KS4 Enterprise
Knowledge Organiser

Contents

1.1 What is an Enterprise?

Key Term	Definition
Enterprise	An organisation that provides goods and/or services.
Entrepreneur	A person who sets up their own business
Entrepreneurship	The skills and ability to become an entrepreneur
Social Enterprise	A business that is set up to help others. It is different from a charity as it is still a profit making business.
E commerce	The process of buying and selling products & services by electronic means such as by mobile applications and the Internet.

Enterprises can offer goods, services or both:

Goods – something that is sold that you can touch

Services – something offered by a business to serve a purpose e.g. cleaning service

1.2 Size and Features of SMEs (Small/Medium Enterprise)

Size of SME	
Micro	Up to 10 staff members Run by the owner Usually sole trader or partnership
Small	11 – 49 staff members Usually sole trader, partnership or Private limited company
Medium	50 – 249 staff members Usually private limited company

1.3 Types of Ownership

Type	Description	Advantages	Disadvantages
Sole Trader	Owned by one person.	Easy to set up Own boss Keep all profits	Finance difficult to raise Unlimited liability
Partnership	Owned by 2 to 20 people. All or some of the partners manage the business	Shared workload Share ideas and expertise	Disagreements between partners Share profits Unlimited liability
Private limited company (Ltd)	Owned and controlled by an individual or group of people known as shareholders. Shares can be sold to family and friends NOT TO THE PUBLIC.	Control over who owns shares Seen as reputable due to Limited liability	Shares can only be sold to family and friends. Rules and regulations to adhere to.

Unlimited liability:

Owners have the same legal identity as the business.

Possible loss of personal possessions if business fails.

Limited Liability:

Owners have separate legal identity from the business.

Owners will only lose money invested if the business fails.

1.4 Business Aims and Objectives

Business aims and objectives when starting up:

Survival

To make a profit

Increase Sales

Increase market share

Financial security

To be ethical

To have a good reputation

Financial Objectives

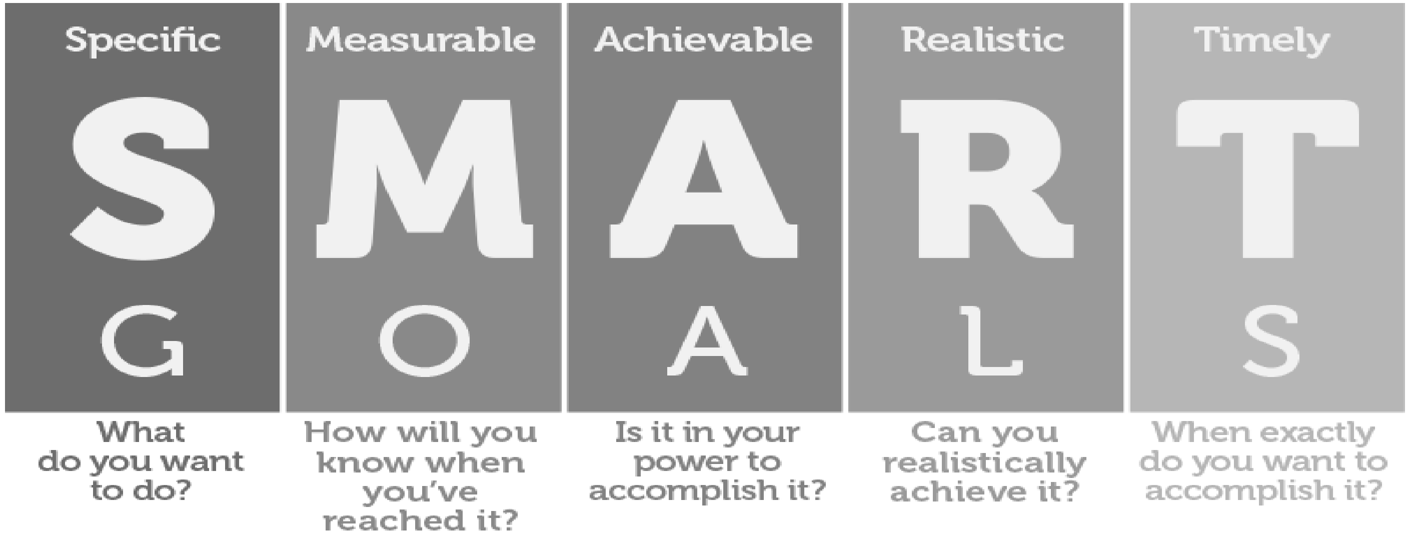
Objectives that have a financial focus e.g. to increase profit by 10%

