



2022 specification  
first exams in 2024

# 101 Challenge Cards

## Component 3: Marketing and Finance for Enterprise

Update v1.1 March 2024



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# Contents

Product Support from ZigZag Education.....	ii	B4: Financial statements .....	51
Terms and Conditions of Use.....	iii	Activity 50 .....	51
Teacher's Introduction .....	1	Activity 51 .....	52
<b>A1: Targeting and segmenting the market .....</b>	<b>2</b>	Activity 52 .....	53
Activity 1 .....	2	Activity 53 .....	54
Activity 2 .....	3	Activity 54 .....	55
Activity 3 .....	4	Activity 55 .....	56
Activity 4 .....	5	Activity 56 .....	57
Activity 5 .....	6	<b>B5: Profitability and liquidity .....</b>	<b>58</b>
Activity 6 .....	7	Activity 57 .....	58
Activity 7 .....	8	Activity 58 .....	59
<b>A2: 4PS of the marketing mix .....</b>	<b>9</b>	Activity 59 .....	60
Activity 8 .....	9	Activity 60 .....	61
Activity 9 .....	10	Activity 61 .....	62
Activity 10 .....	11	Activity 62 .....	63
Activity 11 .....	12	Activity 63 .....	64
Activity 12 .....	13	<b>C1: Budgeting.....</b>	<b>65</b>
Activity 13 .....	14	Activity 64 .....	65
Activity 14 .....	15	Activity 65 .....	66
<b>A3: Factors influencing the choice of marketing</b>		Activity 66 .....	67
<b>methods.....</b>	<b>16</b>	Activity 67 .....	68
Activity 15 .....	16	Activity 68 .....	69
Activity 16 .....	17	Activity 69 .....	70
Activity 17 .....	18	Activity 70 .....	71
Activity 18 .....	19	<b>C2: Cash flow .....</b>	<b>72</b>
Activity 19 .....	20	Activity 71 .....	72
Activity 20 .....	21	Activity 72 .....	73
Activity 21 .....	22	Activity 73 .....	74
<b>A4: Trust, reputation and loyalty.....</b>	<b>23</b>	Activity 74 .....	75
Activity 22 .....	23	Activity 75 .....	76
Activity 23 .....	24	Activity 76 .....	77
Activity 24 .....	25	Activity 77 .....	78
Activity 25 .....	26	<b>C3: Suggesting improvements to cash flow</b>	
Activity 26 .....	27	<b>problems .....</b>	<b>79</b>
Activity 27 .....	28	Activity 78 .....	79
Activity 28 .....	29	Activity 79 .....	80
<b>B1: Financial documents .....</b>	<b>30</b>	Activity 80 .....	81
Activity 29 .....	30	Activity 81 .....	82
Activity 30 .....	31	Activity 82 .....	83
Activity 31 .....	32	Activity 83 .....	84
Activity 32 .....	33	Activity 84 .....	85
Activity 33 .....	34	<b>C4: Break-even point and break-even analysis .....</b>	<b>86</b>
Activity 34 .....	35	Activity 85 .....	86
Activity 35 .....	36	Activity 86 .....	87
<b>B2: Payment methods.....</b>	<b>37</b>	Activity 87 .....	88
Activity 36 .....	37	Activity 88 .....	89
Activity 37 .....	38	Activity 89 .....	90
Activity 38 .....	39	Activity 90 .....	91
Activity 39 .....	40	Activity 91 .....	92
Activity 40 .....	41	<b>C5: Sources of business finance .....</b>	<b>93</b>
Activity 41 .....	42	Activity 92 .....	93
Activity 42 .....	43	Activity 93 .....	94
<b>B3: Revenue and costs .....</b>	<b>44</b>	Activity 94 .....	95
Activity 43 .....	44	Activity 95 .....	96
Activity 44 .....	45	Activity 96 .....	97
Activity 45 .....	46	Activity 97 .....	98
Activity 46 .....	47	Activity 98 .....	99
Activity 47 .....	48	Activity 99 .....	100
Activity 48 .....	49	Activity 100 .....	101
Activity 49 .....	50	Activity 101 .....	102
		<b>Answers.....</b>	<b>103</b>

# Teacher's Introduction

Starter questions and challenge tasks covering 101 topics from Component 3: Marketing and Finance for Enterprise of the BTEC Tech Award specification. Designed both to support non-specialists finding themselves delivering business studies and to reduce the workload for more experienced teachers.

Every topic of the specification is covered. The starter question focuses on underpinning knowledge, making a useful task for students to do while the class is settling. The challenge task can be used either as a plenary or as a starter for a more-able group (or as a continuation of the starter) since more discursive skills are required.

## Remember!

Always check the exam board website for new information, including changes to the specification and sample assessment material.

The starters and challenge tasks are provided in two formats:

1. Paper format with three to five duplicated tasks to a page – so you can easily photocopy a set. These could be laminated and used in a variety of ways:
  - a. on students' desks at the lesson start, for them to quietly produce a written answer
  - b. as a handout for discussion in pairs
  - c. set up around 10 'stations' in class, with students going around in teams to answer each one in turn, perhaps with a time limit enforced by a bell ring or similar
2. PowerPoint presentations available via Product Support download. These enable you to set a discussion question for the whole class to answer – either a written answer followed by brief discussion, or to discuss as a starter activity. The questions are animated so you can hold back the Challenge task for secondary discussion, a plenary or a later task.

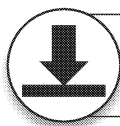
Where a challenge task may give away the answer to the starter question, there is a fold / cut line between them.

Answers are provided for knowledge-based questions, along with a range of suggested responses and ways to develop student ideas for the challenge task.

*P Miles, June 2022*

## v1.1 March 2024

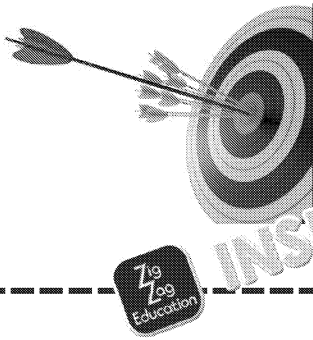
- Name changed from *101 Starter Questions* to *101 Challenge Cards* to best reflect resource content



A supporting PowerPoint presentation is provided on the ZigZag Education Support Files system, which can be accessed via **[zzed.uk/productsupport](https://zzed.uk/productsupport)**

## A1: Targeting and segmenting the market – Activity

What is a 'target market'?



