

Topic 1.4: Making the start-up effective

Q1.

Lydia Smith, a sole trader, owns and runs *Good Reads*, a small bookshop. The business faces stiff competition from rivals such as supermarkets. Profits have been falling and Lydia is looking to improve her business.

Which **two** of the following are the **most likely** methods Lydia could use to help *Good Reads* compete with its rivals?

Select **two** answers.

- A** Charge lower prices than supermarkets
- B** Improve the quality of its customer service
- C** Provide an online ordering service
- D** Open three more stores in local towns
- E** Launch a national advertising campaign

(Total for Question = 2 marks)

Q2.

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)

Q3.

Lydia Smith, a sole trader, owns and runs *Good Reads*, a small bookshop. The business faces stiff competition from rivals such as supermarkets. Profits have been falling and Lydia is looking to improve her business.

Which **two** of the following will Lydia have to pay in the course of running the business?
Select **two** answers.

- A Corporation tax
- B Distribution tax
- C Income tax
- D Labour tax
- E National Insurance

(Total for Question = 2 marks)

Q4.

Which **two** of the following are subject to legislation to protect workers from discrimination?
Select **two** answers.

- A Qualifications
- B Age
- C Ability
- D Race
- E Skill

(Total for Question = 2 marks)

Q5.

Hardacres is a small family-run hardware business. It has one shop which provides a range of household equipment. The business has taken out a bank loan of £25 000 in order to carry out improvements to the shop. The bank charges Hardacres an interest rate of 8.5% on the loan.

Hardacre's has a large number of customers who regularly return to shop at the store.

This is an example of:

Select **one** answer:

- A market mapping
- B repeat purchase
- C customer service
- D business offering

(Total for Question = 1 mark)

Q6.

Nelson's Ltd is a family-run butchers located in a small Midlands town. It faces major competition from a large supermarket located on the edge of the town.

Which **two** of the following would be the **most likely** ways in which Nelson's could successfully compete with the supermarket?

Select **two** answers:

- A** Focus on the quality of its products
- B** Launch a nationwide TV advertising campaign
- C** Reduce the opening hours of the butchers
- D** Offer services such as delivery and preparing meat to order
- E** Offer the same range of products as the supermarket

(Total for Question = 2 marks)

Q7.

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.

Which **two** of the following are likely to be the most effective methods that *Buckingham* might use to deliver high levels of customer satisfaction?

Select **two** answers

- A** Securing repeat purchases by customers
- B** Fulfilling customer orders accurately
- C** Setting non-financial objectives
- D** Introduce a 24-hour customer help-line
- E** Advertise on local radio stations

(Total for Question = 2 marks)

Q8.

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)

Q9.

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 **two** of the following are ways that *Skygo Airlines* could ensure it provides quality customer service?

Select **two** answers.

- A** Providing regular staff training

- B Cutting staff wages
- C Decreasing the number of staff
- D Ensuring staff deal promptly with complaints
- E Reducing staff working hours

(Total for Question = 2 marks)

Q10.

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

Show your answers by drawing a line from the definition on the left, to the matching term on the right. If you change your mind about an answer, cross the line out and draw a new line to mark your new answer.

Definition	
The mix of products and type of service provided by a business	i
Weighing up the probability of profits or losses	ii
Evidence of what has happened in the past which can be kept in paper form or as computer files	iii
Treating workers differently due to factors such as age, gender, race or disability	iv
A person who owns and runs their own business and takes risks	v

Term	
A	Goods
B	Inventor
C	Discrimination
D	Market research
E	Business offering
F	Records
G	Entrepreneur
H	Calculated risk

(Total for Question = 5 marks)

Q11.

Job Advertisement Trainee Accountant

Hammills Accountants are looking to appoint a young trainee accountant. Candidates should have 5 GCSEs at A*-C, including Maths and English, plus at least two A-Levels at grade C or higher. Experience is desirable but not essential as full training is given. The successful candidate must be aged between 18 and 25 and will be expected to work as part of a team. Applicants should not have any record of illness in the previous 12 months.

Hammills Accountants received nine applications for the post. Two candidates – Amandeep and David – were shortlisted for interview.

David arrived at the interview in his wheelchair. Following the interview the owner of the business decided to appoint Amandeep, even though her qualifications were not as good as David's. The owner felt that Amandeep did better in the interview. He was also worried that David's wheelchair would put him at a disadvantage.

Which **two** of the following broke employment legislation in this recruitment process?

Select **two** answers:

- A Requiring candidates to have specific qualifications
- B Not appointing the candidate with the best qualifications
- C Rejecting David due to his disability
- D Advertising for a trainee accountant aged between 18 and 25
- E Stating that experience is desirable

(Total for Question = 2 marks)

Q12.

Job Advertisement Print Designer

Moorland is a small printing business that has a vacancy for a male print designer working as part of a busy team in a well equipped office environment. Applicants must be aged between 18 and 20 and:

- have 5 GCSEs at A* – C (including maths and English)
- have experience of using Graphix 2302 software
- be well organised and able to meet deadlines
- be able to work as a member of a team. No wheelchair users need apply.