Non-financial Objectives

Objectives that do not have a financial focus e.g. to gain a minimum of 4 star review on Google review

Aims: Business aims are the broad targets that an entrepreneur has at the back of their mind.

Objectives: Business objectives are clear, measurable targets of how to achieve business aims. The stepping stones for how they are going to achieve them.



1.5 Skills & Characteristics of Entrepreneurs

Objectives of an Entrepreneur	Characteristics of an Entrepreneur	Skills of an Entrepreneur
They want to be their own boss	Innovative	Knowledge of the industry
They want to keep all the profits	Determined	Technical skills
They have an interest or a hobby that they want to develop	Risk takers	Communication skills
Unhappy with their present job	Decisive	Time management
More flexible working hours	Organised	Planning
Spotted a gap in the market	Assertive	Negotiation
	Hard working	Problem solving
	Flexible	Organisational

1.6 Market Research

Key Terms	Definitions
Market Research	The process of gathering, analysing and processing data relevant to marketing decisions.
Primary Research	Collecting new data and information that has not been collected before.
Secondary Research	Gathers data from information that already exists.
Quantitative Research	Creates statistics that can be used to compare or find patterns e.g. questionnaire with closed questions
Qualitative Research	Looks into people's opinions, ideas and thoughts e.g. focus group

Primary Methods	Secondary Methods
Questionnaires	Online research
Observations	Books/journals
Interviews	Company data
Focus groups	Government statistics

1.7 Understanding Customer Needs and Competitor Behaviour

Understanding Customer Needs	
Research Method	Information gathered
Questionnaires & Text message surveys	Understanding the market Understanding and identifying needs Identifying expectations e.g. quality Adapting products to meet different needs
QR Codes	
Happy/sad faces	
Focus Group	
Informal discussions and interviews	

Understanding Competitor Behaviour	
Research Method	Information gathered
Competitor websites	Anticipating and identifying competitor behaviour Producing products different to competitors Competitive advantages
Customer surveys	
News/media	
Social media	
Product reviews	

1.8 SWOT Analysis

Strengths	Internal factors – something the business can change	Good quality products and services Highly skilled staff Good reputation Good distribution network
Weaknesses	Internal factors – something the business can change	Lack of training for staff Poor staff motivation Poor quality products High costs of production
Opportunities	External factors – something that is beyond the business's control	Development of new technology Competitor goes out of business Change in consumer tastes Change in legislation
Threats	External factors – something that is beyond the business's control	New competitors entering the market Competitors dropping the price Change in legislation Change in the economy

1.9 PEST Analysis

Political	Changes or factors happening with government policies and laws	Change in government or prime minister Changes in the law Effect of wars Effect of change in tax Relationship with other countries
Economic	Factors that relate to the economy as a whole	Employment levels Interest rates Inflation People's incomes
Social	Factors to do with lifestyles, culture and how people spend their time	Changes in trends and fashion Environmental concerns Changes in demographics Attitudes towards work and jobs
Technological	Any developments in technology	Developments in mobile technology Development of machinery Increase use of the internet

2.1 Financial and Non-financial aims

Financial aims involve meeting money-based targets

Examples of Financial Aims
Increase profits by £x or x%
Decrease costs by £x or x%
Improve sales by £x a week
Increase monthly sales by x%

Non-financial aims do not involve money-based targets

Examples of Non-financial Aims
To benefit the local community
To recycle x% of all waste
To improve customer service
To gain x positive reviews a week

