

Revision Questions for Topic 1.2 Showing Enterprise

Questions

Q1.

Suhayl runs *Sandwiches to Go*, a business selling drinks and sandwiches near to a railway station. He has realised that there are certain peak times when people are more interested in buying drinks and other times food. He is keen to beat the competition of the shops in the railway station where people can buy food, drink and newspapers.

Which **two** of the following would add value to *Sandwiches to Go*?

Select **two** answers.

- A Producing a business plan
- B No uniform for staff
- C Increasing opening hours
- D Simpler packaging
- E Competitors increasing prices

(Total for Question = 2 marks)

Q2.

Skygo Airlines is a small cut-price airline offering cheap flights from England to Spain. It is classed as 'no frills', which means customers pay for flights only. Any extra services, such as refreshments, need to be paid for separately. *Skygo Airlines* is very conscious of its need to provide quality customer service for all its customers.

Which **one** of the following would be the **least** effective in adding value to a customer's experience of *Skygo Airlines*?

Select **one** answer.

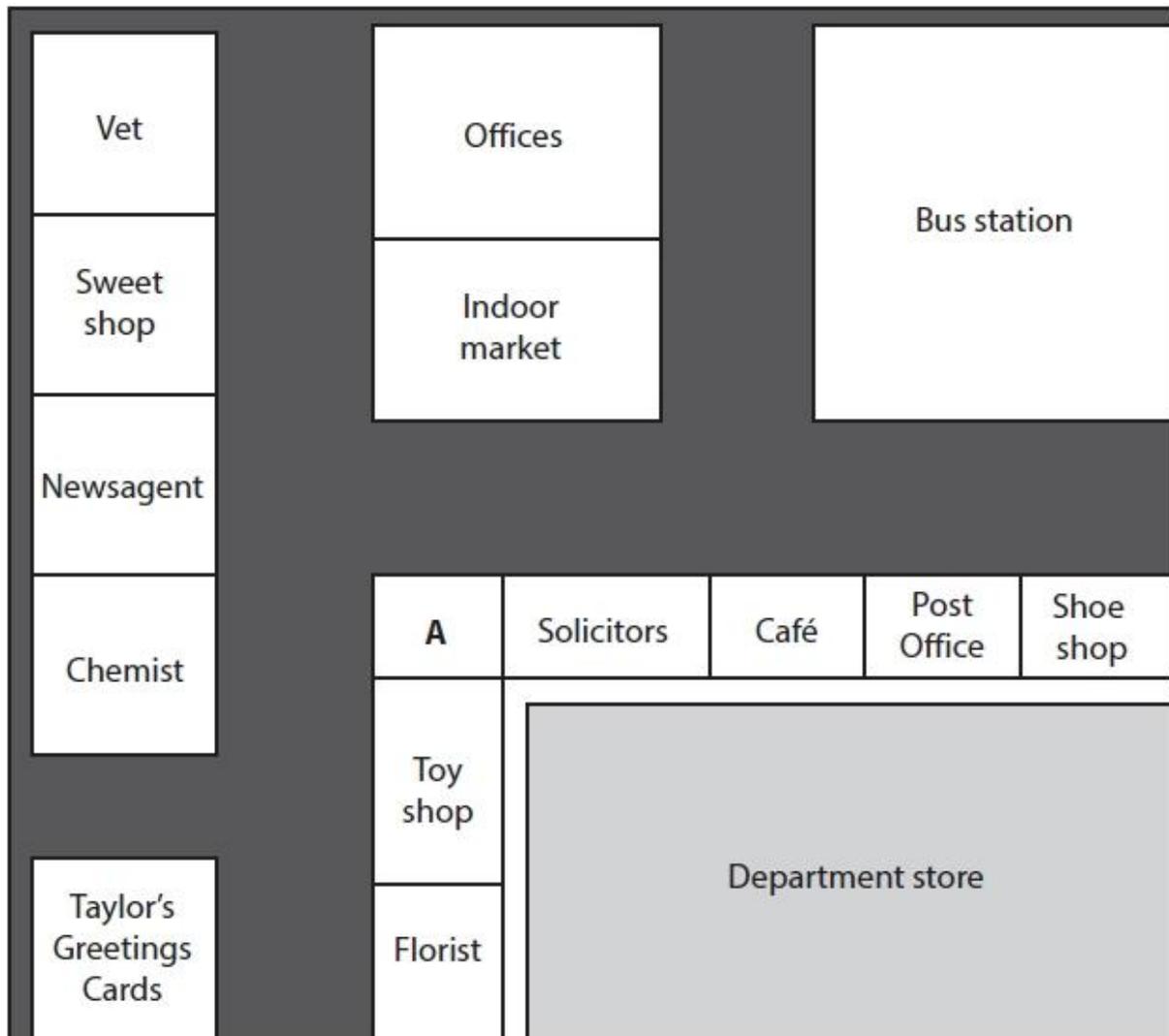
- A Being able to reserve a seat
- B Being able to book tickets online
- C Offering flights to fewer destinations
- D Offering flights to more destinations

