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Topic and End of Theme Test

for Edexcel GCSE (9-1) Business

**Theme 1:
Investigating Small Business**

**Topic 1.1:
Enterprise and Entrepreneurship**

Topic Test Paper
Detailed Mark Scheme / Answers

Minimising Workloads, Maximising Performance

FOREWORD

This resource is 1 of 7 sets of 14 'Section A' style exam questions to test students' knowledge and understanding of the subject content required to be covered for Edexcel GCSE (9-1) Business - **Theme 1: Investigating Small Business**. The full set of 7 tests can be purchased from APT's website: www.apt-initiatives.com, or individually from the TES website: www.tes.com/teaching-resources.

The full set of 7 Topic and End of Theme Tests contains a set of 14 questions on each of the 5 topic areas listed in the Edexcel Theme 1 specification (Issue 1, published July 2016, for first teaching from September 2017). It, therefore, includes 14 'Section A' style exam questions on each of the following topics:

- 1.1 Enterprise and entrepreneurship
- 1.2 Spotting a business opportunity
- 1.3 Putting a business idea into practice
- 1.4 Making the business effective
- 1.5 Understanding external influences on business.

This particular test contains questions that relate to **Topic 1.1 on Enterprise and entrepreneurship**.

The full set of 7 tests also contains 2 'end of theme' tests, ie 2 sets of 14 questions which test students' knowledge and understanding of any aspect of Theme 1.

A comprehensive range of possible answers are provided for each question posed.

The full set of tests, therefore, enables students to be tested at the end of each topic covered in class, as well as at the very end of their study of Theme 1, with the tests being issued either for homework, or undertaken in more formal exam conditions.

The question papers could be used as worksheets - with students researching topics / sub-topics independently to find answers to the questions posed.

The answers section could also be used to support the teaching of each topic, due to the comprehensive range of possible responses provided. Several words and phrases are highlighted **in bold** in the answers section. These words / phrases are business concepts or issues that students need to learn about - as detailed in the Edexcel GCSE (9-1) Business Specification.

Each test reflects the sample assessment material (SAM) produced by Edexcel for 'Section A' of Paper 1 (published July 2016), which is based on Theme 1. Each 30-35 minute test is, therefore, marked out of 35 and largely consists of 1 and 2-mark 'multiple-choice', 3-mark 'explain' and 6-mark 'discuss' questions. Edexcel's SAM for 'Section A' of Paper 1 also includes two 2-mark 'calculation' questions. Calculation questions are included in the two 'end of theme' tests contained within this resource, which test students on any aspect of Theme 1. They are also included in the individual topic tests, where applicable. Where topic content does not include financial or numerical business concepts, 2-mark questions requiring students to 'give' answers, which test recall of knowledge from the specification content, are used instead. ('Give' is listed as a command word that may be used in Edexcel GCSE Business question papers - in Appendix 1 on p.29 of the Specification).

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To conclude, whilst every effort has been made to provide appropriate question papers, as well as mark schemes and answers for the questions posed, these question papers, mark schemes and answers are intended as **an aid to the teacher** who must retain full responsibility for checking up-to-date specification requirements and exam board assessment material, and the final delivery of subject matter to students. In this context, APT is always available to discuss any aspect of the question papers, mark schemes and answers, should the teacher wish to discuss APT's interpretation.

Other resources for Edexcel GCSE (9-1) Business:

These Topic and End of Theme Tests for Edexcel GCSE (9-1) Business Theme 1 are one of several resources produced by **APT Initiatives Ltd** to support teachers and students taking Edexcel GCSE Business examinations. Topic and End of Theme Tests have also been produced for **Theme 2** (on Building a Business), as well as **100 Multiple-choice questions** (interactive and printable) for **Theme 1** and **100 Multiple-choice questions** (interactive and printable) for **Theme 2**. Further information on these and other resources for Business and Economics is available on APT's website: www.apt-initiatives.com.

APT Initiatives Ltd can be contacted directly with any orders, queries or feedback via the website: www.apt-initiatives.com, email: support@apt-initiatives.com or by phone: 01952 540877.