2.2 Resources

Physical Resources	Resources that are tangible (can touch)	Building/land Equipment Raw materials IT Fixtures & fittings
Human Resources (HR)	The staff and people the business will need to operate	Employees Recruitment and selection Training and development needs
Financial resources	The money the enterprise will need to operate	Loans from family & friends Savings Bank loans Mortgage

3.1 Market Segmentation and Targeting

Key Term	Definition
Target Market	The market (group of people) a business wants to sell their products and services to
Market Segmentation	Dividing the market up into sections according to characteristics
Demographic Segmentation	Using key characteristics of the population e.g. age, gender, income
Geographic Segmentation	Using different geographical characteristics and locations e.g. climate, rural/urban, city/county
Psychographic Segmentation	Grouping according to attitudes, lifestyles and personality
Behavioural Segmentation	Grouping according to customer behaviour e.g. usage rate, loyalty, desired benefits
Business to Business (B2B)	Businesses whose target market are other businesses
Business to Consumer (B2C)	Businesses whose target market are the general public

3.2 Marketing Mix - 4Ps

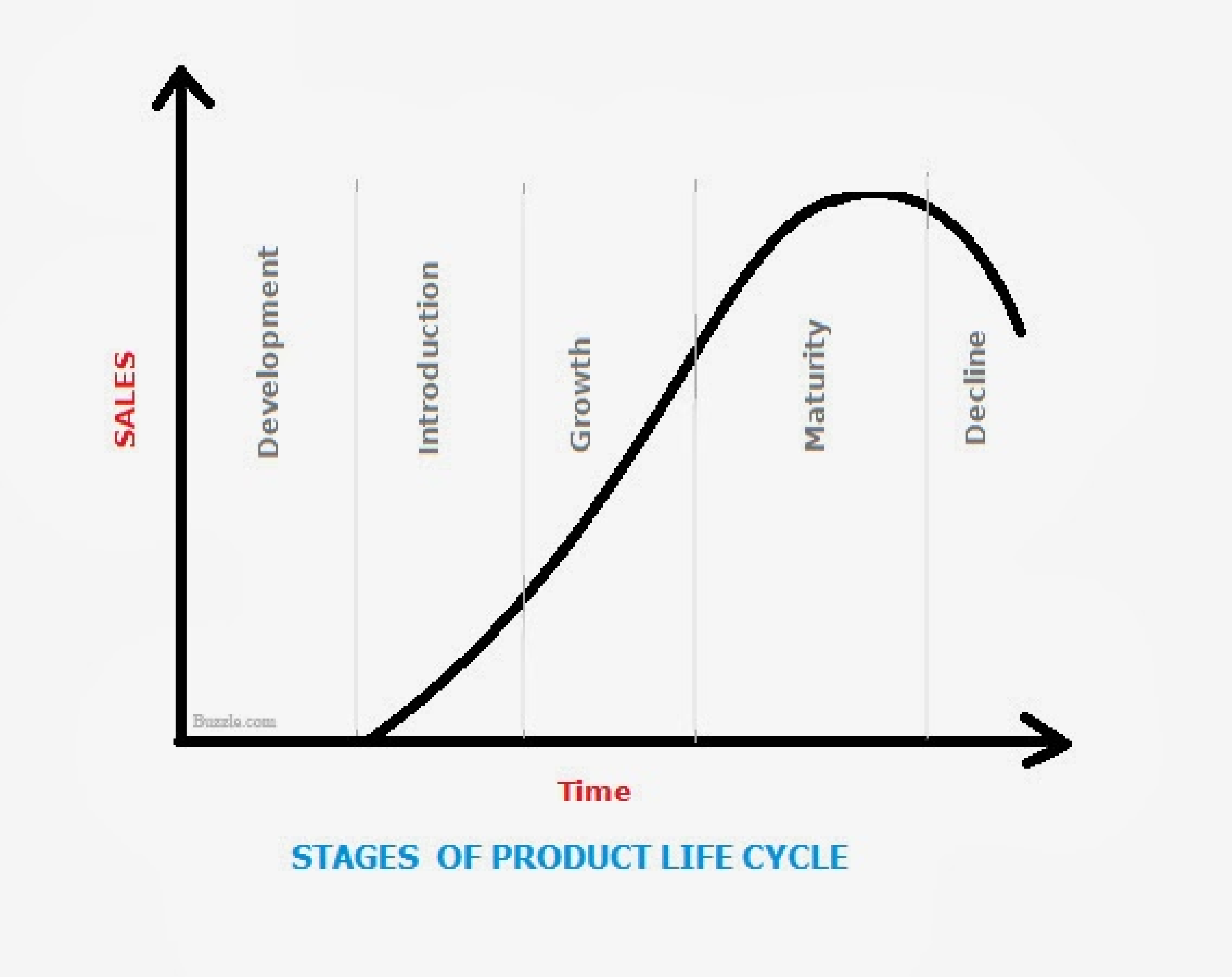
Product

Key Terms	Definitions
Product Portfolio	The product range of a business – all the good and services they sell
USP	Unique selling point – something that a business can offer that no other business has
Branding	A brand is a product with unique character, for instance in design or image. It is consistent and well recognised.
Brand personality	Brand personality refers to a set of characteristics a business builds upon to influence the way people perceive its products and services

Price

Key Terms	Definitions
Skimming	Price is set high on launch then reduces through lifecycle
Penetration Pricing	Price is set low on launch then increases though lifecycle
Competitive pricing	Prices are set the same or similar to the competitors
Cost plus pricing	The costs of the product are calculated then the desired profit margin is added on to determine the selling price
Premium pricing	A product's price is set at a higher price than competitors to give a perception of high quality.

3.3 Marketing Mix – Product Lifecycle



3.4 Marketing Mix – Place and Promotion

Place

Key Terms	Definitions
Digital distribution	Selling and distributing products online
Physical distribution	Selling and distributing product from a retailer or wholesaler
