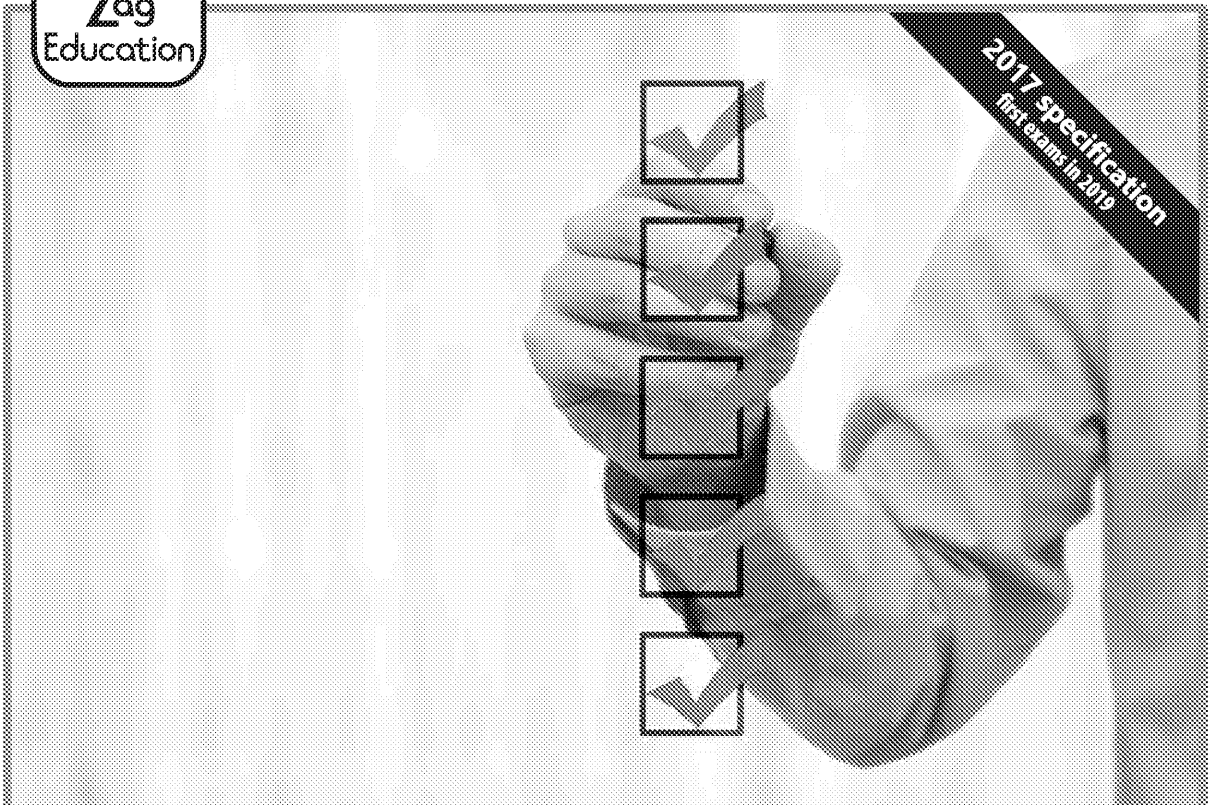




**Business**

GCSE (9–1) | AQA | 8132



# Multiple-Choice Question Bank

for GCSE (9–1) AQA Business

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# Teacher's Introduction

First and foremost, this resource is intended to test students' knowledge rather than to provide exact exam-style questions. Consequently, not all questions will mirror the exact words and phrases used in actual question papers for the AQA GCSE (9–1) Business (8132) specification.

This two-set resource of multiple-choice test questions with answers has been written specifically for the AQA GCSE (9–1) Business specification; however, it can also be used as a companion to *Factsheets and Activities for GCSE (9–1) AQA Business*, which is also published by ZigZag Education.

Each set in this resource covers the six functional areas of business in the AQA GCSE (9–1) Business specification. Those areas are: Business in the real world, Influences on business, Business operations, Human resources, Marketing, and Finance.

The resource has two sets of multiple-choice questions with answers: Set A and Set B. Each set contains 405 questions testing topics covered in both the specification and the aforementioned 'Factsheets and Activities'. The resource is written in such a way as to take into account the fact that different students have different levels of ability.

## Suggested use of Set A and Set B tests

Questions in Set A either correspond to or mirror those in Set B. The format for both sets is the same. The specific topic tested in Set A is retested in Set B using different wording, different emphasis or a reverse scenario. This makes the pack a very flexible resource capable of multiple uses in the teaching and learning environment. For example:

- After covering a topic in class, say in specification number 3.1.1, the teacher could first go through Set A 3.1.1 questions and answers with the students in the classroom environment using a question and answer session. At a later time, Set B 3.1.1 questions could be used as a formal class test to check how much the students have learned and to identify areas of concern and areas that were well understood. (Set B could be used first, then Set A.)
- Alternatively, Set A 3.1.1 questions could first be given as a formal class test. Then, shortly afterwards, the teacher could go through Set B 3.1.1 questions and answers with the students in the classroom environment using a question and answer session. This would highlight areas of concern and areas that were well understood resulting from the test outcome. (Set B could be used first, then Set A.)
- Students could be given Set A 3.1.1 questions for homework, then, shortly afterwards, be given Set B 3.1.1 as a formal class test. The result could then be compared with the homework one, identifying areas of knowledge strength and knowledge weakness. (Set B could be used first, then Set A.)
- Set A 3.1.1 questions and Set B 3.1.1 questions could both be used as homework, for formal class tests and for question and answer discussions at different times.

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## 3.1 – Business in the real world

### 3.1.1 – The purpose and nature of businesses

- Which of the following is considered a prime purpose of a for-profit business?  
 A To break even  
 B To provide employment  
 C To collect VAT for revenue and customs  
 D To make a profit
- Which of the following is the main distinguishing factor between a 'for-profit' business and a 'not-for-profit' business?  
 A Reasons for operating  
 B The capital structure  
 C The number of employees  
 D The scale of size
- Which one of the following business activities is classed as a service provider?  
 A A London black taxi manufacturer  
 B A furniture maker  
 C A bank  
 D A boat builder
- Which one of the following **best** indicates the distinction between a producer good and a consumer good?  
 A Price  
 B Intended buyer  
 C Nature of the product  
 D Size of the product
- What is meant by the term 'business services'?  
 A Provision of intangible economic activities to both general consumers and businesses  
 B Provision of tangible economic activities to both general consumers and businesses  
 C Provision of intangible economic activities only to general consumers  
 D Provision of tangible economic activities only to businesses
- Which of the following **best** describes consumer needs?  
 A Unlimited resources and environments not essential for one's existence and survival  
 B Resources and environments not essential for one's existence and survival  
 C Limited resources and environments essential for one's existence and survival  
 D All of the above accurately describe consumer needs
- Which word **best** describes the nature of business resources?  
 A Unlimited  
 B Limited  
 C Unattainable  
 D Essential
- Which of the following is **not** a factor of production?  
 A Land  
 B Labour  
 C Capital  
 D Consumption
- What is the cost of 'opportunity' also known as?  
 A Fixed costs  
 B Opportunity costs  
 C Austerity  
 D Chosen costs
- Which of the following is **not** in the primary sector?  
 A Farming  
 B Fishing  
 C Manufacturing  
 D Mining
- Which sector of the economy classifies the production of materials into manufacturing?  
 A Primary  
 B Secondary  
 C Tertiary  
 D Quaternary
- Which sector of the economy classifies the production of services?  
 A Primary  
 B Secondary  
 C Services  
 D Quaternary
- 'Having a business plan is like having a map. It shows how, business activities can be done. It is a 'start-and-go' attitude. It is a plan that is set up and pursued, but it is not always true to reality.' Which of the following **best** describes this attitude?  
 A The concept of a business plan  
 B The concept of a business strategy  
 C The concept of a business model  
 D The concept of a business process

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14. Which TV show **best** demonstrates the concept of enterprise?
- A *Dragons' Den*
  - B *The Martin Lewis Money Show*
  - C *BBC World News*
  - D *The Chase*
15. Who is the risk-taker who skilfully combines all the factors of production to start a business?
- A The business manager
  - B The entrepreneur
  - C The accountant
  - D The financier
16. What is the name of the entrepreneur who started the Virgin Enterprise group?
- A Deborah Meaden
  - B James Dyson
  - C Richard Branson
  - D Victoria Beckham
17. Which one of the following is **not** a typical characteristic of an entrepreneur?
- A Being self-confident
  - B Being a hard worker
  - C Being a risk-taker
  - D Being risk-adverse
18. Which one of the following should **not** be an objective of an entrepreneur?
- A To make money
  - B To daydream
  - C To be their own boss
  - D To fulfil a dream
19. From a positive perspective, why do some people strive to be successful or bored in their work?
- A Their own ambition
  - B A senior manager's influence
  - C An upskilling programme
  - D Unemployment
20. 'Business must always be progressive in order to survive and constantly change.' Which of the following quotations **best** describes this?
- A Business is a process of change.
  - B Business is a process of growth.
  - C Business is a process of innovation.
  - D Business is a process of competition.
21. There are many different types of business. Which of the following is the **best** description of a service business?
- A They provide a service to their customers.
  - B They provide a service to their employees.
  - C They provide a service to their suppliers.
  - D All of the above.

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### 3.1.2 – Businesses ownership

- What does a business's legal structure determine?
  - A How consumer rights issues are handled
  - B Ownership and control of the business
  - C The way in which disputes between the business and its suppliers are dealt with
  - D The way in which disputes between the business and its employees are dealt with
- If a business has unlimited liability, what does this imply?
  - A Its owners are liable for only some of its debts
  - B Its owners are liable for all of its debts
  - C The business has an unlimited supply of stock
  - D The business has unlimited credit
- What does the term 'unlimited liability' mean in respect of business ownership?
  - A The owners of the business are liable only for the amount they have invested in it
  - B The owners of the business are liable for all of the business's debts
  - C The owners of the business are limited in the range of stock they can offer for sale
  - D The owners of the business are limited in their ability to acquire finance
- Which statement about a sole trader enterprise is **untrue**?
  - A Its owner usually has a limited capacity to raise finance
  - B Its owner is responsible for final decision-making
  - C It is usually not a multinational organisation
  - D Its owner is protected by limited liability
- In what year was the original Partnership Act brought into law?
  - A 2000
  - B 1907
  - C 1890
  - D 1800
- How many partners must there be to form the statutory minimum quota for an ordinary general partnership?
  - A 1
  - B 2
  - C 3
  - D 4
- Which of the following is the **main** drawback of a private limited company?
  - A It can only have a maximum of seven shareholders
  - B It does not have perpetual existence
  - C It cannot raise finance for capital expansion
  - D It cannot sell shares to the general public
- Which shareholder has limited liability?
  - A All of them
  - B None of them
  - C Only the stockbroker
  - D Only the ordinary shareholder
- What three letters follow after its name?
  - A Only the letters 'Ltd'
  - B Only the letters 'Plc'
  - C LTD or Plc
  - D PLC or Plc
- What three letters follow after its name?
  - A Only the letters 'Ltd'
  - B Only the letters 'Plc'
  - C LTD or Plc
  - D PLC or Plc
- Private limited company is a legal structure of:
  - A Micro-size business
  - B Small-size business
  - C Medium-size business
  - D Very large corporation
- Which of the following normally raise the most finance?
  - A Sole trader
  - B Partnership
  - C Private limited company
  - D Public limited company
- How does a public limited company share profit to shareholders?
  - A According to the number of shares each shareholder holds
  - B Equally to all shareholders
  - C According to the number of shares each shareholder holds
  - D Equally to all shareholders
- What is a not-for-profit organisation?
  - A Public limited company
  - B Private limited company
  - C Charity
  - D Social enterprise
- What legal form of organisation takes the most finance?
  - A Sole trader
  - B Partnership
  - C Limited company
  - D Any of the above

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### 3.1.3 – Setting business aims and objectives

1. What are the long-term aspirational goals a business plans to achieve in, say, five years' time and beyond?
  - A Business aims
  - B Business objectives
  - C Business philosophy
  - D Business wants and needs
2. What are the short-to-medium-term specified measurable targets, or stepping stones, for a business period of between one and five years?
  - A Business aims
  - B Business objectives
  - C Definitely attainable aspirations
  - D Definitely unattainable aspirations
3. SMART is a business acronym often associated with business objectives. What does the letter S in this acronym stand for?
  - A Successful
  - B Specific
  - C Standard
  - D Safe
4. Why do business objectives differ between businesses?
  - A Businesses differ in size and complexity
  - B Businesses face different levels of competition
  - C The philosophy of business differs from business to business
  - D For all of the above reasons
5. Which one of the following would be classified as a business aim?
  - A To break even
  - B To quickly grow its market share
  - C To achieve market domination
  - D To achieve negative cash flow
6. What would be the **most likely** business objective for a new business start-up?
  - A Market domination
  - B Survival
  - C To achieve instant unrivalled prestige
  - D Instant recognition as a social and ethical business
7. Why do businesses set aims and objectives?
  - A To encourage and motivate only the business owners
  - B To encourage and motivate only the senior management team
  - C To encourage and motivate only ground-level employees
  - D To encourage and motivate all employees
8. Why might objectives initially set by a business change as the business evolves?
  - A The national business environment is dynamic and always evolving
  - B Government legislation relating to businesses changes
  - C To prepare for the consequences of Brexit
  - D For all of the above reasons
9. How might objectives be achieved to ensure success?
  - A By being specific
  - B By measuring progress against objectives
  - C By tweaking objectives
  - D By having a target for each objective
10. Why should a time-bound business objective be set?
  - A It will reduce costs
  - B It will make the business more profitable
  - C It will encourage employees to work to a deadline
  - D It will guarantee the achievement of the objective
11. Which of the following is a reason for setting business objectives when running a business?
  - A To encourage employees to work for the business
  - B To force employees to work for the business
  - C To encourage employees to work for the business
  - D None of the above
12. Why might the objectives of a business differ between businesses?
  - A Because of the size of the business
  - B Because of the industry they are in
  - C Because of the location of the business
  - D Because of the age of the business
13. Which of the following is a prime objective of a business that is not a national objective?
  - A Serving the community
  - B Increasing sales
  - C Sales maximisation
  - D Maximising profit
14. What is the **most likely** reason a business might not have the objectives of its owners?
  - A It is a charity
  - B It is a co-operative
  - C It is a small business
  - D For political reasons
15. For which of these objectives would it be a **likely** objective for a business?
  - A National sales
  - B National profit
  - C National market share
  - D All of the above

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### 3.1.4 – Stakeholders

- Which term applies to any person, group or organisation that has financial, social or environmental interests in the activities of a business?  
 A Solicitor  
 B Stakeholder  
 C Stakeholder  
 D Shareholder
- Which of the following would be the **most likely** prime objective of a business owner?  
 A Making a profit  
 B Concern for the environment  
 C Promotion of workers' rights  
 D Keeping selling price low for the customer
- Which of the following would be the **most likely** prime objective of a team leader as a business stakeholder?  
 A Having a highly motivated and enthusiastic team of workers  
 B Keeping suppliers happy  
 C Keeping selling price of the product low  
 D Having the business promote an environmentally friendly agenda
- An employee is also a stakeholder in the business for which they work. What would **most likely** be their most important objective?  
 A Reducing global warming  
 B Profit maximisation  
 C Supplier security  
 D Maintaining job security
- Which of the following groupings **cannot** be classified as a stakeholder in the business in which they operate?  
 A Managers  
 B Employees  
 C Trade unions  
 D None of the above – they all are stakeholders
- Which of the following is **not** a prime objective of a stakeholder?  
 A Job security  
 B Selling service  
 C Supplier security  
 D Ensuring creation of new products
- What is the **most likely** prime objective of a community as a stakeholder in a manufacturing business?  
 A Good income for the business  
 B Reducing the business's environmental impact  
 C Maintaining the business's reputation  
 D Gaining more powers
- What is the **most likely** prime objective of a national government as a stakeholder in a local business?  
 A Adherence to the law  
 B Payment of taxes  
 C Maintenance of the business's reputation  
 D All of the above
- What influence do different stakeholder groupings have on a business?  
 A Only positive  
 B Only negative  
 C Both positive and negative  
 D No influence
- Why might conflict arise between different stakeholder groupings?  
 A To improve the business's reputation  
 B To satisfy the business's needs  
 C To improve the business's performance  
 D To improve the business's profitability

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### 3.1.5 – Business location

1. Within the last five years, which of the following has had the biggest and most profound impact on the location of retail businesses?  
 A Planning regulations  
 B The cost of business rates  
 C COVID-19  
 D Developments in Internet provision
2. Which of the following would **most likely** need to locate as near as possible to its raw material source?  
 A Business software developer  
 B Coal-fired power station  
 C Clothing manufacturer  
 D Manufacturer of GPS equipment
3. What would be the **most likely** reason for a fast-food business choosing a particular site to locate?  
 A Potential for high sales  
 B Proximity to suppliers  
 C High average income level in the local geographical area  
 D Location of its competitors
4. What factor would have the **most likely** influence on the location of a scientific research and development think tank project?  
 A The cost of location  
 B Proximity to its market  
 C The general level of education provided in an area  
 D The average wage level in the area
5. Which of the following statements is **true** with regard to the increased use of social media platforms and the consequent impact on fashion and cosmetics industries?  
 A It has made them unpopular and unprofitable  
 B It has caused them to stagnate  
 C There has been no specific impact on these industries  
 D It has reduced their need to be physically located close to their customers
6. What is the inevitable and unavoidable consequence for a manufacturing business that sets up in an inappropriate location?  
 A Increased costs  
 B Definite and absolute business failure  
 C Loss of reputation  
 D Increase in internal economy's capability
7. Which one of the following businesses would be **most** reliant on an integrated road, rail, sea and air transport infrastructure?  
 A Hairer shop  
 B Petrol station  
 C Internet cafe  
 D Beauty salon
8. Why are business rates higher in a city's centre than they are in its outskirts?  
 A More services are provided for a business  
 B Less chance of competition for a business  
 C Expectation of higher footfall for a business  
 D Guaranteed higher footfall for a business
9. Sometimes governments encourage businesses to set up in certain areas. To encourage this, tax breaks are offered by the government. Which of the following statements is **true**?  
 A They do not depend on the size of the business  
 B They must be available to all businesses irrespective of their size  
 C They must be available to all businesses irrespective of their location  
 D They are available to all businesses irrespective of their net profit
10. Which of the following is **not** a factor to consider when choosing a 'business location'?  
 A The address of the business  
 B The area of the business  
 C The location of the business  
 D The location of the business's head office
11. Where are 'social media' businesses most likely to be located for maximum sales?  
 A Within a city centre  
 B The biggest city in the country  
 C Only in a city centre  
 D Only in a city
12. Which of the following businesses would be **most** likely to be happy to locate in a city centre?  
 A A car repairer  
 B A solicitor  
 C A tea shop  
 D An accountant
13. Which one of the following factors is **least** likely to influence a business when choosing its set-up location?  
 A Transport links  
 B Telecommunications  
 C Raw materials  
 D Proximity to customers
14. Which of the following factors is **most** likely to influence a business when choosing its set-up location?  
 A Friendliness of the local community  
 B Internet facilities  
 C Skill level of the local workforce  
 D Car parking facilities
15. What is the **most** likely reason for a business to choose a city centre location when deciding on its set-up location?  
 A They will have a higher net profit  
 B They do not have to pay business rates  
 C They offer a better service  
 D They are close to their customers

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### 3.1.6 – Business planning

