



**OCR Cambridge Technicals  
Level 3 Extended Certificate**

# **Business**

**Transition Booklet  
(Year 11 to Year 12)**



## Welcome to OCR Cambridge Technicals Level 3 Business at SJBC!

Congratulations on choosing Level 3 Business, an exciting vocational qualification designed to help you to achieve your potential and progress to higher education, an apprenticeship or employment.

For this course, you will be expected to take greater ownership of your studying as you juggle learning content and skills for examinations with completing independent research, reports and presentations for coursework.

Two units are assessed by examination:

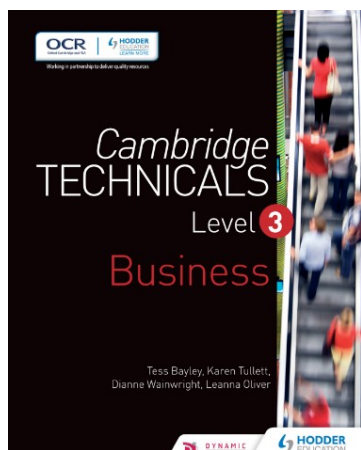
- Unit 1: The Business Environment
- Unit 2: Working in Business

In addition, you are required to submit three pieces of coursework based on business scenarios that link to the Marketing pathway.

### Textbook

The textbook that you must purchase is OCR Cambridge Technicals Level 3 Business.

To utilise lesson time effectively, all students are expected to have preread and made clear chapter notes **before** the lesson.



### Other Resources

The BusinessEd website has useful theory notes in a series of free slide shows that link closely to the OCR Business specification.

<https://businessed.co.uk/index.php/home/theory/cambtec/cambtec-l3-theory#unit-1-the-business-environment>

Tutor2u has a free reference library with a range of useful study notes, videos, presentations, case studies and quizzes.

<https://www.tutor2u.net/business/reference>

You will be expected to stay up to date with what is happening in the business world by regularly reading business news. Most newspapers have Business sections, including:

<https://www.bbc.co.uk/news/business>

<https://www.standard.co.uk/business/business-news>

## Unit 1: The Business Environment

In September, we will begin with Unit 1: The Business Environment. You will have your first external examination for this in January 2024 so there is no time to lose!

Businesses don't exist in isolation. They are influenced not only by the people who own them and work for them, but also their suppliers, competitors, local communities, the government, and many other groups and individuals. In Unit 1, you will find out how businesses are run and the reasons why particular decisions are made. You will learn about different types of business and how they are structured. You will discover how different functions work together within a business and how businesses can respond to external factors in order to remain competitive. You will also find out how financial and performance information can help a business plan for success.

### LO1 Understand different types of businesses and their objectives

This transition booklet introduces you to the first learning outcome (LO1) of Unit 1.

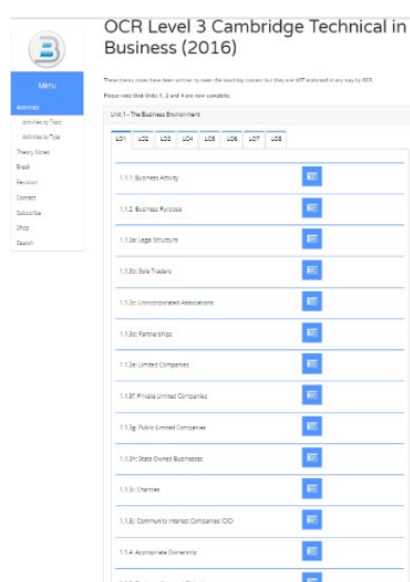
LO1 covers:

- 1.1 different types of business activity
- 1.2 different sectors of operation
- 1.3 different forms of legal business ownership
- 1.4 factors which inform business ownership
- 1.5 differing business aims and objectives.

Before answering the questions in this booklet:

- a) read the extracts from the textbook included in the booklet
- b) go through the relevant BusinessEd slides

<https://businessed.co.uk/index.php/home/theory/cambtec/cambtec-l3-theory#unit-1-the-business-environment>



# LO1 Understand different types of businesses and their objectives

## GETTING STARTED

(5 minutes)

List ten businesses. Include a range of different types of businesses, e.g. some that produce or grow a product and some that provide a service.

You will use this list in later activities.

## 1.1 Different types of business activity

There are several different types of **business activity**, as described below.