Intermediary	The "middle-men" of distribution; businesses that facilitate the products getting from the manufacturer to the consumer e.g. wholesaler
Wholesaler	The distribution channel that buys in bulk and sells to retailers rather than to consumers, e.g. Costco

Promotion

Key Terms	Definitions
Promotion mix	The range of promotional methods a business uses to communicate to customers
Above the line promotion	Used when the focus is on mass media promotion to reach a large audience. It includes radio, TV and print media.
Below the line promotion	Directed to reach a small, targeted audience. BTL includes marketing activities such as brochures, direct mail, flyers, sponsorships and email campaigns.

3.5 Methods of Promotion

Method	Definition
Advertising	Where a business pays for space in the media to communicate with the public about its products and services.
Public relations (PR) and online public relations (OPR)	A method of promotion that the business does not pay for directly. It is used to place information about the product or business in the media.
Social media marketing	Using all social media platforms to promote an enterprise and/or their products
Personal selling	This is where a representative of a business contacts potential customers directly, usually face to face.
Direct marketing	When a business communicates with their customers directly to try to sell them something e.g. email, text message
Sales promotion	Something a business offers its customers as an incentive to buy e.g. 20% off, loyalty cards, free samples

3.6 Financial Documents

Purchase Order	When a buyer orders goods from a seller. It creates a legal offer to buy from the seller.
Delivery Note	Created by the seller and given to the buyer when a delivery is made to give details of the delivery.
Goods Received Note	Completed by the buyer to confirm what was delivered by the seller after the buyer has checked the delivery.
Invoice	Completed by the seller to outline the money owed to them and requesting payment from the customer.

3.7 Financial Documents

Credit Note	If the customer returns goods or wrong items were delivered, the seller completes this document to show the refund given.
Statement of account	A summary of orders and payments made between the seller and regular customers, completed by the seller.
Receipt	Created by the seller (ABC) to give proof to the buyer that the order has been paid for (proof of purchase).
Remittance advice slip	A document produced by the seller for the customer to return to them as proof they have paid the invoice.