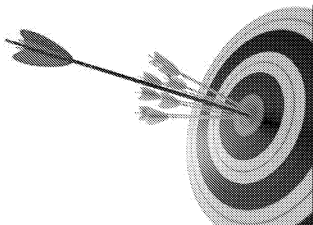
### Challenge

What might be the target market for these vehicles?

- A. Seven-seater people carrier
- B. Electric car with low range
- C. Heavy goods vehicle (HGV)

## A1: Targeting and segmenting the market – Activity

What is a 'target market'?



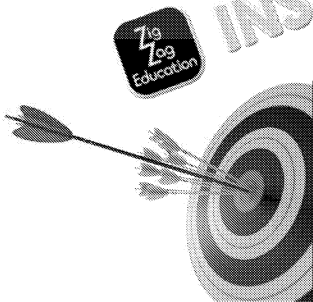
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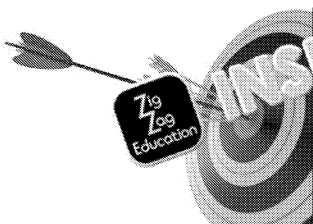
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## A1: Targeting and segmenting the market – Activity

What is a 'target market'?



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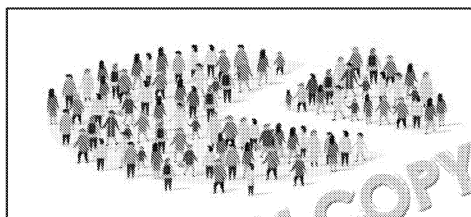
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## A1: Targeting and segmenting the market – Activity

State four demographic differentiators.

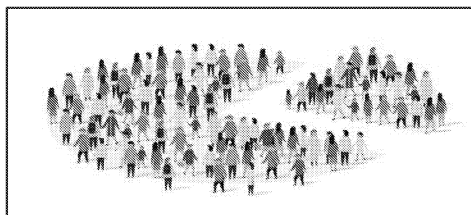


### Challenge

Explain why there is a difference between the needs of a customer at a low level of experience and a customer at a high level of experience.

## A1: Targeting and segmenting the market – Activity

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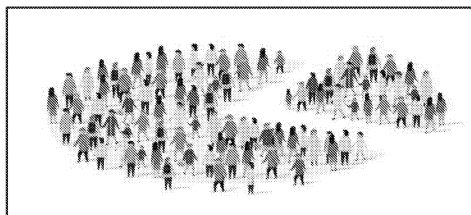


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State four demographic differentiators.



### Challenge

Explain why there is a difference between the needs of a customer at a low level of experience and a customer at a high level of experience.

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## A1: Targeting and segmenting the market – Activity 1

What is 'market segmentation'?

### Challenge

How important is it for an entrepreneur to consider where their potential customers are located?



## A1: Targeting and segmenting the market – Activity 1

What is 'market segmentation'?

### Challenge

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## A1: Targeting and segmenting the market – Activity 1

What is 'market segmentation'?

### Challenge

How important is it for an entrepreneur to consider where their potential customers are located?



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## A1: Targeting and segmenting the market – Activity



State two psychographic differentiators.

### Challenge

Why is it important to social media influencers to their followers?



## A1: Targeting and segmenting the market – Activity

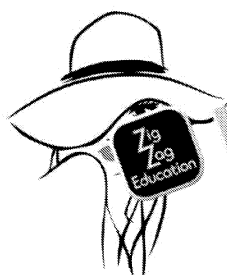


State two psychographic differentiators.

### Challenge

Why is it important to social media influencers to their followers?

## A1: Targeting and segmenting the market – Activity



State two psychographic differentiators.

### Challenge

Why is it important to social media influencers to their followers?

## A1: Targeting and segmenting the market – Activity



State two psychographic differentiators.

### Challenge

Why is it important to social media influencers to their followers?



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## A1: Targeting and segmenting the market – Activity

State two behavioural differentiators.

### Challenge

Do some customer groups have more money to spend than others?



## A1: Targeting and segmenting the market – Activity

State two behavioural differentiators.

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Do some customer groups have more money to spend than others?



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## A1: Targeting and segmenting the market – Activity

State two markets that businesses can target.



### Challenge

Is a sole trader likely to serve a niche market?

## A1: Targeting and segmenting the market – Activity

State two markets that businesses can target.

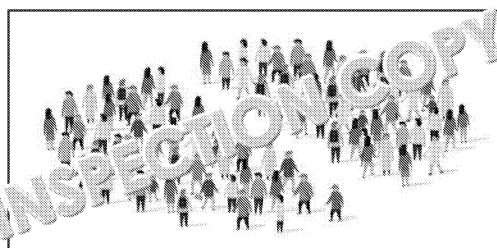


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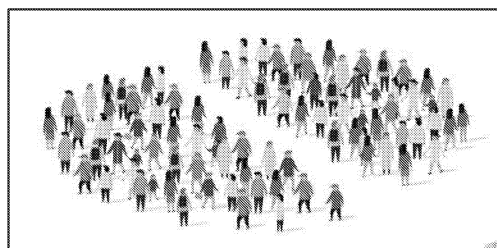


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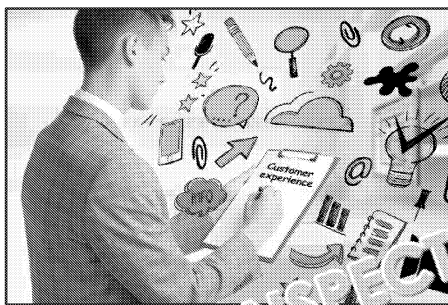
### Challenge

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## A1: Targeting and segmenting the market – Activity



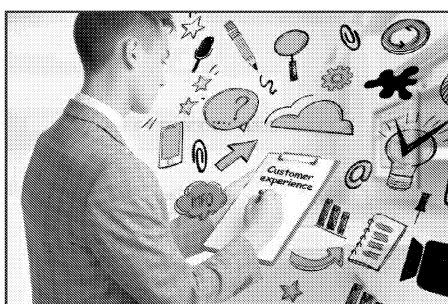
State one marketing method a B2C company would not be relevant to a B2B enterprise.

### Challenge

As B2B customers choose a supplier rather than persuasive advertising, they might be interested in.



