

## Studentsworksheets.com

### Topics Covered:

- Nature of business activity
- The process of adding value

/ Mark 30

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1. Define 'opportunity cost'. [2]

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2. Case Study [4]

**Mcdonalds owns 200 cafes across the country. It specializes in organic coffee and tea. The CEO is focused on increasing the company's 8% market share. The business plans to expand by offering franchises for \$90,000 each. The CEO is also exploring ways to enhance added value.**

**Outline two ways Mcdonalds could increase added value.**

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3. Define 'specialisation'. [2]

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## 4. Case Study

[4]

**Maria runs a small bakery. She employs three bakers and two sales assistants. Maria has been trying to increase added value to boost profits. She has been reviewing her financial performance, as shown in Table 2.1. Maria has received several complaints about the quality of her pastries and customer service. She is unsure how to improve quality effectively.**

**Extract from income statements (\$000)**

	<b>Last Year</b>	<b>Current Year</b>
<b>Revenue</b>	<b>250</b>	<b>320</b>
<b>Cost of Sales</b>	<b>150</b>	<b>180</b>
<b>Gross Profit</b>	<b>100</b>	<b>140</b>
<b>Expenses</b>	<b>80</b>	<b>110</b>
<b>Profit</b>	<b>20</b>	<b>30</b>

**Outline two ways Maria could increase added value.**

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## 5. State two factors of production.

[2]

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## 6. Define 'division of labour'.

[2]

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7. Case Study

[4]

John is considering leaving his job to start a landscaping business with his brother. They plan to offer garden design and maintenance services. John has been advised that new businesses face a higher risk of failure compared to established ones. He is evaluating whether a partnership is the right business structure for their venture. John estimates that the business will need \$1,000 as start-up capital. He understands that every decision he makes will involve an opportunity cost.

Outline two possible opportunity costs of starting the landscaping business.

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8. Case Study

[6]

After identifying a gap in the healthy snack market, Sarah developed a low-calorie protein bar. She borrowed \$7,000 from family and friends to start her business and cover initial expenses. Sarah operates as a sole trader. To promote her product, she distributed free samples at local gyms. In the first year, Sarah's business sold 12,000 units, which is 300 units more than her break-even output. Sarah is now exploring ways to increase added value.

Explain how each of the following can help Sarah increase added value:

1. Change the packaging
2. Use premium ingredients.

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**9. Explain two advantages of using specialisation when producing TechGadget's products. [8]**

[illegible]

**10. Do you think the most important purpose of business activity is always to add value?**

**Justify your answer.**

[6]

[illegible]

**11. Explain two ways EcoBeauty adds value to its skincare products.**

[8]

[illegible]

## 12. Case Study

**[12]**

**Consider the advantages and disadvantages of the following two methods Quick Ship Logistics could use to add value to its services:**

1. Implement a real-time tracking system for all deliveries
2. Offer eco-friendly packaging options

**Which method should Quick Ship Logistics choose? Justify your answer.**

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## 13. Case Study

**[12]**

**Consider the advantages and disadvantages of the following two options for GreenTech Solutions to add value to its products:**

- 1. Improve product durability by using higher-quality materials**
- 2. Launch a customer loyalty program to enhance brand image**

**Which option should GreenTech Solutions choose? Justify your answer.**

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

**Answers:**

**1. Define ‘opportunity cost’.**

Answer: Opportunity cost is the next best alternative foregone when making a decision. For example, if a business invests in new machinery, the opportunity cost could be the marketing campaign it could have funded instead.

*(2 marks)*

**2. Case Study: FreshBrew**

**Outline two ways FreshBrew could increase added value:**

- Improve product quality: FreshBrew could source higher-quality organic coffee beans or introduce new, unique flavors to attract more customers.
- Enhance customer experience: FreshBrew could offer loyalty programs, free Wi-Fi, or comfortable seating to encourage customers to stay longer and spend more.