1. What is the name of the written document setting out the details of the proposed business **before** it is started?  
 A Business plan  
 B Statement of financial affairs  
 C Cash flow forecast  
 D Marketing plan
2. Which of the following does a business plan **not** contain?  
 A Profit forecast  
 B Project cash flow statement  
 C An assurance of business success  
 D Capital sourcing plan
3. Which of the following statements about a business plan is **most** appropriate?  
 A It can be used to judge the performance of a business over time  
 B It's a help when applying for loans from financial institutions  
 C It's costly and time-consuming for the business to draw up  
 D All of the above statements are true
4. Which of the following is the **most** valid reason for a business not drawing up a business plan?  
 A It's too time-consuming for a business  
 B When a business has to react very quickly to an unexpected event  
 C It's too costly for a business  
 D All of the above reasons are equally valid
5. Which one of the following business costs will increase in total with output or usage?  
 A Business rates  
 B Business insurances  
 C Direct materials  
 D Indirect wages
6. Which of the following is **not** a variable cost?  
 A Business rates  
 B Raw materials  
 C Piece-rate wages  
 D The cost of producing a product
7. Which **one** of the following is used to calculate total variable costs?  
 A total cost minus fixed cost  
 B total cost plus fixed cost  
 C total cost divided by fixed cost  
 D total cost multiplied by fixed cost
8. Which of the following is **not** a source of funds from trading?  
 A Business rates  
 B Business profits  
 C Gross profit  
 D Net profit
9. What is business break-even?  
 A Excess of revenue over expenditure  
 B Excess of expenditure over revenue  
 C Excess of revenue over fixed costs  
 D Excess of fixed costs over revenue
10. Which of the following is **not** a source of loss?  
 A Revenue  
 B Revenue  
 C Capital expenditure  
 D Revenue expenditure

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### 3.1.7 – Expanding a business

1. Which one of the following is **not** an example of a method of organic business growth?
- A Outsourcing
  - B New product development
  - C Business merger
  - D Franchising
2. What is the name given to a process whereby one business sells another business the right to trade under its name?
- A Outsourcing
  - B Takeover
  - C Conglomeration
  - D Franchising
3. In relation to selling a franchise, identify which of the following is **not** your suitable answer to the question: What is the advantage of **selling** a franchise?
- A The franchisor will retain control over how the franchisee runs the franchise
  - B Receiving royalty payments from the franchisor
  - C The franchisee takes the risks
  - D All of the above are equally good options
4. A business may achieve organic growth by embracing m-commerce. Which of the following best explains what m-commerce is?
- A Merchandising commerce
  - B Mobile commerce
  - C Measurable commerce
  - D Mechanical commerce
5. What is external business growth also known as?
- A Unsustainable business growth
  - B Sustainable business growth
  - C Inorganic business growth
  - D Organic business growth
6. Which of the following is a method of external business growth?
- A Business merger
  - B Business outsourcing
  - C Franchising
  - D New product development
7. What is the main difference between a business takeover and a business merger?
- A Business takeover is a form of organic business growth but a merger is not
  - B Business merger is a form of organic business growth but a takeover is not
  - C Business merger implies a degree of hostility but a takeover implies consent
  - D Business takeover implies a degree of hostility but a merger implies consent
8. Which one of the following is **not** an example of external business growth?
- A They produce new products
  - B They produce new services
  - C They new products and services
  - D They new services
9. Which one of the following is **not** an example of internal business growth?
- A Bulk purchasing
  - B Upgrading equipment
  - C Improving production processes
  - D A rise in the price of raw materials
10. What might a business's primary motivation be for using external business growth?
- A An external market
  - B An external market
  - C An internal market
  - D An internal market
11. If a pharmaceutical company develops a COVID-19 vaccine, what is the average cost of development?
- A £5
  - B £50
  - C £500
  - D None of the above
12. If the cost of raw materials for a production process increases, which one of the following is the **most** likely outcome for the business's production?
- A It will decrease
  - B It will increase
  - C It will increase at a lower rate
  - D It will remain the same

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## 3.2 – Influences on business

### 3.2.1 – Technology

1. What is the acronym ICT **most likely** to mean in today's business environment?
  - A Internet and commercial trading
  - B Information and commercial technology
  - C Information and communications technology
  - D International and commercial trade
2. eBay is a multinational e-commerce corporation that facilitates business transactions, but what does the 'e' in eBay stand for?
  - A Echo
  - B Electronic
  - C Ecological
  - D Environmental
3. What can digital communication platforms **not** totally guarantee their users?
  - A Reasonably good speed of data transmission
  - B Reasonably good level of data security
  - C Response interaction
  - D An ability to communicate with others irrespective of geographical location
4. Which one of the following refers to the many digital and electronic technologies that communicate and interact with themselves, people and other devices?
  - A Robotics
  - B World Wide Web
  - C Internet of things
  - D Internet network
5. In what specific way is modern digital communication changing the way a business communicates with its stakeholders?
  - A By building up trust between them
  - B By providing absolute security of data for them
  - C By encouraging transactions to take place between them in real time
  - D By facilitating increased contact and communication between stakeholders
6. What is the name of an online and real-time business presentation where participants who are geographically separated?
  - A Webinars
  - B Windows
  - C PowerPoints
  - D Teleconferencing
7. What is the **most likely** impact of modern business environment computer technologies?
  - A The loss of jobs
  - B The loss of productivity
  - C The phasing out of jobs
  - D The decrease in productivity
8. Which one of the following is **not** a business activity and 24/7 business means?
  - A SMART
  - B ICT
  - C HR
  - D IMF
9. What impact may digital communication have on business activity?
  - A Slow it down
  - B None
  - C Instantly increase it
  - D Increase it
10. What does the acronym SMART stand for?
  - A Electronic
  - B Energy
  - C Environment
  - D Exports

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### 3.2.2 – Ethical and environmental considerations

- This is the implementation of business policies and actual practices that requires a business to act in ways that stakeholders consider to be fair and honest in all aspects of the business's dealings with others. What is this referring to?  
 A Business competition  
 B Business planning  
 C Business ethics  
 D Business trading
- Which of the following would be an example of a business behaving in an ethical way?  
 A Adherence to environmental policies  
 B Adherence to fair trade and ethical practices  
 C Adherence to workers' rights legislation  
 D Adherence to the law
- Which of the following would **not** be a direct benefit to a business operating in an ethical way?  
 A The possibility of incurring extra costs  
 B The possibility of being portrayed in a positive image  
 C The possibility of attracting new customers  
 D The possible retention of existing customers
- Which of the following would possibly be the **biggest drawback** to a business of ethical trading?  
 A Severely restricts its ability to trade  
 B Severely restricts its geographical sourcing of supplies  
 C Severely restricts customer footfall  
 D Severely restricts its competitive ability
- Which of the following are **not** environmental considerations for a business? Tick one box.  
 A ICT and telecommunications  
 B Air pollution and noise pollution  
 C Waste management and recycling  
 D Road network infrastructure and traffic congestion
- What is said to be business outcomes incompatible and made to achieve?  
 A Merge  
 B Takeover  
 C Trade-off  
 D Amalgamation
- Which of the following is a business having a conflict between ethical considerations and business objectives?  
 A Autocracy  
 B Democracy  
 C Trade-off and customer and customer business  
 D Trade-off and business
- This action always involves a trade-off in order to get a desired business outcome. What is this?  
 A Consideration  
 B Compromise  
 C Deceit  
 D Reference
- What type of business behaviour is specifically fair?  
 A Ethical  
 B Environmental  
 C Egalitarian  
 D Ecological
- Environmental considerations for a business include issues such as what?  
 A Traffic congestion  
 B Recycling  
 C Globalisation  
 D All of the above

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### 3.2.3 – The economic climate on businesses

- In the world of finance, what does the acronym APR stand for?
  - A Annual percentage rate
  - B Average percentage rate
  - C Accounting percentage rate
  - D Actual percentage rate
- If a business gets a one-year loan of £10,000 from a financial institution and is quoted an interest rate of 5% per year on borrowings, how much will it have to repay **in total** at the end of the year?
  - A £500
  - B £9,500
  - C £10,000
  - D £10,500
- If a saver offered a 0.01% per annum interest rate by a financial institution, how much will their £100,000 savings be worth at the end of the year?
  - A £99,900
  - B £99,910
  - C £100,010
  - D £100,100
- Which of the following statements is **true**?
  - A A higher interest rate is paid on savings than is charged on borrowings
  - B A lower interest rate is paid on savings than is charged on borrowings
  - C Interest rates on borrowings and savings are always equal
  - D None of these statements is true
- Which one of the following statements is **untrue**?
  - A A high interest rate means money is cheap to borrow
  - B High interest rates usually encourage consumers to save their disposable income
  - C A low interest rate means cheap money
  - D Low interest rates discourage consumer savings
- All things being equal, which of the following statements is **most true**?
  - A Bank loan and bank overdraft are both means of long term borrowing
  - B In borrower power, a bank loan is much cheaper than a bank overdraft
  - C For a borrower, a bank overdraft is usually much cheaper than a bank loan
  - D The borrower dictates the rates for both loan and overdraft
- Which of the following is **not** an acceptable level of unemployment?
  - A When employment is 10%
  - B When employment is 5%
  - C Mass unemployment
  - D Full employment
- With regard to employment on the business cycle, which of the following statements is **most true**?
  - A Bad, as demand is low
  - B Bad, as income is low
  - C Good, as demand is high
  - D Good, as income is high
- Which of the following is **not** a need or want for by the consumer?
  - A Consumer goods
  - B Effective demand
  - C Effective supply
  - D Consumer services
- If a person has a gross income of £35,000, pays £7,000 in tax and other statutory charges, how much would be the maximum disposable personal income?
  - A £35,000
  - B £28,000
  - C £18,000
  - D £9,000
- How might an individual business with bank overdrafts be affected by a rise in interest rates?
  - A Make bank overdrafts more attractive
  - B Make bank overdrafts less attractive
  - C It will have no effect
  - D It will have a positive effect on overdrafts
- What impact will a rise in interest rates have on a business with a bank loan or overdraft?
  - A Positive impact on them both
  - B Negative impact on them both
  - C Negative impact on the bank loan
  - D Negative impact on the bank overdraft

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13. What impact on the commercial bank system might regular **periodic fluctuations** in interest rates have over time?

- A Create certainty
- B Create uncertainty
- C Increase its employment of IT systems
- D No impact at all

14. What might be the **most likely** impact on consumer spending of the fear of a sudden sharp rise in interest rates?

- A Increase consumer spending on luxury goods only
- B Increase overall consumer spending
- C Reduce overall consumer spending
- D It will have no impact on consumer spending

15. What impact on business investment might **fluctuating** interest rates have?

- A Makes it more certain
- B Makes it more uncertain
- C Stabilise investment
- D None

16. What is a business likely to do if interest rates are high?

- A Borrow more
- B Save more
- C Save more
- D None of the above

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### 3.2.4 – Globalisation

- Which of the following is used to communicate the fact that the world is becoming more and more interconnected and integrated in commercial and cultural terms?  
 A Blue planet  
 B Blue marble  
 C Multigenerational  
 D Globalisation
- Which of the following is **most correct** with regard to advantages of globalisation to UK businesses?  
 A The world is now their market  
 B UK businesses can set up new offices practically anywhere in the world  
 C They take advantage of cheap labour in other UK regions  
 D All of the above are advantages
- Dumping is the name of the process whereby a foreign business sells its excess production cheaply on the world market. What might this do to the demand of similar products produced and exported by the UK?  
 A Reduce it  
 B Increase it  
 C Have no impact on it  
 D All of the above
- What might be considered a serious and uncontrollable drawback of globalisation to UK businesses?  
 A Securing favourable trade deals  
 B Potential market growth  
 C Dumping  
 D Language barriers
- Which of the following options may **not help** a UK business compete internationally?  
 A Get a competitive edge over foreign rivals  
 B Implement a less competitive pricing policy  
 C Produce more durable products  
 D Have better-designed products
- 'This is the value of the pound to another country. It is the value of the pound in terms of another currency.' What is this?  
 A Inflation  
 B Current account  
 C Bank of England  
 D International trade
- What does the term 'sterling' refer to?  
 A British currency  
 B British goods  
 C British services  
 D British exports
- Which of the following is not a way in which goods and services are traded between businesses from different countries?  
 A Barter  
 B Trade  
 C Export  
 D Import
- Examples of world financial services technologies, and products being traded internationally include:  
 A Finance  
 B Politics  
 C Export  
 D Import
- What is the most common way of expressing the value of the pound sterling?  
 A Cause and effect  
 B Cause and effect  
 C Cause and effect  
 D It will be

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### 3.2.5 – Legislation

1. What law specifically refers to the legal relationships and obligations that arise between employers and employees?  
 A Contract law  
 B Employment law  
 C Consumer law  
 D Health and safety law
2. When was the National Minimum Wage first introduced?  
 A 1<sup>st</sup> April 2016  
 B 1<sup>st</sup> January 2016  
 C 1<sup>st</sup> April 1999  
 D 1<sup>st</sup> January 1999
3. To which grouping does the National Living Wage apply?  
 A Female workers 25 years old  
 B Any male workers 25 years old  
 C Workers of 25 years of age and over  
 D Workers under 25 years of age
4. Which Act of Parliament gives legal protection against all forms of discrimination?  
 A Equality Act 2010  
 B Companies Act 2001  
 C Trade Descriptions Act 1968  
 D Consumer Protection Act 1987
5. What can be considered a **positive** impact of employment legislation on a business?  
 A Training and implementation costs  
 B Time involved in keeping up to date with current legislation  
 C Time and cost involved in ensuring compliance with current laws  
 D Full compliance with employment law avoids prosecution and financial penalties
6. Which parliamen purpose of sec welfare of any cause to be in  
 A Factoris  
 B Health  
 C Consum  
 D Equalit
7. What should the working environ  
 A Recruit  
 B Recruit  
 C Alienat  
 D Ensure
8. Who has the leg provisions of the  
 A Employ  
 B Custom  
 C Trading  
 D Revenu
9. What is the pri Protection Act  
 A Protect  
 B Protect goods  
 C Protect discrim  
 D Protect inflatio
10. Which one of the appropriate an implementing a law impact a b  
 A Costly  
 B Time-co  
 C Stressfu  
 D All of th

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### 3.2.6 – Competitive environment

1. What is the **most** appropriate missing word in the following definition of a market?  
'Any place where buyers and sellers meet to undertake (\*\*\*\*\*) transactions.'  
 A commercial  
 B contract  
 C physical  
 D electronic
2. What is the name given to the specific customer grouping identified as the **most likely** potential buyers of a business's product or service?  
 A Mass market  
 B Niche market  
 C Target market  
 D Global market
3. What is likely to take place when two or more providers of goods or services compete for the same customers?  
 A Competition  
 B Partnership formation  
 C Company formation  
 D Monopoly
4. Which one of the following statements is **most correct**?  
 A Competition always impacts negatively on a business  
 B Competition always impacts positively on a business  
 C Competition never has an impact on a business  
 D Competition always has an impact on a business
5. When does a true monopoly exist?  
 A When a business has very little competition  
 B When a business has absolutely no competition  
 C When a business has some competition  
 D When a business has extensive competition
6. Which of the following is a characteristic of a state monopoly?  
 A They are privately owned  
 B They are government owned  
 C They are publicly owned  
 D They are state owned
7. Which of the following is a characteristic of a business that a business owner might expect as an outcome of which?  
 A Business failure  
 B Business growth  
 C Business stability  
 D Business success
8. Which one of the following is a characteristic of a business that a business owner might expect as an outcome of which?  
 A Undertaking a business process  
 B Undertaking a business activity  
 C Undertaking a business operation  
 D Take over a business
9. Which one of the following is a characteristic of a business that a business owner might expect as an outcome of which?  
 A Business failure  
 B Business growth  
 C Business stability  
 D Business success
10. Why do entrepreneurs start a business?  
 A Only to make a profit  
 B Only to create jobs  
 C They want to be their own boss  
 D They want to be successful

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## 3.3 – Business operation

### 3.3.1 – Production processes

- The tangible physical production of goods involves three processes. The input of raw materials process and the finished goods output process are two of the processes. What is the third?  
 A Transportation process  
 B Transformation process  
 C Servicing process  
 D Sanctioning process
- What is the name given to the measurement of the extent to which an individual production unit contributes to total production output?  
 A Efficiency  
 B Productivity  
 C Effectivity  
 D Production
- Which of the following is the **most** appropriate answer to the question 'Which of these is a "lean production" technique?'  
 A Cell production  
 B Just-in-time stock procurement  
 C The philosophy of Kaizen  
 D All of the above are lean production techniques
- The building of a luxury yacht would be classed as what kind of production?  
 A Job production  
 B Just-in-time production  
 C Flow production  
 D Lean production
- Which of the following is another name for mass, or assembly line, production of identical standardised items?  
 A Job production  
 B Flow production  
 C Just-in-time production  
 D Lean production
- Which production process is associated with a very high cost of production?  
 A Job production  
 B Cell production  
 C Mass production  
 D Lean production
- What is the primary advantage of using a conveyor assembly line?  
 A Economical  
 B Lower cost  
 C Reduced waste  
 D All of the above
- Which of the following is **not** typically produced using mass production?  
 A Average size shoes  
 B Personalised items  
 C Bespoke items  
 D Bronze statues
- Which one of the following business philosophies does **not** eliminate all types of waste in manufacturing?  
 A Mass production  
 B Job production  
 C Lean production  
 D Just-in-time
- In order to be classed as mass production, the following is **not** a necessary degree of interdependence of tasks involved in the production process.  
 A Job production  
 B Just-in-time  
 C Just-in-stock  
 D None of the above

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### 3.3.2 – The role of procurement

- What is stock procurement?
  - A The process of a business buying stock
  - B The process of a business selling stock
  - C The process of a business controlling stock
  - D None of the above
- What is the prime purpose of stock management?
  - A To ensure that a business always has maximum stock
  - B To ensure that a business always has minimum stock
  - C To ensure that a business always has sufficient stock to fulfil customer orders
  - D To ensure that a business always makes a profit
- What does just-in-time (JIT) stock management try to ensure?
  - A Overstocking takes place
  - B No stock is unnecessarily stored
  - C Stock is procured at the lowest price
  - D Only high-quality stock is procured
- Just-in-time is a system of stock management. Which of the following is an **alternative** to this system?
  - A Buffer stocking
  - B Traditional just-in-case stock control
  - C Stock procurement
  - D Continuous stocktaking
- What is buffer stock regarded as?
  - A Always unnecessary
  - B Maximum stock level
  - C Minimum stock level
  - D Safety net stock
- When using the traditional just-in-case stock control system, what level of stock is it advised **not to exceed**?
  - A Average stock level
  - B Buffer stock level
  - C Maximum stockholding ceiling
  - D Minimum stockholding floor
- What must a supplier of goods provide to ensure?
  - A Competitive pricing
  - B Consistent product quality
  - C Excellent service
  - D All of the above
- How might the relationship between business suppliers and their pricing policy **best** be described?
  - A Incalculable
  - B Irrelevant
  - C A fine balancing act
  - D Non-existent
- Which one of the following is **not** a benefit of just-in-time stock management?
  - A Productivity
  - B Market research
  - C Demand forecasting
  - D Supply chain
- In the business context, **inbound logistics** refers to the flow of raw materials and components into a business. Which of the following is **not** a part of inbound logistics?
  - A Logistics
  - B Procurement
  - C Management
  - D Transport
- A business might choose to implement a just-in-time procurement system to reduce costs. However, there are some disadvantages to this cost saving strategy. Which of the following is **not** a disadvantage?
  - A Discontinued products
  - B Less frequent deliveries
  - C More frequent stockouts
  - D None of the above
- Which one of the following is **not** a benefit of just-in-time stock management?
  - A Purchasing
  - B Marketing
  - C Management
  - D Technology
- Benefits and risks of just-in-time stock management systems of stock management. Which one of the following is **not** a benefit of just-in-time stock management?
  - A The distance between the supplier and the customer
  - B Quality of the product
  - C Quantity of the product
  - D None of the above
- When choosing a supplier, a business should consider the following. Which of the following is **not** a consideration?
  - A Quality of the product
  - B Business reputation
  - C Reliability of the supplier
  - D All of the above

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### 3.3.3 – The concept of quality