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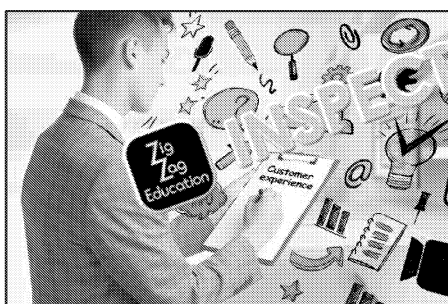


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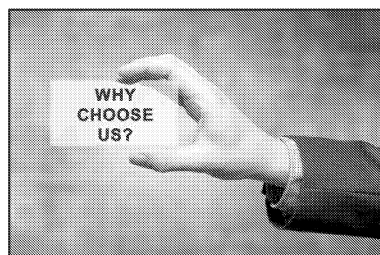
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## A2: 4Ps of the marketing mix – Activity 8

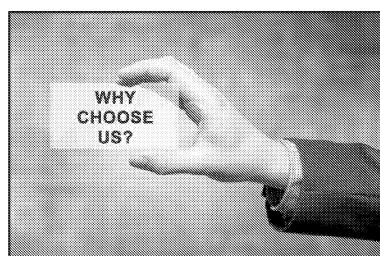


What is a 'product portfolio'?

### Challenge

What financial reasons are there for an enterprise to have a product portfolio?

## A2: 4Ps of the marketing mix – Activity 8

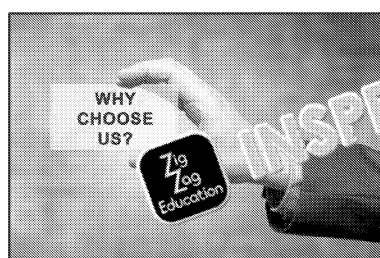


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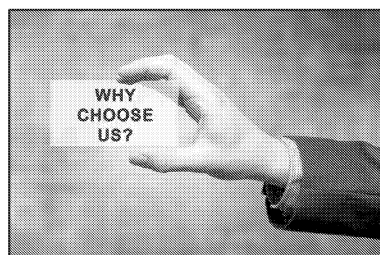


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## A2: 4Ps of the marketing mix – Activity 8



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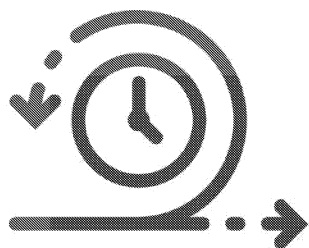
### Challenge

What financial reasons are there for an enterprise to have a product portfolio?

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## A2: 4Ps of the marketing mix – Activity 9



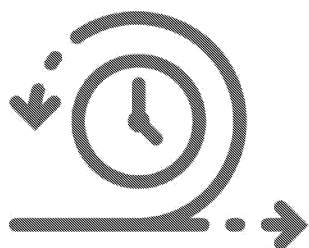
What are the five stages of the product life cycle?

### Challenge

How might an entrepreneur extend the life of a product?



## A2: 4Ps of the marketing mix – Activity 9



What are the five stages of the product life cycle?

### Challenge

How might an entrepreneur extend the life of a sports jacket?

## A2: 4Ps of the marketing mix – Activity 9

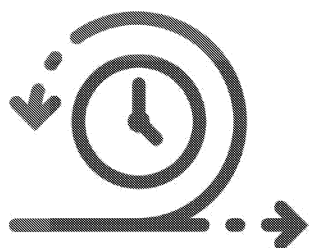


What are the five stages of the product life cycle?

### Challenge

How might an entrepreneur extend the life of a sports jacket?

## A2: 4Ps of the marketing mix – Activity 9



What are the five stages of the product life cycle?

### Challenge

How might an entrepreneur extend the life of a sports jacket?



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## A2: 4Ps of the marketing mix – Activity 10

What is a 'brand'?

### Challenge

Does an enterprise with a strong brand also need a unique selling point (USP)?

## A2: 4Ps of the marketing mix – Activity 10

What is a 'brand'?

### Challenge

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## A2: 4Ps of the marketing mix – Activity 10

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### Challenge

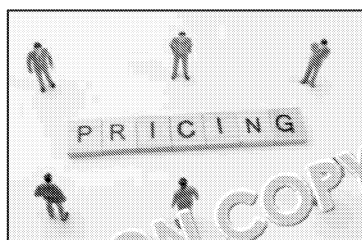
Does an enterprise with a strong brand also need a unique selling point (USP)?

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## A2: 4Ps of the marketing mix – Activity 11

State two pricing strategies an entrepreneur might use.



### Challenge

Why would an entrepreneur use a penetration pricing strategy?

## A2: 4Ps of the marketing mix – Activity 11

State two pricing strategies an entrepreneur might use.

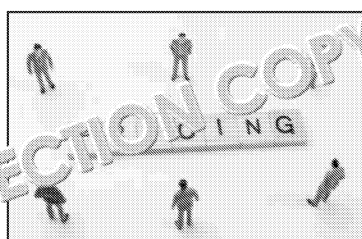


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## A2: 4Ps of the marketing mix – Activity 11

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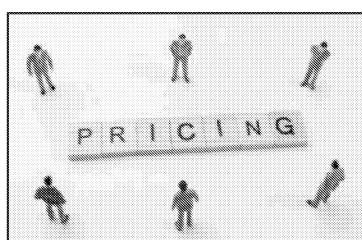


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## A2: 4Ps of the marketing mix – Activity 11

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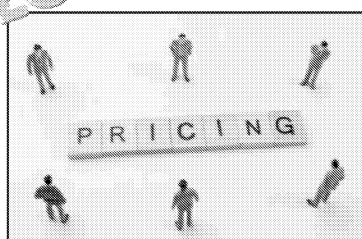


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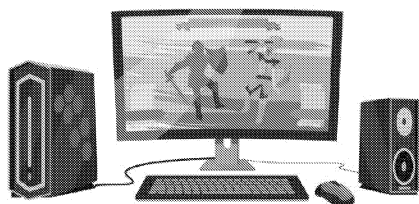
### Challenge

Why would an entrepreneur use a penetration pricing strategy?

