Instructions
- Use black ink or ball-point pen.
- Fill in the boxes at the top of this page with your name, centre number and candidate number.
- Answer all questions.
- Answer the questions in the spaces provided – there may be more space than you need.

Information
- The total mark for this paper is 40.
- The marks for each question are shown in brackets – use this as a guide as to how much time to spend on each question.
- Questions labelled with an asterisk (*) are ones where the quality of your written communication will be assessed – you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.
- A calculator may be used.

Advice
- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.
Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☑️. If you change your mind about an answer, put a line through the box ☒️ and then mark your new answer with a cross ☑️.

These are the monthly cash flow figures for a business.

Opening balance £10 000      Cash inflow £14 000       Cash outflow £28 000

1  What is the closing balance for the business at the end of the month?

Select one answer.

☐  A  –£14 000
☐  B  –£4 000
☐  C  £24 000
☐  D  £38 000

(Total for Question 1 = 1 mark)

2  Which two of the following factors would be important for a sole trader when starting up a hairdressing business?

Select two answers.

☐  A  Ability to raise share capital
☐  B  How to finance the business
☐  C  Able to produce products cheaply
☐  D  The exchange rate
☐  E  The legal aspects

(Total for Question 2 = 2 marks)
3 Jazwinder runs a coffee shop. Recently sales have been falling and she needs to motivate her staff.

Which one of the following is likely to motivate her staff?

Select one answer.

☐ A  Allowing staff to work flexible hours
☐ B  Complaining about the attitude of staff
☐ C  Introducing a customer loyalty scheme
☐ D  Working longer hours without extra pay

(Total for Question 3 = 1 mark)

4 Economic activity is increasing. Martin, the owner of a printing business, wants to take advantage of this increase.

Which two actions should he take?

Select two answers.

☐ A  Change the name of his business
☐ B  Reduce orders to suppliers
☐ C  Recruit more staff
☐ D  Increase product range
☐ E  Move to smaller premises

(Total for Question 4 = 2 marks)
Questions 5 – 9 are based on the scenario below.

Nick Nocha moved from Italy with his family in 2010 to live in England. In 2012 he set up as a sole trader making unique ice creams, which he only sold to local retailers. His business soon prospered and he moved production to a small factory. Local retailers liked his ice cream as it was different. He realised that this could be the opportunity he was looking for to develop his business further.

5 Which two of the following might help Nick to increase sales volume?

Select two answers.

- A Increase spending on marketing
- B Employ fewer production staff
- C Failure of a competitor
- D Reduce net cash flow
- E Increase the price of all of his products

(Total for Question 5 = 2 marks)
Nick carried out some market research in his local town of Camelford. He was very keen to ensure that he had a true reflection of what people wanted from their ice cream and so interviewed 200 people. The following is the information he gathered.

<table>
<thead>
<tr>
<th>Price of a tub of ice cream</th>
<th>% of people prepared to pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2.00–£4.00</td>
<td>91%</td>
</tr>
<tr>
<td>£4.01–£5.00</td>
<td>66%</td>
</tr>
<tr>
<td>£5.01–£6.00</td>
<td>56%</td>
</tr>
<tr>
<td>£6.01–£7.00</td>
<td>32%</td>
</tr>
<tr>
<td>£7.01–£8.00</td>
<td>12%</td>
</tr>
<tr>
<td>£8.01 +</td>
<td>3%</td>
</tr>
</tbody>
</table>

Table 1

<table>
<thead>
<tr>
<th>Age in years</th>
<th>% of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–25</td>
<td>48%</td>
</tr>
<tr>
<td>26–35</td>
<td>15%</td>
</tr>
<tr>
<td>36–45</td>
<td>10%</td>
</tr>
<tr>
<td>46–65</td>
<td>18%</td>
</tr>
<tr>
<td>66+</td>
<td>9%</td>
</tr>
</tbody>
</table>

Chart 1: Graph showing the age range sample

6 Using Table 1 and Chart 1, which two conclusions can Nick make?

Select two answers.

- A 15 people would pay more than £7 for a tub of ice cream
- B 37% of those interviewed were over the age of 35
- C More ice cream is eaten by those under 15
- D 112 people would pay up to £6 for a tub of ice cream
- E A profit would only be made on £5.50 for a tub of ice cream

(Total for Question 6 = 2 marks)
7  Where is the gap in this market?

Select one answer.

☐ A  Light everyday
☐ B  Everyday filling
☐ C  Light luxury
☐ D  Luxury filling

(Total for Question 7 = 1 mark)

8  Nick has seen the price of sugar, a commodity he uses, increase.

Which two factors are the likely causes of this increase?

Select two answers.

☐ A  Lower demand for sugar
☐ B  Bad weather reduces the sugar harvest
☐ C  Government report showing the benefits of ice cream
☐ D  Farmers increase sugar production
☐ E  Nick’s energy costs increase

(Total for Question 8 = 2 marks)
9 Repeat purchases are an indicator of customer satisfaction.

Which two of the following are likely to lead to repeat purchases?

Select two answers.

- A Introducing a customer loyalty scheme
- B Charging a higher price
- C Increasing ice cream production
- D Ensuring customer orders are accurate
- E Having customer feedback sheets

(Total for Question 9 = 2 marks)

10 Which one of the following could be an effect on small businesses if interest rates were to rise significantly?

Select one answer.

- A Improved net cash flow
- B Reduced consumer demand
- C Fixed costs will fall
- D Overdrafts will become cheaper

(Total for Question 10 = 1 mark)

11 Which one of the following best describes lateral thinking?

Select one answer.