Topic 1.1

Enterprise and Entrepreneurship



Note to teachers: The specification for Topic 1 (and specifically Topic 1.1.2 on ‘Risk and reward’) requires students to learn that ‘profit’ is a reward for starting and running a business. Although the concept and calculation of profit is subsequently referred to in Topic 3 (on ‘Business revenues, costs and profit’), it is assumed that in order to understand profit as a reward for risk, a definition of profit which covers its basic calculation, ie $\text{profit} = \text{revenue} - \text{costs}$, is included in the teaching of Topic 1. This provides scope to test students’ quantitative skills early on in the course; hence the inclusion, in this first Topic Test on Theme 1, of two 2-mark questions requiring students to know how to calculate profit, as well as testing students’ more general understanding of percentages.

TOPIC 1 Test: Enterprise and Entrepreneurship

Answer ALL questions. Write your answers in the spaces provided.

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

- 1 (a) Which **one** of the following is an example of a service?

Select **one** answer:

(1)

- A Mountain bike
- B Dental treatment
- C Earphones
- D Laptop

- (b) Which **one** of the following describes the role of an entrepreneur?

Select **one** answer:

(1)

- A To work alone in a business
- B To buy shares in a new business
- C To work for a large company
- D To organise resources to start a business

- (c) Explain **one** reason why new business ideas come about.

(3)

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- (d) Explain **one** reward that entrepreneurs may enjoy from starting a new business.

(3)

(Total for Question 1 = 8 marks)

2 (a) Which **two** of the following are examples of products (or goods) as opposed to services?

Select **two** answers:

(2)

- A** School uniform
- B** Journey in a taxi
- C** Geography lesson
- D** Tennis ball
- E** Pedicure

(b) Which **two** of the following are **least** likely to be demonstrated by a successful entrepreneur?

Select **two** answers:

(2)

- A** Tends to be cautious
- B** Determined to succeed
- C** Passionate about their business idea
- D** Makes timely business decisions
- E** Unwilling to take responsibility

The table below shows some key financial information for a small business.

(c) Complete the table with the **two** missing figures.

(2)

	Year 1 (£)	Year 2 (£)
Revenue	87 613	100 349
Costs	63 408	(ii)
Profit	(i)	38 714

(d) Explain **one** way in which a new business idea comes about.

(3)

(e) Explain **one** role of a business enterprise.

(3)

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(Total for Question 2 = 12 marks)

3 (a) Which **one** of the following does the acronym USP stand for?

Select **one** answer:

(1)

- A** Unique sales point
- B** Unique sales promotion
- C** Unique selling point
- D** Unique standing position

(b) Using the information below calculate the profit for the business. You are advised to show your workings.

Revenue: £117 200

Costs: 60% of revenue

(2)

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(c) Explain **one** way in which a business can add value to its product or service.

(3)

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- (d) Explain **one** reason why it is important for a business to add value.

(3)

- (e) Discuss the potential risks a potential entrepreneur should consider when deciding whether or not to start a business.

(6)

(Total for Question 3 = 15 marks)

TOTAL FOR TOPIC 1 TEST = 35 marks)

TOPIC 1: Enterprise and Entrepreneurship - Mark Scheme / Answers

Q1 (a) Which **one** of the following is an example of a service?

- A Mountain bike
- B Dental treatment
- C Earphones
- D Laptop

Question number	Answer	Mark
1(a)	B	(1) AO1a

Q1 (b) Which **one** of the following describes the role of an entrepreneur?

- A To work alone in a business
- B To buy shares in a new business
- C To work for a large company
- D To organise resources to start a business

Question number	Answer	Mark
1(b)	D	(1) AO1a

Q1 (c) Explain **one** reason why new business ideas come about.

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason, up to a total of 3 marks.</p> <p><i>Teacher's note: There is a range of possible 3-mark responses to this question. Several examples are provided below. As explained in the foreword, several words and phrases are highlighted in bold in the answers. These words / phrases are business concepts or issues that the Edexcel GCSE (9-1) Business Specification specifically advises students to learn about.</i></p> <p>New business ideas can come about as a result of changes in (or, more specifically, advances in) technology (1).</p> <p>Advances in technology enable completely new products (or services) to be designed and developed that were not able to be produced (or provided) using previous technologies (1). For example...</p> <p>...self-cleaning cars using nano-paint technology (1).</p> <p>...self-driving cars using autopilot technology (1).</p> <p>Advances in technology also enable existing products, services or processes to be improved upon (1), for example, in terms of...</p> <p>...better performance (1).</p> <p>...enabling products (or services) to be produced at lower cost (1).</p>	(3) AO1a=1 AO1b=2

