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 ✗.

1 Which **two** of the following are examples of market segments for a computer games shop?

Select **two** answers.

☐ A Rival computer games shop
☐ B Members of a computer club
☐ C Computer games adverts
☐ D Market research of computer games
☐ E Teenagers who play computer games

*(Total for Question 1 = 2 marks)*

2 Which **two** of the following are reasons why a sole trader would become a private limited company?

Select **two** answers.

☐ A The business will have unlimited liability
☐ B The risk of losing personal assets is reduced
☐ C The business can keep financial records confidential
☐ D Shareholders are liable for all debts
☐ E Increased ability to raise finance

*(Total for Question 2 = 2 marks)*
Questions 3–7 are based on the information below.

Max set up Maximillian's Musical Emporium (MME). MME is a high street shop that sells only rare vinyl records.

MME also takes bookings for a number of local bands. The customer asks MME for a band that plays a particular type of music and MME finds a band.

Max needs a loan to expand his business. As MME is an established business, the bank agreed a loan with an interest rate of 6.5%.

3 Which one of the following would improve the competitiveness of MME against other local music shops?

Select one answer.

- A Reducing opening hours
- B Providing a low-priced delivery service
- C A new competitor opens in the local area
- D Advertising on national television

(Total for Question 3 = 1 mark)

4 The bank has increased the interest rate on MME's existing loan from 6.5% to 8%.

Identify two effects of this change on MME.

Select two answers.

- A Decreased net cash flow
- B Increased variable costs
- C Decreased fixed costs
- D Increased cash outflows
- E Increased profit

(Total for Question 4 = 2 marks)
<table>
<thead>
<tr>
<th>Advertisement A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRUMMER WANTED</strong></td>
</tr>
<tr>
<td>To join local band</td>
</tr>
<tr>
<td>Own drums required</td>
</tr>
<tr>
<td>Must have two years' experience</td>
</tr>
<tr>
<td>Be qualified up to Grade 6</td>
</tr>
<tr>
<td>Willing to work evening shifts</td>
</tr>
<tr>
<td>Capable of playing all types of music</td>
</tr>
<tr>
<td>Contact Max 8745 2345689</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertisement B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRUMMER WANTED</strong></td>
</tr>
<tr>
<td>To join local band</td>
</tr>
<tr>
<td>Own drums required</td>
</tr>
<tr>
<td>Must have five years' experience</td>
</tr>
<tr>
<td>Be qualified up to Grade 8</td>
</tr>
<tr>
<td>Willing to work weekends</td>
</tr>
<tr>
<td>Capable of playing all types of jazz music</td>
</tr>
<tr>
<td>Contact Max 8745 2345689</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertisement C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRUMMER WANTED</strong></td>
</tr>
<tr>
<td>To join local band</td>
</tr>
<tr>
<td>Own drums required</td>
</tr>
<tr>
<td>Must have three years' experience</td>
</tr>
<tr>
<td>Be qualified up to Grade 5</td>
</tr>
<tr>
<td>Willing to work evening shifts</td>
</tr>
<tr>
<td>Contact Max 8745 2345689</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertisement D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRUMMER WANTED</strong></td>
</tr>
<tr>
<td>To join local band</td>
</tr>
<tr>
<td>Own drums required</td>
</tr>
<tr>
<td>Must be qualified up to Grade 7</td>
</tr>
<tr>
<td>Willing to work evening shifts</td>
</tr>
<tr>
<td>Must be under 20 years of age</td>
</tr>
<tr>
<td>Capable of playing all types of music</td>
</tr>
<tr>
<td>Contact Max 8745 2345689</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertisement E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRUMMER WANTED</strong></td>
</tr>
<tr>
<td>To join local band</td>
</tr>
<tr>
<td>Own drums required</td>
</tr>
<tr>
<td>Must be female</td>
</tr>
<tr>
<td>Must be qualified up to Grade 4</td>
</tr>
<tr>
<td>Willing to work evening shifts</td>
</tr>
<tr>
<td>Must have full driving licence</td>
</tr>
<tr>
<td>Capable of playing all types of classical music</td>
</tr>
<tr>
<td>Contact Max 8745 2345689</td>
</tr>
</tbody>
</table>
5 Which two of the advertisements above would break employment legislation when recruiting a drummer for a band?
Select two answers.