- Which of the following must **always** be consistently high for consumers?  
 A Price of product or service  
 B Quantity of product or service  
 C Quality of product or service  
 D None of the above
- Which **one** of the following is the international accreditation standard for quality assurance?  
 A ISO 9000  
 B IOS 9000  
 C ISO 9100  
 D ISO 9200
- Which one of these is **not** universally 'true' about business?  
 A Business profit  
 B Business loss  
 C Effective customer demand  
 D Customer expectation
- In the effort to maintain the quality of a product, which one of the following statements is **most true**?  
 A Benchmarking can be used  
 B Statistical process control can be used  
 C A zero defects policy could be implemented  
 D All of the above would assist in maintaining quality
- Which of the following is a **drawback** to quality checking by way of sampling a small batch of the total final production output?  
 A If the small batch sample fails the quality check, the whole sample batch fails  
 B If the small batch sample fails the quality check, the whole production batch fails  
 C It will prevent defective product units moving through the production process  
 D Defective products cannot be detected using this process
- Which one of the following statements about 'sample batch checking by stage inspections' is **true**?  
 A It builds quality into the production process  
 B It ensures defect-free products  
 C It speeds up the production process  
 D It inspects quality into a product
- 'Its ultimate aim is to achieve zero defects in the production process and reduce all types of business waste.' What is this referring to?  
 A Flow production  
 B Quality assurance  
 C Total quality management  
 D Inventory control
- What is the name of the process that involves a business systematically and continuously assessing its methods and performance in all matters against those of similar competitors?  
 A Quality circle  
 B Quality chain  
 C Statistical process control  
 D Benchmarking
- Which of the following is **not** a statistical process control technique?  
 A Stock control  
 B Total quality management  
 C Cash flow  
 D Employee involvement
- 'This involves the training of all employees who may be involved in the production process relating to maintenance and safety issues in the production process. Which of the following is this statement referring to?  
 A Quality circle  
 B Quality chain  
 C Worker involvement  
 D Customer involvement
- Which of the following is **not** a 'lean' production chain's attempt to reduce waste?  
 A Physical security  
 B Cybersecurity  
 C Zero defects  
 D None of the above
- What should have been done to reduce production defects?  
 A Enhance inspection  
 B Enhance inventory  
 C Discourage production  
 D Help build quality
- There are downsides to quality. Given the following statements is the **most true**?  
 A Financial cost  
 B Time taken  
 C Disruption  
 D All of the above
- What external indicator is used to measure the quality of a product? It provides?  
 A Volume of sales  
 B Motivation  
 C Reduction in waste  
 D Reduction in cost
- Which one of the following is **not** a franchisee's concern regarding how a franchisor should guarantee the quality of products? The franchisor decides to grow by:  
 A By taking on more franchisees  
 B It cannot guarantee the quality of products  
 C By writing more franchise agreements  
 D It can insist on quality of the business

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### 3.3.4 – Good customer services

1. What process involves a system of logical incremental steps a salesperson should go through in order to effect an actual sale?  
 A Marketing process  
 B Retention process  
 C Recruitment process  
 D Sales process
2. Which of the following does the sales process require in order to be really effective?  
 A Positive attitude from the seller  
 B Negative attitude from the seller  
 C Ambivalent attitude by the buyer  
 D Lack of product knowledge on the seller
3. Which of the following would be an indicator that a business provides good customer service?  
 A Quality assurance accreditation  
 B Environmental awareness policy  
 C Provision of an aftersales service  
 D Competitive pricing policy
4. Which of the following could **most** be considered as a sign that a business is **not providing** good customer service?  
 A Falling profits  
 B Inability to retain customers  
 C Falling costs  
 D Seldom-used customer complaints department
5. Which of the following anecdotes is **most likely** to apply to all customers?  
 A They will vote with their pennies  
 B They will not vote with their feet  
 C They are never right  
 D They will always be loyal
6. What might a business that does **not** provide an adequate-to-good customer service experience be likely to suffer?  
 A An increase in the number of customer complaints  
 B A decrease in customer footfall  
 C A tarnished image and reputation  
 D All of the above
7. In what way might a business enhance its reputation?  
 A By showing a commitment to managing its staff  
 B By showing a commitment to its customers  
 C By showing a commitment to its suppliers  
 D By showing a commitment to its shareholders
8. Which one of the following is a cost-effective way for a business to establish good customer service?  
 A 'Poaching' competitors' trained staff  
 B Ensuring staff are well trained and paid  
 C Shop-floor staff are not allowed to offer off-the-shelf solutions  
 D Senior staff are not allowed to offer extensive solutions
9. Which of the following is the **most** extent of the price a business is **true** to its customers?  
 A They do not review their prices  
 B They do not review their prices  
 C They do not review their prices  
 D They do not review their prices
10. How might rapid technological change affect how a business operates?  
 A Make the business obsolete  
 B Make the business more efficient  
 C Make the business more customer-focused  
 D They will not review their prices

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## 3.4 – Human resources

### 3.4.1 – Organisational structures

- Why must any business have the ability to be able to quickly change its organisational structure?
  - A To impress investors
  - B To adhere to its stakeholders' demands
  - C To respond to changes in the dynamic business environment
  - D To meet legal requirements
- What use could a business have for a formal, factual written documented organisational structure?
  - A As a business plan
  - B As a budgeting device
  - C As a reference for employees to see where they fit within the business structure
  - D As a means to obtain finance for expansion
- What type of organisational chart would large and medium-sized organisations usually have?
  - A Tall pyramid-like organisational chart
  - B Flat-structured chart
  - C Circular chart
  - D Flip chart
- In a tall organisational structure, which one of the following statements is **true**?
  - A Information can be passed downwards but directives are always passed upwards
  - B Information can be passed upwards but directives are always passed downwards
  - C Both information and directives are only passed downwards
  - D Both information and directives are only passed upwards
- What type of organisational structure has a short chain of command and a wide span of control?
  - A Circular structure
  - B Pyramid structure
  - C Tall organisational structure
  - D Flat organisational structure
- Which of the following is **most likely** to be a disadvantage of flat organisational structures?
  - A Encouraging employee initiative
  - B Stifling employee initiative
  - C Too many management layers
  - D Too much decision-making
- What method of communication is a senior manager in a tall-structured organisation **most likely** to use in order to effectively relay important decisions throughout the organisation?
  - A Formal written
  - B Informal verbal
  - C Grapevine
  - D Telephone
- How are power and authority passed down the various layers of a tall organisation?
  - A By email
  - B By the post
  - C Through the grapevine
  - D Through the telephone
- What refers to the relationship between authority and responsibility?
  - A Chain of command
  - B Span of control
  - C Employee initiative
  - D Production
- Which of the following is **not** a feature of a flat structured organisation?
  - A Management by objectives
  - B Employee initiative
  - C Chain of command
  - D Span of control
- Which one of the following is **not** a reason for an employee to have a job in a large-scale organisation?
  - A Insecurity
  - B A job-share
  - C An ambiguous role
  - D A clear career path
- What should the strategy of a large-scale organisation be primarily based on?
  - A Strategic decisions
  - B Tactical decisions
  - C Day-to-day decisions
  - D Departmental decisions
- Removing layers of an organisation's structure is known as:
  - A Redundancy
  - B De-escalation
  - C Delayering
  - D Employee initiative
- Which one of the following is **not** a feature of a flat organisation?
  - A Authority and responsibility are shared
  - B Authority and responsibility are shared but responsibility is not shared
  - C Responsibility is shared
  - D Authority and responsibility are shared
- Which of the following is **not** a feature of a flat organisation to have a decent structure?
  - A The police
  - B A military
  - C KFC franchise
  - D The Royal Navy

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### 3.4.2 – Recruitment and selection of employees

1. Staff recruitment and selection are two important processes in a business's life cycle, but what is the third important process directly associated with them?  
 A Staff retention process  
 B Staff training process  
 C Job application process  
 D Job definition process
2. What should a business send to an **unsuccessful** job applicant?  
 A Interview feedback  
 B P60  
 C P45  
 D Letter of regret
3. Which is the **strongest** reason for a business to employ locally?  
 A To be a benefit of the local community  
 B To improve its image  
 C To assist in tactically and strategically planning its future  
 D It is a legal requirement
4. Which of the following is a possible **benefit** to a business of using internal promotion to fill a new higher-level management position?  
 A It gets 'new blood' into the business  
 B The work ethos and commitment of the applicant will already be known  
 C The newly promoted employee does not have to be trained  
 D It does not cause resentment and jealousy between employees
5. Which one of these is a **drawback** to using external recruitment to fill a job vacancy?  
 A It is time-consuming and costly  
 B It encourages employee motivation  
 C A higher calibre of job applicant is assured  
 D It facilitates a speedy recruitment process
6. 'This involves the systematic collection of all data and information available about every aspect of a particular job.' Which of the following is this describing?  
 A Job analysis  
 B Job description  
 C Job specification  
 D Curriculum vitae
7. Which of the following documents focuses on a **specific job**, highlighting and detailing its main duties and responsibilities?  
 A Person specification  
 B Person analysis  
 C Job description  
 D Job design
8. What does a person's **person specification** for a job should include?  
 A The traits and skills a person applying for the job should have  
 B The academic qualifications a person applying for the job must have  
 C The good reasons for a person applying for the job  
 D All of the above
9. With regard to job applications, what do the letters CV stand for?  
 A Career vitae  
 B Curriculum vitae  
 C Curriculum vitae  
 D Constant vitae
10. Over how many hours should a business expect an employee to work in order to be profitable?  
 A 35 hours  
 B 30 hours  
 C 25 hours  
 D 20 hours
11. Which of the following is a **drawback** to using part-time employees?  
 A They usually require a long recruitment process  
 B They are often less committed  
 C They work fewer hours  
 D They are often less productive
12. What type of contract is used for employees who are required to work on a week-to-week basis?  
 A Fixed-rate contract  
 B Top-rate contract  
 C Zero-hour contract  
 D Flat-rate contract
13. Which of the following is a **drawback** to using zero-hour contracts?  
 A It gets a business a higher calibre of employee  
 B It employs people who are needed only occasionally  
 C It gets to the bottom of the recruitment process  
 D It can lead to a low standard of living wages
14. What does job-sharing involve?  
 A Flexible working hours  
 B Inflexible working hours  
 C Zero-hour contracts  
 D Full-time contracts
15. Which of the following is a **drawback** to using part-time employees?  
 A Highly committed  
 B Dissatisfied  
 C Higher productivity  
 D Lower productivity

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### 3.4.3 – Motivating employees

1. What is the name given to the **positive** force that energises and drives an individual to behave in a certain way?  
 A Demotivation  
 B Motivation  
 C Money  
 D Performance-related pay
2. Which of the following would be a **benefit** to a business of having a motivated workforce?  
 A Improved staff retention rate  
 B Guaranteed good industrial relations  
 C Guaranteed profit  
 D High staff turnover
3. What is probably the **most** effective motivator for the majority of employees in a business?  
 A Job security  
 B Bonuses  
 C Money  
 D Praise
4. Which of the following refers to paying an employee according to the number of units they produce?  
 A Salary  
 B Commission  
 C Time rate  
 D Piece rate
5. Which of the following **best** describes time-rate payment?  
 A The more hours an employee works the more they are paid  
 B The less hours an employee works the more they are paid  
 C The more hours an employee works the less they are paid  
 D Hours worked and pay rate have no connection
6. Which of the following is a system by which employees are paid an additional amount calculated as a small percentage of the profits the business makes over the year?  
 A Bonus  
 B Profit sharing  
 C Commission  
 D Piece rate
7. Which of these systems is an additional, one-off, special payment to an employee?  
 A Salary  
 B Time rate  
 C Bonus  
 D Commission
8. Which of the following is a fringe benefit to an employee?  
 A Salary  
 B Free health insurance  
 C Wage  
 D Bonus
9. Which of the following is a difficulty when dealing with a **subjective** performance appraisal system?  
 A Basic salaries  
 B Payment of wages  
 C Bonus payments  
 D Performance-related pay
10. What is the **usual** relationship between salaries and wages?  
 A Salaries are higher than wages and are paid to employees in the private sector whereas wages are paid to employees in the public sector.  
 B Salaries are paid to employees in the public sector whereas wages are paid to employees in the private sector.  
 C Salaries are paid to employees in the private sector whereas wages are paid to employees in the public sector.  
 D Wages are paid to employees in the private sector whereas salaries are paid to employees in the public sector.
11. Which of the following is a financial motivation?  
 A Job training  
 B Fringe benefits  
 C Commission  
 D Promotion
12. Which management style motivates employees by involving them in the decision-making process?  
 A Autocratic  
 B Democratic  
 C Laissez-faire  
 D None of the above
13. With regard to the management process, which one of the following is a function?  
 A Planning  
 B Organising  
 C Coordinating  
 D They are all functions
14. Which management style encourages employee creativity and sense of responsibility in an organisation?  
 A Autocratic  
 B Democratic  
 C Laissez-faire  
 D All of the above
15. Which of the following is a financial motivation?  
 A Employee training  
 B Employee promotion  
 C Employee fringe benefits  
 D Employee job security

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### 3.4.4 – Training

1. What can the ability of a business to quickly respond to unexpected changes in customer demand be a result of?  
 A Good employee training  
 B Goodwill of customers  
 C The state of the market  
 D The level of competition
2. If employees feel that they must, rather than want to, undertake these, then this is a real drawback to a business. What is this referring to?  
 A Employee training schemes  
 B Employee perks  
 C Employee holidays  
 D Employee entitlements
3. What type of training is specifically aimed at all new employees?  
 A Formal training  
 B Off-the-job training  
 C On-the-job training  
 D Induction training
4. Which one of the following is another name for on-the-job training?  
 A Induction training  
 B In-house training  
 C Casual training  
 D Outsourced training
5. Which of the following jobs would **not** easily lend itself to on-the-job training?  
 A Bricklayer  
 B Neurosurgeon  
 C Mechanic  
 D Electrician
6. What type of employee training is considered to be the **least** expensive for the business itself?  
 A Formal training  
 B Induction training  
 C On-the-job training  
 D Off-the-job training
7. Which of these would most likely lend itself to the new working practices?  
 A In-house training  
 B Induction training  
 C Off-the-job training  
 D None of these would bring results
8. What is off-the-job training?  
 A Inexpensive training  
 B Induction training  
 C Formal training  
 D Informal training
9. What type of training has the **advantage** of being able to be undertaken by employees without the need for specialist instructors?  
 A Informal training  
 B Induction training  
 C In-house training  
 D Outsourced training
10. When undertaking training, what does an employee do immediately to put what they have learned into practice? What training method is this?  
 A Practical training  
 B Apprenticeship  
 C On-the-job training  
 D Off-the-job training
11. Which of the following is a disadvantage of running an induction programme for new employees?  
 A It is a time-consuming process  
 B It can detract from the productivity of the new employees  
 C It can result in new employees feeling poorly prepared for their new roles  
 D It can result in new employees feeling less loyal to rival companies  
 E All of the above

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## 3.5 – Marketing

### 3.5.1 – Identifying and understanding customers

1. Which of these processes aims to effectively identify customer needs and wants?
- A Marketing process
  - B Production process
  - C Sales process
  - D Financing process
2. Which one of these would **not** be classified as a consumer need?
- A Adequate food
  - B Adequate clothing
  - C Adequate shelter
  - D Penthouse apartment
3. Which of the following statements is **true**?
- A There is no such thing as a high-level consumer want
  - B There is no such thing as a basic consumer need
  - C Consumer wants are very limited in scope
  - D Consumer wants are unlimited in scope
4. What is the primary purpose of marketing?
- A To sell to everyone
  - B To sell to anyone
  - C To sell to the general public
  - D To sell to other businesses
5. Why must a business identify customer needs?
- A To identify the market
  - B To identify the target market
  - C So it can develop a marketing strategy
  - D So it can develop a marketing mix

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### 3.5.2 – Segmentation

- Which of these is a process used by a business to identify and target potential customers in a mass market on a basis appropriate to the product or service it hopes to sell?  
 A Mass-marketing  
 B Market segmentation  
 C Marketing mix  
 D Market expansion
- What should a market segment **initially** be capable of sustaining?  
 A Adequate revenue income for the business  
 B High level of profit for the business  
 C Absence of competition  
 D Competitors
- What should a business hope its initial market segment to do in the future?  
 A Attract more competitors  
 B Remain constant  
 C Expand  
 D Shrink
- What type of market segmentation involves splitting a mass market into different groups based on the demographic of sex (that is, being male or female)?  
 A Income segmentation  
 B Location segmentation  
 C Age segmentation  
 D Gender segmentation
- The market for which of the following is **most likely** to be segmented by gender?  
 A Clothing  
 B Food  
 C Housing  
 D Soft drinks
- This segmentation identifies a business's customer's needs. Which one of the following is most likely to be used to segment a market?  
 A Income segmentation  
 B Age segmentation  
 C Geographic segmentation  
 D Gender segmentation
- If a business geographically segments a market, what type of advertising is most likely to be performing?  
 A Age segmentation  
 B Income segmentation  
 C Location segmentation  
 D Gender segmentation
- What type of market segmentation is most likely to be used to target customers in a supermarket?  
 A Location segmentation  
 B Age segmentation  
 C Gender segmentation  
 D Income segmentation
- Which of the following is a benefit of market segmentation?  
 A It can help a business to identify its target market.  
 B It can help a business to plan its advertising more effectively.  
 C The business's sales are likely to be much better.  
 D All of the above.
- Which statement is **not** a benefit of market segmentation?  
 A It is a time saving exercise for a business.  
 B It ensures a business's advertising is more effective.  
 C It makes a business's advertising more cost-effective.  
 D None of the above.

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### 3.5.3 – The purpose and methods of market research

- Which of the following is the costly and time-consuming systematic collection and analysis of data collected from the general public?  
 A Market segment  
 B Marketing mix  
 C Market research  
 D Market segmentation
- In what way might effective market research **assist** a business over its rivals?  
 A By giving it an excessive cash income  
 B By making it more cost-effective  
 C By giving it profit superiority  
 D By giving it a competitive advantage
- Which type of market research specifically involves the systematic and structured gathering of coded statistical facts and figures from surveys?  
 A Quantitative market research  
 B Qualitative market research  
 C Quality research  
 D Analytical research
- Which type of market research would be original field research by the business itself?  
 A Secondary market research  
 B Primary market research  
 C Quantitative market research  
 D Qualitative market research
- Which one of the following is **not** a disadvantage of primary market research?  
 A It is time-consuming  
 B It is relatively expensive  
 C It can get new, updated and relevant information  
 D Its results are not always totally reliable
- When designing a questionnaire, what must a question **never be**?  
 A Wordy in length  
 B Short in length  
 C Unambiguous  
 D Ambiguous
- What primarily determines the structure and design of a market research survey?  
 A The number of questions that are to be asked  
 B The way that the survey is to be carried out  
 C The skill and reputation of the surveyor  
 D The level of reliability required from the survey
- What type of survey is conducted when having a direct observation with a small group of people?  
 A Focus group  
 B Consumer panel  
 C Mailed survey  
 D None of the above
- What is a **drawback** of direct surveys?  
 A The person conducting the survey has access to the information  
 B The person conducting the survey does not have access to the information  
 C A business can complete a direct survey in a short time  
 D All of the above
- By what is secondary market research known?  
 A Table research  
 B Desk research  
 C Book research  
 D Computer research
- Which of the following is a **disadvantage** of secondary market research?  
 A It is always up to date  
 B It is often out of date  
 C It sources information from a wide range of environments  
 D It uses highly sophisticated techniques
- Which of the following is a **disadvantage** of secondary market research that internal sources are often inaccurate and incomplete?  
 A Development of new products  
 B Development of new markets  
 C Consumer behaviour  
 D Data processing
- Which of the following is a **disadvantage** of secondary market research?  
 A General information  
 B Competitor information  
 C World wide information  
 D All of the above
- Which is the **major** disadvantage of data often presented in bar charts and tables?  
 A It is a clear presentation of data  
 B It makes it difficult to understand the data  
 C It eliminates the need for a survey  
 D It is totally dependent on computer technology

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15. What is the name of the circular visual aid that is divided into meaningful and measured individual segments and is often used to present data?
- A Scatter graph
  - B Line graph
  - C Pie chart
  - D Bar chart
16. What is the name of the digital resource, arranged in a grid of rows and columns, that allows calculations to be made and facilitates the production of graphs and charts?
- A Computerised spreadsheet
  - B Computerised word processor
  - C PowerPoint
  - D Email
17. Which one of the following best defines the term 'market share'?
- A The percentage of a niche market that a business actually gets
  - B The total number of competitors in a market
  - C The percentage of the total market that a business actually gets
  - D The total number of potential buyers in a market
18. What is the name of the ratio that compares a business's total market share to its competitor's total market share?
- A Market share
  - B Market ratio
  - C Market percentage
  - D Market share ratio
19. Which of the following is not a way of expressing a business's sales?
- A Market share
  - B Market ratio
  - C Market percentage
  - D None of the above
20. How are both market share and market ratio expressed?
- A As a fraction
  - B As a decimal
  - C As a percentage
  - D As a market share ratio
21. Which of the following is not a way of expressing market share generated from a bar chart?
- A Bar chart
  - B Scatter graph
  - C Line graph
  - D All of the above

