

Past exam paper questions – Topic 1.4

Q1.

Answer the question 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 .

Which **one** of the following statements about a franchise is correct?

Select **one** answer.

- A A franchisee makes all their own decisions
- B The franchisor pays the franchisee to set up in business
- C The franchisor provides continued help and support
- D Franchises pay lower Value Added Tax than sole traders

(Total for question = 1 mark)

Q2.

Answer the question with a cross in the box you think is correct . If you change your mind about an answer, put a line through the box and then mark your new answer with a cross .

Which **two** of the following are advantages for an entrepreneur of starting a business as a sole trader?

Select **two** answers.

- A Limited liability means losses can be minimised
- B Owner has control of decision making
- C Break even level of output will be higher
- D Less risky than other types of business structure
- E Any profits can be kept by the owner

(Total for question = 2 marks)

Q3.

Answer the question with a cross in the box you think is correct . If you change your mind about an answer, put a line through the box and then mark your new answer with a cross .

Which **one** of the following is a benefit of starting a business as a franchise?

Select **one** answer.

- A Lower variable costs
- B Support from the franchisor
- C Higher interest rates for borrowing
- D Franchisees pay lower tax

(Total for question = 1 mark)

Q4.

Explain **one** benefit to an entrepreneur of starting a business as a private limited company.

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(Total for question = 3 marks)

Q5.

Discuss the impact on a business of having limited liability.

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(Total for question = 6 marks)

Q7.

Read the following extract carefully and then answer the question.



In 2012 Jerry and Shelley Lawson started a new business – *Frog Bikes*. The aim was to produce lightweight and affordable children's bikes. The company's bikes were designed for children using the latest technology. The bikes are produced in a Chinese factory and sold in the UK and other countries.

The business quickly became successful. By 2016 its bikes were sold in over 700 shops in the UK. It faces competitors such as JE James which sell similar bikes in the UK.

Frog Bikes uses social media to promote its bikes. Figure 2 shows a competition run on the *Frog Bikes* Twitter account. To enter the competition people needed to follow the business on Twitter.

As a manufacturer and retailer, *Frog Bikes* has to comply with a large amount of legislation. All bikes meet ISO (International Standards Office) standards. This ensures they are safe for children. Rules include the need for all bikes to be fitted with a chain guard, and for handlebars to be safety checked.

In 2016 Jerry and Shelley decided to increase production to meet the growing demand. They considered expanding the company's Chinese factory, or building a new factory in the UK.



Figure 2