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## A2: 4Ps of the marketing mix – Activity 12



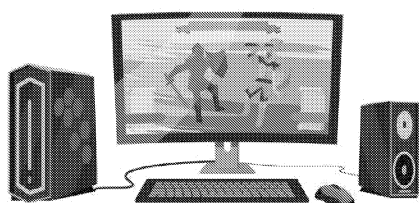
Why are computer games now distributed digitally instead of CDs or physical slot-in games?

### Challenge

Access to many computer software products via subscription and online download. Why do enterprises sell software?



## A2: 4Ps of the marketing mix – Activity 12

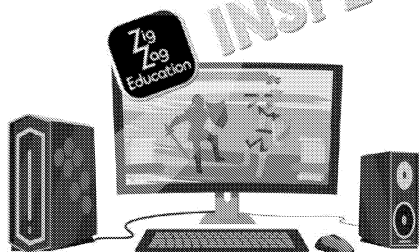


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## A2: 4Ps of the marketing mix – Activity 12

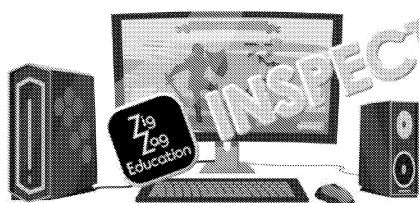


Why are computer games now distributed digitally instead of CDs or physical slot-in games?

### Challenge

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## A2: 4Ps of the marketing mix – Activity 12



Why are computer games now distributed digitally instead of CDs or physical slot-in games?

### Challenge

Access to many computer software products via subscription and online download. Why do enterprises sell software?

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## A2: 4Ps of the marketing mix – Activity 13

State three elements of the promotional mix.

### Challenge

In the past, some businesses sold via 'parties' in customers' houses (e.g. Avon, Tupperware). Is there any scope for a smaller enterprise to use a similar method to promote and sell its products?



## A2: 4Ps of the marketing mix – Activity 13

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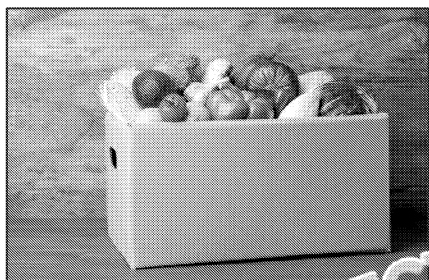


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## A2: 4Ps of the marketing mix – Activity 14



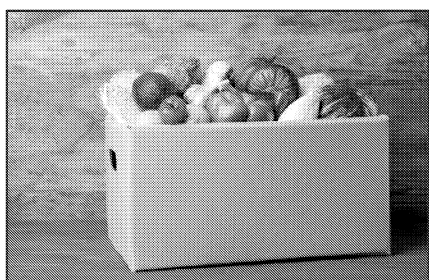
What is 'multichannel' marketing?

### Challenge

Why might a supplier of 'meal in a box' use multichannel marketing?



## A2: 4Ps of the marketing mix – Activity 14

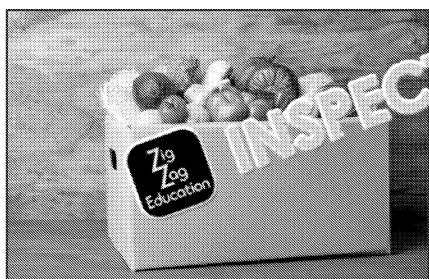


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## A2: 4Ps of the marketing mix – Activity 14

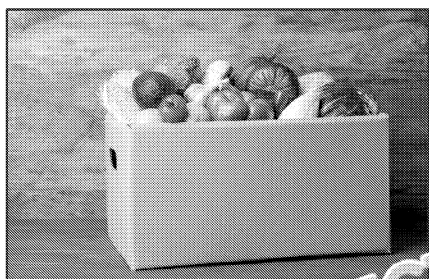


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## A2: 4Ps of the marketing mix – Activity 14



What is 'multichannel' marketing?

### Challenge

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### A3: Factors influencing the choice of marketing method



Why does the choice of marketing method depend on the target audience?

#### Challenge

Does the brand image of a product influence the choice of marketing method?

### A3: Factors influencing the choice of marketing method

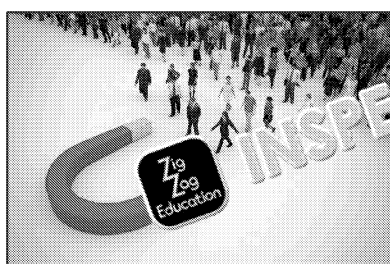


Why does the choice of marketing method depend on the target audience?

#### Challenge

Does the brand image of a product influence the choice of marketing method?

### A3: Factors influencing the choice of marketing method



Why does the choice of marketing method depend on the target audience?

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### A3: Factors influencing the choice of marketing method



Why does the choice of marketing method depend on the target audience?

#### Challenge

Does the brand image of a product influence the choice of marketing method?

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### A3: Factors influencing the choice of marketing methods

If customers value being able to obtain information about a product quickly, why do some enterprises still produce hard-copy brochures and price lists?

#### Challenge

Is there still a reason for entrepreneurs to market their enterprise using flyers?



### A3: Factors influencing the choice of marketing methods

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#### Challenge

Is there still a reason for entrepreneurs to market their enterprise using flyers?



### A3: Factors influencing the choice of marketing methods

If customers value being able to obtain information about a product quickly, why do some enterprises still produce hard-copy brochures and price lists?

#### Challenge

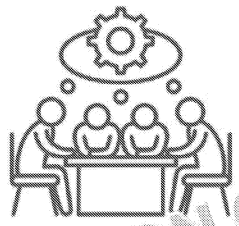
Is there still a reason for entrepreneurs to market their enterprise using flyers?

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### A3: Factors influencing the choice of marketing method

State one expensive method of marketing and one inexpensive method of marketing.

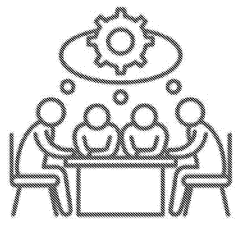


#### Challenge

TV advertising is very expensive. Does this mean it is more effective than other methods of advertising?

### A3: Factors influencing the choice of marketing method

State one expensive method of marketing and one inexpensive method of marketing.