*(4 marks)*

**3. Define ‘specialisation’.**

Answer: Specialisation is when individuals, businesses, or economies focus on producing a limited range of goods or services in which they have expertise. For example, a factory may specialise in producing only electronic components.

*(2 marks)*

**4. Case Study: Maria’s Bakery**

**Outline two ways Maria could increase added value:**

- Introduce premium products: Maria could create a line of gourmet pastries using high-quality ingredients, which can be sold at a higher price.
- Improve customer service: Maria could train her staff to provide better service, ensuring customers have a positive experience and are more likely to return.

*(4 marks)*

**5. State two factors of production.**

**Answer: The two factors of production are:**

- Land: Natural resources used in production, such as raw materials.
- Labour: The human effort involved in producing goods or services.

*(2 marks)*

**6. Define ‘division of labour’.**

Answer: Division of labour is the process of splitting a task into smaller, specialised tasks, with each task being performed by a separate worker or group of workers. For example, in a car factory, one worker may focus on assembling the engine while another focuses on painting the car.

*(2 marks)*



**7. Case Study: John's Landscaping Business**

Outline two possible opportunity costs of starting the landscaping business:

- Loss of stable income: John may lose the steady income from his current job.
- Time investment: John may have to sacrifice personal time and leisure activities to focus on the business.

*(4 marks)*

**8. Case Study: Sarah's Protein Bars**

Explain how each of the following can help Sarah increase added value:

- Change the packaging: Sarah could use eco-friendly or premium packaging to appeal to environmentally conscious or health-focused customers, allowing her to charge higher prices.
- Use premium ingredients: By using high-quality, organic ingredients, Sarah can market her protein bars as a premium product, justifying a higher price and attracting health-conscious consumers.

*(6 marks)*

**9. Explain two advantages of using specialisation when producing TechGadget's products:**

- Increased efficiency: Specialisation allows workers to focus on specific tasks, improving their skills and speed, which leads to higher productivity.
- Higher quality products: Specialisation ensures that each task is performed by an expert, resulting in better-quality products and fewer defects.

*(8 marks)*

**10. Do you think the most important purpose of business activity is always to add value? Justify your answer.**

Answer: While adding value is a key purpose of business activity, it is not always the most important.

Other purposes include:

- Meeting customer needs: Businesses exist to satisfy customer demands, which may not always involve adding value.
- Profit maximisation: Some businesses prioritise profit over value addition, especially in highly competitive markets.

Therefore, while adding value is important, it is not always the primary purpose.

*(6 marks)*

**11. Explain two ways EcoBeauty adds value to its skincare products:**

- Use of natural ingredients: EcoBeauty uses organic and sustainable ingredients, appealing to environmentally conscious consumers and allowing them to charge premium prices.
  - Eco-friendly packaging: By using recyclable or biodegradable packaging, EcoBeauty enhances its brand image and attracts customers who value sustainability.
- (8 marks)*

**12. Case Study: QuickShip Logistics**

**Which method should QuickShip Logistics choose? Justify your answer.**

**Answer:** QuickShip Logistics should implement a real-time tracking system for all deliveries.

- Advantages:
    1. Customers can track their shipments in real-time, improving transparency and trust.
    2. Reduces customer inquiries about delivery status, saving time and resources.
  - Disadvantages:
    1. Initial setup costs may be high.  
However, the long-term benefits of improved customer satisfaction and operational efficiency outweigh the costs.
- (12 marks)*

**13. Case Study: GreenTech Solutions**

**Which option should GreenTech Solutions choose? Justify your answer.**

**Answer:** GreenTech Solutions should improve product durability by using higher-quality materials.

- Advantages:
    1. Durable products reduce the need for repairs or replacements, increasing customer satisfaction.
    2. Enhances the brand's reputation for quality, leading to higher customer loyalty.
  - Disadvantages:
    1. Higher production costs may reduce profit margins initially.  
However, the long-term benefits of customer loyalty and reduced returns justify the investment.
- (12 marks)*