Igcse topic 1: Business Activity

1. What is a Business?

- A business is an organisation that **produces goods or provides services** to satisfy human needs and wants.
- Main purpose: **Create value** by turning inputs into outputs that customers are willing to pay for.

Key Terms

- **Needs:** Essential for survival (food, water, shelter).
- **Wants:** Non-essential desires (phones, branded clothes).
- **Goods:** Physical items (cars, books).
- **Services:** Activities done for customers (education, transport).

2. Sectors of Business Activity

Primary Sector

- Extracts natural resources.
- Examples: Farming, fishing, mining.
- Importance: Provides raw materials for other sectors.

Secondary Sector

- Converts raw materials into finished goods.
- Examples: Manufacturing, construction.
- Importance: Adds value through processing.

Tertiary Sector

- Provides services.
- Examples: Retail, banking, transport, healthcare.
- Importance: Supports both consumers and other businesses.

3. Why Do Businesses Start?

Entrepreneurs start businesses to:

- Fill a **market gap**
- Earn **profit**
- Gain **independence**
- Provide **social benefit** (social enterprises)
- Develop and sell **new ideas (innovation)**

4. Adding Value

Definition: Increasing the worth of a product by turning raw materials into something customers want.
Formula:

Added Value = Selling Price – Cost of Inputs

Ways to Add Value:

- Branding
- Quality
- Design
- Customer service
- Convenience

5. Types of Business Activity

Private Sector

- Owned by individuals.
- Aim: Usually **profit**.
- Examples: Shops, factories, restaurants.

Public Sector

- Owned by the government.
- Aim: Provide service to society.
- Examples: Schools, hospitals, postal services.

Third Sector (Non-Profit)

- Aims: Help community/social goals, not profit.
- Examples: Charities, NGOs, community groups.

6. The Changing Importance of Sectors

Countries develop over time:

In Developing Countries

- Primary sector is large (farming, mining).

In Emerging Economies

- Secondary sector grows (manufacturing).

In Developed Countries

- Tertiary sector dominates (services).

Why sectors change:

- Technology
- Higher education levels
- Rising incomes
- Urbanisation
- Globalisation

7. Business Objectives

Businesses set goals to stay focused.

Common objectives:

1. **Profit**
2. **Survival** (especially new businesses)
3. **Growth**
4. **Market share**
5. **Customer satisfaction**

6. **Social responsibility** (eco-friendly, ethical)

8. Stakeholders

People who have interest in a business.

Examples:

- Owners (profit)
- Employees (jobs and wages)
- Customers (quality and price)
- Government (tax, employment)
- Suppliers (regular orders)
- Community (environment, employment)

Different stakeholders have **conflicting interests** — an important exam point.

9. Enterprise and Entrepreneur

Enterprise

The ability to take risks, innovate, and develop business ideas.

Entrepreneur

A person who:

- Takes financial risks
- Organises resources
- Makes business decisions

Characteristics of successful entrepreneurs:

- Creativity
- Risk-taking
- Leadership
- Determination
- Communication skills

Business Activity Summary

- Businesses exist to satisfy needs and wants.
- Sectors: Primary → Secondary → Tertiary.
- Businesses add value by improving products.
- Aim for profit, growth, survival, etc.
- Entrepreneurs take risks and organise resources.
- Stakeholders influence and are affected by business decisions