(Total for Question = 1 mark)

Q3.

This question is based on the information below.

Sachin Ganguly has been looking for a suitable location for his shop which sells high quality, distinctive greetings cards. The location he chose is shown as A on the map below. The roads around the shops are **pedestrianised** (no vehicles allowed).



Which **two** of the following are **most likely** to be advantages to Sachin of choosing site A?

Select **two** answers:

- A** Good position for passing local trade
- B** Easy for suppliers to deliver goods
- C** No competition in the area
- D** Convenient central location
- E** Plenty of local parking

(Total for Question = 2 marks)

Q4.

Which **two** of the following are the most likely advantages of starting a new business as a franchise?

Select **two** answers

- A** Training and support are provided
- B** Ability to offer a different service
- C** Can buy goods to sell from any supplier
- D** Banks are more willing to lend money
- E** Can pay staff lower wages

(Total for Question = 2 marks)

Q5.

Whilst at college Jazwinder Kaur made teddy bears for friends and relatives. She wants to start a business but needs to decide between setting up as a sole trader or buying into a franchise. The market for teddy bears is very competitive but Jazwinder produces a teddy bear that is made to customers' exact requirements.

Which **three** of the following could be advantages to Jazwinder if she bought into a franchise?

Select **three** answers:

- A** The franchisor provides training to the franchisee
- B** A franchisee makes all their own decisions
- C** The franchisor provides continued help and support
- D** A franchisee pays lower rates of Value Added Tax (VAT)
- E** The franchisor pays the franchisee to set up in business
- F** The franchisor provides all supplies used in the business

(Total for question = 3 marks)

Q6.

Match the definition on the left with the correct term on the right.

The first one has been done for you.

	Definition
i	A long-term source of finance provided by expert investors who take a role in running the business.
ii	An individual who takes risks in order to make a profit.
iii	A group of customers with similar characteristics.
iv	Raw materials such as coal, oils and wheat.
v	A visual means of showing where a product is positioned in a market.
vi	A document outlining the skills and qualities needed by a job applicant.

Term	
A	Job description
B	Commodities
C	Person specification
D	Market segment
E	Entrepreneur
F	Goods
G	Market map
H	Added value
I	Venture capital

- (i) **I**
- (ii)
- (iii)
- (iv)
- (v)
- (vi)

(Total for Question = 5 marks)

Q7.

Whilst at college Jazwinder Kaur made teddy bears for friends and relatives. She wants to start a business but needs to decide between setting up as a sole trader or buying into a franchise. The market for teddy bears is very competitive but Jazwinder produces a teddy bear that is made to customers' exact requirements.

Which **two** of the following are most likely to give Jazwinder a competitive advantage?

Select **two** answers:

- A** Having unlimited liability
- B** Providing a unique product
- C** Operating in a competitive market
- D** Developing a strong brand image
- E** Identifying different market segments

(Total for question = 2 marks)

Q8.