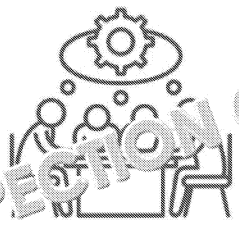


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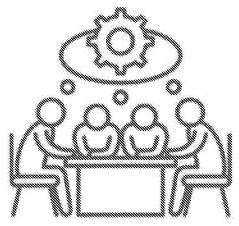


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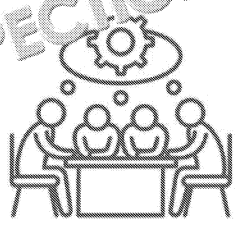


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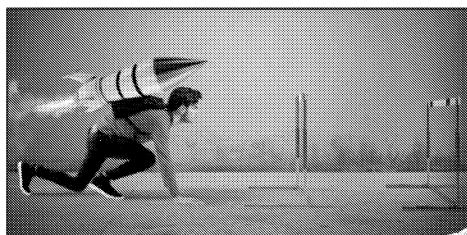
#### Challenge

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### A3: Factors influencing the choice of marketing method

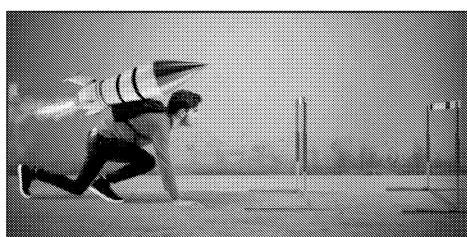


What issues might an entrepreneur face if their product has resulted in many more orders than expected?

#### Challenge

Do all entrepreneurs aim to make a profit?

### A3: Factors influencing the choice of marketing method

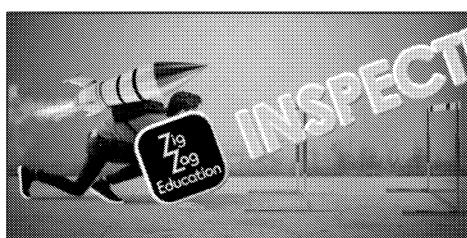


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### A3: Factors influencing the choice of marketing method

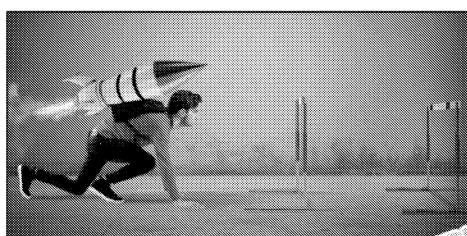


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### A3: Factors influencing the choice of marketing method



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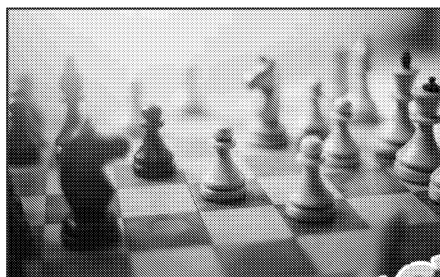
#### Challenge

Do all entrepreneurs aim to make a profit?

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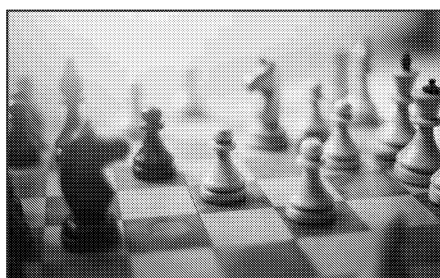


**A3: Factors influencing the choice of marketing methods**

Should entrepreneurs aim to be aware of what they are offering?

**Challenge**

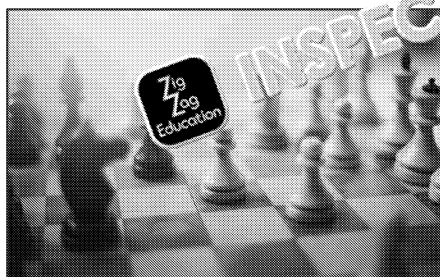
Should entrepreneurs always aim to provide a similar point to their competitors?

**A3: Factors influencing the choice of marketing methods**

Should entrepreneurs aim to be aware of what they are offering?

**Challenge**

Should entrepreneurs always aim to provide a similar point to their competitors?

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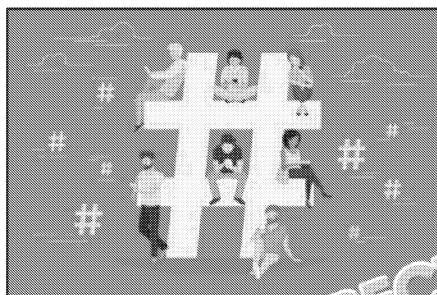
Should entrepreneurs always aim to provide a similar point to their competitors?

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### A3: Factors influencing the choice of marketing methods



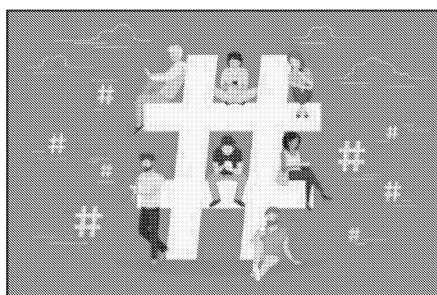
Should every entrepreneur use social media for their enterprise?

#### Challenge

What types of marketing could an entrepreneur use on social media?



### A3: Factors influencing the choice of marketing methods

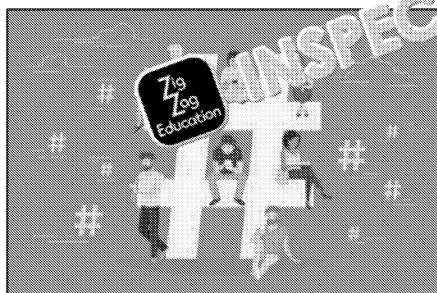


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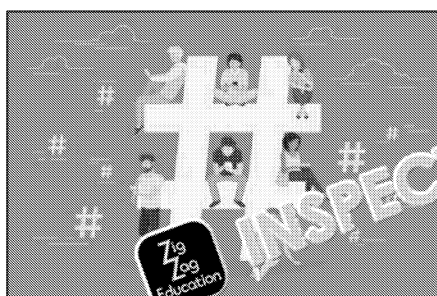


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### A3: Factors influencing the choice of marketing methods



Should every entrepreneur use social media for their enterprise?