### KEY TERM

**Business activities** – tasks completed by a business to achieve its objectives, e.g. buying, selling and producing products or services.

### Primary activity

The key purpose of primary activity is the extraction and harvesting of raw materials. This includes mining, agriculture, fishing, and oil and gas extraction.

In countries in the early stages of industrial development, most of the population is employed in primary activities.

### Secondary activity

The key purpose of secondary activity is to manufacture products. These can be finished products sold to **retail customers**, or components sold to **business customers** and used in the production of other products.



### KEY TERMS

**Retail customers** – customers who buy finished products, e.g. frozen peas from a supermarket.

**Business customers** – businesses that purchase products or services from another business.

As a country becomes more industrialised, employment in secondary activities increases.

### Tertiary activity

The key purpose of tertiary activity is the provision of services. These can be services to the public, such as

hairdressers, schools, banks and supermarkets, or services to businesses, such as transport.

As a country becomes more industrialised, the demand for services increases. This leads to growth in the provision of, and employment within, service industries.

## 1.2 Different sectors of operation

### Private sector

Businesses operating in the private sector aim to make a profit. They range from small local businesses, such as an electrician, to large multinational corporations, such as Walmart Stores, Inc. Examples of private sector businesses in the UK include Next plc, Britvic plc and Iceland Ltd.

### Public sector

The UK public sector is responsible for providing a wide range of public services, such as health care, education, libraries, the armed forces, maintaining public roads and refuse collection.

A range of public corporations are also owned by the public sector, including the Royal Mint, Forestry Commission, Ofsted and the Student Loans Company.

The public sector is financed via sources including taxation, council tax payments, business rates, licence fees (e.g. BBC), and selling products and services (e.g. Ordnance Survey).

### Third sector

These are organisations that do not aim to make a profit and are not government owned. They rely on donations, fundraising, and grants from sources such as charitable foundations and the government. Registered charities such as the NSPCC and Oxfam, self-help groups such as Alcoholics Anonymous and community groups such as Grow Wild all operate within this sector.

## PAIRS ACTIVITY

(5 minutes)

Refer back to your list of ten businesses. For each business decide:

- which type of business activity it performs
- which sector of operation it belongs to.

### 1.1 Different types of business activity

Complete the table:

<b>Business Activity</b>	<b>Purposes</b>	<b>Key Features</b>	<b>Examples</b>
<b>Primary</b>			
<b>Secondary</b>			
<b>Tertiary</b>			



## 1.2 Different sectors of operation

Complete the table:

Sector	Key Features	Examples
Private sector		
Public sector		
Third sector		

## 1.3 Different forms of legal business ownership



▲ Figure 1.1 Becoming a private limited company can involve lengthy legal discussions

Table 1.1 explains the pros and cons of different types of business.

Type of business	Advantages	Disadvantages	Most appropriate for ...
<b>Sole trader</b> <ul style="list-style-type: none"> <li>Owned by one person, although the owner may decide to employ others to work alongside them. It is the most common form of ownership in the UK</li> </ul>	<ul style="list-style-type: none"> <li>A sole trader can often start a business with limited finance, e.g. a window cleaner</li> <li>There are few legal requirements to consider when starting compared with other forms of ownership</li> <li>Sole traders are solely responsible for decision making</li> <li>Sole traders can choose their own working hours and holidays</li> <li>A good relationship is likely to be built with their customers as they deal with them directly</li> <li>Sole traders do not have to share profits with other owners</li> </ul>	<ul style="list-style-type: none"> <li>Sole traders are personally liable for any debts incurred by the business (<b>unlimited liability</b>). This may result in, say, their home being sold to raise finance</li> <li>Sole traders do not have co-owners to discuss ideas and decisions with</li> <li>Sole traders often work long hours and take few holidays as there is no one to take responsibility when they are not there; similarly, if they are ill the business can suffer and customers may be let down</li> <li>A lack of finance may restrict the business, e.g. not being able to invest in new equipment or expand</li> </ul>	<p>Individuals who have an enterprising business idea or people wishing to start a business alongside employed work, e.g. a wedding cake maker</p> <p>The risk of unlimited liability means that this form of ownership is better suited to businesses where there is no large initial financial outlay</p>