Gail Frith owns *Elegant Designs*. This is a small dress-making business which specialises in dresses for weddings and other special occasions. Gail gathers market information through internet research and direct customer contact.

In a recent customer survey the following results were found.

	%
Customers who believe <i>Elegant Designs</i> provide good customer service	88%
Customers who believe prices at <i>Elegant Designs</i> are reasonable	75%
Customers who would use <i>Elegant Designs</i> in the future	68%
Customers who would recommend <i>Elegant Designs</i> to others	71%

Gail uses the internet to gather other information. This approach is an example of which type of market research?

Select **one** answer.

- A** Focus group
- B** Primary research
- C** Secondary research
- D** Segmentation

(Total for Question = 1 mark)

Q9.

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Identify **two** examples of market knowledge that Gail might gain through direct customer contact.

Select **two** answers.

- A** How much profit is made by her competitors
- B** Customer spending habits
- C** What rate of interest will be charged by banks
- D** Latest fashions trends that customers like
- E** The location of other retailers

(Total for Question = 2 marks)

Q10.

Anne is planning to open a hairdressing salon.

Which of the factors below would be the **least** important to Anne when deciding where to locate her salon?

Select **one** answer:

- A** Competition
- B** Customers
- C** Staff
- D** Supplies

(Total for question = 1 mark)

Q11.

Match the definition on the left with the correct term on the right.

The first one is done for you.

Definition	
i	The price of one currency in terms of another.
ii	The legal ownership of material such as books and films.
iii	A document that shows money going in and out of a business.
iv	The money paid to government on an individual's earnings.
v	Identifying where there is a gap for a business opportunity.
vi	Information about opinions, judgements and attitudes.

Term	
A	Financial objectives
B	Market mapping
C	Cash flow forecast
D	Copyright
E	Qualitative data
F	Quantitative data
G	Exchange rate
H	Capital
I	Income tax

(i)G.....

(ii)

(iii)

(iv)

(v)

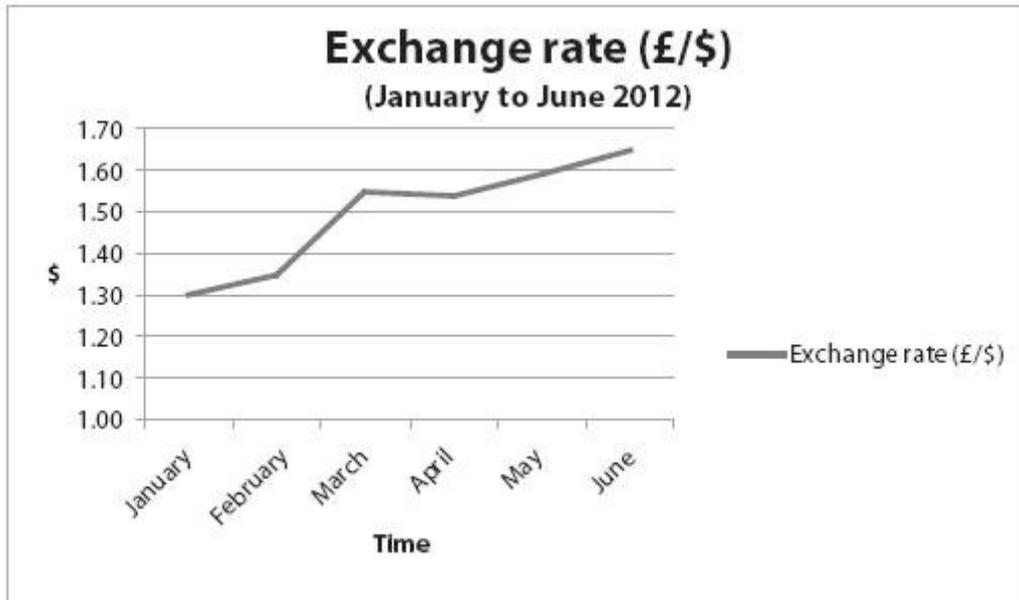
(vi)

(Total for Question = 5 marks)

Q12.

