1 Why businesses exist – Part 1 — Answers

Answers

1.1 (a) a need (you must have water to live); (b) a want (you can live without it).

1.2 Land, labour, capital and enterprise.

1.3 (a) labour; (b) land; (c) capital.

1.4 value added $= 75 - 30 = \$45$.

1.5 (a) primary; (b) secondary; (c) tertiary.

1.6 Resources are scarce (there are not enough for all our wants), so a business must choose how to use them well to avoid waste and make a profit.

1.7 Value added = selling price − cost of bought-in materials. Both pay $0.30 for the coffee, but the second café charges $4 (value added $3.70) versus the first's $2 (value added $1.70). By using branding, quality and a smart setting it persuades customers to pay much more for the same materials, so it adds more value.