3.8 Payment Methods

Method of Payment	Description	Pros	Cons
Cash	Using physical money to pay for a good / service.	Some businesses do not have technology to accept payments "Cash only signs". You wouldn't electronically pay for something really cheap e.g. 10p sweet.	Many businesses card only. Businesses could give the wrong change.
Debit Card	Enables the buyer to pay for items using a card. Money comes straight from the bank account.	No interest charges or extra charges unlike credit cards The customer can see bank statements and recent transactions.	There needs to be enough money in the bank account Debit cards can be stolen and used if its contactless and no pin is needed.
Direct Debit	Is when you tell your bank to make a bill payment from your bank account on a specific future date. Used for regular payment	Allows for regular payments for e.g. bills, loans, so there is no need for the customer to keep on making payments themselves.	The business may keep taking money from the customer each month even if no money is owed if the direct debit is not cancelled.

3.9 Payment Methods

Method of Payment	Description	Pros	Cons
Credit Card	Like a loan. It allows the customer to pay for something using a credit card company's money. The customer can spend an agreed limit and has to pay the money back in the future, with interest	Allows the customer to spend when they do not have money in their own bank account. Anything bought is insured as it's not the customers money that is being used.	The customer has to pay the money back plus high interest on top. Some businesses charge extra to customers called 'surcharge' when a customer uses this type of card.
Payment Technologies	Pay Pal Apple Pay Mobile payments Allow payments to be made online (e commerce) and quickly as bank details are stored.	Allows for quick payments without the need to enter debit / credit card details or pin numbers as it automatically knows customers bank details. The customer can buy from anywhere in the world and online.	Log on details and bank details could be hacked. If the customer's phone is stolen, it is easy for someone else to steal the customers bank details.

3.10 Costs and Revenue

Costs

Key Terms	Definitions
Costs	Money paid out by the business for items they need
Start-up costs	All the money spent on the business before the first day of trading
Running costs	The money spent on the business after day 1 of trading
Fixed costs	Costs that don't change with the level of output or number of customers e.g. rent
Variable costs	Costs that do change with the level of output or number of customers e.g. stock

Revenue

Key Terms	Definitions
Revenue	All money earned by the business
Sales revenue/ turnover	All money earned from sales and normal trading activities
Sales revenue formula	Number of units sold x selling price of one unit

3.11 Profit & Loss Account/Statement of Comprehensive Income

Sales		£25 000
Cost of Sales		£7 000
Gross Profit		£18 000
Expenses:		
Wages	£5 000	
Insurance	£2 000	
Advertising	£3 000	
Total Expenses		£10 000
Net Profit/Loss		£8 000

Key Terms	**Calculation/Definition**
Gross Profit	Sales – Cost of Sales
Total Expenses	All expenses added together
Net Profit/Loss	Gross Profit – Total Expenses
Cost of Sales	Money spent on stock
Sales	Money earned from sales

3.12 Balance Sheet/ Statement of Financial Position

	£	£
Fixed Assets		
IT Equipment	3 245	
Home Office Fixtures	1 450	
Total Fixed Assets		4 695
Current Assets		
Inventory (Stock)	256	
Debtors	235	
Cash at Bank	510	
Total Current Assets	1 001	
Total Current Liabilities	435	
Net Current Assets	566	
Net Assets		5 261

Key Terms	Calculation/Definitions
Fixed Assets	Something the business owns for more than a year
Current Assets	Something the business will own for less than a year
Debtors	People or businesses that owe the business money
Current Liabilities	Debts of the business that will need to be repaid within a year
Net Current Assets (working capital)	Total current assets – Total current liabilities
Net Assets	Total assets (fixed + current) - current liabilities

3.13 Stakeholders

A stakeholder is a person, group of people or another organisation who has an interest in a business.

Stakeholders can influence and/or be influenced by the business.