	<p>Changes in what consumers want can encourage the identification and development of new business ideas (1). For example, people are increasingly concerned about the impact of a business's activities on the environment (1), and this has led to development of...</p> <p>...new materials and processes to produce (and package) products (1).</p> <p>...environmentally friendly products, such as electric-powered cars (1).</p> <p>New business ideas will be developed as existing products or services become obsolete (1). This can stem from advances in technology and / or changes in attitudes / tastes / fashion (1). For example, DVDs may eventually become obsolete as a result of the rise in internet and satellite technology (1). This has enabled films to be downloaded, and has led to a rapid increase in the number of satellite channels (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.</i></p>	
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Q1 (d) Explain **one** reward that entrepreneurs may enjoy from starting a new business.

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of a reward, plus 2 further marks for explaining this reward, up to a total of 3 marks.</p> <p><i>There is a range of possible responses to this question. Several examples are provided below.</i></p> <p>The main reward associated with entrepreneurship is business success (1) and the financial reward that this can bring in the form of profit (1). Profit is the amount which is left from revenue after all costs have been deducted (1).</p> <p><i>Alternative...</i> One of the main rewards associated with entrepreneurship is profit (1), which is revenue minus costs (1). Without the prospect of profit, an entrepreneur has no incentive to start a business (1). The amount of profit made must be enough, compared to the risks and challenges involved (1), otherwise an entrepreneur will, in the longer run, leave the market, or even give up being an entrepreneur (1).</p> <p><i>There are also non-financial rewards associated with starting and running a business....</i></p> <p>Being your own boss / being able to work independently without any interference (1) can provide a great deal of freedom and flexibility (1) that working for someone else might not provide (1).</p> <p>An entrepreneur may also gain a tremendous sense of achievement (1) from establishing and building their own business over time (1) that working for someone else might not provide (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one reward with no explanation will be awarded a maximum of 1 mark.</i></p>	(3) AO1a=1 AO1b=2

Q2 (a) Which **two** of the following are examples of products (or goods) as opposed to services?

- A School uniform
- B Journey in a taxi
- C Geography lesson
- D Tennis ball
- E Pedicure

Question number	Answer	Mark
2(a)	A, D	(2) AO1a

Q2 (b) Which **two** of the following are **least** likely to be demonstrated by a successful entrepreneur?

- A Tends to be cautious
- B Determination to succeed
- C Passionate about their business idea
- D Makes timely business decisions
- E Unwilling to take responsibility

Question number	Answer	Mark
2(b)	A, E	(2) AO1a

The table below shows some key financial information for a small business.

Q2 (c) Complete the table with the **two** missing figures.

	Year 1 (£)	Year 2 (£)
Revenue	87 613	100 349
Costs	63 408	(ii)
Profit	(i)	38 714

Question number	Answer	Additional guidance	Mark
2(c) (i)	£24 205 (£87 613 - £63 408)	Do not accept any other answer	(1) AO2

Question number	Answer	Additional guidance	Mark
2(c) (ii)	£61 635 (£100 349 - £38 714)	Do not accept any other answer	(1) AO2

Q2 (d) Explain **one** way in which a new business idea comes about.

Question number	Answer	Mark
2(d)	<p>Award 1 mark for identification of a way in which a new business idea comes about, plus 2 further marks for explaining this, up to a total of 3 marks.</p> <p>A new business idea may arise following a review of existing products and services (1). This may result in...</p> <ul style="list-style-type: none"> ...adapting successful business products / services (1). ...addressing the faults or shortcomings of existing products / services (1). ...combining two or more existing ideas in a unique way (1). ...identifying a gap in a market not currently being filled (1). <p>New, original business ideas may be generated through brainstorming (1). This involves a group of people being encouraged to put forward their ideas in relation to a specific question posed / problem to be solved (1). Once a range of ideas have been identified, any ideas not considered to be practical (eg due to difficulty securing resources, legal or ethical reasons) should be eliminated and a shortlist is determined for more careful consideration (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</i></p>	(3) AO1a=1 AO1b=2

Q2 (e) Explain **one** role of a business enterprise.