Type of business	Advantages	Disadvantages	Most appropriate for ...
<b>Partnership</b> <ul style="list-style-type: none"> <li>A business with a minimum of two partners. It can be straightforward to set up, although a Deed of Partnership is advisable. This summarises details of the owners, e.g. the capital each has invested into the business and how profits will be shared</li> <li>In a limited liability partnership, the partners aren't personally liable for debts the business can't pay; their liability is limited to the amount of money they invest in the business. Different partners may have different liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>There are others to discuss decisions with, and to cover for holidays and sickness</li> <li>As each of the partners contributes capital there is more finance available for investment</li> <li>Partners may have different areas of expertise that will be beneficial to the business, e.g. one may have ICT expertise and another financial expertise</li> <li>There are few legal requirements when starting the business</li> </ul>	<ul style="list-style-type: none"> <li>Decision making may take longer as more people are involved</li> <li>If partners disagree, arguments could affect the service provided</li> <li>All profits are shared</li> <li>The partners have unlimited liability</li> <li>If one partner works longer hours than others or one partner takes longer holidays, this may cause resentment</li> <li>The business does not have a separate legal identity; therefore if one of the partners dies the partnership would end</li> </ul>	Partnerships are commonly used by professional services such as doctors' surgeries, solicitors and accountants
<b>Private limited company (Ltd)</b> <ul style="list-style-type: none"> <li>A company is a separate legal entity to the owners. It is a form of ownership where shares in the business are sold to raise finance. Those purchasing the shares (the shareholders) are the legal owners. The individual(s) who set up the business are likely to become the majority shareholders, although shares may be sold to people approved by these owners</li> <li>A private limited company can usually be identified by 'Ltd' or 'Limited' after its name</li> </ul>	<ul style="list-style-type: none"> <li>As the company is a separate legal entity, the owners/shareholders have <b>limited liability</b></li> <li>Shares can be sold to raise additional finance</li> <li>The owners can choose to whom shares are sold</li> <li>The owners can keep control of the business as long as they limit the number of shares sold to others, i.e. they remain the majority shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Becoming a limited company can be an expensive and lengthy process. The Articles of Association and the Memorandum of Association (AOA), along with Form 12 and Form 10, are legal documents that must be completed and sent to the Registrar of Companies, who will issue a Certificate of Incorporation</li> <li>Shares cannot be sold to the general public; this limits the finance that can be gained via selling shares</li> <li>Shares cannot be transferred or sold unless permission is gained from the other shareholders; some people may therefore be reluctant to invest in the company</li> </ul>	<p>For a small business, becoming a limited company provides the owners with less risk than being a sole trader or partnership due to having limited liability; however, additional costs of the legal process may be off-putting</p> <p>Some large businesses, such as Coca-Cola Enterprises Ltd, are still private limited companies with the benefit of limited liability and control over decision making</p>
<b>Public limited company (plc)</b> <ul style="list-style-type: none"> <li>A plc is a separate legal entity from its owners, the shareholders. Unlike a private limited company, the shares in public limited companies can be bought and sold via the stock market. The business has limited liability, must have share capital of more than £50,000, at least two shareholders, two directors, a qualified company secretary and, usually, a wide spread of shareholders. It has the letters 'plc' after its name</li> <li>Plcs are subject to costly regulations, including an annual general meeting (AGM), and strict auditing</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders benefit from limited liability</li> <li>As shares can be sold via the stock market, large amounts of capital can be raised if required</li> <li>Shares can be bought, sold and transferred easily</li> <li>A plc has a high profile so may find it easier to attract new customers and reliable suppliers; banks may also be more willing to lend them money as they are seen as a lower risk than businesses with other forms of ownership</li> </ul>	<ul style="list-style-type: none"> <li>The accounts of plcs are in the public domain so anyone – even competitors – can view them</li> <li>Due to the size of plcs, the decision-making process may be lengthy, particularly if shareholders need to be consulted, and may concentrate on short-term profit rather than long-term strategy</li> <li>The legal process to become a plc is lengthy and costly; it is only once the legal certificate is issued that the company can begin trading</li> <li>Issuing further shares can be costly as this includes legal costs, producing a prospectus and advertising the sale</li> <li>The original owners are unlikely to retain full control over decision making, although they may personally benefit from the first share issue, e.g. Mark Zuckerberg, the founder of Facebook</li> <li>There is a greater risk of takeover</li> </ul>	Businesses that need to raise large amounts of capital, e.g. Tesco plc, may require capital to build new stores, or an oil extraction company could require capital due to high investment costs



