

# Section 1 – Revision questions

## Two-mark questions

- 1 What is meant by 'opportunity cost'?
- 2 Identify **two** advantages to a business of specialisation.
- 3 Identify **two** examples of capital goods.
- 4 What is meant by 'added value'?
- 5 Identify **two** differences between the private sector and public sector.
- 6 Identify **two** characteristics of an entrepreneur.
- 7 Identify **two** uses of a business plan.
- 8 Identify **two** reasons why owners might want to grow their business.
- 9 Identify **two** problems of business growth.
- 10 Identify **two** reasons why a business might remain small.
- 11 What is meant by 'unlimited liability'?
- 12 What is meant by 'joint venture'?
- 13 What is meant by 'public limited company'?
- 14 What is meant by 'joint venture'?
- 15 Identify **two** features of private sector organisations.
- 16 What is meant by 'SMART objectives'?
- 17 What is meant by 'business stakeholder'?
- 18 What is meant by 'social enterprise'?
- 19 What is meant by 'mixed economy'?
- 20 Identify **two** objectives of public sector organisations.

## Four-mark questions

- 1 With the aid of examples explain the difference between a 'need' and a 'want'.
- 2 Identify and explain **two** factors of production.
- 3 Explain how a restaurant might achieve specialisation of labour.
- 4 Identify and explain **two** disadvantages of specialisation to workers.
- 5 Identify and explain **two** ways a business could increase value added.
- 6 With the aid of examples, explain the difference between primary sector and tertiary sector business activity.
- 7 Using oil as an example, explain the relationship between primary and secondary sector business activity.
- 8 Identify and explain **two** differences between unincorporated and limited liability businesses.
- 9 Identify and explain **two** features of a business plan.
- 10 Identify and explain **two** reasons why governments might support business start-ups.
- 11 Identify and explain **two** problems of measuring the size of a business.
- 12 Identify and explain **two** ways of achieving external growth.
- 13 Identify and explain **two** reasons why the owner of a business may not have growth as an objective.
- 14 Identify and explain **two** benefits to a sole trader of becoming a partnership.
- 15 Identify and explain **two** advantages of a franchise.
- 16 Identify and explain **two** disadvantages of a public limited company.
- 17 Identify and explain **two** advantages to businesses of forming a joint venture.
- 18 Identify and explain the importance of profit to any **two** business stakeholders.
- 19 Explain the main difference between the objectives of a social enterprise and other private sector businesses.
- 20 Identify and explain **two** differences between the objectives of private sector and public sector organisations.

## Six-mark questions

- 1** Ben is a professional photographer. He has a studio where he takes photographs of individuals and family groups. Ben's business has been successful and he believes this is due to setting SMART objectives. Ben enjoys the benefits of being his own boss but as a sole trader he sometimes worries about the disadvantages of this form of business organisation. He is wondering if he should change his business into a private limited company.

  - a** How important are SMART objectives to the success of Ben's business? Justify your answer.
  - b** Identify and explain **two** benefits to Ben of being a sole trader.
  - c** Do you think Ben should become a private limited company? Justify your answer.
- 2** Outdoor Living is a private limited company owned by four members of the Mitchell family. They manufacture garden furniture such as tables and chairs. All of their products are made from wood. The younger members of the Mitchell family are keen to set growth as a business objective, but their father Andrew, the Chief Executive of Outdoor Living, is less keen to do so.

  - a** Identify and explain **two** ways Outdoor Living might increase the value added of its products.
  - b** Identify and explain **one** advantage and **one** disadvantage to the owners of Outdoor Living of being a private limited company.
  - c** Do you think the directors of Outdoor Living should set growth as an objective? Justify your answer.

# Section 2 – Revision questions

## Two-mark questions

- 1 What is meant by 'motivation'?
- 2 Identify **two** needs in Maslow's hierarchy of needs.
- 3 Identify **two** hygiene factors in Herzberg's two-factor theory.
- 4 What is meant by 'economic man'?
- 5 Identify **two** financial rewards that might be used to motivate workers.
- 6 What is meant by 'chain of command'?
- 7 What is meant by 'span of control'?
- 8 What is meant by 'delaying'?
- 9 What is meant by 'job rotation'?
- 10 What is meant by 'trade union'?
- 11 Identify **two** features of a job description.
- 12 What is meant by 'person specification'?
- 13 Identify **two** benefits of induction training.
- 14 Identify **two** disadvantages of on-the-job training.
- 15 Identify **two** legal controls over employment.
- 16 Identify **two** methods of oral communication.
- 17 What is meant by 'electronic communication'?
- 18 Identify **two** benefits of written communication.
- 19 What is meant by 'effective communication'?
- 20 Identify **two** benefits of effective communication.

