

How Businesses Work and What the Economy Is

KS3 CITIZENSHIP Ages 11-14 ⌚ 4 min read

What Is a Business?

A **business** is an organisation that makes or sells something to earn money. It could be a shop, a restaurant, a factory, or even someone who fixes bikes. The person or people who own and run the business are called **entrepreneurs**. They have an idea for a product or service that people want, then they work to make it happen.

When a business sells something, the money they receive is called **revenue**. But businesses also have costs—they need to pay workers, buy materials, and pay for a building. The money left over after paying all the costs is called **profit**. Profit is what the owner keeps and can use to grow the business or take home as earnings.

Think of it like a lemonade stand: you buy lemons and sugar (costs), make lemonade, and sell it (revenue). Whatever money is left after buying the ingredients is your profit.

What Is the Economy?

The **economy** is the system of money, jobs, and buying and selling that happens in a country or the whole world. It's like a giant network where millions of businesses, workers, and shoppers are all connected. When you buy a chocolate bar, that money goes to the shop, the shop pays the chocolate factory, the factory pays workers, and those workers spend money on rent and food. Money keeps moving around.

The **economy** grows when more businesses start, more people get jobs, and people buy more things. It shrinks when businesses close, people lose jobs, or people stop spending money. Governments try to help the economy stay healthy and fair.

Think of it like your body: just as blood flows through your veins keeping you alive, money flows through the economy keeping it working.

Why Do Businesses Matter?

Businesses create **jobs**—places where people work and earn wages to support themselves and their families. They also create the products and services we need and want, from food to clothes to entertainment. Without businesses, we wouldn't have the things we use every day.

When businesses do well, more people have jobs and money to spend. When businesses struggle, people can lose their jobs and have less money. This is why understanding how businesses and the economy work is important for everyone—it affects your family's life and your future opportunities.