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### 3.5.4 – The elements of the marketing mix: price, product,

- The basic marketing mix, or 4Ps, is the optimum integrated combination of four elements: price, product, promotion and which of the following?  
 A Practical  
 B Practice  
 C Profit  
 D Place
- What pricing policy requires that a business pays careful attention to what its competitors are charging for the same or similar product or service?  
 A Competitive pricing  
 B Cost-plus pricing  
 C Loss leader pricing  
 D Price skimming
- What is the name of the pricing strategy that large supermarkets often use with essential goods, such as bread, which they sell at or below cost to attract customers into their store?  
 A Price penetration  
 B Cost-plus pricing  
 C Loss leader pricing  
 D Price skimming
- Which of the following pricing policies is possibly the **simplest** to understand and the easiest to both calculate and implement?  
 A Competitive pricing  
 B Cost-plus pricing  
 C Price skimming  
 D Price penetration
- Which of the following is an **external** factor that can influence the pricing decisions a business makes?  
 A Marketing mix strategy  
 B Aims and objectives  
 C Internal cost structure  
 D Level of market competition
- As a general rule, 'as the selling price falls, the quantity of goods demanded by a buyer rises'. What **basic economic law** does this refer to?  
 A First law of demand  
 B First law of supply  
 C Law of diminishing returns  
 D None of the above
- What must a business keep doing when it operates in a dynamic environment?  
 A Increase in profit  
 B Increase in sales  
 C Develop new products  
 D Decrease in operating costs
- What is the name given to the stage in a marketing process whereby customers' attention is specifically drawn to slight variations, or differences, to what is basically the same product?  
 A Product diffusion  
 B Product differentiation  
 C Product promotion  
 D Product placement
- At what stage in the product life cycle is a product regarded as a **dog**?  
 A Introduction  
 B Growth  
 C Maturity  
 D Decline
- Updating packages for products that are in a mature market, extensive advertising and a low selling price. Of the following, which is the most likely to be used?  
 A Product differentiation  
 B Product development  
 C Product promotion  
 D Product placement
- Which of these is not a strategy for managing its product portfolio?  
 A The distribution strategy  
 B The market strategy  
 C The Boston strategy  
 D The BCG strategy
- Why **might** a business use a promotion?  
 A To satisfy customer needs  
 B To attract new customers  
 C To ensure sales volume  
 D To ensure sales profit
- Which of the following is not a different type of business uses to promote its products?  
 A Product placement  
 B Boston strategy  
 C Promotion  
 D Marketing mix
- Which one of the following is not a part of the advertising mix?  
 A Television  
 B Newspaper  
 C Special advertising  
 D Special advertising
- The use of which sales promotion technique is most likely to be used by a business?  
 A Special advertising  
 B Competitive pricing  
 C Trade promotion  
 D Point of purchase
- What element of the marketing mix is the process of ensuring that the right product is available in the right place, at the right time and in the right quantity to meet consumer demand?  
 A Place  
 B Product  
 C Price  
 D Promotion

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17. What is **long-channel** distribution also known as?
- A Indirect selling
  - B Direct selling
  - C Retailing
  - D E-commerce
18. Which one of the following statements is **true** about direct selling?
- A It is a form of long-channel distribution
  - B It is a form of short-channel distribution
  - C It cannot take place over the Internet
  - D It involves several intermediaries between seller and final buyer
19. Which one of the following is **not** essential for the successful undertaking of a commercial transaction using the Internet?
- A Electronic power supply
  - B World Wide Web
  - C Desktop PC
  - D Internet
20. Which of the following **best** indicates the interdependence of all elements of the marketing mix?
- A 4Ps
  - B Product life cycle
  - C Promotional mix
  - D Integrated marketing mix
21. Which one of the following is **not** true?
- A Products are promoted to attempt to increase a business's sales
  - B Products are never promoted in the hope of increasing profit
  - C Product promotion can be informative
  - D Product promotion can be persuasive
22. In light of the COVID-19 pandemic and developments in digital technologies, which one of the following appears to be becoming **less** significant to customers?
- A Product placement
  - B Product price
  - C Local availability of products
  - D None of the above
23. When developing a **new product**, what should a business give consideration to?
- A The product's design
  - B The image the product will project
  - C The needs of the target market
  - D All of the above
24. There are four categories in the **Boston Box**. Stars, Problem Children and Cash Cows are three of them. Which of the following is the fourth?
- A Dogs
  - B Question Marks
  - C Bears
  - D Stags
25. Which of the following defines the **Cash Cow** category of the Boston Box?
- A Low market share and low market growth
  - B High market share but low market growth
  - C High market growth and low market share
  - D None of the above
26. There are benefits of using e-commerce. Which of the following is a **problem**?
- A Loss of jobs
  - B Computer viruses
  - C Loss of privacy
  - D Computer hacking
27. What is the basic domain of 'e-commerce' and digital marketing?
- A Digital marketing in general
  - B Digital marketing of products
  - C E-commerce payments
  - D There is no domain
28. How has the growth of e-commerce best benefited the reach of the marketing mix?
- A Provides a virtual community
  - B Allows goods to be sold online
  - C Facilitates distribution and installation
  - D In all the above
29. For which of the following marketing activities is e-commerce **best** suited?
- A Supermarkets
  - B Financial services
  - C Small businesses
  - D Travel agencies
30. 'Costa Coffee' is a 'Starbucks' competitor and a 'Starbucks' 'Fight Club' are e-commerce competitors. What is the **most** likely reason for this?
- A It is considered a 'niche' activity
  - B The activity is not profitable
  - C Coffee is a 'niche' product
  - D None of the above
31. Which one of the following marketing mix elements is **not** likely to change over time?
- A It never changes
  - B It evolves
  - C The elements are interdependent
  - D The elements are interrelated
32. Why might a business use e-commerce in its marketing process, people?
- A To improve its marketing process
  - B To ignore its marketing environment
  - C To respond to its marketing environment
  - D None of the above

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## 3.6 – Finance

### 3.6.1 – Sources of finance

- Which one of the following is an **internal** source of finance for a business?  
 A Bank loan  
 B Bank overdraft  
 C Sale of business assets  
 D Mortgage
- Why might an internal source of finance be the **most likely** choice for a newly established, small-to-medium-sized business?  
 A They are likely to lack the credibility needed with lending institutions to get a loan  
 B They are likely to lack the skill needed to apply for an external loan  
 C External finance is always easily available  
 D External finance never has a cost associated with it
- Which one of the following is a long-term **external** source of finance for a profitable established business?  
 A Retained profits  
 B Hire purchase  
 C Bank leasing  
 D Extended credit terms
- If a small business gets an overdraft facility from a bank, what type of financial sourcing is it getting?  
 A Long-term internal  
 B Short-term internal  
 C Long-term external  
 D Short-term external
- Which of the following is it **most** essential for a business to have in order to be eligible to apply for an external source of finance?  
 A Status and credibility  
 B Recruitment plan  
 C Marketing plan  
 D Cash flow forecast
- What are retained profits?  
 A Profits owned by all stakeholders  
 B Short-term business profits  
 C Historic undistributed profits a business has  
 D Historic distributed profits a business has
- Selling assets can be a source of finance for a business. What is its main **drawback**?  
 A Second-hand assets always demand too high a price in the market  
 B Second-hand assets only have a specific use and so have a limited market  
 C Second-hand assets are always inferior to new ones  
 D Second-hand assets only legally offer a six-month guarantee to the buyer
- Which of the following is a source of finance for a business to raise capital?  
 A Mortgage  
 B Bank overdraft  
 C Bank loan  
 D Extended credit terms
- Why is it usually easier to arrange an overdraft than a loan?  
 A Because overdrafts are easier to get  
 B Because overdrafts are more quickly available  
 C Because overdrafts are based on profits  
 D Because overdrafts are not repaid upfront
- How does a bank usually provide finance to customers?  
 A Applying for a bank loan  
 B Charging overdrafts  
 C Charging overdrafts to the bank  
 D Charging overdrafts to the customer
- Which of the following is the **longest** to repay?  
 A Mortgage  
 B Bank loan  
 C Bank overdraft  
 D Loan from a friend
- Which of the following is a source of finance that is transferred to a business in instalment payments?  
 A Leasing  
 B Hire purchase  
 C Outright purchase  
 D Credit card
- Using which form of finance does a business **never** get ownership?  
 A Leasing  
 B Hire purchase  
 C Credit card  
 D Debit card
- Which source of finance is most suitable for a sole trader?  
 A Bank loan  
 B Extended credit terms  
 C New share issue  
 D Bank overdraft
- Which one of the following is the **best** option for a small business?  
 A Medium-term bank loan  
 B Long-term bank loan  
 C Loan from a friend  
 D Government grant

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### 3.6.2 – Cash flow

1. What is the name given to the movement of actual money in to and out from a business over a specific period of time?  
 A Cash flow  
 B Cash cow  
 C Fund flow  
 D Profit and loss
2. Which of the following statements is **untrue**?  
 A A cash flow forecast is a quantifiable financial statement  
 B A cash flow forecast is not a quantifiable financial statement  
 C A cash flow forecast is not a profit and loss statement  
 D A cash flow forecast is for a specific period of time
3. Which of the following would cause a business to experience a cash flow problem?  
 A Excessive stockholding  
 B Large unexpected payment  
 C Large debt going bad  
 D All of the above
4. What is a **likely** consequence for a business having persistent and severe cash flow problems?  
 A It will lose all debtors  
 B It will be able to pay all creditors  
 C It will eventually cease to trade  
 D It will make a trading loss
5. How might a cash flow problem resulting from **persistent** overstocking be best sorted in the long run?  
 A Changing suppliers  
 B Building a bigger warehouse  
 C Implementing a manual bar code stock requisitioning strategy  
 D Implementing a computerised just-in-time (JIT) stock requisitioning strategy
6. A cash flow problem can be caused by slow-paying debtors. How might this best be **minimised**?  
 A Offering special discount for quick payment  
 B Ignoring slow-paying debtors with no action  
 C Asking creditors for extended credit terms  
 D Writing-off the bad debts and changing customers
7. What is the procedure for a business to claw back some of its bad debts?  
 A Debt discount  
 B Debt factoring  
 C Debt forgiveness  
 D Debt recovery
8. The need to pay suppliers is a cause of a cash flow problem. How might a business deal with this?  
 A Ignore the problem  
 B Agree to pay suppliers later  
 C Get a loan from a bank  
 D Give the suppliers a discount
9. What must a business do to be profitable in the future?  
 A Periodic cash flow  
 B Sustained cash flow  
 C Periodic profit  
 D Frequent profit
10. What is the **likely** result of a business having a cash flow problem?  
 A Creation of new products  
 B The ability to pay suppliers and save on costs  
 C Making a profit and repaying a loan  
 D All of the above
11. What is the name of the flow of money that a business has, over a period of time, of money flowing out to it?  
 A Cash flow  
 B Profit  
 C Negative cash flow  
 D Positive cash flow
12. Which of the following is the best way for a small business to deal with a cash flow problem?  
 A Persisting with the problem  
 B Occasional cash flow  
 C Occasional profit  
 D Persisting with the problem

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Consider the cash flow forecast in Table 1, below, and then answer the two questions that follow.

13. Consider Table 1 – Cash Flow Forecast, and choose the proper opening balance for October 2020.

- A £33,000
- B £30,000
- C £3,000
- D £6,000

14. Consider Table 1 – cash flow forecast, and choose the proper net cash flow for October 2020.

- A £3,000
- B £6,000
- C £9,000
- D £12,000

15. Which one of the following is correct?

- A If a business cannot pay its bills, it is insolvent.
- B If a business cannot pay its bills, it is liquid.
- C There is no difference between insolvent and liquid.
- D There is no difference between insolvent and liquid.

16. Why might a business use a cash flow forecast?

- A To see how much profit a business will make in a year.
- B To see how much cash a business will have in a year.
- C To calculate the net cash flow for a year.
- D To predict the future cash flow of a business.

Table 1 – cash flow forecast

Cash flow forecast for 3 months ending December 2020			
	October £	November £	December £
Opening balance	-	-	(3,000)
Cash incomes	15,000	9,000	24,000
Total cash inflow	18,000	-	-
Cash outflows	12,000	18,000	12,000
Closing balance	-	-	-

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### 3.6.3 – Financial terms and calculations

- Which one of the following statements about a business's unit variable cost is **true**?
    - A Its value never changes within an accounting period
    - B Its value can suddenly change within an accounting period
    - C Its value cannot be calculated
    - D Its value can never be recovered
  - Consider Figure 1 – total variable cost graph, overleaf. Why does the total variable cost line start at a '0', the base line?
    - A If no units are made then no variable costs are incurred
    - B If no units are made then no fixed costs are incurred
    - C If no units are made then no total costs are incurred
    - D It is a mistake – the variable cost line should not start there
  - Which one of the following statements about fixed costs is **not** true?
    - A Fixed costs are also known as direct costs
    - B Fixed costs are also known as indirect costs
    - C Fixed costs can change in value over time
    - D Building insurance is a fixed cost
  - Consider Figure 2 – total cost graph, overleaf. Why does the total cost line start above the base line '0'?
    - A No costs are incurred if no units are produced
    - B Fixed costs must be covered before production takes place
    - C Fixed costs are incurred even if no units are produced
    - D Variable costs are incurred even if no units are produced
  - What is business turnover also known as?
    - A Cash
    - B Expenses
    - C Profit
    - D Sales revenue
  - What is the name given to the **excess** of a business's sales revenue over expenditure for a given period?
    - A Profit
    - B Profit
    - C Positive cash flow
    - D Break-even income
  - Which one of the following is the capital investment calculated by the initial investment?
    - A Average
    - B Annual
    - C Break-even
    - D Profit margin
  - A business carries out a financial appraisal on four projects (A, B, C and D), and the results are shown in the table below. Which project meets the ARR criteria?
    - A 1%
    - B 2%
    - C 3%
    - D 4%
  - This is the number of units a business must produce and sell to cover its fixed costs. What is this referring to?
    - A Total cost
    - B Break-even point
    - C Margin of safety
    - D Profit margin
  - What is the name given to the number of units a business can afford to produce before it makes a loss?
    - A Profit margin
    - B Buffer stock
    - C Margin of safety
    - D Margin of error
- Questions 11–19 are based on the break-even chart, overleaf.
- What is the name given to the point where the variable cost and total revenue lines intersect?
    - A Loss point
    - B Profit point
    - C Break-even point
    - D Margin of safety
  - Which of the following is the vertical axis for the break-even chart?
    - A Money
    - B Revenue
    - C Cost (£)
    - D Sales
  - What does the area between the total revenue and total cost lines represent?
    - A The margin of safety
    - B The margin of error
    - C An area of profit
    - D None of the above

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14. What does the area between the total revenue line and total cost line represent (4)?
- A An area of loss
  - B An area of profit
  - C Positive cash flow
  - D The volume of units produced and sold
15. Which of the following would be **included** in the calculation of this line (5)?
- A Direct materials cost
  - B Direct expenses cost
  - C Building insurance cost
  - D Direct labour cost
16. If all costs remain the same but the total revenue line becomes **steeper** (i.e. rotates inwards), what will happen to the break-even point?
- A It will be increased
  - B It will be reduced
  - C It will not change at all
  - D It will change slightly depending on the type of product
17. If the fixed cost line moves **upwards** but everything else remains the same, what does this indicate?
- A Only variable costs have increased
  - B Only fixed costs have increased
  - C Total costs have increased
  - D All costs have decreased
18. If all costs remain the same but total revenue falls, what will happen to the break-even point?
- A It will not change
  - B It can be increased or decreased
  - C It will be increased
  - D It will be decreased
19. Which of the following is a measure of the margin of safety?
- A The biggest profit
  - B The biggest loss
  - C The margin of profit
  - D The margin of loss
20. Which one of the following is a measure of the margin of safety?
- A It is the difference between the break-even point and the current level of sales
  - B It is the difference between the break-even point and the maximum level of sales
  - C It assumes that all units produced are sold
  - D It assumes that all units produced are sold

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Figure 1 – total variable cost graph

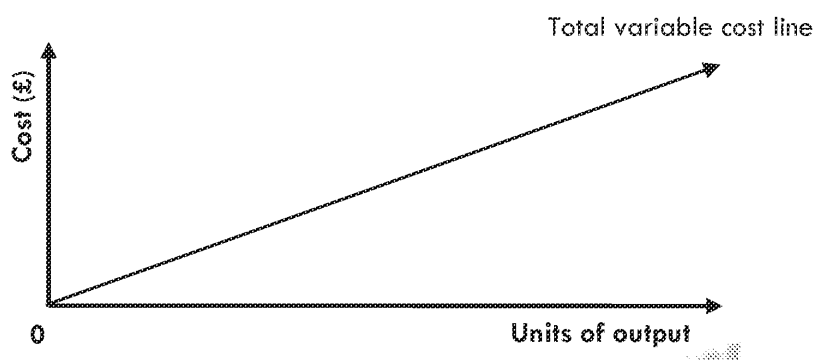


Figure 2 – total cost graph

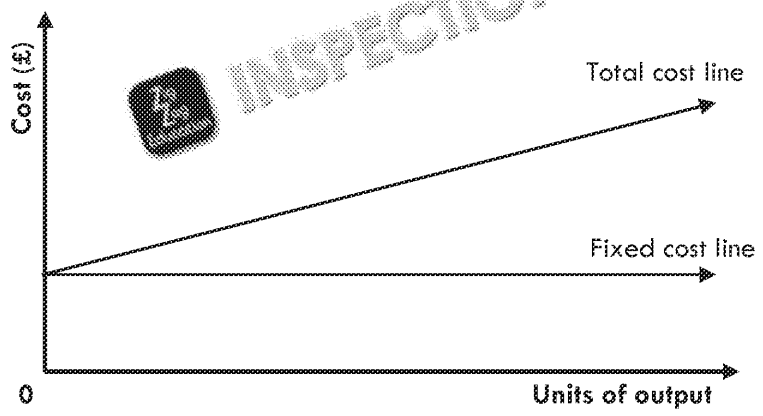
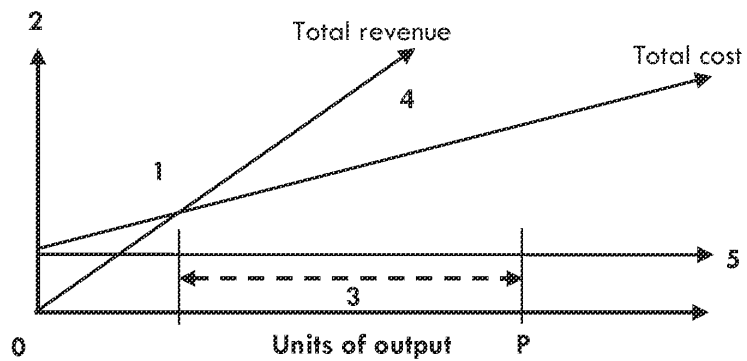


Figure 3 – break-even chart



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### 3.6.4 – Analysing the financial performance of a business