- A Advertisement A
- B Advertisement B
- C Advertisement C
- D Advertisement D
- E Advertisement E

*(Total for Question 5 = 2 marks)*

6 Which one of the following would be a non-financial objective for Max?
Select one answer.

- A Generating wealth
- B Personal satisfaction
- C Maximising profit
- D Regular income

*(Total for Question 6 = 1 mark)*

7 Which one of the following would be a benefit for MME if it delayed paying its suppliers?
Select one answer.

- A Increased profit
- B Improved cash flow
- C Reduced interest payments
- D Improved relationship with suppliers

*(Total for Question 7 = 1 mark)*
8 Which two of the following are examples of changes that could be made to the marketing mix of a small business?
Select two answers.

☐ A Employing additional marketing staff
☐ B Conducting secondary market research
☐ C Offering ‘buy one get one free’
☐ D Producing a marketing budget
☐ E Selling the product online

(Total for Question 8 = 2 marks)

9 Which two of the following are advantages to a business of using venture capital?
Select two answers.

☐ A It decreases access to additional finance
☐ B The business would not have to produce a business plan
☐ C The business can benefit from expert advice
☐ D It allows more access to finance
☐ E The business will pay a lower rate of Corporation Tax

(Total for Question 9 = 2 marks)

10 Which one of the following would be a reason to set up a new business as a franchise?
Select one answer.

☐ A A franchisee can buy supplies from any supplier
☐ B The wage rates for all the franchises are the same
☐ C Franchisees can make all their own decisions
☐ D A franchise has a lower risk of failure

(Total for Question 10 = 1 mark)
Questions 11–13 are based on the information below.

Go Jewels is a small jewellery business making earrings and necklaces from stones and pebbles found on local beaches. Once the stones and pebbles have been collected, they are washed, prepared and made into items of jewellery, by adding small and delicate accessories.

Go Jewels makes 240 items a month.

Average price per item £27
Variable costs per item £12
Fixed costs per month £600

11 What are the monthly total costs for Go Jewels?

Select one answer.

☐ A £2 880
☐ B £3 480
☐ C £3 600
☐ D £6 480

(Total for Question 11 = 1 mark)

12 Which two of the actions below would improve Go Jewels’ cash flow, assuming sales remain the same?

Select two answers.

☐ A Buy cheaper raw materials
☐ B Increase the price of each item
☐ C Increase the amount spent on advertising
☐ D Add additional products to the range sold
☐ E Employ additional sales staff

(Total for Question 12 = 2 marks)
Go Jewels is opening another shop in the next town. A business plan is being produced.

13 Which two of the following are the main reasons for producing a business plan?

Select two answers.

☐ A To include personal details of staff who will be employed
☐ B To provide an opportunity to attract more customers
☐ C To reduce the chance of the business failing
☐ D To guarantee that the business makes a profit
☐ E To help gain potential investors

(Total for Question 13 = 2 marks)

JTM is a small sewing business that carries out alterations and repairs to clothes. James, the owner, was keen to find out the views of his customers. He asked 200 customers the following question when they were in his shop.

“What is the main reason for using my shop?”

The table below shows the results of the customers surveyed.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design of shop</td>
<td>6%</td>
</tr>
<tr>
<td>Friendly staff</td>
<td>11%</td>
</tr>
<tr>
<td>Value for money</td>
<td>15%</td>
</tr>
<tr>
<td>Fast and reliable service</td>
<td>21%</td>
</tr>
<tr>
<td>Opening hours</td>
<td>13%</td>
</tr>
<tr>
<td>Quality of work</td>
<td>34%</td>
</tr>
</tbody>
</table>

14 Identify one conclusion that can be drawn from the table.

Select one answer.