Question number	Answer	Mark
2(e)	<p>Award 1 mark for identification of a role, plus 2 further marks for explaining this role, up to a total of 3 marks.</p> <p><i>There is a range of possible 3-mark responses to this question. Several examples are provided below.</i></p> <p>One role of business enterprise is to produce goods or services (1). Goods are tangible ie physical objects that can be seen and touched (1) - for example - food, shampoo, newspapers, microwaves, cars, machine parts, computers, pens (1). Services are intangible, ie they cannot be seen or touched / They are things other people do for you (1), such as cutting your hair, looking after your money, or prescribing treatment when you are ill (1).</p> <p>One role of business enterprise is to meet / satisfy customer needs and wants (1). People have basic needs that must be satisfied in order to survive (1). These include food, water, warmth, shelter and clothes (1).</p>	(3) AO1a=1 AO1b=2

	<p>Wants are not essential for survival but help to make life more comfortable and enjoyable (1). These include microwaves, magazines, computer games and holidays (1).</p> <p>One role of business enterprise is to provide a product (or service) which meets / satisfies customer expectations (1). Once a person commits to buying a product they become customers of a business and have certain expectations about the product they are buying, which they expect the business to satisfy (1). These largely concern product attributes / quality (1), as well as other aspects relating to the sale, such as price, credit terms, delivery times, and after sales service (1).</p> <p>The main role of a business is to generate wealth for those who own and control the business (1). Businesses do this by taking inputs (resources such as raw materials) and through various processes transform these into more valuable outputs (finished goods and services) (1). For example (<i>1 mark for any single, accurate example...</i>), the ingredients needed to produce a chocolate bar (eg cocoa, sugar, milk) may cost 20p, but the selling price may be £1. The original ingredients have gone through various processes which require the application of additional resources and this increases their worth (value) to the customer (1).</p> <p><i>Alternative answer re adding value...</i></p> <p>Business have numerous goals (aims and objectives) which they strive to achieve but the majority of these can be directly related to generating / maximising wealth for the entrepreneur (and employees) and adding value for customers (1). For the business, adding value is reflected in the difference between the selling price of a product or service and the cost of bought-in materials or components used to produce / provide it (1). For consumers, adding value involves providing products / services that consumers need or want and so they do not have to produce or do things for themselves (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one role with no explanation will be awarded a maximum of 1 mark.</i></p>	
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Q3 (a) Which **one** of the following does the acronym USP stand for?

- A Unique sales point
- B Unique sales promotion
- C Unique selling point
- D Unique standing position

Question number	Answer	Mark
3(a)	C	(1) AO1a

Q3 (b) Using the information below calculate the profit for the business. You are advised to show your workings. Revenue: £117 200. Costs: 60% of revenue.

Question number	Answer	Additional guidance	Mark
3(b)	$(\text{Profit} = \text{Revenue} - \text{Costs})$ Substitution into correct formula: $\text{£117 200} - (\text{£117 200} \times 0.6)$ (1) Answer: £46 880 (1)	Award full marks for correct numerical answer without working	(2) AO2

Q3 (c) Explain **one** way in which a business can add value to its product or service.

Question number	Answer	Mark
3(c)	<p>Award 1 mark for identification of a way in which a business can add value, plus 2 further marks for explaining this, up to a total of 3 marks.</p> <p><i>There is a wide range of possible 3-mark responses to this question. Several examples are provided below.</i></p> <p>One way in which a business could add value is...</p> <p>...by making it more convenient for customers to purchase a product or use a service (1), for example, by extending opening hours (1). As a result, people may be willing to pay a higher price for a product that they can access outside normal working hours (1).</p> <p>...through branding (1). Having a distinct name or style enables a business and / or its products to be easily recognised by customers and differentiates it from others (1). People may then be willing to pay a higher price for a product that appears superior in some way to others in the marketplace (1).</p> <p>...by investing in more effective or extensive advertising (1). Advertising can make a product more appealing (1) and, as a result, customers may be willing to pay a higher price (1).</p> <p>...by offering a better quality product (1). If a business improves its product (or service), so that it meets customers' needs more effectively than competitors (1), customers may be willing to pay a higher price (1).</p> <p>...by improving the design of the product (1). Improved design may make a product more effective in carrying out its function (1), and for this people may be willing to pay a higher price (1).</p> <p>...by improving the design of the product (1). Improved design may make the product more visually appealing (1), and for this people may be willing to pay a higher price (1).</p> <p>...by having a unique selling point (USP) (1). This will help make the product stand out from competitors (1), and customers may be willing to pay more for a distinctive product, particularly if the USP meets their needs better than competitors (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</i></p>	(3) AO1a=1 AO1b=2