## Four-mark questions

- 1 Identify and explain **two** motivators identified by Herzberg.
- 2 Identify and explain **two** benefits of having a well-motivated workforce.
- 3 Using examples, explain what is meant by 'fringe benefits'.
- 4 Identify and explain **two** non-financial rewards that might be used to motivate workers.
- 5 Identify and explain **two** benefits of delegation.
- 6 Identify and explain **two** disadvantages of a tall hierarchy.
- 7 Identify and explain **two** functions of management.
- 8 Explain the difference between autocratic and democratic leadership styles.
- 9 Identify **one** advantage and **one** disadvantage of a laissez-faire leadership style.
- 10 Identify and explain **two** benefits to workers of trade unions.
- 11 Identify and explain **two** differences between internal and external recruitment.
- 12 Identify and explain **two** benefits of training to a business.
- 13 Explain the difference between dismissal and redundancy.
- 14 Identify and explain **two** features of a contract of employment.
- 15 Identify and explain **two** reasons why a business might downsize its workforce.
- 16 Identify and explain **two** methods of written communication.
- 17 Identify and explain **two** limitations of oral communication.
- 18 Identify and explain **two** benefits to a business of video-conferencing.
- 19 Identify and explain **two** features of effective communication.
- 20 Identify and explain **two** barriers to effective communication.

## Six-mark questions

- 1 Simon is the Human Resources Manager for Top Tools (TT). TT is a small engineering company. It manufactures parts for the car industry. TT's Factory Manager is retiring soon. Simon has been asked by TT's directors to recruit a replacement for the Factory Manager. Simon has prepared a job description and person specification for the Factory Manager's job. Simon thinks that the company should consider internal recruitment, but the directors want to look externally.
  - a Identify and explain **two** benefits to TT of having a job description for the Factory Manager's job.
  - b Identify and explain **two** benefits to TT of having a person specification for the factory manager's job.
  - c Do you agree with Simon that the Factory Manager should be recruited internally? Justify your answer.
  - d TT uses induction training. Identify and explain **two** benefits to TT of induction training for the new Factory Manager.
- 2 Noah is the owner of Speedy Delivery Services (SDS). SDS collects parcels from local businesses and delivers them to customers. SDS employs 30 drivers and four office staff. Profits have been falling over the past two years, mainly due to increased competition from a large delivery company that moved into the area three years ago. Noah has decided the only way to increase profits is to reduce costs. He plans to make 11 workers redundant. Ten will be drivers and one will be from the office staff. The drivers are all members of a trade union.
  - a Identify and explain **two** ways Noah could effectively communicate his plan to reduce the size of the workforce to the SDS workers.
  - b Identify and explain how Noah might select the workers to be made redundant.
  - c Identify and explain how the drivers' trade union might help its members at SDS.
  - d Do you agree with Noah that 'the only way to increase profits is to reduce costs'? Justify your answer.

# Section 3 – Revision questions

## Two-mark questions

- 1 What is meant by 'consumer market'?
- 2 Identify **two** products of industrial markets.
- 3 What is meant by 'external environment'?
- 4 Identify **two** ways a business might respond to increased competition.
- 5 What is meant by 'mass marketing'?
- 6 What is meant by 'market research'?
- 7 What is meant by 'unique selling point'?
- 8 Identify **two** sources of secondary data.
- 9 What is meant by 'qualitative research'?
- 10 Identify **two** methods of sampling.
- 11 What is meant by 'marketing mix'?
- 12 Identify **two** roles of packaging.
- 13 Identify the stages of a product life cycle.
- 14 A firm makes Product X. The average cost of making Product X is \$10. The firm wants to earn a profit of 75%. Calculate the selling price of Product X.
- 15 What is meant by 'price elasticity of demand'?
- 16 What is meant by 'direct selling'?
- 17 Identify **two** aims of promotion.
- 18 What is meant by 'marketing strategy'?
- 19 What is meant by 'barriers to trade'?
- 20 Identify **two** ways a business might overcome the problems of entering foreign markets.

## Four-mark questions

- 1 Identify and explain **two** reasons why consumer spending patterns change.
- 2 Identify and explain **two** reasons why markets have become more competitive.
- 3 Identify and explain **one** benefit and **one** limitation of niche marketing.
- 4 Identify and explain **two** methods of market segmentation.
- 5 Identify and explain **two** benefits to a business of market segmentation.
- 6 Identify and explain **two** reasons why a business should carry out market research.
- 7 Identify and explain **one** benefit and **one** limitation of primary research.
- 8 Identify and explain **two** advantages of test marketing.
- 9 Identify and explain **two** factors that influence the accuracy of market research data.
- 10 Identify and explain **two** methods of presenting market research data.
- 11 Identify and explain **one** cost and **one** benefit of new product development.
- 12 Using examples, explain the purpose of extension strategies.
- 13 Identify and explain **two** methods of pricing.
- 14 Identify and explain the role of **two** middlemen in the channel of distribution.
- 15 Identify and explain **two** methods of promotion.
- 16 Identify and explain **one** opportunity and **one** threat to a business of e-commerce.
- 17 Identify and explain **two** ways legal controls affect marketing activities.
- 18 Identify and explain **two** reasons a business might decide to enter foreign markets.
- 19 Identify and explain **two** problems a business might face when entering foreign markets.
- 20 Identify and explain **one** benefit and **one** limitation of joint ventures.



