



## 1.1 Business Activity

### What is the purpose of business activities?

To produce goods and services by

1. Combining and organizing scarce resources/factor of productions
2. Determining what goods to produce
3. Adding value to resources to produce goods and services

### How is value added?

1. Specialization => efficient use of resources => reducing waste = reducing cost
2. Cheaper supplier or raw materials => reducing cost
3. Adding features or function into existing resources or products => make better or more product and services => increasing revenue
4. Branding => reputation => increasing customer loyalty => increasing market share = increasing revenue
5. Creating employment => increasing incomes

### Why is specialization important?

1. Division of labour => Increases speed of production => increase efficiency => increase production => economies of scale => reduce average cost
2. Increase production => increase revenue

### What are the two (2) ways of specializing?

1. Labour intensive
2. Capital intensive

### Advantage of specialization

1. Develops specialized skills => increase wages/income of labour
2. Increased skills and experience from repeating task => increase efficiency/productivity
3. Increase output of firm => economies of scale => reduce cost

### Disadvantages of specialization

1. Over-specialization => over dependency of specific labour/skill
2. Boredom from repetitive task => demotivated workers => reduced productivity
3. Increase unemployment if automation is used (capital intensive)

Download mind map [HERE](#)

Practice past year exam questions by topic [HERE](#)

Schedule a tutorial [HERE](#)

Download more notes

[Unit 1 – Understanding Business Activity](#)

[Unit 2 – People in Business](#)

[Unit 3 – Marketing](#)

[Unit 4 – Operations Management](#)

[Unit 5 – Financial Information and Decisions](#)

[Unit 6 – External Influences on Business Activity](#)