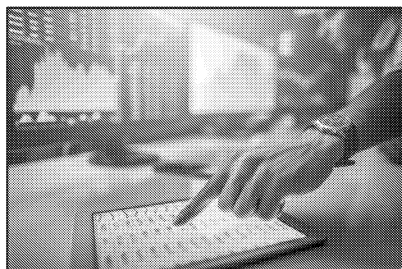
#### Challenge

What types of marketing could an entrepreneur use on social media?

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### A3: Factors influencing the choice of marketing methods



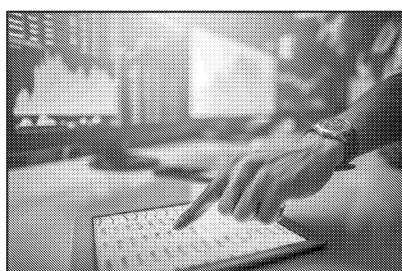
Marketing is expensive, no matter which method is chosen.  
Could an entrepreneur choose not to carry out marketing?

#### Challenge

Why might an entrepreneur decide to ignore marketing advice?



### A3: Factors influencing the choice of marketing methods

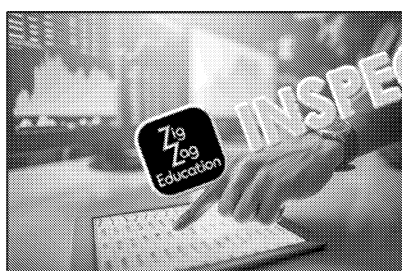


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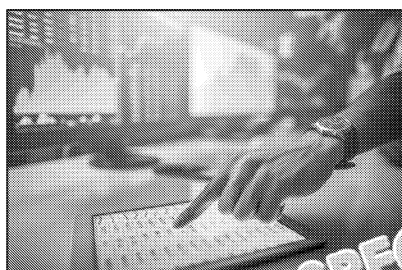


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## A4: Trust, reputation and loyalty – Activity 22

What is 'brand image' and why is it important?

### Challenge

Why might customers pay more for a branded item than an equivalent unbranded item?



## A4: Trust, reputation and loyalty – Activity 22

What is 'brand image' and why is it important?

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## A4: Trust, reputation and loyalty – Activity 22

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## A4: Trust, reputation and loyalty – Activity 22

What is 'brand image' and why is it important?

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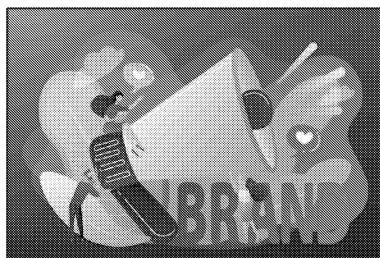
Why might customers pay more for a branded item than an equivalent unbranded item?



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#### A4: Trust, reputation and loyalty – Activity 23

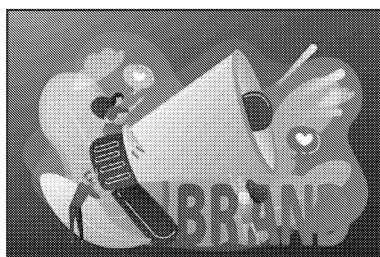


Are there any problems with the full product range carrying the same brand?

##### Challenge

Why do some enterprises use several brands?

#### A4: Trust, reputation and loyalty – Activity 23

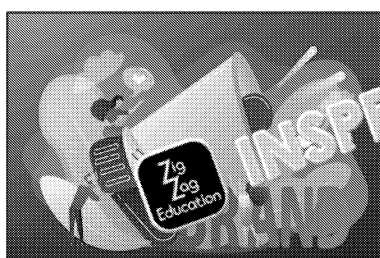


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#### A4: Trust, reputation and loyalty – Activity 23

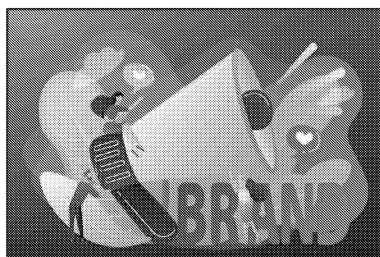


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#### A4: Trust, reputation and loyalty – Activity 23



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#### A4: Trust, reputation and loyalty – Activity 24

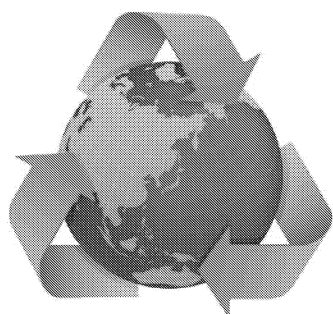


Is it important for an entrepreneur to make their business environmentally friendly?

##### Challenge

Using recycled packaging can be more environmentally friendly. Which would you recommend?

#### A4: Trust, reputation and loyalty – Activity 24

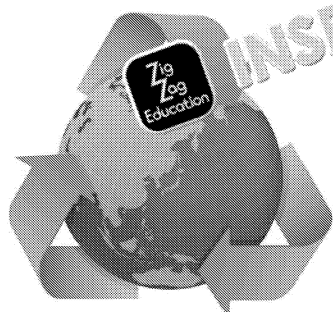


Is it important for an entrepreneur to make their business environmentally friendly?

##### Challenge

Using recycled packaging can be more environmentally friendly. Which would you recommend?

#### A4: Trust, reputation and loyalty – Activity 24



Is it important for an entrepreneur to make their business environmentally friendly?

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#### A4: Trust, reputation and loyalty – Activity 24



Is it important for an entrepreneur to make their business environmentally friendly?

##### Challenge

Using recycled packaging can be more environmentally friendly. Which would you recommend?

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## A4: Trust, reputation and loyalty – Activity 25

How important is customer service to an enterprise that sells B2B?

### Challenge

What action might the customer business take if it is unhappy with the product/service from the enterprise?



## A4: Trust, reputation and loyalty – Activity 25

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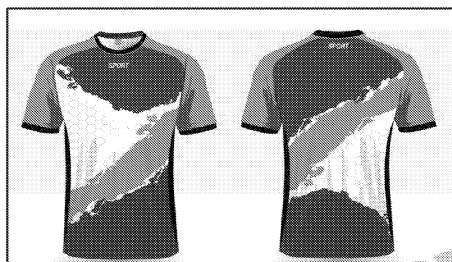


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## A4: Trust, reputation and loyalty – Activity 26



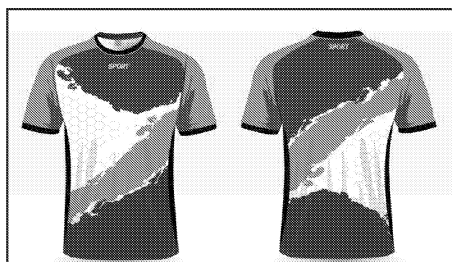
Is sponsorship of a local sports team/club a good marketing for a medium-sized enterprise?