Type of business	Advantages	Disadvantages	Most appropriate for ...
<b>State/government owned (public sector)</b> <ul style="list-style-type: none"> <li>In the UK a range of organisations are still under government control, such as Ordnance Survey and the BBC</li> <li>The government identifies the aims and objectives of the organisation and appoints a board of directors to run it</li> </ul>	<ul style="list-style-type: none"> <li>Some businesses/industries are vital. Support from the government ensures that these industries survive</li> <li>In some industries it would be inefficient to have more than one provider of a product or service, e.g. the Royal Mint; if there were multiple producers of UK currency it would be difficult and costly to maintain security</li> <li>The government can support large businesses that are struggling to survive, e.g. the bank Northern Rock was nationalised in 2008 after suffering financial problems</li> </ul>	<ul style="list-style-type: none"> <li>Large businesses/industries may be inefficient due to <b>diseconomies of scale</b> and higher prices may be charged to customers</li> <li>Businesses that are not answerable to shareholders regarding profits may not prioritise cost control</li> <li>These businesses can be used for political gain, e.g. if unemployment is high, additional jobs can be created; however, this would increase costs and inefficiency</li> </ul>	Large organisations that provide a vital product or service to the population and that may not exist without government support
<b>Charity/not for profit (third sector)</b> <ul style="list-style-type: none"> <li>Includes voluntary and community groups, trade unions, charitable trusts and charities (limited companies with charitable aims). They have charitable aims other than making money. They may make a profit but invest any money they receive in the cause they support</li> </ul>	<ul style="list-style-type: none"> <li>Advantages of small charitable groups are the same as those for sole traders</li> <li>Such groups are quick and easy to set up and can make an immediate impact</li> <li>Advantages of being a charity are the same as those as for a limited company</li> </ul>	<ul style="list-style-type: none"> <li>Disadvantages of small charitable groups are the same as those for sole traders</li> <li>They often depend on volunteers, which can make it difficult to maintain support in running the group</li> <li>Disadvantages of being a charity are the same as those as for a limited company</li> <li>Setting up a formal charity is expensive as it is regulated by Companies House and the Charity Commission</li> <li>Annual accounts must be provided to both Companies House and the Charity Commission</li> <li>Some larger charities use aggressive commercial tactics to raise money, which may put off potential supporters</li> </ul>	Groups with social, cultural, political, environmental and welfare aims and objectives, especially where people are willing to work on a voluntary basis
<b>Community interest companies (CIC)</b> <ul style="list-style-type: none"> <li>Limited companies that aim to benefit the community or trade with a social purpose rather than earning high profits for shareholders. Although shareholders may get a small return, most profits are invested into the community or a social enterprise</li> </ul>	<ul style="list-style-type: none"> <li>The company has its own legal identity</li> <li>The reputation of the business may be enhanced</li> </ul>	<ul style="list-style-type: none"> <li>The Articles of Association and the Memorandum of Association must be completed and sent to the Registrar of Companies</li> <li>Tax must be paid on profits</li> </ul>	Companies of all sizes that have social/community benefits at heart, and that are familiar with the structure of and running of a limited company

### 1.3 1.3 Different forms of legal business ownership

a) Explain the difference between limited liability and unlimited liability.

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b) Explain the difference between an unincorporated entity and an incorporated entity.

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c) Which types of businesses operate in the private sector?

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d) Who owns the different types of businesses?

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Research a range of local businesses with different types of business ownership across different industry sectors. Aim to have at least one:

- sole trader
- partnership
- private limited company
- public limited company
- government owned
- charity
- CIC

Give reasons why that form of ownership is appropriate. Once your research is complete, be prepared to discuss the following points about your chosen businesses in class:

- a brief introduction to the business including its type of activity
- its sector of operation and
- its form of legal business ownership
- an explanation of the advantages for this business of its form of ownership
- an explanation of the disadvantages for this business of its form of ownership

## Legal/administrative requirements

It is much simpler to start up as a sole trader than it is to start up as a limited company, from both a legal and an administrative view. This may influence the type of ownership chosen, depending on the timescale in which the owner(s) wishes to commence trading.

Similarly, once the business is trading, there are different requirements for different forms of ownership. For example, a public limited company must produce and publish audited accounts and submit them to Companies House, whereas a sole trader simply completes an income tax self-assessment form.