Stakeholder group	Typical objective/interest
Employees	Secure jobs, Higher earnings
Owners/Shareholders	High dividends and share price
Lenders	To be paid on time
Government	Legal behaviour, taxes paid, growth
Suppliers	Paid on time, kept informed of any changes to the business (for example, any proposed reduction in output)
Customers	Accurate information on the product, good service, value for money, good quality
Managers	Achieve targets to earn bonus, promotion

3.14 Profitability and Liquidity

Key Term	Definition/Formula
Profitability	The ability of a business to create profit
Liquidity	The ability of a business to pay its debts
Gross Profit Margin (%)	(Gross profit / Sales revenue) x 100 Shows profitability of a business – the higher the better
Net Profit Margin (%)	(Net profit / Sales revenue) x 100 Shows profitability of a business – the higher the better
Current Ratio	Current Assets / Current Liabilities Shows liquidity of a business – businesses aim for 2:1
Liquid Capital Ratio	(Current Assets – Inventory) / Current Liabilities Shows liquidity of a business – businesses aim for 1:1

3.15 Budgeting

	Budget January (£)	Actual January (£)	Variance (£)	Adverse/ Favourable
Revenue/Sales	100 000	120 000	20 000	F
Expenditure				
Wages/labour	10 000	15 000	5 000	A
Materials	25 000	20 000	5 000	F
Marketing	15 000	25 000	10 000	A
Running costs/ overheads	40 000	37 000	3 000	F

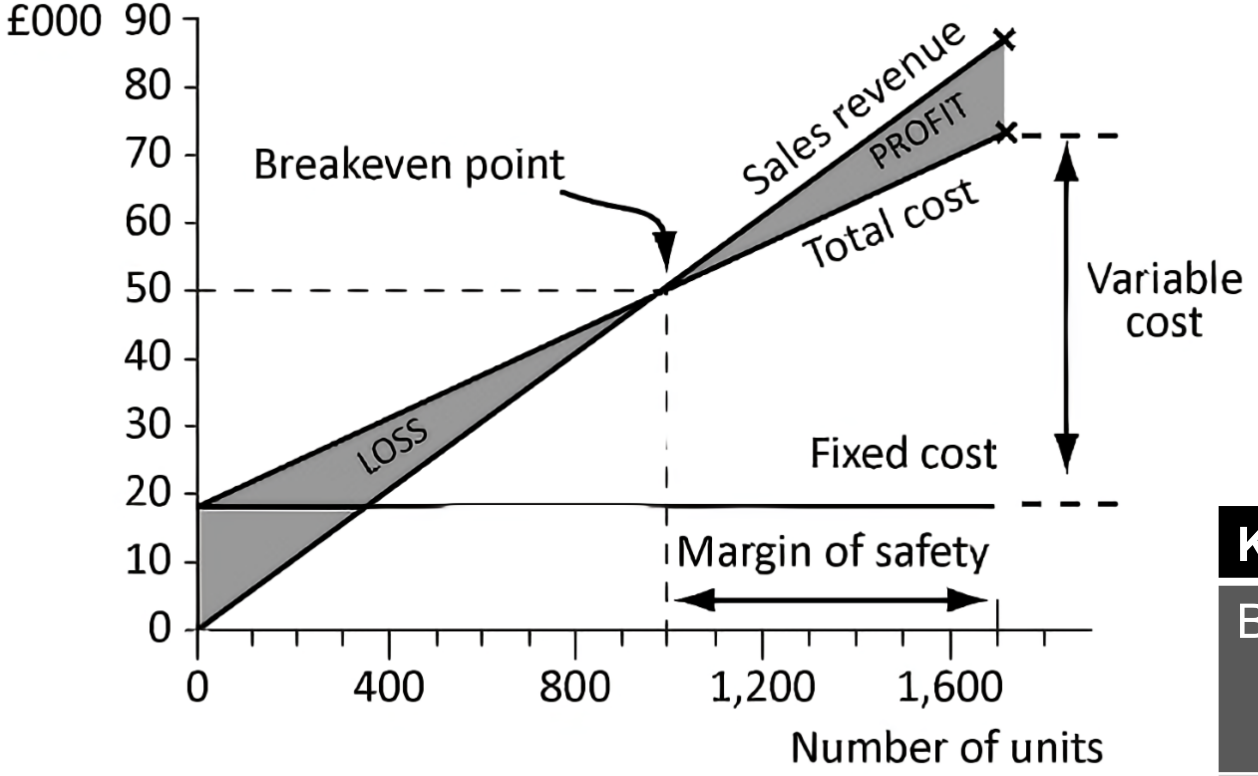
Key Terms	Definitions
Budgeting	The process of setting the budget
Budgetary Control	The process of comparing and analysing actual figures with budget figures and taking necessary action.
Variance Analysis	Calculating the difference between actual and budget figures
Favourable Variance	When the actual figure is better than the budgeted one
Adverse Variance	When the actual figure is worse than the budgeted one.