- A Generating ideas using a quantitative approach
- B Detailed planning following a set process
- C Working to a planned timetable
- D Solving problems using a creative approach

(Total for Question 11 = 1 mark)
Questions 12 – 15 relate to the following text.

**WEDGEWELLY LTD**

Mike, Sarah and Laura started a business called *WedgeWelly*. It makes Wellington boots with a high heel to appeal to women and festival-goers.

Mike, Sarah and Laura wanted to expand *WedgeWelly* but needed additional capital. They appeared on the television programme *Dragons’ Den*. One of the venture capitalists (a Dragon) invested £65 000 for a 25% stake in the business.

(Source: http://www.wedgewelly.co.uk/)

12 Which **two** of the following are disadvantages to Mike, Sarah and Laura of a venture capitalist investing in their business?

Select **two** answers.

- **A** The venture capitalist risks losing their investment
- **B** Higher corporation tax will need to be paid
- **C** Potential conflict between the shareholders
- **D** The risk of *WedgeWelly* failing is reduced
- **E** It will reduce the control of the existing owners

(Total for Question 12 = 2 marks)

13 Mike, Sarah and Laura need high-quality employees.

Which **two** of the following are desirable employee attitudes?

Select **two** answers.

- **A** Has worked in a retail shop for 10 years
- **B** A willingness to undertake training
- **C** Has five GCSEs including English and Maths
- **D** An ability to operate different machinery
- **E** Being prepared to work as part of a team

(Total for Question 13 = 2 marks)
14 The owners of *WedgeWelly* needed to protect their design by using a patent. 

What are two possible benefits of a patent? 

A patent:  

Select two answers.  

- [ ] A provides proof of ownership of an invention or process  
- [ ] B ensures that a business will not make any losses  
- [ ] C establishes sole rights to the use of a product  
- [ ] D is an insurance policy that provides protection for 20 years  
- [ ] E prevents other businesses from using the brand name  

(Total for Question 14 = 2 marks) 

15 *WedgeWelly* has many variable costs when running the business.  

Which one of the following is an example of a variable cost?  

Select one answer.  

- [ ] A Loan repayments  
- [ ] B Salaries  
- [ ] C Insurance  
- [ ] D Raw materials  

(Total for Question 15 = 1 mark) 

16 A large number of small businesses fail within the first two years.  

Identify one reason why so many small businesses fail in the first two years.  

Select one answer.  

- [ ] A Revenue higher than costs  
- [ ] B Product not customer orientated  
- [ ] C Having a detailed Business Plan  
- [ ] D Good repeat business  

(Total for Question 16 = 1 mark)
17 The following is an extract of financial information for a small gardening business. It shows the costs, revenue and profit.

Fill in the three blanks.

<table>
<thead>
<tr>
<th></th>
<th>August</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>£6 500</td>
<td></td>
</tr>
<tr>
<td>Fixed costs</td>
<td>£1 000</td>
<td>£1 000</td>
</tr>
<tr>
<td>Variable costs</td>
<td></td>
<td>£5 300</td>
</tr>
<tr>
<td>Total cost</td>
<td>£5 400</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>£1 100</td>
<td>–£1 450</td>
</tr>
</tbody>
</table>

(Total for Question 17 = 3 marks)

18 Which one of the following documents would be used in the recruitment process?

Select one answer.

☐ A Business plan
☐ B Person description
☐ C Job description
☐ D Job enrichment

(Total for Question 18 = 1 mark)
19 Match the term on the left with the correct definition on the right.

The first one has been done for you.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>i Commodities</td>
<td>Usually a name or image that identifies a business from its competitors.</td>
</tr>
<tr>
<td>ii Corporation tax</td>
<td>Showing how an original idea can work in theory.</td>
</tr>
<tr>
<td>iii Qualitative data</td>
<td>Paid by limited companies on their profits.</td>
</tr>
<tr>
<td>iv Branding</td>
<td>Information about opinions, judgements and attitudes.</td>
</tr>
<tr>
<td>v Enterprise</td>
<td>Weighing up the probability of profit or loss.</td>
</tr>
<tr>
<td>vi Calculated risk</td>
<td>Raw materials such as tin, wheat and oil.</td>
</tr>
<tr>
<td>G The payment of a percentage of sales revenue to the government.</td>
<td>Involves taking risks, showing initiative and a willingness to undertake new ventures.</td>
</tr>
<tr>
<td>I Using data to make products appear different.</td>
<td></td>
</tr>
</tbody>
</table>

(i) ........................................
(ii) ........................................
(iii) ........................................
(iv) ........................................
(v) ........................................
(vi) ........................................

(Total for Question 19 = 5 marks)
Amarjit would like a part-time job whilst raising her son. She has been offered a franchise selling healthy drinks and meal plans to help people lose weight. The company, *HealthyLife*, has been operating since 2000. Her partner, Dhanbir, does not think it is a good idea. He would prefer Amarjit to work on her own as a sole trader, offering expert advice and support to individuals on healthy living, which she is trained for.

Amarjit has to make a decision whether to run a *HealthyLife* franchise or set up her own business as a sole trader.

Which of the two options do you think Amarjit should choose? Justify your choice.

Choose **one** option (Cross **one** box only).

- [ ] Run a *HealthyLife* franchise
- [ ] Set up her own business as a sole trader

(Total for Question 20 = 6 marks)

TOTAL FOR PAPER = 40 MARKS