- Which one of the following **best** explains why financial statements are extremely important and useful to any business organisation?  
 A They help assess present and future financial health  
 B They help monitor financial performance  
 C They make for better-informed decision-making  
 D All of the above
- What does a business's income statement show?  
 A Income and expenses over a specific period of time  
 B Income only for a specific moment in time  
 C Cash flow for a specific period of time  
 D Assets and liabilities over a specific period of time
- What do closing inventories/stock automatically become at the end of the closing accounting period?  
 A Unsalable  
 B Unprofitable  
 C Opening inventories/stock for the next accounting period  
 D Closing inventories/stock for the next accounting period
- 'For every £100 of sales, a gross profit of £40 was made.' What is this expressing?  
 A Gross profit margin  
 B Net profit margin  
 C Total sales revenue  
 D Total gross profit
- If on £200,000 of sales a business makes a gross profit of £120,000 and a net profit of £20,000, what is its net profit margin?  
 A 66%  
 B 60%  
 C 25%  
 D 10%
- Which one of these statements about a statement of financial position, or balance sheet, is **untrue**?  
 A It does not cover a prolonged time period but is a snapshot for a specific time  
 B It does not make use of any data from an income statement  
 C It shows current assets  
 D It shows current liabilities
- Which of the following **is not** a business asset?  
 A The amount of debt a business owes  
 B Long-term debt a business owes  
 C An item a business owns outright or has control over  
 D An item a business does not own and does not have any control over
- Which one of the following is **not** an example of a non-current asset?  
 A Plant and machinery  
 B Positive bank balance  
 C Land and buildings  
 D Motor vehicles
- How are trade receivables classified?  
 A Current asset  
 B Current liability  
 C Trade payable  
 D Fixed asset
- Which one of these is **not** a commitment a business has to someone outside the business?  
 A Trade receivables  
 B Current liabilities  
 C Fixed assets  
 D Liabilities
- How are non-current assets classified?  
 A Short-term  
 B Medium-term  
 C Long-term  
 D Trade payable
- Which one of these is **not** classified as a current liability?  
 A Trade payable  
 B Mortgage  
 C Bank loan  
 D Bank overdraft
- What is the name of the amount a business has left after all liabilities are paid?  
 A Equity  
 B Entity  
 C Net assets  
 D Net profit
- In a statement of financial position, which of the following is **added** to net assets to calculate a business's net profit?  
 A Working capital  
 B Net assets  
 C Net loss  
 D Net profit
- What is it essential for a business to have for **day-to-day** operations?  
 A Adequate working capital  
 B Adequate net assets  
 C Adequate net profit  
 D Adequate net loss
- Which of the following is **not** a financially **outperforming** business?  
 A Business A with a net profit of £100,000  
 B Business B with a net profit of £80,000  
 C Business C with a net profit of £80,000  
 D Business D with a net profit of £5,000
- In what way might a business's performance be **affected** by an interest rate rise?  
 A Considerably improved  
 B Considerably reduced  
 C Considerably unaffected  
 D Any of the above

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## 3.1 – Business in the real world

### 3.1.1 – The purpose and nature of businesses

- What, in the **long run**, must a commercial business be in order to survive in its market?  
 A Profitable  
 B Expanding  
 C Exporting  
 D Employing
- Which of the following organisations would **not** have the profit motive as its primary reason for being?  
 A Commercial bank  
 B Food bank  
 C Financial institution  
 D Insurance market
- Which one of the following business activities provides the consumer with a tangible physical product?  
 A Insurance company  
 B Travel agent  
 C Commercial farm  
 D Commercial bank
- Which of the following does the intended market best indicate the distinction between?  
 A General goods and services  
 B Producer goods and consumer goods  
 C Sole trader and limited company  
 D Large and small manufacturer
- Which one of the following is **not** a business service?  
 A Banking  
 B Insurance  
 C Warehousing  
 D Building
- Which is **not** an essential consumer need?  
 A Food  
 B Clothes  
 C Shelter  
 D Mansion
- The word 'unlimited' must be applied to which of the following?  
 A Consumer wants  
 B Consumer needs  
 C Consumer expectations  
 D Entrepreneurial expectations
- Which factor of production is the one that **combines** and produces goods and services?  
 A Land  
 B Labour  
 C Capital  
 D Enterprise
- What is 'opportunity cost'?  
 A Forgone profit  
 B Opportunity cost of a purchase  
 C Cost of production  
 D Cost of sales
- Which one of the following is **not** in the **primary sector**?  
 A Banking  
 B Building  
 C Manufacturing  
 D Quarrying
- What does the **tertiary sector** of the economy do?  
 A Provides services  
 B Provides goods  
 C Converts raw materials into products  
 D Converts products into services
- Which sector of the economy is **not** in the **services sector**?  
 A Primary  
 B Secondary  
 C Tertiary  
 D Manufacturing
- What is meant by 'investment'?  
 A Being kept for a long time  
 B Investing in a business  
 C Having a long-term view  
 D Having a long-term plan for the future
- What does the **tertiary sector** provide and support?  
 A Education and training  
 B Education and training  
 C Entrepreneurial enterprise  
 D None of the above

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15. Which one of the following can be identified as a **characteristic** of an entrepreneur?
- A Risk-averse
  - B Risk-taker
  - C Laziness
  - D Disorganised
16. Which business **brand name** is the entrepreneur Sir Richard Branson specifically associated with?
- A Microsoft
  - B Virgin
  - C Amazon
  - D PayPal
17. Which characteristic is it important for an entrepreneur to have?
- A Having self-confidence
  - B Being hard-working
  - C Being innovative
  - D All of the above
18. Which one of the following should 'daydreaming' most definitely **not** be?
- A A trait of an entrepreneur
  - B An objective of a business manager
  - C A heading in a business plan
  - D A long-term business aim
19. Why might a worker be dissatisfied with their own boss?
- A Dissatisfied
  - B To follow
  - C To avoid redundancy
  - D All of the above
20. What does the term 'proactive' mean in an environment?
- A Proactive to survive
  - B Afraid of change
  - C Protective of the status quo
  - D None of the above
21. There are many reasons why people start a business. Which is **not** a reason?
- A They want to provide a service
  - B They want to be their own boss
  - C They want to make money
  - D They are bored

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### 3.1.2 – Businesses ownership

1. What determines the ownership, control and management structure between enterprises?
  - A Workers
  - B Capital structure
  - C Legal structure of a business
  - D Turnover
2. If the owners of a business are liable for all of its debts, then which one of the following statements about the business owners is **not** true?
  - A Owners are not protected by limited liability
  - B Owners are protected by limited liability
  - C Owners cannot get loans to run the business
  - D Owners cannot file for bankruptcy
3. Which of the following refers to the fact that the owners of the business are liable only for the amount **they have invested** in it?
  - A Unlimited capital
  - B Limited equity
  - C Unlimited liability
  - D Limited liability
4. Which one of these statements is **not** true?
  - A Sole trader enterprises are protected by limited liability
  - B Sole trader enterprises are not protected by limited liability
  - C Sole trader enterprises cannot issue shares to the general public
  - D Sole trader enterprises are not very large multinational corporations
5. The year 1890 saw the passing of which of these acts?
  - A Limited Partnership Act
  - B Partnership Act
  - C Companies Act
  - D Limited Liability Act
6. Which one of the following requires a minimum of two people in order to legally operate?
  - A Sole trader
  - B Sole proprietor
  - C Ordinary general partnership
  - D Private limited company
7. Which of the following can sell shares, but **not** to the general public?
  - A Sole trader
  - B Partnership
  - C Private company
  - D Public company
8. Which one of the following is not a type of shareholding?
  - A All are equal
  - B None are equal
  - C Only directors can hold shares by limited liability
  - D Only shareholders can hold shares
9. Which of these is not a type of company?
  - A Sole trader
  - B Partnership
  - C Private company
  - D Public company
10. Which of these is not a type of company?
  - A Sole trader
  - B Partnership
  - C Private company
  - D Public company
11. In the UK, **medium** enterprises usually which type of business structure?
  - A Sole trader
  - B Partnership
  - C Private company
  - D Public company
12. Which of the following is not a type of limited company?
  - A It is very large
  - B It can raise a lot of capital
  - C It can have many shareholders
  - D It is not a micro-business
13. 'Profits are distributed to shareholders' To which of the following does this refer?
  - A Ordinary shares
  - B Public company
  - C Not-for-profit
  - D Sole trader
14. What is a social enterprise?
  - A Public company
  - B Private company
  - C Partnership
  - D Not-for-profit
15. What **legal form** of business is most common?
  - A Sole trader
  - B Partnership
  - C Limited liability
  - D Any of the above

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### 3.1.3 – Setting business aims and objectives

1. Which one of the following contains the overall **long-term goals** of a business?  
 A Business plan  
 B Marketing plan  
 C Financial plan  
 D Personnel plan
2. What **time period** do business objectives usually cover?  
 A 1–5 years  
 B 6–10 years  
 C 11–15 years  
 C Over 15 years
3. SMART is a business acronym often associated with business objectives. Which does the letter S in this acronym stand for?  
 A Standard  
 B Specific  
 C Successful  
 D Any of the above
4. Business philosophy differs between businesses. What does this result in?  
 A Lack of competition between businesses  
 B Businesses having similar aims  
 C Business objectives differing between businesses  
 D Businesses having the same objectives
5. What approximate length of time would the goal of **market domination** be for a business?  
 A Short- to medium-term objective  
 B Long-term aim  
 C Unachievable  
 D Inevitable
6. Survival should be the most likely and sensible objective for which of the following?  
 A A business with either very little or no competition  
 B A business dominating a market  
 C A newly started business  
 D An existing and well-established business
7. How might a business **encourage** and **motivate** all its employees?  
 A Apply only financial motivators  
 B Apply only non-financial motivators  
 C Set strong unambiguous rules  
 D Set aims and objectives
8. What is a dynamic business environment most likely to ensure?  
 A No change in initial business objectives  
 B A change in initial business objectives  
 C More competitors in the market  
 D Fewer competitors in the market
9. In what way can a business ensure it is meeting its objectives?  
 A Financially  
 B Marketing  
 C Productively  
 D All of the above
10. Which of the following is most likely to motivate everyone in a business?  
 A Offering financial incentives for achieving objectives  
 B Offering non-financial incentives for achieving objectives  
 C Setting a challenging objective  
 D Not having any objectives for the business
11. What should a manager do to encourage a business to succeed?  
 A To encourage competition  
 B To encourage the business to be profitable  
 C To encourage the business to be successful  
 D To encourage the business to be innovative
12. With reference to business objectives, which of the following is **most likely** to be achieved?  
 A Objectives set for the long term  
 B Employee objectives  
 C Managerial objectives  
 D All of the above
13. Serving the needs of the community is **most likely** to be an objective of which of the following?  
 A Multinational corporation  
 B Any type of business  
 C Social enterprise  
 D All of the above
14. Which one of the following is **most likely** to be a start-up business?  
 A Its prime objective is to be profitable  
 B It may not have a clear market demand  
 C Its prime objective is to be successful  
 D It has no objectives
15. Which one of the following is **most likely** to be an objective of a successful and growing business?  
 A International expansion  
 B Become the market leader  
 C Be regarded as a market leader  
 D All of the above

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### 3.1.4 – Stakeholders

- Which of the following best defines a business stakeholder?
  - Only those people who own shares in the business
  - Anyone who has a financial, a social or an environmental interest in the business
  - Only official government agencies are business stakeholders
  - Everyone in the country is a stakeholder in the business
- Which of the following is **most true** about business profit?
  - It is the likely prime objective of a business owner
  - It is essential for the very short term, for a business to survive
  - It should not be made during a business's first year of trading
  - It can only be achieved by cost-cutting
- Having a highly motivated, loyal and enthusiastic team of workers is likely to be the prime objective of which of a business's stakeholder groupings?
  - The local community
  - Customers
  - Suppliers
  - Departmental managers
- Which one of a business's stakeholders is most likely to have the objective of maintaining **job security**?
  - Environmental grouping
  - Fair trade grouping
  - Employee grouping
  - Customer grouping
- Which of the following groups are stakeholders of a business?
  - The government
  - Creditors
  - Local community
  - All of the above
- The selling price of a service would be of interest to which one of the following stakeholder groups?
  - Employees
  - Customers
  - Creditors
  - Debtors
- A business's job security would most likely be the objective of which stakeholder group?
  - Local community
  - Creditors
  - Debtors
  - None of the above
- Enforcing payment of a debt is the responsibility of which stakeholder group?
  - Debtors
  - Customers
  - Government
  - Accountants
- Which of the following is **most true** about the impact of a business on its stakeholders?
  - Stakeholders are always positively impacted by a business
  - Stakeholders are always negatively impacted by a business
  - The impact of a business on its stakeholders is always positive
  - The impact of a business on its stakeholders is always negative
- Each group of stakeholders has a different agenda to follow. What is the most likely agenda for a stakeholder group?
  - A domestic agenda
  - It has no agenda
  - Harmony
  - Conflict

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### 3.1.5 – Business location

1. Developments in Internet provision over the past five years have had the most profound impact on which of the following?  
 A Retail sales  
 B Insurance provision  
 C Legal services  
 D Secretarial work
2. Why might a coal-fired power station be better located near to its raw material source than a manufacturer of GPS equipment?  
 A To minimise the cost of its direct labour  
 B To minimise the cost of its plant insurance  
 C To minimise its transport costs  
 D To maximise its plant safety
3. Which one of the following businesses would be most dependent on a usual footfall?  
 A Food takeaway  
 B Spoke tailor  
 C Dentist  
 D Optician
4. The general level of education in an area would probably be the most influential factor in **locating** which of the following?  
 A Butcher shop  
 B Scientific research project  
 C Retail outlet  
 D Car wash
5. Which of the following factors **most reduces** the need for a business to be physically located close to its customers?  
 A Low wage economy  
 B Cheap labour  
 C Increased use of social media platforms  
 D Good infrastructure
6. Which one of the following statements about a business choosing a 'wrong' location to operate from is **not** true?  
 A It might impact on the business's ability to attract appropriate workers  
 B It might cause business failure  
 C It will definitely have an impact on the business entity  
 D It will not impact on a business's turnover
7. Which of the following would a motorway service station be most dependent on?  
 A A well-educated workforce  
 B A telecommunications system  
 C Good integrated road, rail, sea and air transport infrastructure  
 D High-speed broadband availability
8. What does the fact that a business is located in a city rather than in a suburb indicate for one in the suburb?  
 A Higher business costs  
 B Lower business costs  
 C Lower business risk  
 D Guaranteed business success
9. Which one of the following is an interest-free type of business finance that can source?  
 A Retained profits  
 B Government grants  
 C Mortgage  
 D Bank loan
10. The place from which a business is best described as a customer-oriented business is  
 A The company's website  
 B Customer service  
 C Registered office  
 D Business location
11. Which one of the following is most likely to be located within a city centre?  
 A Stock exchange  
 B Multinational company  
 C Social enterprise  
 D Central bank
12. For what reason is a business likely to be located near other competitors?  
 A Potential for economies of scale  
 B Company security  
 C Security  
 D Cost-sharing
13. A very efficient and modern transport infrastructure is one of the following?  
 A Supermarket  
 B Call centre  
 C Garage  
 D Dental surgery
14. Plenty of storage facilities would be one of the following for which business?  
 A Reflexology  
 B Internet cafe  
 C Turf accountancy  
 D Out-of-town retail
15. If a new, inexperienced business is choosing a location for a new business, which one of the following is the most important factor?  
 A Excellent transport links  
 B Proximity to competitors  
 C Availability of labour  
 D Proximity to customers

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### 3.1.6 – Business planning

1. Ideally, when should a business start to prepare a written business plan?
  - A Before it starts to trade
  - B On its first day of trading
  - C After its first year of trading
  - D After its first year of profit
2. What does a business plan **positively** contribute to a business operation?
  - A Ensures business success
  - B Prevents business failure
  - C Provides a yardstick against which business success can be measured
  - D Guarantees the business will succeed
3. Which of the following statements about a business plan is **incorrect**?
  - A It is important to potential lenders
  - B It is valued by potential investors
  - C Cheap and easy to draw up
  - D Only judges financial performance
4. In a very fluid and dynamic market, in order to quickly beat competitors a business might **not** in practical reality be able to do what?
  - A Extensively alter their existing business plan to suit a new emerging market
  - B Draw up a totally new business plan in time for a new emerging market
  - C Ignore their business plan despite the new emerging market
  - D Slightly tweak their existing business plan to suit a new emerging market
5. What will **not** happen to the total cost of direct materials if there is an increase in business output and material usage?
  - A It will not remain the same
  - B It will remain the same
  - C It will not increase
  - D None of the above
6. Which of the following is **not** a fixed cost?
  - A Business rates
  - B Business insurance
  - C Production overheads
  - D Production wages
7. What does this formula calculate:  $\text{total cost} + \text{total fixed cost} - \text{total sales}$ ?
  - A Total cost
  - B Marginal cost
  - C Average cost
  - D None of the above
8. Which of the following is **not** a variable cost?
  - A Business rates
  - B The cost of raw materials
  - C The production overheads
  - D Business insurance which has not yet been paid
9. What is the excess of sales over expenses?
  - A Loss
  - B Profit
  - C Turnover
  - D Cost of sales
10. When expenses exceed sales, a business makes:
  - A A loss
  - B A profit
  - C It has broken even
  - D An excess

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### 3.1.7 – Expanding a business

1. What is a business **merger** an example of?  
 A Internal business growth  
 B External business growth  
 C Organic business growth  
 D Franchising
2. What is meant by the term **franchising**?  
 A One business selling another business the right to trade under its name  
 B Takeover of one business by another  
 C Merger of one business with another  
 D The external growth of a business
3. 'The franchisor will retain control over the franchisee runs the franchise. Which of the following best fits this description?  
 A Advantage to the franchiser of buying a franchise  
 B Advantage to the franchiser of selling a franchise  
 C Advantage to the franchiser of selling a franchise  
 D Advantage to the franchiser of buying a franchise
4. Which of the following is a way by which a business can achieve **organic growth**?  
 A M-commerce  
 B E-commerce  
 C Outsourcing  
 D All of the above
5. What is **inorganic** business growth also known as?  
 A Unsustainable business growth  
 B Sustainable business growth  
 C External business growth  
 D Non-environmental business growth
6. With regard to external business growth, which of the following is **not** true?  
 A It can be achieved by business merger  
 B It can be achieved by business takeover  
 C It cannot be achieved by new product development  
 D It cannot be achieved by any of the above
7. Which of the following is an example of **inorganic** growth in a business acquisition?  
 A Takeover  
 B Merger  
 C Floatation  
 D None of the above
8. Which one of the following is **not** a function of an industry in general?  
 A External economies  
 B Managerial economies  
 C Purchasing economies  
 D Technical economies
9. What is **bulk purchasing**?  
 A Technical economies  
 B Managerial economies  
 C External economies  
 D Internal economies
10. Which one of the following is a cause of **diseconomy** of scale?  
 A The ability to purchase in bulk  
 B Inadequate capacity  
 C Reduction in unit costs  
 D Increase in unit costs
11. If the average unit volume of a company produces a **cost** of production of £500, which of the following is the **total** cost of production?  
 A £500  
 B £5,000  
 C £50,000  
 D None of the above
12. If a company's average unit volume is increased, which of the following is **most** true?  
 A Raw material costs are increased  
 B Direct wages are increased  
 C Direct expenses are increased  
 D Any costs are increased

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## 3.2 – Influences on business

### 3.2.1 – Technology

1. What does the acronym ICT **not** mean when used in today's business environment?
  - A Interactive commercial trading
  - B Informal commercial technology
  - C Information communicated technically
  - D Any of the above
2. Which one of the following is a **multinational e-commerce corporation** that facilitates business transactions?
  - A eBay
  - B eBarter
  - C eMail
  - D Amazon
3. What can **digital** communication platforms guarantee their users?
  - A Absolute data security
  - B A means of communication
  - C Personal security
  - D All of the above
4. Which one of the following refers to the 'Internet of things'?
  - A Digital devices communicating with themselves, people and other devices
  - B Analogue devices communicating with themselves
  - C Non-communicating computers
  - D All digital devices
5. Which one of the following facilitates '**real-time**' communication between business stakeholders?
  - A Microsoft PowerPoint
  - B Post Office mailing service
  - C Modern digital communications technologies
  - D Analogue communications devices
6. Which one of the following does **not** facilitate online and real-time Internet communication between remote participants?
  - A Webinars
  - B Windows
  - C Video conferencing
  - D Email conferencing
7. Which of the following is **not** responsible for the success of online shops?
  - A Low business costs
  - B Introduction of new products
  - C Lack of competition
  - D Improved technology
8. In the business environment, which of the following does **not** facilitate the use of technology?
  - A Ability to recruit staff
  - B Recruitment of staff
  - C Instant, 24-hour transactions
  - D None of the above
9. Which of the following is **not** an impact of an increase in digital communication activity?
  - A An increase in business sales
  - B An increase in business costs
  - C An increase in the number of business centres
  - D The extent to which digital communication has no impact on business
10. In the business environment, which of the following is **not** usually referred to as a digital communication technology?
  - A Environmental scanning
  - B Electronic data interchange
  - C Easy commerce
  - D Any of the above