Michael Fraser had always been passionate about American sports. He has set up a business called *Stateside* that imports American products to sell in the UK.

The exchange rate is important to his business.



Michael wants to add more value to the products he sells.

Which **three** of the following might be sources of added value for a business such as *Stateside*?

Select **three** answers.

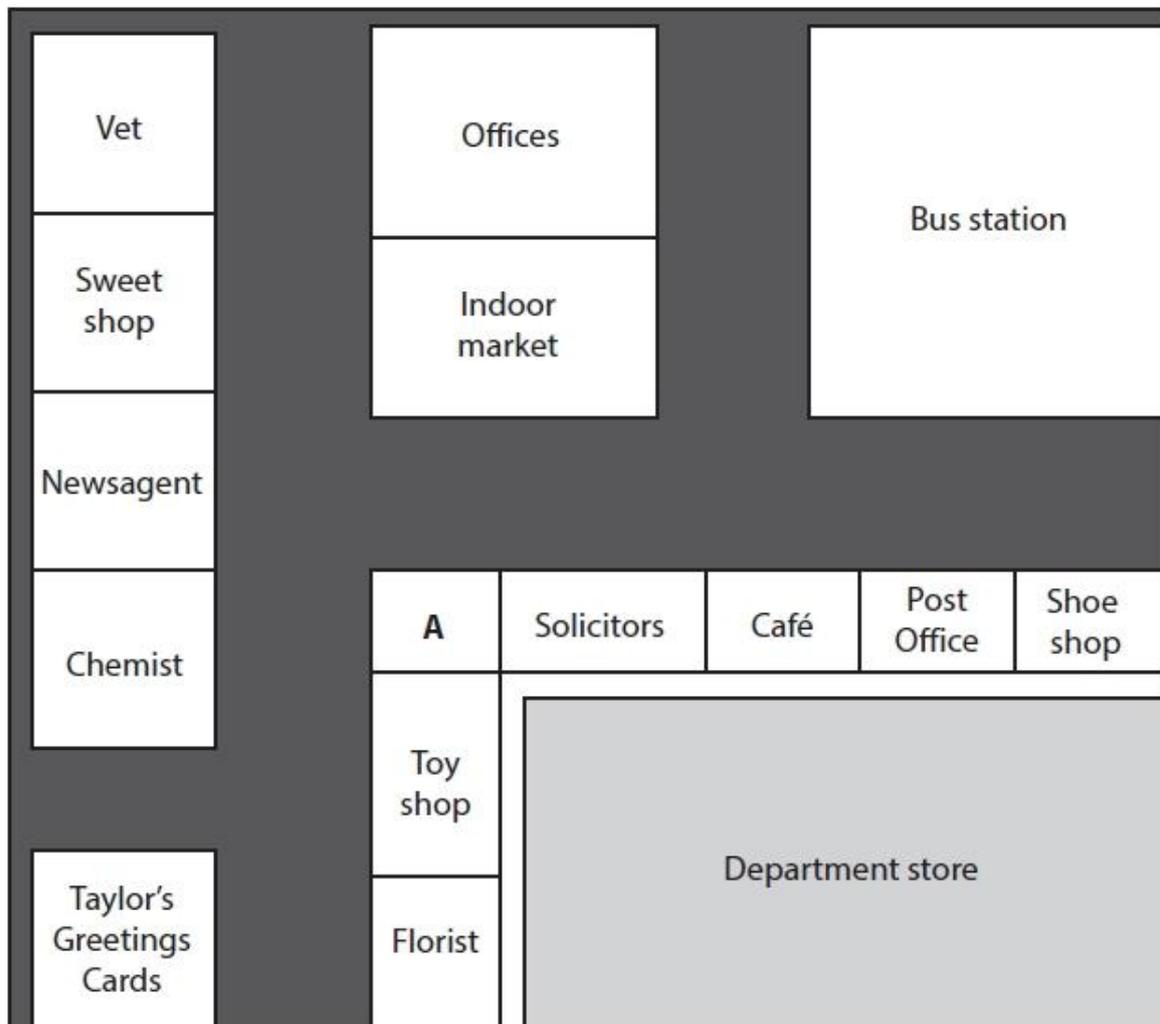
- A Total revenue less total costs of the business
- B Only UK retailer selling official US baseball team kit
- C Ensuring high quality products
- D Using more short-term sources of finance
- E Creating a well-known brand name
- F Operating as a private limited company

(Total for Question = 3 marks)

Q13.