### Challenge

Why might an entrepreneur approach a local sports team/club to promote their product?



## A4: Trust, reputation and loyalty – Activity 26



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## A4: Trust, reputation and loyalty – Activity 26

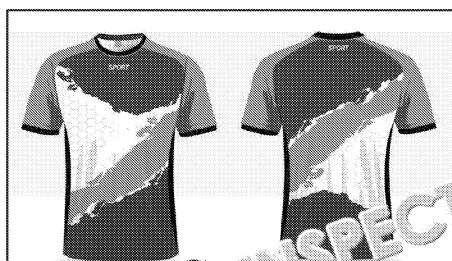


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### Challenge

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**A4: Trust, reputation and loyalty – Activity 27**

An entrepreneur decides to diversify their product range. Is using the same brand for the new range a good idea?

**Challenge**

Should entrepreneurs diversify in order to be more successful?

**A4: Trust, reputation and loyalty – Activity 27**

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## A4: Trust, reputation and loyalty – Activity 28



Is making a donation to a local community centre a form of marketing for an enterprise?

### Challenge

A restaurant owner donates leftover food to a homeless shelter. Is this an ethical method of marketing?



## A4: Trust, reputation and loyalty – Activity 28

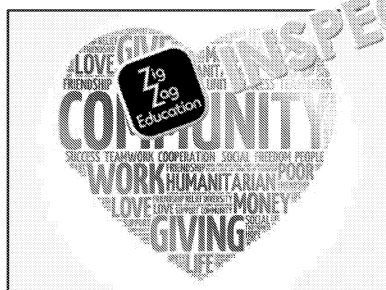


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## A4: Trust, reputation and loyalty – Activity 28

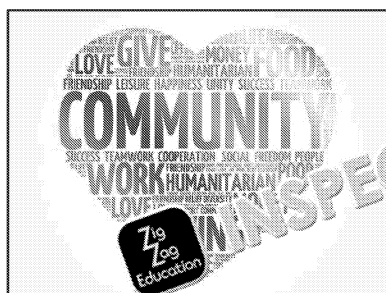


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## A4: Trust, reputation and loyalty – Activity 28



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## B1: Financial documents – Activity 29

List three financial documents every enterprise uses.

### Challenge

What advantages would entrepreneurs gain from having all financial documents processed electronically?



## B1: Financial documents – Activity 29

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## B1: Financial documents – Activity 29

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## B1: Financial documents – Activity 30



Why are delivery notes important?

### Challenge

Why might a customer insist their electronic state 'not inspected' when taking delivery of



## B1: Financial documents – Activity 30



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## B1: Financial documents – Activity 30



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## B1: Financial documents – Activity 31

What is a credit note?

### Challenge

Can an enterprise always issue a credit note instead of a refund?



## B1: Financial documents – Activity 31

What is a credit note?

### Challenge

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## B1: Financial documents – Activity 31

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## B1: Financial documents – Activity 31

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## B1: Financial documents – Activity 31

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Can an enterprise always issue a credit note instead of a refund?

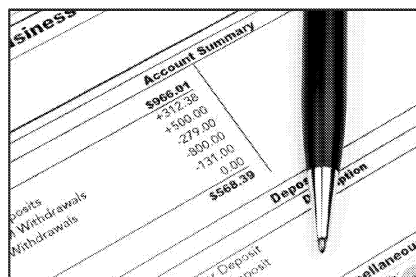


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## B1: Financial documents – Activity 32



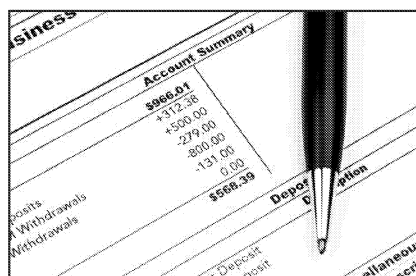
Business Account Summary	
Balance b/f	\$966.01
Deposits	+312.38
Withdrawals	+500.00
	-279.00
	-800.00
	-131.00
	0.00
<b>Balance c/f</b>	<b>\$568.39</b>

What is the purpose of a statement of account?

### Challenge

Should the entrepreneur (or someone else) send a statement of account against delivery?

## B1: Financial documents – Activity 32



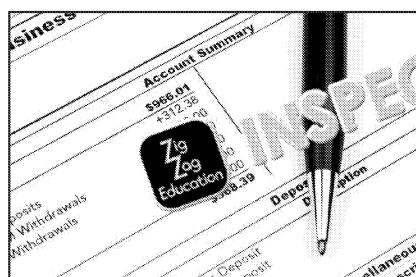
Business Account Summary	
Balance b/f	\$966.01
Deposits	+312.38
Withdrawals	+500.00
	-279.00
	-800.00
	-131.00
	0.00
<b>Balance c/f</b>	<b>\$568.39</b>

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## B1: Financial documents – Activity 32



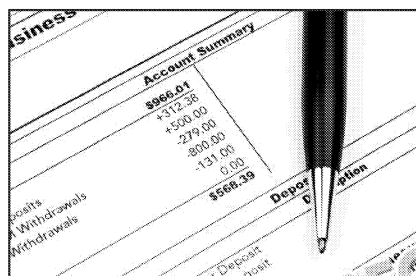
Business Account Summary	
Balance b/f	\$966.01
Deposits	+312.38
Withdrawals	+500.00
	-279.00
	-800.00
	-131.00
	0.00
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<b>Balance c/f</b>	<b>\$568.39</b>

What is the purpose of a statement of account?

### Challenge

Should the entrepreneur (or someone else) send a statement of account against delivery?

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## B1: Financial documents – Activity 33



Why must all financial paperwork be being issued?

### Challenge

Would you recommend an entrepreneur enterprise manages their own financial outsources/employs help?



