

1.1 Questions

Q1.

Look at Figures 4, 5 and 6, read the extract carefully, then answer the question.

State **one** risk that Sally faces in starting this business.

(1)

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(Total for question = 1 mark)

Q2.

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

(Source: adapted from <http://startups.co.uk/startups-100/2016/8-frog-bikes/>)

Outline **one** benefit to Jerry and Shelley of *Frog Bikes* being successful.

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(Total for question = 2 marks)

Q3.

Explain **one** risk an entrepreneur takes when starting a new business.

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(Total for question = 3 marks)

Q4.

Explain **one** way an entrepreneur might identify a new business idea.

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(Total for question = 3 marks)

Q5.

Read the following extract carefully and then answer the question.



Zoe Sugg, known to her fans as Zoella, is an entrepreneur and a star of YouTube. She has enjoyed success with her fashion and lifestyle vlog (video log) and has become a celebrity as well as an entrepreneur. After starting her lifestyle blog, 'Zoella', in 2009, she soon had thousands of followers. Zoe extended the blog to a YouTube channel and by 2015 had 7.5 million subscribers.



Figure 2

In September 2014 Zoe launched her own brand bath and beauty range, called *Zoella Beauty*. The brand logo is shown in Figure 2. *Zoella Beauty* products are stocked by major retailers, including Superdrug and Boots. The business also uses e-commerce to sell its product range.

In 2014 *Zoella Beauty* earned revenue of £400 000. However, the competitive environment for beauty products aimed at younger females is becoming more crowded. Rivals include retailers such as Lush.

(Source: adapted from <http://startups.co.uk/young-entrepreneurs-zoe-sugg-zoella/>)

Analyse the impact on Zoella Beauty of changes in what consumers want.

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(Total for question = 6 marks)

Q6.

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 describes the role of an entrepreneur?

Select **one** answer:

- A** Being employed by a large organisation
- B** A willingness to take risks
- C** Having sufficient money to start a new business
- D** Being able to work alone

(1)

(Total for question = 1 mark)

Q7.

Answer the question with a cross in the boxes you think are 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 examples of services?

Select **two** answers:

- A Train journey
- B Magazine
- C Headphones
- D Haircut
- E Mobile phone

(2)

(Total for question = 2 marks)

Q8.

Explain **one** method a business could use to add value to its product.

(3)

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(Total for question = 3 marks)

Q9.

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 examples of the role of entrepreneurship?

Select **two** answers.

- A Make a profit
- B Organise resources
- C Adapt existing products
- D Make business decisions
- E Produce a business plan

(Total for question = 2 marks)

Q10.

Read the following extract carefully and then answer the question.



Zoe Sugg, known to her fans as Zoella, is an entrepreneur and a star of YouTube. She has enjoyed success with her fashion and lifestyle vlog (video log) and has become a celebrity as well as an entrepreneur. After starting her lifestyle blog, 'Zoella', in 2009, she soon had thousands of followers. Zoe extended the blog to a YouTube channel and by 2015 had 7.5 million subscribers.



Figure 2

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(Source: adapted from <http://startups.co.uk/young-entrepreneurs-zoe-sugg-zoella/>)

Zoella Beauty adds value to its product range through branding.

Analyse the benefit to *Zoella Beauty* of adding value.

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(Total for question = 6 marks)

Mark Scheme

Q1.

Question number	Answer	Mark
	<p>Award 1 mark for stating one risk Sally will face when starting her business.</p> <p>Financial risks as she is giving up her current paid employment (1). Insecurity of sales due to falling consumer incomes (1).</p> <p>Accept any other appropriate response. Do not accept risks that would not be appropriate for a personal trainer business such as Sally's, for example not being able to source trade credit.</p>	<p>(1) A02</p>

Q2.

Question number	Answer	Mark
	<p>Award up to 2 marks for linked points outlining a benefit for <i>Frog Bikes</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Higher profits will be earned (1) which means they can invest in the new factory to increase production of bikes (1).</p> <p>They will be more independent (1) which means they can rely less on other sources of finance, such as bank loans, to fund factory expansion (1).</p> <p>Do not accept benefits that would not be appropriate for <i>Frog Bikes</i>. For example, this means that entrepreneurs will make higher profits.</p>	<p>(2) A02</p>

Q3.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a risk, plus 2 further marks for explaining this risk up to a total of 3 marks.</p> <p>One risk is financial loss (1). This is because starting a new business can be expensive and require finance from someone's possessions (1) and as a result, were the business to fail, the entrepreneur would lose money (1).</p> <p>One risk is a lack of security (1) as working as an entrepreneur may involve giving up previous employment (1). Therefore, the individual cannot guarantee a regular income (1).</p> <p>Accept any other appropriate response. Answers that list more than one risk with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q4.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a way that business ideas can come about, plus 2 further marks for explaining this way up to a total of 3 marks.</p> <p>The entrepreneur may have a completely original idea (1) which is based on knowledge of the market (1). This can lead to the development of a totally new product that does not have any competition in the market (1).</p> <p>Observing existing products (1) can lead to ideas about how these might be improved (1). As a result of these ideas an entrepreneur can innovate an existing product (1).</p> <p>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q5.

Question number	Indicative content	Mark
	<ul style="list-style-type: none"> • <i>Zoella Beauty</i> will need to carry out more market research to find out what beauty products consumers want (AO2). • <i>Zoella Beauty</i> will need to adapt cosmetics to make sure they are more aware of environmental and ethical issues. (AO2). • This will mean that <i>Zoella Beauty</i> can design products that are more in line with what consumers want. For example, market research may show that consumers want more bath products (AO3a). • As a result, <i>Zoella Beauty</i> can develop products which are not tested on animals. For example, cosmetics such as lipsticks can be developed and marketed as 'not tested on animals'. Therefore, <i>Zoella Beauty</i> may be able to meet the changing needs of its customers and help it compete against rivals (AO3a). 	(6) AO2=3 AO3a=3
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • 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"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Q6.

Question number	Answer	Mark
	B	(1) AO1a

Q7.

Question number	Answer	Mark
	A, D	(2) A01a

Q8.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a method, plus 2 further marks for explaining how this method will add value, up to a total of 3 marks.</p> <p>One method is by having a unique selling point (USP) (1). This will help the product to stand out against competitors by having something they do not have (1). As a result customers will be willing to pay more for a product they see as more original (1).</p> <p>One method to add value is by having a distinct brand image (1). This will help the business to be easily recognised by customers (1). As a result, customers are more prepared to pay a higher price for a product as they recognise and trust the name (1).</p> <p>Accept any other appropriate response. Answers that list more than one method with no explanation will be awarded a maximum of 1 mark.</p>	(3) A01a=1 A01b=2

Q9.

Question number	Answer	Mark
	B, D	(2) A01a

Q10.

Question number	Indicative content		Mark
	<ul style="list-style-type: none"> • <i>Zoella Beauty</i> can charge a premium price for its beauty products (AO2). • This will make the products stand out in the competitive market for beauty products (AO2). • This will mean the profit per unit (or contribution) on individual products may be higher, therefore the break even level of output will be lower, increasing the margin of safety (AO3a). • Therefore, <i>Zoella Beauty</i> may have a competitive advantage over Lush. As a result, young people are more likely to buy <i>Zoella Beauty</i> products rather than competitors' products. This will lead to an increase in market share (AO3a). 		(6) AO2=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). 	
Level 2	3–4	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • 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"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). 	