☐ A 11 customers are attracted by friendly staff
☐ B Most customers are attracted by fast and reliable service
☐ C More than 6 customers think the least important reason is the design of the shop
☐ D Less than 30 customers are attracted by a fast and reliable service

(Total for Question 14 = 1 mark)
Questions 15–16 are based on the information below.

Georgio has a Greek restaurant in the centre of Birmingham. To ensure that his meals are as authentic as possible he imports some of the ingredients from Greece. The exchange rate between the pound (£) and the euro (€) is very important to Georgio. He buys 150 kg of feta cheese from Greece every month. The cheese costs €15 per kg.

15 The exchange rate is £1.00 = €1.35. How much does Georgio have to pay, in pounds (£), to buy the feta cheese each month?

Select one answer.

A  £1 666.67
B  £2 250.00
C  £2 251.35
D  £3 037.50

(Total for Question 15 = 1 mark)

Since his last shipment in April the exchange rate has changed to £1.00 = €1.50.

16 What would be one effect on Georgio’s business of this change, assuming he imports the same amount of cheese each month?

Select one answer.

A  Lower profit
B  Cash flow deteriorates
C  Able to charge lower prices
D  Higher variable costs

(Total for Question 16 = 1 mark)
The following is an extract from a cash flow forecast.

17 Fill in the three blanks to complete the cash flow forecast.

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>000s</td>
<td>000s</td>
<td>000s</td>
</tr>
<tr>
<td>Cash inflow</td>
<td>25</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>Cash outflow</td>
<td></td>
<td>30</td>
<td>83</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>12</td>
<td></td>
<td>(51)</td>
</tr>
<tr>
<td>Opening bank balance</td>
<td>32</td>
<td>44</td>
<td>40</td>
</tr>
<tr>
<td>Closing bank balance</td>
<td>44</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

(Total for Question 17 = 3 marks)

Keith wanted a change from working for someone else at the local sports shop. He wanted to set up his own business selling sports equipment. He estimated that it would cost him £25 000 to set up.

18 Which two of the following would be a calculated risk for Keith’s business?

Select two answers.

- A Keith has calculated that his Value Added Tax (VAT) will be £2 350
- B His estimated costs for the second year of trading will increase by 12%
- C There is a 40% possibility that his business will survive the first year
- D Keith has estimated that the demand for his products will increase by 15%
- E There is an 80:20 chance of Keith’s business failing

(Total for Question 18 = 2 marks)
19 Match the definition on the left with the correct term on the right.

The first one has been done for you.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>i A visual means of showing where a product is positioned in the market.</td>
<td>A Shareholders</td>
</tr>
<tr>
<td>ii Groups or individuals with an interest in the success of a business.</td>
<td>B Revenue</td>
</tr>
<tr>
<td>iii Market research that has been collected by another business.</td>
<td>C Customer needs</td>
</tr>
<tr>
<td>iv The quantity of a good or service that consumers want to purchase at a given price.</td>
<td>D Secondary research</td>
</tr>
<tr>
<td>v Solving problems using a creative approach.</td>
<td>E Market map</td>
</tr>
<tr>
<td>vi The wants and desires of potential buyers of goods and services.</td>
<td>F Primary research</td>
</tr>
<tr>
<td></td>
<td>G Lateral thinking</td>
</tr>
<tr>
<td></td>
<td>H Stakeholders</td>
</tr>
<tr>
<td></td>
<td>I Market demand</td>
</tr>
</tbody>
</table>

(i) ........................

(ii) ........................

(iii) ........................

(iv) ........................

(v) ........................

(vi) ........................

(Total for Question 19 = 5 marks)
Mirna has just left college and wants to set up her own business repairing computers and other electrical devices. She believes there is a need for this sort of service in the local area. She found that there are no other similar businesses in the area.

*20 Which of the following enterprise skills is most important for Mirna when setting up her new business?

Justify your choice.

☐ Enterprise skill 1 – Planning
☐ Enterprise skill 2 – Determination

(Total for Question 20 = 6 marks)

TOTAL FOR PAPER = 40 MARKS