This question is based on the information below.

Sachin Ganguly has been looking for a suitable location for his shop which sells high quality, distinctive greetings cards. The location he chose is shown as A on the map below. The roads around the shops are **pedestrianised** (no vehicles allowed).



There are different types of small business in the pedestrianised area, including a newsagent. Which **two** of the following might be sources of added value for a newsagent business?

Select **two** answers:

- A** Being the only newsagent providing deliveries of daily newspapers
- B** Creating a market map
- C** Paying high weekly wages to workers
- D** Having lots of local competition
- E** Opening late every weekday and weekend

(Total for Question = 2 marks)

Q14.

Which **two** of the following would be drawbacks to businesses facing increased competition?

Select **two** answers.

- A** Offering good products and service
- B** Ability to increase prices
- C** Need to cut staffing levels
- D** Not developing opportunities
- E** An increase in innovation

(Total for Question = 2 marks)

Q15.

This question is based on the information below.

Connie Francis plans to open a juice bar in a busy town centre. The new business will sell organic freshly-squeezed juices and light snacks to take away. Connie has carried out market analysis and has discovered that there are three competitors. She has produced a summary of these competitors, including their strengths and weaknesses.

Competitor	Details of the business	Strengths	Weaknesses
Stainthorpe's Snacks	<ul style="list-style-type: none">• Sole trader• Two employees• One outlet• Main products: sandwiches, pasties, cakes and soft drinks	<ul style="list-style-type: none">• Cheap prices compared to competitors• Long-established family business• Open from 6 am Mon–Sat	<ul style="list-style-type: none">• Reputation for slow service• Regarded by younger customers as 'old-fashioned'• Takeaway service only
Fenway's	<ul style="list-style-type: none">• Franchise of a national chain• 15 employees• Two local outlets• Main products: sandwiches, pasties, and canned/bottled drinks	<ul style="list-style-type: none">• Established brand image• Large premises in two locations• High sales revenue	<ul style="list-style-type: none">• Takeaway service only• Limited range of drinks and snacks• Reputation for unhealthy food
jooce	<ul style="list-style-type: none">• Private limited company• Six employees• One outlet• Main products: organic freshly-squeezed juice drinks, freshly-prepared sandwiches• Targets the 25–40 year-old market	<ul style="list-style-type: none">• Offers sit down service as well as takeaway service• Regarded as 'trendy' by younger customers• High sales in the last 12 months led to jooce becoming a private limited company	<ul style="list-style-type: none">• Expensive prices• Slow service• Located in a quieter part of town

From the competitor information, identify the **three most likely** reasons why this might be a good market for Connie to enter.

Select **three** answers:

- A Existing rivals are small scale and not established in the market
- B Demand exists for drink and sandwich takeaway products
- C The most similar competitor in the market is experiencing rising sales
- D There is no competition for freshly-squeezed juices
- E She has identified some weaknesses with all competitors
- F No other business targets specific market segments

(Total for Question = 3 marks)

Q16.

Which **two** of the following are questions an entrepreneur should ask to find out if there would be enough customers for a new business idea?

Select **two** answers:

- A** What is the average level of income of local people?
- B** What if fixed costs increase in the first six months?
- C** What type of promotion should I use?
- D** How many people live in the area?
- E** How much should I spend on advertising?

(Total for Question = 2 marks)

Q17.

This question is based on the information below.

Fayazee Mantel is an entrepreneur who owns and runs a successful printing business. She keeps a weekly diary, an extract of which is shown below.

