



Mark _____
Effort _____

Types of business activity

Businesses can vary greatly in terms of size. Match up the 4 methods of comparing business size with the correct definition. Use colours to match them up.

Comparing business size by number of employees	This is a common way of comparing businesses in the same industry because it shows which one is the most important in that industry.
Comparing business size by value of output and sales	This isn't as easy as it sounds, as some firms use production methods that employ very few people but produce high output levels, such as car factories. So Toyota car factory probably less people than a school.
Comparing business size by capital employed	This is one of the least accurate ways of comparing the size of a firm. Profit depends on more than just the size of a firm. It depends on efficiency and the skills of the managers as well. Some very large businesses make very little profit if they are managed badly.
Comparing business size by profit	This means the total amount of capital invested into the business. A company employed many workers may use labour-intensive methods of production. These give low output levels and use little capital equipment.

[4]

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	Workers employed	Capital employed (\$ million)	Profit (\$ million)	Sales (\$ million)
Company A	20,000	50	10	100
Company B	5,000	150	5	200
Company C	3,000	60	20	150
Company D	15,000	180	15	150

Using the table above, identify and explain which company you think is the biggest. Do you think this company is also the 'best'?

[6]