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### 3.2.2 – Ethical and environmental considerations

1. How does the **practical application** of 'business ethics' require a business to behave when dealing with others?
  - A In no particular way
  - B To get as much money from them as it can
  - C With fairness but dishonesty in some aspects of its dealings
  - D In a fair and honest way in all aspects of its dealings
2. Which of the following would be an example of a business **not** behaving in an ethical way?
  - A Adherence to environmental policies
  - B Adherence to fair trade and ethical practices
  - C Adherence to workers' rights legislation
  - D Offering a range of products
3. Which of the following might be **most likely** to result from a business trying to operate in an unethical way?
  - A Negative image creation portrayal
  - B Possible objections raised by some stakeholders
  - C An inability to retain existing customers
  - D A fall in new customer footfall
4. What might cause a **restriction** to a business's ability to source its supplies?
  - A Pursuit of a strict policy of ethical trading
  - B Not pursuing a strict ethical trading policy
  - C Product diversification
  - D Customer base
5. Which of the following should be of **environmental concern** to a business?
  - A Efficiency of ICT resources
  - B Telecommunications infrastructure
  - C Excessive growth in single-use plastics
  - D Provision of high-speed broadband
6. In terms of methods of business growth, which one of the following is the **odd one out**?
  - A Merger
  - B Trade-off
  - C Takeover
  - D Amalgamation
7. Trade-offs between **day-to-day operations** and **ethical considerations** which of the following is **not** a trade-off?
  - A More difficult to do business
  - B Less desirable working conditions
  - C Difficult to do business, the ethics, the working conditions
  - D Working conditions, the ethics, the business
8. In the business ethics context, what does **'compromise'** mean?
  - A Not giving in to people's demands
  - B Not giving in to people's demands, but getting a desirable outcome
  - C Always giving in to people's demands, but getting a desirable outcome
  - D Giving in to people's demands, but getting a desirable outcome
9. Which of the following is **not** a trade-off?
  - A Business ethics, the working conditions
  - B Always giving in to people's demands, but getting a desirable outcome
  - C Only sourcing locally, the working conditions
  - D Only sourcing locally, the business
10. Air pollution caused by a business is **not** a trade-off on the whole environment. Which of the following business activities is **not** a trade-off?
  - A Employee benefits
  - B Product quality
  - C Business ethics
  - D Building a new factory

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### 3.2.3 – The economic climate on businesses

1. In the world of finance, what does the acronym APR stand for?
  - A Actual percentage rate
  - B Average percentage rate
  - C Accounting percentage rate
  - D None of the above
2. A business arranges a one-year loan of £3,000 from a bank and is quoted an interest rate of 10% per annum. It does not use any of this money. How much **interest** will it have to pay the bank at the end of the year?
  - A £0
  - B £300
  - C £330
  - D £3,300
3. If a bank offered a 0.08% per annum interest rate by bank, how much interest will their £10,000 savings be worth at the **end of the year**?
  - A £8
  - B £80
  - C £800
  - D £864
4. Which of the following statements is **not** true?
  - A A lower interest rate is paid on savings than is charged on borrowings
  - B A higher interest rate is paid on savings than is charged on borrowings
  - C Interest rates on borrowings and savings differ
  - D A bank will charge interest on loans
5. Which one of the following statements is **true**?
  - A A high interest rate means money is cheap
  - B High interest rates usually discourage saving
  - C A low interest rate means money is expensive
  - D Low interest rates encourage saving
6. Which one of the following statements is **not** true?
  - A Bank loan is not another name for a bank overdraft
  - B Bank loan usually carries a higher rate of interest than a bank overdraft
  - C If the interest rate is lower, a bank loan is usually cheaper than a bank overdraft
  - D A borrower does not decide the interest rate charged on a bank loan or an overdraft
7. 'Full employment' is a term that describes a person in the economy who is not actually employed. Which of the following statements sometimes describes this person?
  - A When the economy is in only a recession
  - B When the economy is in full employment
  - C A situation where there are no vacancies
  - D An acceptable level of unemployment
8. Which of the following is **not** a feature of an economy in a recession?
  - A Prolonged unemployment
  - B Prolonged employment
  - C Constant unemployment
  - D Constant employment
9. Which of the following is **not** a feature of consumer demand?
  - A Consumer confidence
  - B Needs and wants
  - C Consumer expenditure
  - D Consumer surplus
10. If a person has a gross income of £50,000, pays £5,000 in tax and £5,000 in other statutory charges, how much would be the maximum **disposable personal income**?
  - A £40,000
  - B £25,000
  - C £15,000
  - D £10,000
11. What would cause a bank overdraft to be a liability?
  - A Static interest rate
  - B Decreasing interest rate
  - C Increasing interest rate
  - D None of the above
12. What will make a business more profitable?
  - A Rise in interest rates
  - B Fall in interest rates
  - C Static interest rates
  - D None of the above

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13. Which of the following is **most likely** to create uncertainty in the commercial banking sector?

- A Constant periods of high interest rates
- B Constant periods of low interest rates
- C Static and predictable interest rates
- D Periodic fluctuations in interest rates

14. Which of the following is **most likely** to cause a reduction in general consumer spending?

- A Sudden sharp rise in interest rates
- B Sudden sharp fall in interest rates
- C Prolonged period of static interest rates
- D None of the above

15. What is **most likely** to be difficult?

- A Constant periods of high interest rates
- B Constant periods of low interest rates
- C Low interest rates
- D High interest rates

16. What is **most likely** to be difficult to borrow more and more?

- A Constant periods of high interest rates
- B High interest rates
- C Low interest rates
- D None of the above

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### 3.2.4 – Globalisation

1. What does the word 'globalisation' imply?
  - A The world is interconnected and integrated in commercial and cultural terms
  - B The world is diverse and unconnected both commercially and culturally
  - C There is a disconnect between commerce and culture through the world
  - D The world is round
2. Which of the following should **not** be considered as an advantage of globalisation to UK businesses?
  - A They can consider the whole world as their potential market
  - B They can sell their production practically anywhere in the world
  - C They can ruthlessly exploit all cheap labour sources in foreign countries
  - D They take advantage of cheap labour in non-UK locations
3. In the world of business and commerce, which of these is the **more precise** definition of the term 'dumping'?
  - A Foreign business buying financial services on the world market
  - B Foreign business buying products on the world market
  - C Foreign business selling its products cheaply on the world market
  - D Foreign business selling its excess production cheaply on the world market
4. How might UK business be impacted by foreign businesses selling their **excess production** very cheaply on the world market?
  - A Controllable advantage of globalisation
  - B Uncontrollable drawback of globalisation
  - C Incentive to be more productive
  - D Opportunity in their home market
5. What impact could using the **incorrect pricing policy** for goods or services have on a UK business when trading globally?
  - A Give it a competitive edge
  - B Give it a competitive disadvantage
  - C Increase its chance of marketing success
  - D Have no impact whatsoever
6. Which of the following is **not** a term 'currency exchange' refers to?
  - A Value of one currency relative to another
  - B Quantity of one currency relative to another
  - C Inflation rate of one country relative to another
  - D Value of one country's currency relative to another
7. The process of Brexit is the withdrawal of the United Kingdom from the European Union.
  - A ESWG
  - B Iexit
  - C Irexit
  - D Brexit
8. What is importation?
  - A Selling goods or services from one country to another
  - B Buying goods or services from one country to another
  - C Buying goods or services from one country to another based on the home market
  - D Selling goods or services from one country to another based on the home market
9. Which one of the following is **not** an example of exporting?
  - A Selling goods or services from one country to another based on the home market
  - B Buying goods or services from one country to another based on the home market
  - C Buying goods or services from one country to another based on the home market
  - D Buying goods or services from one country to another based on the home market
10. Which of the following is **not** a factor that could lead to a **decrease** in UK inflation?
  - A Weak pound
  - B Strong pound
  - C High UK inflation
  - D High UK inflation

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### 3.2.5 – Legislation

1. What does **employment law** specifically deal with?
  - A Safety in food standards
  - B Company formation
  - C Legal relationships and obligations that arise between employers and employees
  - D British exit from the European Union
2. On April Fool's Day 1999, which of the following was first introduced in the UK?
  - A Safety at work protection
  - B Food standards protection
  - C Limited liability protection
  - D National Minimum Wage
3. In the UK, all workers under 25 years of age are **not** protected by legislation pertaining to which of the following?
  - A Equal pay
  - B Health and safety at work
  - C National Living Wage
  - D Human rights
4. What does the Equality Act 2010 give **legal protection** against?
  - A All forms of discrimination
  - B Racial discrimination only
  - C False advertising claims
  - D Unscrupulous sellers
5. When an employer is always fully compliant with all current employment legislation, what can this **avoid**?
  - A Cost of implementation
  - B Prosecution and financial penalties
  - C Time involved in implementation checks
  - D None of the above
6. What is the **primary purpose** of the Health and Safety at Work Act 1974?
  - A Health, safety and welfare of only a business's board of directors and no one else
  - B Health, safety and welfare of only visitors to a business's premises
  - C Health, safety and welfare of only a business's employees and no one else
  - D Health, safety and welfare of anyone in contact with a business
7. A business should **and retain staff** good record on:
  - A Prompt
  - B Provision
  - C Provision
  - D Provision
8. Trading standards to enforce the p following?
  - A Trade Dis
  - B Health o
  - C Equality
  - D None of
9. The prime purpose protect people from and misleading:
  - A Health o
  - B Trade Dis
  - C Equality
  - D Consume
10. Which of the following impact on a business enforcing consumer:
  - A Cost incre
  - B Legal co
  - C Impleme
  - D Time cos

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### 3.2.6 – Competitive environment

1. What is the generic name given to any place where buyers and sellers meet to undertake **commercial transactions**?
  - A Stock exchange
  - B Market
  - C Supermarket
  - D Enterprise
2. Which one of the following **best** defines a target market?
  - A Large mass of people who will buy a business's product or service
  - B Worldwide global market
  - C Specific customer grouping of potential buyers of a business' product or service
  - D Specific customer grouping identified as potential buyers
3. When is **business competition** said to take place?
  - A When there is no demand for a product or service
  - B When there is only one supplier of a product or service
  - C When two or more businesses compete for the same customer groups
  - D When two or more businesses compete for different customer groups
4. Which one of the following statements is **not** correct?
  - A Business competition never has an impact on a business
  - B Business competition can be of benefit to customers
  - C Business competition can have a negative impact on a business
  - D Business competition can have a positive impact on a business
5. When a business has absolutely **no competitors** whatsoever, what is said to exist?
  - A True competition
  - B True monopoly
  - C Good environment for the buyer
  - D Very risky environment for that lone business
6. Which of the following are **not** public sector organisations?
  - A National Health Service
  - B Institution of Civil Engineers
  - C The Royal Air Force
  - D The Royal Mint
7. Which of the following is **not** a business risk?
  - A Not the right product
  - B Outcomes not as expected
  - C Outcomes not as planned
  - D None of the above
8. What might a business do as part of forward planning?
  - A Risk
  - B Uncertainty
  - C Sales
  - D Profit
9. Which one of the following is **not** a source of uncertainty?
  - A Can be predicted
  - B Cannot be predicted
  - C Not the right product
  - D None of the above
10. In the world of business, **money** is one resource that is **not** scarce.
  - A Assured
  - B Assured
  - C Entrepreneurial
  - D Entrepreneurial

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## 3.3 – Business operation

### 3.3.1 – Production processes

- What do the input process, the transformation process and the output process result in?  
 A Provision of services only  
 B Provision of both goods and services  
 C Tangible physical production of goods  
 D None of the above
- Which of the following **best** describes 'productivity'?  
 A Extent to which an individual production unit contributes to total production output  
 B Extent to which machinery contributes to total production output  
 C Extent to which only labour contributes to production output  
 D Extent of production output
- What are cell production, just-in-time stock procurement and the philosophy of Kaizen all examples of?  
 A Mass production  
 B Just-in-case stock procurement  
 C Lean production techniques  
 D Stock control techniques
- Which one of the following is an example of **job production**?  
 A Baking loaves of bread  
 B Building social housing  
 C Building a luxury yacht  
 D Production of family cars
- Which of the following is **flow production**?  
 A The baking of a unique wedding cake  
 B The building of a bridge over a river  
 C Unique, one-off, handmade Christmas cards  
 D Mass, or assembly line, production of identical standardised items
- Which one of the following is **not** associated with **mass production**?  
 A High cost  
 B High cost of labour  
 C Little cost of machinery  
 D None of the above
- What is the primary reason for using a conveyor assembly line?  
 A Economical  
 B Internationally recognised  
 C Reduced cost of machinery  
 D Lower cost of labour
- Which of the following is **not** produced using **flow production**?  
 A Average car  
 B Mr Kipling  
 C Rolex watch  
 D Electric light bulb
- What does **lean production** aim to do?  
 A Ensure quality  
 B Ensure safety  
 C Eliminate waste  
 D Eliminate manufacturing
- In order to be **effective**, which of the following does a **lean production system** really need?  
 A Interconnected components  
 B Manufacturing facility  
 C Supplier premises  
 D None of the above

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### 3.3.2 – The role of procurement

1. What is the process of a business **buying stock** known as?
  - A Stock procurement
  - B Stock control
  - C Stocktaking
  - D Stock deterioration
2. Which one of the following is the action of ensuring that a business always has **sufficient stock** to fulfil customer orders?
  - A Stock maximisation
  - B Stock management
  - C Stock procurement
  - D Stock minimisation
3. Ensuring that no stock is unnecessarily stored is the **prime purpose** of the following?
  - A Last-in-first-out (LIFO) stock management
  - B First-in-time (JOT) stock management
  - C First-in-time (JIT) stock management
  - D Just-in-case (JIC) stock management
4. Traditional **just-in-case stock control** is a system of stock management. Which of the following is an alternative to this system?
  - A Just-in-time stock control
  - B Buffer stocking
  - C Stock procurement
  - D Continuous stocktaking
5. Which one of the following can be regarded as **safety net stock**?
  - A Unsold stock
  - B Maximum stock
  - C Buffer stock
  - D Average stock
6. **Maximum** stockholding ceiling should not be exceeded when using which of these methods of stock control?
  - A Just-in-time
  - B Just-in-case
  - C Stock buffering
  - D Lead-time
7. Price, quality and reliability should always be guaranteed **most particularly** by which of these business stakeholders?
  - A Government
  - B Customers
  - C Suppliers
  - D Competitors
8. A fine balancing act might best describe the relationship between business suppliers and which one of the following?
  - A Equality Act 2010
  - B Health and Safety at Work Act 1974
  - C National government
  - D Their pricing policy
9. A business **supplies** goods in the following sequence?
  - A A number of goods in a sequence
  - B A number of goods in a non-sequential order
  - C A number of goods in a sequential order
  - D A number of goods in a non-sequential order
10. **Logistics** is best described as the following?
  - A How a business procures its stock
  - B How a business manages its stock
  - C How a business executes its stock
  - D How a business manages its stock
11. A business must have a **more frequent** stock control system of the following?
  - A Just-in-time
  - B Just-in-case
  - C Traditional
  - D None of the above
12. Which one of the following are the benefits of just-in-time stock control?
  - A Technological
  - B Market
  - C Management
  - D None of the above
13. Quality and reliability are **absolutely essential** for stock procurement.
  - A JIC
  - B JIT
  - C Bar goods
  - D None of the above
14. When choosing a supplier, which of the following should be seriously considered?
  - A Quality
  - B Business
  - C Reliability
  - D None of the above

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### 3.3.3 – The concept of quality

- Which one of the following statements is **true**?
  - A Quality is defined by the extent to which sellers' expectations are met
  - B Quality is defined by the extent to which users' expectations are met
  - C Quality is defined by a quality accreditation certificate
  - D Quality is defined by selling price
- What is ISO 9000?
  - A International accreditation standard for quality assurance
  - B International accreditation standard for customer service assurance
  - C International standard for training
  - D None of the above
- Which of these statements about customer expectations is **true**?
  - A Customer expectations do not exist
  - B Customer expectations are very easily satisfied
  - C Customer expectations are not universally definable
  - D Customer expectations are universally definable
- In the effort to maintain product quality, which one of the following statements is **not** true?
  - A Benchmarking cannot be used to help maintain good product quality
  - B Benchmarking can sometimes be used to maintain product quality
  - C Good-quality products might encourage repeat purchases
  - D Ongoing inspections might improve product quality
- 'If the small sample batch of the total final production fails the quality check, the whole production batch fails.' Which of the following is this defining?
  - A Flow production
  - B Productivity check
  - C Sample batch quality checking by continuous inspection
  - D Sample batch audit checking by final inspection
- Which of the following statements about 'sample batch checking by stage inspections' is **not** true?
  - A It can build quality into the production process
  - B It does not build quality into the production process
  - C It is not as time-consuming as a sample batch inspection of final production
  - D None of the above
- What is the ultimate aim of **total quality management**?
  - A Ensuring business success
  - B Improving business performance
  - C Only zero defects in production
  - D Zero defects and a waste-free process
- What does **benchmarking** mean?
  - A Randomly comparing a business with other businesses
  - B Randomly comparing a business with its competitors
  - C Systematically comparing a business with its competitors
  - D Systematically comparing a business with other businesses
- Which one of the following is **not** a quality management objective?
  - A Statistically controlled processes
  - B Profit maximisation
  - C Cash flow
  - D All non-defects
- Which of the following is **not** a 'quality circle'?
  - A The business
  - B The business process
  - C The business product
  - D The business customer
- When considering **total quality management**, what is **not** an **interdependent** objective of that business?
  - A Worker satisfaction
  - B Customer satisfaction
  - C Quality improvement
  - D Quality cost reduction
- How might a business improve its reputation as perceived by customers?
  - A By having a competitive price
  - B By having a good service review
  - C By having a low defect rate
  - D By having a good customer service

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13. Which one of the following is **not** a possible disadvantage to a business of attempting to maintain or improve the quality of its products or services?