## Six-mark questions

- 1 Adventure Software (AS) develops gaming software aimed at the adult market. It is just about to launch its latest software product 'The Return of the Titans'. The gaming software market is very competitive, but AS has built a strong brand image and it has many loyal customers. 'The Return of the Titans' is a sequel to 'The Defeat of the Titans', which was the most popular adult adventure software product of 2012.
  - a Identify and explain **two** methods AS could use to promote its latest product.
  - b Identify and explain **two** methods of pricing AS could use for the launch of its latest product.
  - c To what extent is a 'strong brand image' important for the success of AS? Justify your answer.
- 2 Horologe is a manufacturer of watches. It produces a range of watches aimed at different segments of the market. Horologe sells all of its watches through wholesalers. At a recent board meeting the Marketing Director said 'we should consider using e-commerce to sell our products'.
  - a Identify and explain **two** benefits to Horologe of market segmentation.
  - b Identify **one** advantage and **one** disadvantage to Horologe of using wholesalers to distribute its products.
  - c Do you agree with the Marketing Director that Horologe should consider using e-commerce to sell its products? Justify your answer.

# Section 5 – Revision questions

## Two-mark questions

- 1 Identify **two** reasons why businesses need finance.
- 2 What is meant by 'debenture'?
- 3 What is meant by 'micro-finance'?
- 4 Identify **two** benefits of debt financing.
- 5 Identify **two** reasons why businesses need cash.
- 6 What is meant by 'cash-flow forecast'?
- 7 What is meant by 'liquidity'?
- 8 Identify **two** factors that influence the length of the working capital cycle.
- 9 What is meant by 'profit'?
- 10 Identify **two** parts of an income statement.
- 11 Identify **two** external stakeholders which might be interested in a business's income statement.
- 12 What is meant by 'balance sheet'?
- 13 Identify **two** non-current assets.
- 14 Identify **two** reasons why a business should regularly check its performance.
- 15 What is meant by 'return on capital employed'?
- 16 A business has current assets of \$80,000 and current liabilities of \$50,000. Calculate the current ratio.
- 17 The business in question 16 has inventories of \$40,000. Calculate the acid test ratio.
- 18 Comment on your results to questions 16 and 17.
- 19 A business has revenue of \$400,000. The gross profit is \$240,000. Calculate the gross profit margin.
- 20 In 2011 a business had a net profit margin of 13%. In 2012 the net profit margin was 16%. Identify **two** reasons why the net profit margin might have increased between 2011 and 2012.

## Four-mark questions

- 1 Using examples, explain the difference between short-term and long-term finance needs.
- 2 Identify and explain **two** internal sources of finance.
- 3 Identify and explain **two** ways working capital might be used as a source of finance.
- 4 Identify and explain **one** benefit and **one** limitation of equity finance.
- 5 Identify and explain **two** internal sources of finance.
- 6 Identify and explain **two** factors that influence the choice of finance.
- 7 Identify and explain **two** benefits to a business of producing cash-flow forecasts.
- 8 Identify and explain **two** ways a business might finance a short-term cash shortage.
- 9 Identify and explain **two** reasons why profit is important to a business.
- 10 Identify and explain the difference between gross profit and profit.
- 11 Identify and explain **two** uses of the appropriation account.
- 12 Identify and explain **two** uses of an income statement to employees of a business.
- 13 Using examples, explain the difference between an asset and a liability.
- 14 Identify and explain **two** items which are included as current assets on a balance sheet.
- 15 Identify and explain **two** elements of shareholders' funds.
- 16 Using formulas, explain the difference between the current ratio and acid test ratio.
- 17 Identify and explain **two** benefits of ratio analysis.
- 18 Identify and explain **two** limitations of ratio analysis.
- 19 Identify and explain **two** reasons why the government might be interested in business performance.
- 20 Identify and explain **two** reasons why financial accounts are useful to shareholders.

## Six-mark questions

- 1 The accountant of a private limited company has produced the following financial data for 2011 and 2012. The directors of the company are worried about the performance of the business in 2012. The accountant is pleased with the liquidity measures as he believes cash is more important than profit.

	2011	2012
Gross profit margin	45%	48%
Net profit margin	22%	20%
Return on capital employed	13%	11%
Current ratio	1.2:1	2.5:1
Acid test ratio	0.8:1	1:1

- a Do you think the directors of the company should be worried about the performance of the business in 2012? Justify your answer.
- b Identify and explain how any **two** stakeholders, other than shareholders, might use the results shown in the table.
- c Is the accountant right in his belief that 'cash is more important than profit'? Justify your answer.
- 2 Jonah is a sole trader. He designs and makes furniture. His customers pay for their furniture on delivery. Jonah pays cash for all of his supplies. Jonah's business is profitable, but he always seems to have a shortage of cash at certain times of the year. He has produced a cash-flow forecast for the next six months. In months 3 and 4 he will have a cash shortage. In month 3 he has budgeted to buy a new wood-turning machine which he needs to replace one that is very old and often breaks down.
- a Identify and explain **two** benefits to Jonah of producing a cash-flow forecast.
- b Identify and explain **two** reasons why Jonah can be profitable yet suffer cash shortages.
- c Identify and explain **two** ways Jonah might finance the short-term cash shortage in months 3 and 4.