The above was the advertisement that Moorland initially planned to use. One of the managers pointed out that it contained **three** pieces of information which would break employment legislation.

Select **three** answers:

- A Male print designer.
- B Having 5 GCSEs at A* – C.
- C No wheelchair users need apply.
- D Must be aged between 18 and 20.
- E Well organised and able to meet deadlines.
- F Have experience of using Graphix 2302 software.

(Total for Question = 3 marks)

Q13.

The following advertisement was placed in a local newspaper.

Hairstyles by Design
WANTED IMMEDIATELY

Hairdresser with two years of experience
Must have at least NVQ level 2
Must be British with no disabilities
Working hours 9am till 5pm

In the above advertisement, which **two** of the following would break legislation when recruiting staff?

Select **two** answers.

- A** Two years of experience
- B** Must have at least NVQ level 2
- C** Must be British
- D** No disabilities
- E** Working hours

(Total for Question = 2 marks)

Q14.

Nelson's Ltd is a family-run butchers located in a small Midlands town. It faces major competition from a large supermarket located on the edge of the town.

Which **three** of the following are taxes that a business like Nelson's Ltd may have to pay?

Select **three** answers:

- A** Income Tax
- B** Distribution Tax
- C** National Insurance Contributions
- D** Business Tax
- E** Value Added Tax
- F** Corporation Tax

(Total for Question = 3 marks)

Q15.

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.

Which **three** of the following are taxes which businesses like *Buckingham* may have to pay?

Select **three** answers:

- A National Insurance Contributions
- B Value Added Tax
- C Business Tax
- D Minimum Wage
- E Corporation Tax
- F Distribution Tax

(Total for Question = 3 marks)

Q16.

Marcus Borega is a sole trader. His business imports high quality toy cars from the USA. His main customers are collectors and sports car enthusiasts in the UK. The exchange rate is very important for the business. When Marcus started the business the exchange rate was £1 = \$2.

Which **two** of the following taxes will Marcus have to pay in the course of running his business?

Select **two** answers:

- A Corporation tax.
- B Distribution tax.
- C Income tax.
- D Labour tax.
- E National Insurance contributions.

(Total for Question = 2 marks)

Q17.

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.

From time to time some passengers behave inappropriately on flights.

Which **two** of the following are benefits for *Skygo Airlines* of knowing that its staff can deal with difficult customers?

Select **two** answers.

- A Fewer customer complaints to be dealt with
- B Installing CCTV cameras in its aircraft
- C Staff do not avoid dealing with certain tasks
- D Panic alarms are installed for staff to use
- E More staff are employed to deal with customers

(Total for Question =

2 marks)

Q18.

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.

Which **two** of the following might be reasons why Sanjay chose to set up as a private limited company?

Select **two** answers:

- A** Sanjay would not have to produce a business plan to set up his business
- B** Sanjay wanted to take all the profits for himself
- C** Sanjay could protect his personal possessions due to limited liability
- D** Sanjay would not have to make any of the important business decisions
- E** Sanjay could issue more shares if he needed to raise finance

(Total for Question = 2 marks)

Q19.

Marcus Borega is a sole trader. His business imports high quality toy cars from the USA. His main customers are collectors and sports car enthusiasts in the UK. The exchange rate is very important for the business. When Marcus started the business the exchange rate was £1 = \$2.

A sole trader has unlimited liability.

Identify **one** disadvantage of unlimited liability for a sole trader such as Marcus.

Select **one** answer:

- A** The need to pay higher taxes.
- B** Less control of the business.
- C** The need to share profit with other shareholders.
- D** Risk of losing personal possessions.

(Total for Question = 1 mark)

Q20.

Lisa Gallagher believes there is a growing market for gardening services as people do not have enough time to maintain their gardens. She has conducted some market research to find out if her business idea will work and has prepared the following summary of her findings.

Table 2

What is the most important factor in the decision to choose a gardening service?	
	Number of responses as a percentage
Price of the service	12
Quality of the work	41
Advertisement in the local paper	16
Customer service	20
Whether the business is local	11

According to Table 2, which element of the marketing mix should Lisa focus on in her business?

Select **one** answer:

- A Place
- B Price
- C Product
- D Promotion

(Total for Question = 1 mark)

Q21.

A business has the following cost and price information: **Variable Costs:**

- Raw materials – £2.70 per unit
 - Packaging – £1.20 per unit
 - Delivery – £0.50 per unit
- Fixed Costs:**
- £450 per month
- The selling price for each unit of output is £10

The business is looking at ways of raising awareness of a new product.

Which element of the marketing mix would it use?