3.16 Cash Flow Forecast/Statement

Cash Inflows	**Jan £**	**Feb £**	**Mar £**	**Apr £**
Sales	10 000	8 500	9 000	7 500
Total Inflow (A)	10 000	8 500	9 000	7 500
Cash Outflows				
Stock	3 500	4 000	3 750	5 250
Wages	2 000	2 500	2 250	2 100
Advertising	1 500	1 500	2 500	2 000
Total Outflow (B)	7000	8000	8 500	9 350
Net cash flow (C) (C = A – B)	3 000	500	500	(1850)
Opening Balance (D)	2 500	5 500	6 000	6 500
Closing Balance (E = D + C)	5 500	6 000	6 500	4 650

Key Terms	**Definitions/Calculations**
Cash Inflow	Money coming into the business from different sources
Cash Outflow	Money spent on expenditure
Net Cash Flow	Total Inflow – Total Outflow
Opening balance	Cash held on the first day of the month – closing balance from previous month
Closing balance	Cash held on last day of the month: Net cash flow + opening balance
Cash surplus	Where inflow exceeds outflow, positive closing balance.
Cash deficit	Where outflow exceeds inflow, a negative closing balance.

3.17 Break Even Analysis



Key Terms	Definitions/Calculations
Break-even point	The point where revenue equals costs; no profit or loss is made. Expressed as a number of units.
Break even formula	$\frac{\text{Fixed Costs}}{\text{(Selling price – variable cost per unit)}}$
Margin of Safety	Actual number of units sold – break even units

3.18 Sources of Finance – Internal

Key Term	Definition
Savings/Owner's funds	Money the owner already has through savings
Borrowing from friends and family	Money borrowed usually without interest, and has flexible repayment
Retained Profit	Profits from previous years kept in the business's bank or saving account
Sale of assets	Selling assets e.g. property to raise funds

3.19 Sources of Finance - External

Key Term	Definition
Mortgage	A loan to buy land or property, usually low interest rates. The loan is secured on the asset.
Share Capital	Selling shares in the business. Can only be used by private and public limited companies.
Hire Purchase (HP)	A loan secured on an asset that has fixed repayments e.g. vehicles
Leasing	Renting items instead of buying e.g. vehicles or machinery. The asset will never be owned by the business.
Bank loan	A sum of money borrowed from a bank that will be repaid over a fixed period of time. Interest will be added.
Peer to Peer lending (P2P)	Allows businesses to obtain loans from individuals other than banks using an online platform. They match the lender to the customer.
Business Angels	A person who invests financially into a business but does not necessarily want to be involved in the running of the business.

3.20 Sources of Finance - External

Key Term	Definition
Bank overdraft	An extension to a business's bank account. The account will show in negative figures, high interest is charged for the time the account is overdrawn.
Crowdfunding	Funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the internet.
Trade Credit	A business-to-business (B2B) agreement in which a customer can purchase goods without paying cash up front, and paying the supplier at a later scheduled date.
Government and Charity Grants	A sum of money gifted to the business, doesn't have to be repaid. It can have a very lengthy application process.