Q3 (d) Explain **one** reason why it is important for a business to add value.

Question number	Answer	Mark
3(d)	<p>Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason, up to a total of 3 marks.</p> <p>For businesses owned by private individuals, it is by adding value that such organisations meet their primary objective of making a profit (1). The route to more profit is by increasing product value and thereby increasing sales revenue (1), either by selling greater volumes and / or charging a higher price (1), as the product is seen as more desirable (1). The more effective businesses are at adding value, the more profit they make (1).</p> <p><i>Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.</i></p>	(3) AO1a=1 AO1b=2

Q3 (e) Discuss the potential risks a potential entrepreneur should consider when deciding whether or not to start a business.

Question number	Indicative content	Mark
3(e)	<p><i>Students only have around 6 minutes to answer these 'Discuss' questions, with 12 lines allocated for their answer. Several bulleted paragraphs with relevant points are presented below, not all of which would be required to secure maximum marks. In these 6-mark questions, just 2 or 3 relevant, well-developed points should be sufficient to secure the maximum marks. These questions are marked using level descriptors detailed on the following page.</i></p> <ul style="list-style-type: none"> • Risk is the possibility of an event or condition occurring that will have a negative or harmful impact (eg cause damage, injury or loss) on something perceived to be of value (AO1b). • In the context of starting up a business, risk mainly concerns the fact that money, time and effort is invested into an idea for which there is no guarantee of success (AO1b). There is, in fact, a great deal of uncertainty and lack of security (eg in terms of guaranteed income and profit) associated with starting a new business (AO1b). This is because, even if the concept has been tried and tested there are numerous factors outside the control of a business that are difficult to predict, that can impinge upon the business's performance and could, ultimately, result in business failure (AO3a). For example, the arrival of a new competitor, or unforeseen changes in the economic climate, such as changes in interest rates or taxations rates, can negatively affect the costs and / or demand for a business product or service and, ultimately, make it difficult to generate the sales required to make a satisfactory level of profit, or even generate the cash required to pay the business debts (eg for rent, electricity, materials from suppliers) as they fall due (AO3a). 	(6) AO1b=3 AO3a=3

	<p>In which case, the business could be forced, by its creditors (the people it owes money to) to close down and sell off any assets in order to pay these debts (AO3a).</p> <ul style="list-style-type: none"> • Business failure could, ultimately, lead to financial loss and emotional suffering, (not only for the entrepreneur, but also for its employees and suppliers) (AO3a). • In terms of financial loss, a significant amount of money may be required to purchase the resources (eg the initial premises, plant, machinery, materials, etc) to start a business, a large proportion of which may be paid for using the entrepreneur's own personal funds (AO1b). If the business fails, the entrepreneur (and / or any other business investors) will have to bear the financial costs of failure and pay off any debts incurred (AO3a). • The entrepreneur may also suffer emotionally (eg from low self-esteem) as a result of failure to establish his / her idea in the market place (AO1b, AO3a). • Even if the business does not fail, setting up and running a business requires a great deal of hard work which can put a strain on social and family life and relationships, and can cause emotional stress (AO1b, AO3a). If an entrepreneur does not have the support of their partner / family to begin with, then this could create conflict later and could, ultimately, be a factor leading to business failure (AO3a). 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited use of business terminology (AO1b). • Attempts to deconstruct (interpret and/or analyse) business information and / or issues, finding limited connections (links, relationships) between points (AO3a).
Level 2	3-4	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Deconstructs business information and / or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5-6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Deconstructs business information and / or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

(Source - Level Descriptors: Edexcel Sample Assessment Material - Issue 1 - July 2016)