Select **one** answer:

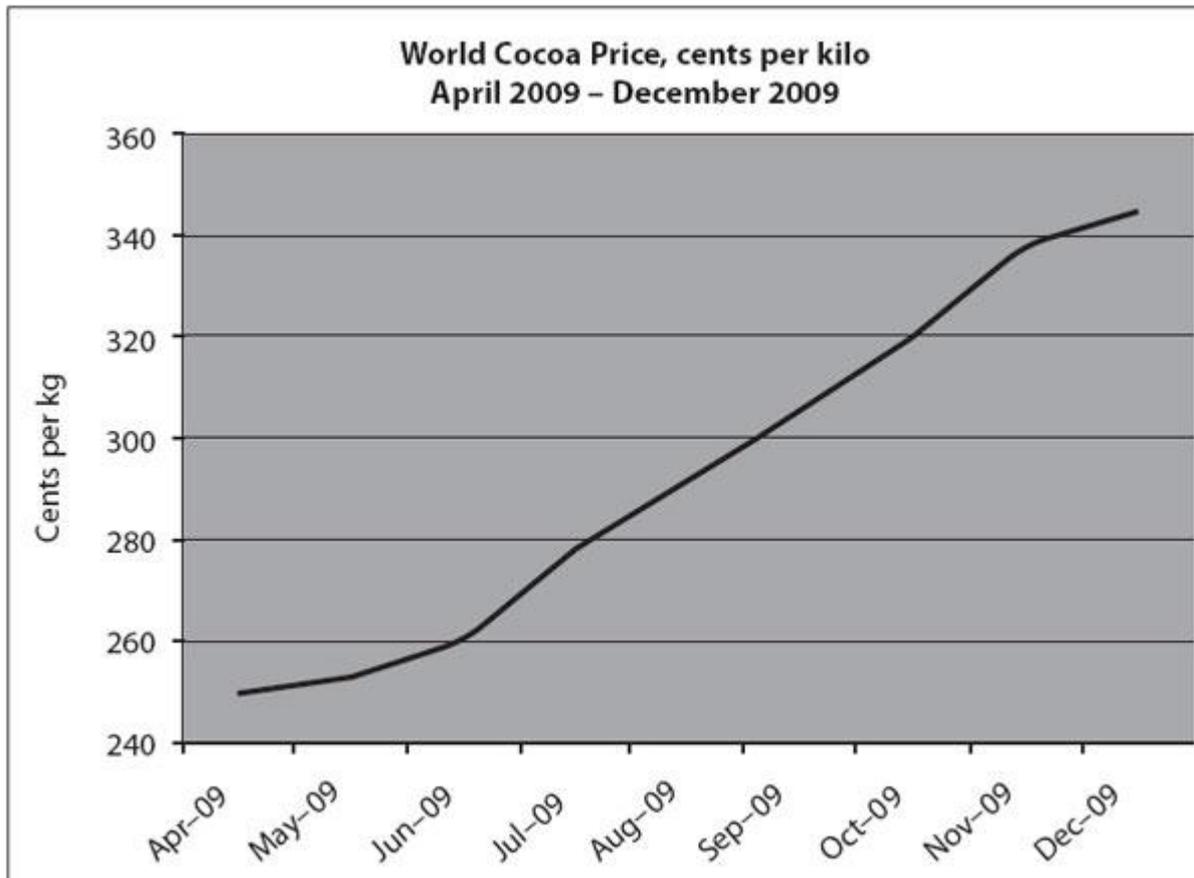
- A Price
- B Product
- C Promotion
- D Place

(Total for Question = 1 mark)

Q22.

The chart shows a rise in the world price of cocoa. Cocoa is a commodity which is used by a range of industries. For chocolate producers cocoa is the main ingredient.

Chocolicious is a small business making hand-made chocolates. The market it operates in is very competitive. One source of competitive advantage it holds is in the quality of its chocolates. The owners of Chocolicious are worried by the recent rise in the price of cocoa.



Chocolicious has decided that it needs to change its marketing mix in response to the rising price of cocoa.

Which **two** changes to the marketing mix would you advise, given what is happening in this market?

Select **two** answers:

- A** Reducing its Corporation Tax payments.
- B** Producing a new business plan.
- C** Contacting supermarkets to seek new retailers for its products.
- D** Making five members of staff redundant to cut costs.
- E** Using cheaper ingredients in the product.

(Total for Question = 2 marks)

Q23.

KooKoo is a successful cafe and employs five people. The owner of *KooKoo* wants to expand the business. He believes that changing the elements of the marketing mix will help achieve this expansion.

Which **three** of the following are examples of changes to the marketing mix that the owner of *KooKoo* might make?

Select **three** answers.

- A** Introducing new items for sale
- B** Employing one additional worker
- C** Conducting primary market research in the area
- D** Offering a 'buy one get one free' offer on drinks
- E** Charging lower prices than the main local competitor
- F** Producing a yearly cash flow forecast

(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 has unlimited liability.

One key feature of unlimited liability is that he:

Select **one** answer

- A** works on his own
- B** has a number of people working for him
- C** is responsible for all his debts
- D** cannot get a bank loan

(Total for Question = 1 mark)