- A Satisfied customers with the potential for repeat purchases
- B Production time taken up by additional training for employees
- C The general disruption caused by off-the-job upskilling of employees
- D Financial expense associated with all elements of staff training

14. What can the volume and frequency of **repeat purchases** measure for a business?

- A Quality of the goods or service provided
- B Quantity of the goods or services it provides
- C Productive output
- D Employee absenteeism

15. Which one of the following is a **negative** action for a business franchise?

- A Extra training for franchisees
- B Additional advertising for the franchise
- C A fall in sales
- D A fall in production

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### 3.3.4 – Good customer services

1. Which of the following **best** defines the sales process?
  - A The exchange of cash between buyer and seller
  - B The control of selling environment
  - C The potential the sale of a product or service
  - D The logical incremental steps that must be executed in order to effect an actual sale
2. What might the display of a **positive attitude** by the seller during the sales process possibly help to do?
  - A Encourage an actual sale
  - B Discourage an actual sale
  - C Discourage a potential sale
  - D None of the above
3. What might the provision of an **aftersales service** possibly indicate about a business?
  - A Profitability
  - B Customer care awareness
  - C Reliability of product or service
  - D None of the above
4. What might the **inability** of a business to retain its customers be a sign of?
  - A Good management
  - B Lack of competition
  - C Poor customer services
  - D Good customer services
5. In business, which one of the following is the anecdote 'they will vote with their pennies' **most likely** to apply to?
  - A All stakeholders alike
  - B Senior managers
  - C Ground-floor employees
  - D Customers
6. Apart from shoddy goods, what other factor could trigger an increase in **customers' complaints** to a business?
  - A Poor customer service
  - B Low prices
  - C Poor behaviour of competitors
  - D None of the above
7. How might show **benefit** a business?
  - A By improving its financial performance
  - B By increasing its sales
  - C By enhancing its reputation
  - D By increasing its market share
8. What might a business aim to establish by ensuring its products are enjoyable and useful to all customers?
  - A Good customer care
  - B Good customer service
  - C Good customer relations
  - D High level of customer loyalty
9. Which one of the following is the extent of the provision of customer services by a business is **not** likely to be?
  - A They do not offer any reviews
  - B They measure customer service
  - C They can implement improvements
  - D They do not monitor the quality of the service
10. What will become more complex as a result of rapid developments in **systems** of the business?
  - A Effective customer service
  - B Effective customer care
  - C Effective customer relations
  - D None of the above

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## 3.4 – Human resources

### 3.4.1 – Organisational structures

1. What must any business have in order to **respond to changes** in the dynamic business environment?  
 A Strictly authoritative management structure  
 B Intransigent workforce  
 C Ability to be able to quickly change its organisational structure  
 D Ability to sack employees without reasons
2. Which of the following could be used as a reference for employees to see where they are in the business structure?  
 A A business plan  
 B A formal, factual written and documented business structure  
 C Informal and non-textual business structure  
 D Productivity report
3. A tall **pyramid-like organisational chart** would be the most likely structural diagram for which one of these?  
 A Large nationwide supermarket  
 B Traditional corner grocery shop  
 C Two-partner accountancy practice  
 D Fruit and vegetable market stallholder
4. In a tall organisational structure, which one of the following statements is **not** true?  
 A Information can pass downwards through the structure  
 B Directives are always passed upwards through the structure  
 C They have a pyramid-like organisational chart structure  
 D They do not have a pyramid-like organisational chart structure
5. Which one of the following is **true** about a flat organisational structure?  
 A Has a very steep pyramid-like chart  
 B Has a multilayered management structure  
 C Long chain of command and a narrow span of control  
 D Short chain of command and a wide span of control
6. Which one of the following is **not** true of a flat organisation?  
 A It usually suits a small business environment  
 B It has few layers of management in a tall organisation  
 C It promotes a process-based organisational structure  
 D It always suits a process-based organisational structure
7. Formal **written** organisational charts are the preferred method of communication in which of the following?  
 A Small- to medium-sized businesses  
 B Large- to medium-sized businesses  
 C Equally sized businesses  
 D Equally sized businesses
8. What purpose do organisational charts have in any organisation?  
 A To facilitate communication and coordination  
 B To facilitate decision-making and thinking  
 C To facilitate communication with stakeholders  
 D To create a hierarchy of authority
9. Which one of the following is **not** true of the 'span of control' in an organisation?  
 A Number of employees reporting to one business manager  
 B Total number of employees in the organisation  
 C Number of employees reporting to one business manager  
 D Number of employees reporting to one business manager
10. Which of the following is **not** true of a flat organisation?  
 A It does not suit a small business environment  
 B It is usually used in a process-based organisation  
 C It does not promote a process-based organisational structure  
 D None of the above

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11. When is it particularly essential for an employee to have an **unambiguous** job description?
- A When they are employed by a social enterprise
  - B When they have no curriculum vitae
  - C When employed in a small organisation
  - D When employed in a large organisation
12. Strategic decision-making should be the **primary concern** of which of the following?
- A Senior management in a large organisation
  - B Middle management in a large organisation
  - C Junior management in a large organisation
  - D All stakeholders of a large organisation
13. In terms of a business structure, what is meant by 'delayed decision-making'?
- A Adding layers of management to a business's organisational structure
  - B Removing layers of management from a business's organisational structure
  - C Reducing a manager's span of control
  - D Adding to the chain of command of a business
14. Which one of the following is **not** true?
- A Authority and responsibility are linked
  - B Authority is given but responsibility is not at all
  - C Responsibility is given but authority is not at all
  - D Responsibility and authority are linked
15. Burger King, McDonald's and KFC are **most likely** to be examples of which of the following?
- A No research and development
  - B Total cost of production
  - C A centre of excellence
  - D A decision-making process

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### 3.4.2 – Recruitment and selection of employees

- Employees play a major role in a business. While staff retention contributes towards the business's success, which of the following would **most** help ensure the right employees are hired?  
 A Retention and turnover process  
 B Training and induction process  
 C Recruitment and selection process  
 D Job definition and outline process
- Who should normally be sent a 'letter of regret' by a reputable business?  
 A An unsuccessful job applicant  
 B A successful job applicant  
 C All prospective job applicants  
 D All employees
- Given the fact that it is not the people who assist in tactically and strategically planning a business's future, which one of the following is **true**?  
 A This is the strongest reason for a business bothering to employ people  
 B This is the strongest reason for a business bothering to employ people  
 C This is the strongest reason for a business embracing technology  
 D This is one cause of business failure
- When intending to fill a new higher-level management position, the fact that the work ethos and commitment of an applicant is already known is an **advantage** of which of the following?  
 A Using internal promotion to fill the vacancy  
 B Using external promotion to fill the vacancy  
 C Off-the-job training  
 D Induction training
- The fact that it is both time-consuming and costly is a **disadvantage** to a business of using which one of these?  
 A Praise as a method of staff motivation  
 B On-the-job staff training  
 C External recruitment to fill a vacancy  
 D Internal recruitment to fill a vacancy
- Which one of these **best** describes the process of 'job analysis'?  
 A Setting out the personal qualities a job applicant must have for a specific job  
 B Detailing the academic qualifications a job applicant must have for a specific job  
 C Highlighting and describing the main duties and responsibilities of a specific job  
 D The complete collection of all data and information available about every aspect of a particular job
- What does a 'job description' **specifically** focus on?  
 A A job applicant's personal qualities and qualifications  
 B A specific job highlighting details of its main duties and responsibilities  
 C All data and information available about every aspect of a particular job  
 D None of the above
- The **traits** an ideal candidate for a specific job are:  
 A Person's skills  
 B Job and person's skills  
 C Job description  
 D None of the above
- What do the letters 'CV' stand for in an application process?  
 A Career  
 B Career  
 C Constant  
 D None of the above
- An employee who works 10 hours each week is considered which of the following classifications?  
 A Zero-hour  
 B Casual  
 C Full-time  
 D Part-time
- Which of the following is **not** a feature of part-time employees?  
 A Usually making a profit  
 B First to be laid off  
 C Work 35 hours a week  
 D Get treated as a full-time employee on a career basis
- Which one of the following is **not** a feature of zero-hour contract employees?  
 A They are employed on a casual basis  
 B They are usually working for a business  
 C They are usually working for a business  
 D They are usually working for a business
- The **advantage** of using zero-hour contract employees is:  
 A Offering flexibility  
 B Offering flexibility  
 C Offering flexibility  
 D Offering flexibility
- Flexible** working hours are a feature of which of the following?  
 A Off-the-job training  
 B Job sharing  
 C Induction training  
 D None of the above
- A **lower rate** of staff turnover is likely to be had if a business uses which of the following?  
 A Mandatory training  
 B Mandatory training  
 C Job sharing  
 D Profit sharing

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### 3.4.3 – Motivating employees

- Which of the following **best** describes the word 'motivation'?
  - A The positive force that energises and drives an individual to behave in a certain way
  - B The negative force that energises and drives an individual to behave in a certain way
  - C A state of mind only experienced by financial reward
  - D A course of action that can never be achieved
- A **high level** of staff retention is most likely to result from a business having which of the following?
  - A A highly motivated workforce
  - B A highly motivated workforce
  - C A very strict disciplinary authoritarian management
  - D Offering employees only non-financial rewards
- Which one of the following statements about money and motivation is **most true**?
  - A Only senior management members are motivated by a monetary incentive
  - B There is absolutely no relationship between money and motivation
  - C Money is the least effective motivator for the majority of employees of a business
  - D Money is the most effective motivator for the majority of employees of a business
- Which one of the following is payment by **piece rate**?
  - A When pay is indirectly linked to the number of units a worker produces
  - B When pay is directly linked to the number of units a worker produces
  - C When pay is directly linked to the number of hours an employee works
  - D When pay is directly linked to the number of units an employee sells
- 'The more hours an employee works the more they are paid.' What method of payment does this describe?
  - A Commission
  - B Piece rate
  - C Hourly rate
  - D Piece rate
- Which of the following is **not** a form of profit sharing payment?
  - A An employee receives a percentage of the company's growth
  - B An employee receives a percentage of the company's small profits
  - C An employee receives a percentage of the company's profits
  - D An employee receives a percentage of the company's sales
- What is a **bonus**?
  - A An additional payment
  - B An additional payment
  - C A perk
  - D A commission
- Which of the following is **not** a benefit for an employee?
  - A All-expenses paid
  - B Free health insurance
  - C Free life insurance
  - D 10% commission
- Which of these jobs is **least** likely to apply a performance-related pay?
  - A Teaching
  - B Nursing
  - C Firefighting
  - D All of the above
- One is usually paid by the hour, the other is usually paid daily. What is the **distinction** between them?
  - A Piece rate and commission
  - B Perk and commission
  - C Salary and commission
  - D Bonus and commission
- Which one of the following is **not** a form of payment of commission?
  - A It is a percentage of the company's sales
  - B It is not a form of payment
  - C Commission is a percentage of the company's basic profit
  - D Commission is a percentage of the company's profit
- What does **democracy** mean in the context of motivation?
  - A Empowerment
  - B A dictatorship
  - C Empowerment given to employees
  - D None of the above

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13. Planning, organising, leading and coordinating are the four basic functions of what?

- A Employment
- B Management
- C Motivators
- D Business


14. An **autocratic management** style might do which of the following?

- A Stifle a worker's creativity
- B Stifle a worker's confidence
- C Stifle a worker's sense of being a valued member of an organisation
- D All of the above

15. Which of the following are examples of empowerment?

- A Employees are given control over their work
- B Employees are given control over their work
- C A high level of control is given to employees
- D A high level of control is given to employees

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### 3.4.4 – Training

- Which one of the following would good employee training **most likely** result in?
  - A A reduction in the level of an employee's productivity
  - B A mass exodus of employees from a business
  - C A business being less able to cope with competitors
  - D A business being able to quickly respond to unexpected changes in demand
- What might be a **negative impact** on a business of the introduction of an ongoing training scheme for all employees?
  - A Difficulty in getting legal permission to do so
  - B It may reduce employee motivation
  - C It may result in difficulty with staff recruitment and retention as it might be considered a draconian measure
  - D The action would not have any negative impact
- What group of employees does induction training **specifically target**?
  - A Skilled employees
  - B Unskilled employees
  - C New employees
  - D Existing employees
- In-house training** is another name for which one of these?
  - A On-the-job training
  - B Off-the-job training
  - C Casual training
  - D Outsourced training
- Which of the following jobs would extensive **on-the-job** training be most suitable for?
  - A Nursing
  - B Carpentry
  - C Teaching
  - D Psychology
- Which one of the following statements is **true** of on-the-job training?
  - A It is considered to be the most financially expensive way of training for the business
  - B It is considered to be the most financially expensive way of training for the business
  - C It is also known as formal training
  - D It can never cause disruption in the workplace
- Which one of the following is **not** a form of job training?
  - A It is not undertaken by the business
  - B It usually involves the employee undertaking training off-site
  - C It does not involve the employee undertaking training off-site
  - D It does not involve the employee undertaking training off-site
- What is **formal** training?
  - A Induction training
  - B Casual training
  - C Off-the-job training
  - D On-the-job training
- Which one of the following is **not** a form of business training?
  - A It is not undertaken by the business
  - B It allows the employee to undertake training off-site
  - C It prevents the employee from undertaking training off-site
  - D None of the above
- Which of these is **not** a form of business training?
  - A The employee is directly involved in the production process
  - B The employee is not directly involved in the production process
  - C The employee is not directly involved in the production process
  - D The employee is not directly involved in the production process
- Which of these is **not** a form of business training?
  - A The employee is directly involved in the production process
  - B The employee is not directly involved in the production process
  - C The employee is not directly involved in the production process
  - D The employee is not directly involved in the production process
- Which of these is **not** a form of business training?
  - A It is time-consuming
  - B It is a cost-effective way of training
  - C It can reduce the number of employees
  - D All of the above

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## 3.5 – Marketing

### 3.5.1 – Identifying and understanding customers

1. What is the **prime aim** of the marketing process?
- A To ensure that production is efficient
  - B To reduce the rate of staff turnover
  - C To effectively identify customer needs and wants
  - D To effectively source raw materials
2. Which one of these would be a consumer need **as opposed to** a consumer want?
- A Food
  - B Designer clothing
  - C Luxury mansion
  - D Home cinema system
3. Which of the following statements is **not true**?
- A Consumer wants may be desirable but not essential
  - B All people have basic consumer needs
  - C Consumer wants are limitless in scope
  - D Consumer wants are very limited in scope
4. Which of the following is **not** a form of marketing?
- A Selling goods
  - B Selling services
  - C Selling goods to people who will not buy them
  - D Selling goods to people who will buy them
5. In order to put together a marketing mix, a business must first identify its target market. Which of the following is **not** a way of identifying a target market?
- A Its main competitors
  - B How best to satisfy customer wants
  - C The skills of its staff
  - D Its ability to produce goods

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### 3.5.2 – Segmentation

1. What is the **purpose** of market segmentation?
  - A To identify and target a potential specific customer grouping in a mass market
  - B To identify and target a potential mass market
  - C To 'gear up' production to an appropriate level
  - D To carry out market research
2. Adequate revenue income for business must be capable of being sustained **initially** by what?
  - A Loans from a bank
  - B Its potential mass market
  - C Lack of competitors
  - D Its targeted niche segment
3. What **business** most hope that its initial market segment will **not** do in the future?
  - A Have more competitors
  - B Remain constant
  - C Decrease
  - D Increase
4. On what is market **gender segmentation** based?
  - A Year of birth
  - B Being male or female
  - C Salary or wage
  - D Postcode
5. The market for which of these is most likely **not** to be segmented by gender?
  - A Vegetables
  - B Clothes
  - C Shoes
  - D Toys
6. What does the **age segmentation** demographic recognise?
  - A People's income can change
  - B People's product usage remains constant
  - C People's needs and wants change over time
  - D People's needs and wants never change with time
7. A sit-on lawnmower segment its market demographics?
  - A Age
  - B Income
  - C Gender
  - D Location
8. What type of market is the seller of a lawnmower most **likely** to use?
  - A Location
  - B Income
  - C Gender
  - D Age
9. Being able to market effectively is one way to get from under the market.
  - A M-commerce
  - B E-commerce
  - C Desegmentation
  - D Segmentation
10. Which statement about market segmentation?
  - A It does not consider demographic
  - B It will help increase turnover
  - C It does not make consumers aware of their needs
  - D It can be used by the business

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### 3.5.3 – The purpose and methods of market research

1. Which of the following **best describes** market research?
  - A Random collection and analysis of information collected from the general public
  - B Systematic collection and analysis of data collected from the general public
  - C Collection of information collected from the general public
  - D Analysis of data collected from the general public
2. How might a business gain a **competitive advantage** over its rivals?
  - A Employing more workers than rivals
  - B Charging a higher price than rivals
  - C Investing in effective market research
  - D Undertaking a cost-cutting exercise
3. What is **quantitative** market research?
  - A The systematic and structured gathering of statistical facts and figures
  - B The systematic gathering of irrelevant opinions
  - C The random gathering of spurious opinions
  - D The random gathering of spurious facts
4. Which of the following is **true** about secondary market research data?
  - A It is the same as primary market research
  - B It is qualitative market research data
  - C It is quantitative market research data
  - D It originates from field research data
5. Which one of the following is an **advantage** of using primary market research?
  - A It can be time-consuming
  - B It is relatively expensive to undertake
  - C It can collect new, updated and relevant information
  - D Its results are not always totally reliable
6. When designing a questionnaire, what must a question **always be**?
  - A Unambiguous
  - B Ambiguous
  - C Open-ended
  - D Closed
7. What must a good questionnaire **always have**?
  - A Electronic input
  - B Logical design structure
  - C Predetermined outcome
  - D None of the above
8. Focus group fees are based on a number of factors. Which one of the following is **not** one of these?
  - A A random selection of the population
  - B An interview with a focus group
  - C A structured observation of a focus group
  - D An ongoing focus group
9. Which one of the following is **not** an advantage of carrying out Internet research?
  - A Only people with Internet access can participate
  - B Fast and easy to set up
  - C Large and diverse samples can be gathered
  - D Large amounts of data can be gathered
10. By what is **secondary** market research known?
  - A Table research
  - B Book research
  - C Primary research
  - D Desk research
11. The fact that it is **not** possible to control the environment is considered a **disadvantage** of which of the following?
  - A Field research
  - B Desk research
  - C Primary research
  - D None of the above
12. How have **developed** technologies affected the use of desk research?
  - A Made it more accurate
  - B Made it less accurate
  - C Made it more accurate because it is faster
  - D Made it less accurate because it is slower
13. Which one of the following is **not** a source for secondary market research?
  - A The World Wide Web
  - B The public domain
  - C Its market research
  - D Its competitors

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14. What is usually made **more interesting and understandable** when presented in the form of charts, graphs and tables?
- A Information
  - B Data
  - C Advertising slogans
  - D IT training programmes
15. Which one of the following is **circular** in shape?
- A Scatter graph
  - B Pie chart
  - C Line graph
  - D Bar chart
16. What is the **basic function** of a spreadsheet?
- A To word-process
  - B To predict
  - C To draw
  - D To calculate
17. What can be defined as 'the total number of **potential buyers** in a market'?
- A Market size
  - B Market share
  - C Market niche
  - D Market segmentation
18. Which one of the following **best defines** the term 'market share'?
- A Total number of possible buyers in a market
  - B Percentage of the total market a business fails to capture
  - C Percentage of the total market a business gets relative to its competitors
  - D None of the above
19. Which of the following is **not** a measure of 'market growth'?
- A The total relative market size
  - B The increase in sales of a specific business
  - C The decrease in sales over a period
  - D The percentage of market lost to competitors
20. Which one of the following is **not** a percentage?
- A Market share
  - B Market size
  - C Gross profit
  - D Market penetration
21. Which one of the following is **not** a presentation method?
- A Bar chart
  - B Excel is a presentation software
  - C Line graph
  - D Pie chart

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### 3.5.4 – The elements of the marketing mix: price, product,

1. In marketing, what are the '4Ps' also known as?
  - A Promotion mix
  - B Product life cycle
  - C Product mix
  - D Marketing mix
2. What does a competitive pricing policy **specifically require** a business to do?
  - A Not be concerned about what its competitors are charging
  - B Be aware of what its competitors are charging for the same product or service
  - C Always change their pricing policy
  - D None of the above
3. What is meant by 'loss leader pricing'?
  - A Selling all products at or below cost in order to attract customers into a shop
  - B Selling certain products at or below cost in order to attract customers into a shop
  - C Selling all products at or above cost in order to attract customers into a shop
  - D Selling some products at or above cost in order to attract customers into a shop
4. Which one of the following is **most** associated with a cost-plus pricing policy?
  - A Easy to understand, calculate and implement
  - B Extremely difficult to understand and calculate, and impossible to implement
  - C Easy to understand but difficult to calculate and implement
  - D Easy to understand and implement but very difficult to calculate
5. Which of the following is **not** an external factor that can influence the pricing decisions a business makes?
  - A Government directives
  - B Volatility of the market
  - C Marketing mix strategy
  - D Level of market competition
6. Which one of the following **best defines** the first law of demand?
  - A As the selling price falls, the quantity of goods demanded by the buyer falls
  - B As the selling price rises, the quantity of goods demanded by the buyer falls
  - C As the selling price rises, the quantity of goods demanded by the buyer rises
  - D As the selling price falls, the quantity of goods demanded by the buyer rises
7. From where should product development information come?
  - A The need to change competitors' products
  - B The need to change competitors' prices
  - C The need to change competitors' dynamic environment
  - D The need to change competitors' environment
8. What is **product differentiation**?
  - A Having a product that is different from competitors' products for sale
  - B Having a product that is different from competitors' products for sale
  - C Having a product that is different from competitors' products for sale
  - D Having a product that is different from competitors' products for sale
9. Which of the following is **not** a maturity stage?
  - A Cash cow
  - B Golden goose
  - C Dog
  - D None of the above
10. Which of these is **not** a strategy?
  - A Updating
  - B Extensive
  - C Extensive
  - D Adding
11. What is the function of a product portfolio?
  - A To help a business diversify its product base
  - B To help a business diversify its product base
  - C To help a business diversify its product base
  - D To help a business diversify its product base
12. What **might** a business do to increase its sales?
  - A Reduce prices
  - B Reduce prices
  - C Launch a new product
  - D Launch a new product

