</b></p> $\frac{\text{Total costs}}{\text{Number of units of output}}$
9	<p><b>Capacity utilisation (%) =</b></p> $\frac{\text{Actual output}}{\text{Maximum possible output}} \times 100$
10	<p><b>Return on investment (%) =</b></p> $\frac{\text{Profit from the investment (£)}}{\text{Cost of the investment (£)}} \times 100$
11	<p><b>Gross Profit =</b> Revenue – Cost of Sales</p> <p><b>Profit from Operations = Operating profit =</b> Gross profit – Operating Expenses</p> <p><b>Profit for year =</b> Operating profit + Profit from other activities – Net finance costs – Tax</p>
12	<p><b>Gross profit margin (%) =</b></p> $\frac{\text{Gross profit}}{\text{Revenue}} \times 100$ <p><b>Profit from operations margin = Operating profit margin (%) =</b></p> $\frac{\text{Operating profit}}{\text{Revenue}} \times 100$ <p><b>Profit for year margin (%) =</b></p> $\frac{\text{Profit for year}}{\text{Revenue}} \times 100$
13	<p><b>Variance =</b> Budgeted figure – actual figure</p>

Number	Formula
14	<p><b>Contribution per unit =</b> Selling price – Variable costs per unit</p> <p><b>Total contribution =</b> Contribution per unit × Units sold</p> <p>OR</p> <p><b>Total contribution =</b> Total revenue – Total variable costs</p>
15	<p><b>Break-even output =</b></p> $\frac{\text{Fixed costs}}{\text{Contribution per unit}}$ <p><b>Margin of safety =</b> Actual level of output – Break-even level of output</p>
16	<p><b>Labour turnover (%) =</b></p> $\frac{\text{Number of staff leaving}}{\text{Number of staff employed by the business}} \times 100$
17 * Removed from spec Sept 2023	<p><b>Employee retention rate (%) for a particular time period =</b></p> $\frac{\text{Number of employees who remained with the business for the whole period of time}}{\text{Number of employees at start of the time period}} \times 100$
18	<p><b>Employee costs as percentage of turnover =</b></p> $\frac{\text{Employee costs}}{\text{Turnover}} \times 100$
19	<p><b>Labour cost per unit =</b></p> $\frac{\text{Labour costs}}{\text{Units of output}}$
20	<p><b>Return on capital employed (ROCE)(%) =</b></p> $\frac{\text{Operating profit}}{\text{Total equity + non-current liabilities}} \times 100$ <p>Where total equity + non-current liabilities = capital employed</p>

Number	Formula
21	<p><b>Current ratio =</b></p> $\frac{\text{Current assets}}{\text{Current liabilities}}$
22	<p><b>Gearing (%) =</b></p> $\frac{\text{Non-current liabilities}}{\text{Total equity + non-current liabilities}} \times 100$ <p>Where total equity + non-current liabilities = capital employed</p>
23	<p><b>Payables days =</b></p> $\frac{\text{Payables}}{\text{Cost of sales}} \times 365$
24	<p><b>Receivables days =</b></p> $\frac{\text{Receivables}}{\text{Revenue}} \times 365$
25	<p><b>Inventory turnover =</b></p> $\frac{\text{Cost of sales}}{\text{Average inventories held}}$
26	<p><b>Average rate of return (%) =</b></p> $\frac{\text{Average annual return (£)}}{\text{Initial cost of project (£)}} \times 100$

**Please note:**

It is possible that there may be alternative formulae for some of the calculations listed. Whilst these will be credited if used appropriately, the data in the exam may not be presented in a format that makes the different formula easily usable.

We would therefore recommend using the information presented in this list when preparing for AQA AS/A-level Business exams.