Monday 9:30 am	Met with my main ink supplier today and negotiated a 2.0% discount on the next order
Tuesday 12:15 pm	Shared with employees my vision for the business over the next two years
Wednesday 8:00 am	Re-organised the layout of the printing room which should lead to less time being wasted
Thursday 3:30 pm	Placed an order for 30% more paper than normal. If my new promotion strategy works then I'm sure this will pay off!
Friday 5:00 pm	Met the owner of a travel agent at a small business conference. They needed a sales leaflet producing urgently. I told them we could do it and she agreed to give us the order. Brilliant news!

Using the information, which entrepreneurial skill does Fayazee demonstrate on Thursday?

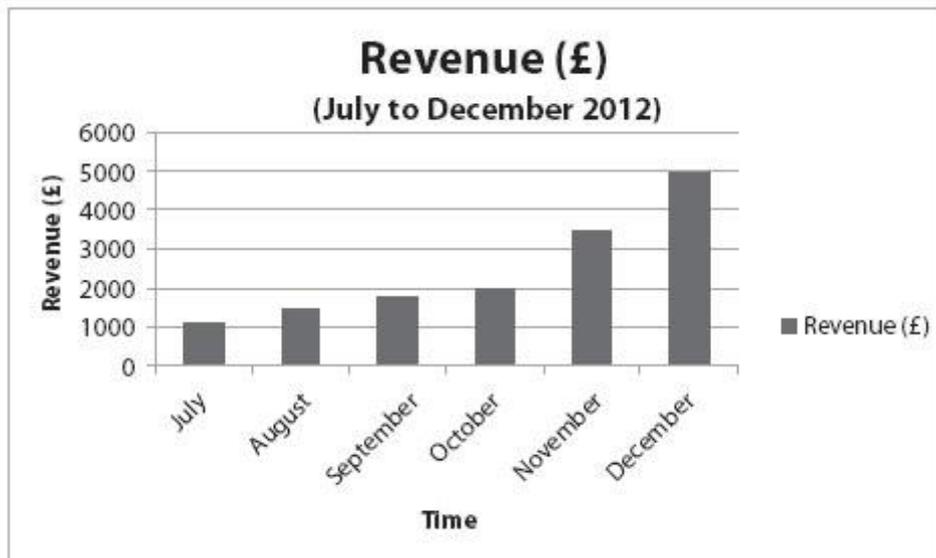
Select **one** answer:

- A** Recognising the importance of making mistakes
- B** Making connections
- C** Using mind maps to collect her thoughts
- D** Taking risks and making decisions

(Total for Question = 1 mark)

Q18.

A business has the following revenue information over a six-month period.



Which **one** of the following is an example of calculated risk for the owner of this business?
Select **one** answer.

- A** Revenue increases by 400% between July and December
- B** Revenue in July is 30% lower than in December
- C** There is a 25% chance of profits falling in the next six months
- D** Variable costs increase by 40%

(Total for Question = 1 mark)

Q19.

Sanjay had developed a product that helped disabled people handle kettles and saucepans more easily. He approached different manufacturers to see what they thought of his product. However, none of them were willing to produce it for him. As a result, Sanjay decided to set up in business as a private limited company and manufacture the new product himself.

Bringing a new product to the market is called:

Select **one** answer:

- A** invention
- B** enterprise
- C** innovation
- D** franchise

(Total for Question = 1 mark)

Q20.

Sanjay had developed a product that helped disabled people handle kettles and saucepans more easily. He approached different manufacturers to see what they thought of his product. However, none of them were willing to produce it for him. As a result, Sanjay decided to set up in business as a private limited company and manufacture the new product himself.

Sanjay has applied for a patent for his product.

The main purpose of a patent is:

Select **one** answer:

- A** to make it easier for Sanjay to pay any taxes due
- B** to ensure that Sanjay gets repeat purchases
- C** to place a limit on the number of people who can copy Sanjay's idea
- D** to register a new invention so Sanjay has sole rights to its use.