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13. Which one of the following **best defines** a business's 'promotional mix'?
- A Different production strategies it uses to reduce the cost of production
  - B Different pricing strategies it uses to attract customers
  - C Different types of procurement methods it uses to support its marketing objectives
  - D Different types of communication methods it uses to support its marketing objectives
14. Which one of the following is **not** regarded as part of the advertising media?
- A Social media platforms
  - B Special offers
  - C Cinema
  - D World Wide Web
15. The use of which one of the following is **not** considered to be a sales promotion technique?
- A Specialist trade magazines
  - B Buy-one-get-one-free offers
  - C Point-of-sale displays
  - D Free entry to a competition
16. What does the 'place' element of the marketing mix **ensure** about a business's product or service?
- A That it is the right product mix for its target market
  - B That it is available in the right price, at the right time and of the right quality
  - C That it is available in the right location, at the right time and in the right quantity
  - D That it is available in the right location, at the right time and of the right quality
17. **Indirect selling** is also known as which of these?
- A Unsecured selling
  - B User-friendly selling
  - C Short-channel distribution
  - D Long-channel distribution
18. Which one of the following statements is **not** true about short-channel distribution?
- A It is a form of direct selling
  - B It is not a form of direct selling
  - C It is not a faster form of long-channel distribution
  - D It cannot be undertaken using multi-tier or e-commerce platforms
19. Which one of the following is **not** essential for the successful undertaking of a commercial transaction using the Internet?
- A Electric power source
  - B Connection to the World Wide Web
  - C Telephone
  - D Account with a financial institution
20. What does the term 'interdependence' **best signify**?
- A Interdependent marketing strategies
  - B Independent marketing strategies
  - C Inappropriate marketing strategies
  - D None of the above
21. How might the use of social media have a **product impact** on a business?
- A Possibly by increasing sales
  - B Possibly by increasing production
  - C Possibly by increasing demand for it rather than supply
  - D All of the above
22. How important is it for a business to be **appropriate and effective** in getting its products to its target market?
- A Extremely important
  - B Only important if the business is a start-up
  - C Only important if the business is a large business
  - D Only important if the business is a small business
23. What is the **biggest risk** of developing a new product?
- A It will not be accepted by the target market
  - B Competitors will offer a cheaper product
  - C Its selling price will be too high to attract customers
  - D All of the above
24. There are four types of business strategy. Which of the following is **not** one of them?
- A Problem Solvers
  - B Stars
  - C Stags
  - D Cash Cows
25. Which of the following is **not** one of the four types of the Boston Box?
- A Low market share, low growth
  - B High market share, high growth
  - C High market share, low growth
  - D None of the above
26. A computer system has many advantages. Which of the following is **not** a drawback to what it can do?
- A Using e-commerce
  - B Using Business to Business
  - C Using point of sale
  - D Using point of purchase

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27. Which one of the following uses a **specific** web domain to connect with customers?
- A E-commerce
  - B M-commerce
  - C Digital marketing
  - D None of the above
28. Which of the following **allows** goods and services to be offered for sale 24/7 in a worldwide window?
- A E-commerce and m-commerce
  - B Contactless payment systems
  - C Credit cards
  - D Debit cards
29. Which of the following would a small independent market-stall seller be **least** likely to employ when promoting their products?
- A Personal marketing
  - B Buy one get one free
  - C Discount offer
  - D Buy one and get the second for half price
30. Which one of the following is **not** the most appropriate activity for a company?
- A Hoarding
  - B Trade marketing
  - C Product placement
  - D None of the above
31. Which one of the following is **not** a part of the marketing mix?
- A It cannot be changed
  - B It evolves over time
  - C The elements are interrelated
  - D The elements are interdependent
32. How might a business change its marketing mix in response to a change in demand?
- A By adding new products to attract more people
  - B By reducing the price of its products only
  - C By ignoring the change in demand
  - D None of the above



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## 3.6 – Finance

### 3.6.1 – Sources of finance

- Which one of the following is **not** an external source of finance for a business?  
 A Bank loan  
 B Bank overdraft  
 C Sale of business assets  
 D Mortgage
- The fact that newly established, small-to-medium-sized businesses lack the credibility needed with lending institutions to get a loan is one of the **main reasons for** which one of the following courses of action?  
 A Sacking staff to reduce costs  
 B Retaining negative cash flow  
 C Internal sourcing of finance  
 D External sourcing of finance
- Which of the following is **not** a long-term external source of finance for a profitable long-established business?  
 A Retained profits  
 B Mortgage  
 C Leasing  
 D None of the above
- Which one of the following **categories** would a bank overdraft fall into?  
 A Long-term internal  
 B Short-term internal  
 C Long-term external  
 D Short-term external
- A business plan would be **particularly helpful** to a business under which one of the following circumstances?  
 A Internal sourcing of finance  
 B External sourcing of finance  
 C Recruiting new staff  
 D Retaining existing staff
- What are the historic **undistributed profits** of a business also known as?  
 A Retained profits  
 B Restrained profits  
 C Distributed profits  
 D Dividend profits
- 'Business fixed costs' are those costs that do not vary with the level of output and, therefore, in the light of this fact, which of the following statements is true?  
 A Fixed costs are a business's largest costs.  
 B A business's fixed costs are a small proportion of its total costs.  
 C This is one of the reasons why a business might consider raising prices.  
 D This is one of the reasons why a business might consider selling fixed assets.
- Which one of the following is **not** an **extended trade credit**?  
 A A guarantee of quality  
 B An interest-free period  
 C A low-interest rate  
 D A high-interest rate
- As a result of the liberalisation of the lending terms and conditions, which of the following is true?  
 A Banks may offer overdrafts.  
 B Banks may offer overdrafts at a lower interest rate.  
 C An overdraft is a loan.  
 D An overdraft is a loan that has a higher interest rate.
- By charging a higher interest rate than it gives on its overdrafts, a bank can **make** a profit.  
 A A profit  
 B A loss  
 C It breaks even  
 D None of the above
- Which one of the following is **not** a feature of a mortgage?  
 A It is used to finance the purchase of a house.  
 B It normally has a long term.  
 C It is not repaid in instalments.  
 D A business can use a mortgage to finance its operations.

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12. When does **ownership** of an asset bought by a business on hire purchase actually transfer to the business?

- A Never
- B From day one of the purchase
- C After the final instalment payment is made
- D On request of the business

13. If a business acquires an asset by leasing, which of the following is **true**?

- A It gets immediate ownership of the asset
- B It gets ownership of the asset after one year
- C It gets ownership of the asset only after the final leasing payment is made
- D It never gets ownership of the asset

14. Which one of the following is **not** a source of finance for a sole trader's business?

- A It can raise finance by issuing trade credit
- B It can raise finance by issuing shares
- C It can raise finance by borrowing a loan from a bank
- D It can raise finance by overdrawing its bank account

15. A loan from family and friends is **not** an **appropriate** option for which of the following types of businesses?

- A A small business
- B A multinational business
- C A national business
- D A public limited company

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### 3.6.2 – Cash flow

- Which of the following is the **best definition** of 'cash flow'?
  - A The movement of actual money, into and out from a business, over a specific period of time
  - B The movement of actual money, into and out from a business, on a specific date
  - C The profit made by a business over a specific period of time
  - D The profit made by a business on a specific date
- Which of the following statements about a cash flow forecast is **true**?
  - A A cash flow forecast is a quantifiable financial statement
  - B A cash flow forecast is for a specific fixed period of time
  - C A cash flow forecast is not a profit and loss statement
  - D All of the above
- What **impact** might excessive stockholding, a large debt going bad or having to make a large unexpected and unplanned payment have on a business?
  - A Cause it to make an unrecoverable loss
  - B Cause it to close down
  - C Cause it to experience a cash flow problem
  - D None of the above
- Which one of the following is the **most likely** reason for a business permanently ceasing to trade?
  - A Having an occasional cash flow problem
  - B Having persistent and severe cash flow problems
  - C Consistently having a positive cash flow
  - D Occasionally making a very small trading loss
- How might the implementation of a computerised just-in-time (JIT) stock requisitioning strategy **contribute** to a positive cash flow situation for a business?
  - A By preventing persistent overstocking
  - B By setting maximum and minimum stock levels
  - C By ensuring it stocks only top-quality stock
  - D By ensuring the irregular supply of stock
- How **might offering** special discounts to debtors in return for quick payment impact a business's cash flow?
  - A Would improve profits
  - B Not at all
  - C Positively
  - D Negatively
- What is meant by **trade credit**?
  - A A business's debtors
  - B A business's creditors
  - C A business's debtors and creditors
  - D A business's specialised debtors
- How **might agree** with its creditors?
  - A By increasing its debtors
  - B By easing its debtors
  - C By reducing its debtors
  - D By minimising its debtors
- In what way does **trade credit** help a business?
  - A By helping to increase sales
  - B By helping to reduce sales
  - C By sustaining sales
  - D By sustaining sales
- A good image of a business is the likely result of which of these?
  - A Low turnover
  - B High rates of return
  - C Positive cash flow
  - D Negative cash flow
- Which of the following is **not** a sign of 'negative cash flow'?
  - A Annual sales increasing
  - B Annual sales decreasing
  - C More money coming in than going out
  - D More money going out than coming in
- Persistent negative cash flow** could result in which of these?
  - A Business failure
  - B Business expansion
  - C Business growth
  - D Business success
- Consider Table 3.6.2. What is the **opening balance** of the business's cash account?
  - A £12,000
  - B £18,000
  - C £30,000
  - D £36,000

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14. Consider Table 1 – cash flow forecast and choose the correct **closing balance** for December 2020.

- A £66,000
- B £24,000
- C £18,000
- D £12,000

15. Which of the following statements is **not** true?

- A There is no clear distinction between cash flow and profit
- B A business with a negative cash flow cannot make a profit
- C A business with a positive cash flow cannot make a loss
- D All of the above

16. In order to be profitable, what are the **shortfalls**, what are the **business constrains**?

- A Statement of Financial Position
- B Cash flow statement
- C Income Statement
- D None of the above

Table 1 – cash flow forecast

Cash flow forecast for 3 months ending December 2020			
	October £	November £	December £
Opening balance	6,000	----	(6,000)
Cash incomes	30,000	18,000	48,000
Total cash inflow	36,000	30,000	42,000
Cash outflows	24,000	36,000	24,000
Closing balance	----	----	----

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### 3.6.3 – Financial terms and calculations

1. Which one of the following statements about the unit value of a variable cost is **not** true?
    - A Its value can change within an accounting period
    - B Its value never changes within an accounting period
    - C It is used in the calculation of total costs
    - D Its cost is recovered in the selling price of the product
  2. Consider Figure 1 – total variable cost graph. Which one of the following is the **best reason** for explaining why the total variable cost line slopes upwards from left to right?
    - A The more units produced, the greater will be the total variable production
    - B The more units produced the less will be the total variable cost
    - C Where there are no units produced, no costs are incurred
    - D It is purely a well-established convention
  3. Which one of the following statements about fixed costs is **not** true?
    - A They are direct costs
    - B They are not indirect costs
    - C They can change in value
    - D They are not period costs
  4. Consider Figure 2 – total cost graph. Why does the **total cost line** start from where it does?
    - A Because no fixed costs are incurred if no units are produced
    - B Because all costs must be covered before production can start
    - C Because fixed costs are incurred even when there is no production
    - D Because variable costs are incurred even if there are no units produced
  5. Which one of the following is another name for **sales**?
    - A Profit
    - B Turnover
    - C Overheads
    - D None of the above
  6. Which one of the following best defines the term 'profit'?
    - A The excess of current assets over current liabilities
    - B The excess of a business's cash income over cash expenditure for a given period
    - C The excess of a business's sales revenue over expenditure for a given period
    - D None of the above
  7. What is the **form** appraisal technique of return?
    - A (Average outlay)
    - B (Total net outlay)
    - C (Average investment)
    - D (Total net outlay)
  8. A business carries out a **form** appraisal on four projects (A, B, C and D), and the results are as follows. Which project is the **best** according to the ARR criteria?
    - A 2%
    - B 4%
    - C 6%
    - D 8%
  9. What is **break-even**?
    - A The number of units produced
    - B The number of units produced to produce total revenue
    - C The number of units produced to produce variable costs
    - D The number of units produced to produce total costs
  10. Which one of the following best defines the 'margin of safety'?
    - A The number of units produced to produce total revenue
    - B The number of units produced to produce total costs
    - C The maximum profit
    - D The minimum profit
- Questions 11–19 are based on the following chart.
11. What is the **contribution**?
    - A Total revenue
    - B Total cost
    - C Fixed cost
    - D Variable cost
  12. What is the **contribution**?
    - A Margin of safety
    - B Total revenue
    - C Variable cost
    - D Total cost

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13. What is the **name** given to the point of intersection of line A and line B?
- A Margin of safety
  - B Optimum production
  - C Break-even point
  - D None of the above
14. At the point of intersection of line A and line B, which one of the following statements is **true**?
- A Total revenue equals total cost
  - B Total revenue is greater than total cost
  - C Total revenue is less than total cost
  - D The margin of safety is reached
15. Which of the following would not be included in the calculation of line C?
- A Rent
  - B Rates
  - C Depreciation
  - D Interest
16. What is the **most** correct label for line D?
- A Cost
  - B Cost (£)
  - C Variable cost
  - D Total cost
17. What does the **break-even point** represent?
- A Profit
  - B Loss
  - C Variable cost
  - D Margin of safety
18. If all costs remain constant but total sales rise, **what will happen** to the break-even point?
- A It will not change
  - B It will shift to the right
  - C It will shift to the left
  - D It will be reached at a lower level of output
19. Which of the following is **not** a characteristic of the margin of safety?
- A It has a maximum value
  - B It has a minimum value
  - C It never changes
  - D It can change
20. Which one of the following is **not** a characteristic of the break-even and margin of safety analysis?
- A It can be used for short-term planning
  - B It can be used for long-term planning
  - C It assumes that all variable costs are linear
  - D It assumes that all fixed costs are linear



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Figure 1 – total variable cost graph

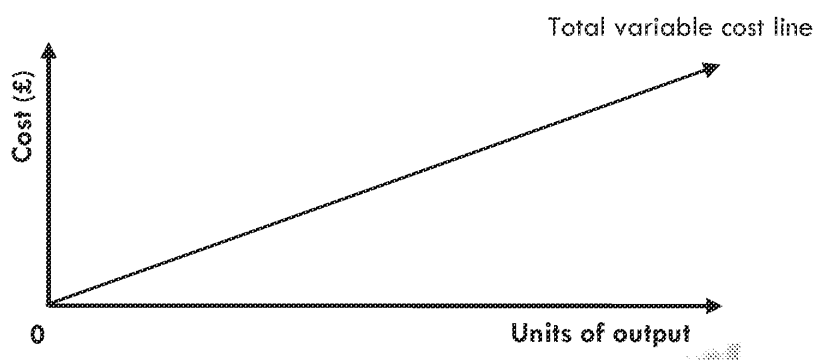


Figure 2 – total cost graph

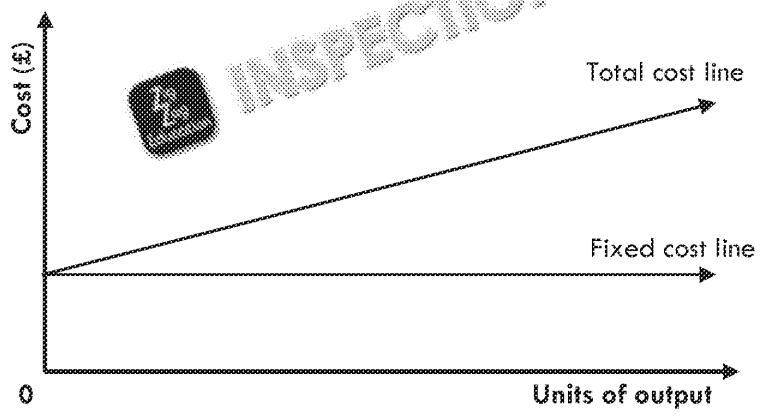
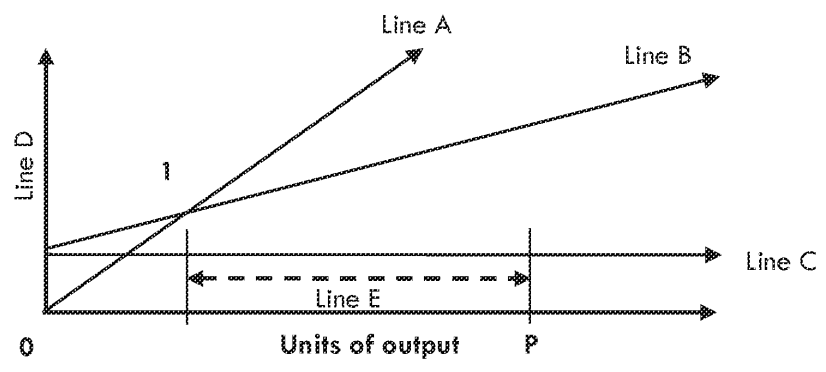


Figure 3 – break-even chart



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### 3.6.4 – Analysing the financial performance of a business

1. A business's financial health and performance can be judged by reference to **which** of these?  
 A Asset statements  
 B Profit statements  
 C Competitors  
 D Financial statements
2. A business's **income and expenses** over a specific period of time are shown in which one of the following?  
 A Cash flow statement  
 B Income statement  
 C Balance sheet  
 D Statement of financial position
3. The opening stock for a accounting period is always the same as the closing stock of the previous accounting period. When might this **not** be the case?  
 A When stock deterioration has occurred  
 B When stocktaking has occurred  
 C When stock control has occurred  
 D It is always the case
4. Which one of the following statements **best** explains the meaning of the term 'gross profit margin'?  
 A For every £100 of sales, a gross profit of £20 was made  
 B For every £100 of sales, a profit of £20 was made  
 C For every £100 of sales, a marginal profit of £20 was made  
 D For every £100 of purchases, a profit of £20 was made
5. If on £100,000 of sales a business makes a gross profit of £30,000 and a net profit of £10,000, what is its **net profit margin**?  
 A 40%  
 B 30%  
 C 20%  
 D 10%
6. Which one of these is a snapshot of a business's **assets and liabilities** at a specific point in time?  
 A Income statement  
 B Statement of financial position  
 C Cash flow forecast  
 D Profit and loss account
7. Which one of the following is an item that a business **owns** outright or has control over?  
 A Liability  
 B Asset  
 C Profit  
 D Loss
8. Which one of the following is an **asset**?  
 A Land and buildings  
 B Closing stock  
 C Trade payables  
 D Cash on hand
9. How is a **debtor** classified?  
 A Long-term liability  
 B Current liability  
 C Current asset  
 D Fixed asset
10. Which one of the following is a **business liability**?  
 A They are not constant  
 B They are not have to be repaid  
 C They are not have to be repaid  
 D They are not have to be repaid
11. Which one of the following is a **liability**?  
 A Creditors  
 B Debtors  
 C Mortgage  
 D Trade payables
12. Which one of the following is a **current liability**?  
 A Creditors  
 B Mortgage  
 C Debtors  
 D Cash on hand
13. Which of the following is a **business equity**?  
 A The total assets  
 B The total liabilities  
 C The total assets minus liabilities  
 D The total liabilities minus assets
14. To what is retailing a business's **financial position** measured?  
 A Working capital  
 B Fixed assets  
 C Current assets  
 D Share capital

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15. Adequate working capital is **essential**, but particularly for which one of the following?
- A A business's long-term survival
  - B A business's day-to-day operations
  - C For a business to make a profit
  - D To attract more stakeholders to a business

16. 'This business shows a consistently high net profit in its income statements.' What does this **statement indicate**?
- A The business always has a positive cash flow
  - B The business always has a negative cash flow
  - C The business is not a good investment
  - D The business is potentially a good investment

17. Which stakeholder regard a company's **important** factors?
- A Shareholders
  - B Debtors
  - C Creditors
  - D Employees

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## **Preview of Answers Ends Here**

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This is a limited inspection copy. Sample of answers ends here to stop students looking up answers to their assessments. See contents page for details of the rest of the resource.