### GROUP ACTIVITY

#### (1 hour plus time to perform presentations)

1 Working in small groups, research a local business. Investigate:

- the type of business ownership
- the reasons why that form of ownership is appropriate.

2 Once your research is complete, prepare a presentation that includes:

- a brief introduction to the business including its type of activity, its sector of operation and its form of legal business ownership
- an explanation of the advantages and disadvantages for this business of its form of ownership
- an explanation of the factors that may have influenced its decision as to choice of ownership
- in your opinion, is this the most appropriate form of ownership for this business? Why? Why not?

3 As a class, discuss the businesses researched. Are there similarities between businesses with the same type of ownership? Are there differences? Can conclusions be drawn between business activities and their choice of ownership?

## 1.5 Differing business aims and objectives

### Survival

Survival is an important aim for all businesses, but particularly a new business. The chances of survival will be influenced by factors such as the finance available within the business, the economy – many businesses fail to survive a **recession** – and the number of competitors in the market.

### Financial

Businesses may have a range of financial **aims** and objectives. These include to:

- break even – covering costs; in the short term a business can survive as long as costs are covered, even if it is not making a profit
- increase revenue – a business that is moving forward should aim to increase revenue, e.g. by introducing additional products/services, expanding the number of stores or attracting customers from competitors; as long as costs are kept under control, increasing revenue should lead to an increase in profits
- reduce costs – in a competitive market, businesses must control or reduce their cost; benefits include the option to pass this cost saving on to customers via lower prices, which may improve competitiveness or the ability to earn higher profits
- make a profit – most types of business exist to make a profit, therefore aims and objectives relating to profits, if achieved, will provide the business with funds for investment as well as providing remuneration for the owners; if a business does not make a profit in the long run, the owners are unlikely to continue trading as they are receiving no benefit from their investment.

### Growth

Growth can be measured in terms of number of employees, increasing the value of sales or increasing output. Reasons why a business may aim to grow include:

- wanting a greater market share
- wanting physical expansion, e.g. opening more stores or building a new factory
- increasing provision, e.g. a bus company purchasing additional buses to operate more routes
- benefiting from **economies of scale**
- spreading risk by diversification
- a larger business may find it easier to obtain external finance such as bank loans.

### KEY TERMS

**Business aims** – a summary of what the business wants to achieve in the future.

**Recession** – a period of economic decline where demand and output fall.

**Economies of scale** – cost advantages gained when the size of a business increases, e.g. suppliers may offer discounts to those placing larger orders.

## Reputation

A business may choose aims and objectives that will improve its reputation and therefore the success of the business. For example, producing good-quality products, providing excellent customer service and acting in an ethical and socially responsible manner can all provide a business with a **unique selling point (USP)**, which should enable it to stand out from the competition.

## Being enterprising

Entrepreneurs are often sole traders trying to build their own business as they want to be their own boss and pursue a career that interests and challenges them.

A business that is enterprising is likely to take risks to pursue an idea. Such a business is likely to keep trying to identify gaps in the market, remain competitive and use its experience to produce products or provide services that customers find new and exciting.

### 1.4 Factors which inform business ownership

Explain how each of the following factors might affect a business owner's choice of the most appropriate form of legal ownership for a particular business:

Legal status

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Liability

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Funding

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Control/decision making

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Legal/administrative requirements

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Review all the businesses that you researched in 1.3. Explain the factors that may have influenced its decision as to the choice of ownership. In your opinion, is this the most appropriate form of ownership for each business? Why? Why not?



### 1.5 Differing business aims and objectives

Match these terms to the correct business aims:

<b>avoid insolvency</b>
<b>being competitive</b>
<b>being environmentally friendly</b>
<b>being ethical</b>
<b>break-even</b>
<b>continue trading</b>
<b>increase market share</b>
<b>increase provision</b>
<b>increase revenue</b>
<b>make profit</b>
<b>offering value for money</b>

<b>Survival</b>	
<b>Financial</b>	
<b>Growth</b>	
<b>Reputation</b>	
<b>physical expansion</b>	
<b>pursue own interests</b>	
<b>Quality</b>	
<b>Being enterprising</b>	
<b>reduce cost</b>	
<b>social responsibility</b>	
<b>unique selling point</b>	

Research examples of businesses that have these different aims.