(Total for Question = 1 mark)

Q21.

Sanjay had developed a product that helped disabled people handle kettles and saucepans more easily. He approached different manufacturers to see what they thought of his product. However, none of them were willing to produce it for him. As a result, Sanjay decided to set up in business as a private limited company and manufacture the new product himself.

In deciding to set up in business and manufacture the product himself, which of the following questions should Sanjay **NOT** have asked himself?

Select **one** answer:

- A** What are the set hours I will work?
- B** Why not go it alone?
- C** What if the business were to fail?
- D** Is the risk worth taking?

(Total for Question = 1 mark)

Q22.

Martin Hudson runs Buckingham Ltd, a business which sells high quality office furniture to other businesses. Martin needs to think creatively about how he can improve his business. He has used lateral thinking techniques to help him do this.

Successful entrepreneurs need to think creatively and make connections between ideas.

What is the diagram which can be used to record words and ideas connected to a central word or idea?

Select **one** answer:

- A** Spreadsheet
- B** Market map
- C** Scatter diagram
- D** Mindmap

(Total for Question = 1 mark)

Q23.

Which **three** of the following are examples of risks which increase the chance of a new business failing in its first year?

Select **three** answers:

- A** Variable costs turn out to be lower than forecast
- B** The bank increases interest rates on business loans
- C** There is less competition than expected in the local area
- D** There are more potential customers than market research suggested
- E** There is a downturn in economic activity
- F** Net cash flow turns out to be negative

(Total for Question = 3 marks)

Q24.

James, a sole trader, has been trading for five years. He provides containers for growing vegetables. These are called *Veggards*. They are for people who wish to grow vegetables but do not have either the space or land to grow them.

James knows that there is a high percentage of sole traders whose businesses fail within the first two years.

What are the **two most likely** reasons for this?

Select **two** answers.

- A** Competition from larger companies
- B** Too much consumer demand
- C** Having to publish accounts
- D** Not being able to have a holiday
- E** Poor cash flow

(Total for Question = 2 marks)

Q25.

Finishing Touches was started by Paul Russell in 2013. The business hires out chair covers and ribbons for weddings, school proms and other events.

In Paul's second year of trading the interest rate increased from 1.5% to 3%.

Which **one** of the following is an example of a calculated risk for Paul's business?

Select **one** answer:

- A** Sales have increased by 10% in the past 12 months
- B** Expenses have increased by 15% in the past year
- C** Profit for the year has decreased by 3.5%
- D** There is a 30% chance of his business failing

(Total for question = 1 mark)

Q26.

In 2006, Martini appeared on a TV programme to demonstrate her Italian sauces, in the hope that the presenters of the show would invest £50 000 in return for 40% of her company. The sauces gained fame as a result of her television appearance and went on sale nationwide.

The origin of the recipe is disputed by Giovanni, who runs an Italian takeaway in Brixton, South London. Giovanni said, "The recipes are mine. People round here know, but we don't say."

Identify how Giovanni could have protected his recipe?

Select **one** answer:

- A** Trademark
- B** Business plan
- C** Patent
- D** Copyright

(Total for question = 1 mark)

Q27.

Gail Frith owns *Elegant Designs*. This is a small dress-making business which specialises in dresses for weddings and other special occasions. Gail gathers market information through internet research and direct customer contact.

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Customers who would recommend <i>Elegant Designs</i> to others	71%

Gail prefers to use lateral thinking techniques as a way of developing new business ideas.

Which **two** of the following are examples of lateral thinking techniques?

Select **two** answers.

- A** Mind mapping
- B** Brainstorming business ideas with a group
- C** Producing a business plan
- D** Providing a wide range of products
- E** Producing a cash flow forecast

(Total for Question = 2 marks)

Q28.

Businesses supply goods and services to consumers. Which of the following is an example of a service?

Select **one** answer:

- A** A magazine
- B** An MP3 player
- C** A train journey
- D** A bottle of water

(Total for Question = 1 mark)