## B1: Financial documents – Activity 33

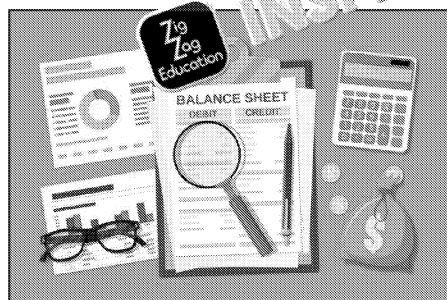


Why must all financial paperwork be being issued?

### Challenge

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## B1: Financial documents – Activity 33

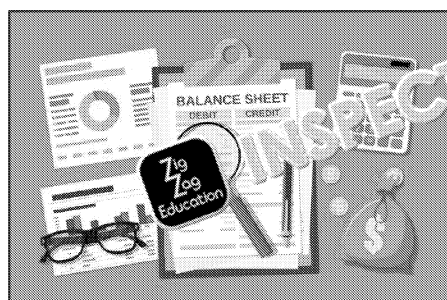


Why must all financial paperwork be being issued?

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## B1: Financial documents – Activity 33



Why must all financial paperwork be being issued?

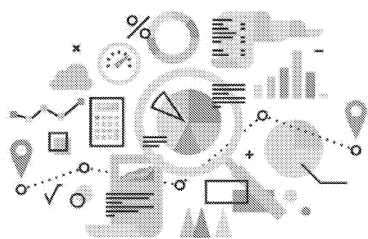
### Challenge

Would you recommend an entrepreneur enterprise manages their own financial outsources/employs help?

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## B1: Financial documents – Activity 34



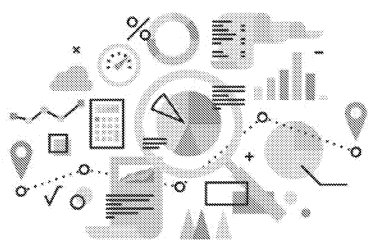
At the end of the financial year, the enterprise produces financial statements.  
Why is it important that all financial papers are accurate before this point?

### Challenge

What are the limitations of relying on inspection of financial accounts when deciding whether to invest in a business?



## B1: Financial documents – Activity 34

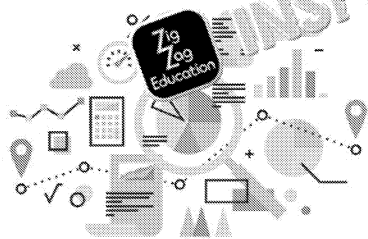


At the end of the financial year, the enterprise produces financial statements.  
Why is it important that all financial papers are accurate before this point?

### Challenge

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## B1: Financial documents – Activity 34

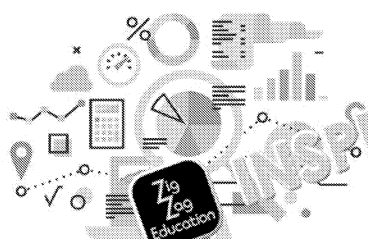


At the end of the financial year, the enterprise produces financial statements.  
Why is it important that all financial papers are accurate before this point?

### Challenge

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## B1: Financial documents – Activity 34



At the end of the financial year, the enterprise produces financial statements.  
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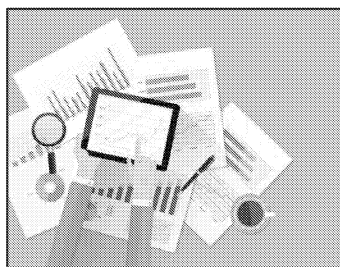
### Challenge

What are the limitations of relying on inspection of financial accounts when deciding whether to invest in a business?

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## B1: Financial documents – Activity 35



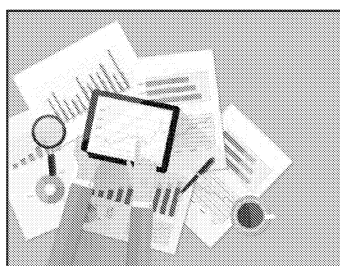
Why might an entrepreneur purchase accounts for their enterprise?

### Challenge

How significant is the rise in availability of social media and create websites for entrepreneurs?



## B1: Financial documents – Activity 35

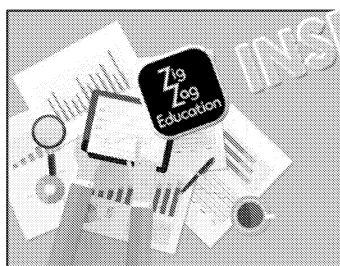


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### Challenge

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## B1: Financial documents – Activity 35

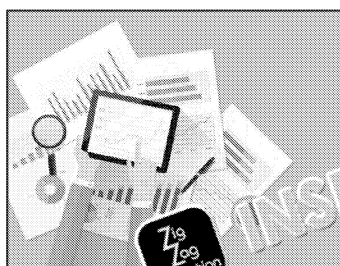


Why might an entrepreneur purchase accounts for their enterprise?

### Challenge

How significant is the rise in availability of social media and create websites for entrepreneurs?

## B1: Financial documents – Activity 35



Why might an entrepreneur purchase accounts for their enterprise?

### Challenge

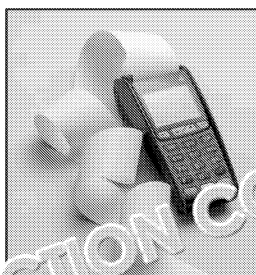
How significant is the rise in availability of social media and create websites for entrepreneurs?

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## B2: Payment methods – Activity 36

State three payment methods commonly accepted by enterprises.



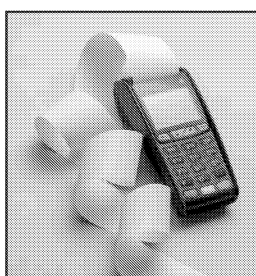
### Challenge

Payment by card is more common than by cash.

What issues arise from accepting card payments?

## B2: Payment methods – Activity 36

State three payment methods commonly accepted by enterprises.



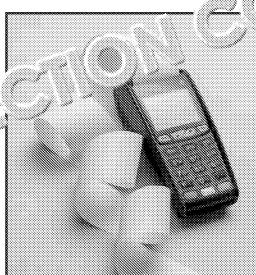
### Challenge

Payment by card is more common than by cash.

What issues arise from accepting card payments?

## B2: Payment methods – Activity 36

State three payment methods commonly accepted by enterprises.



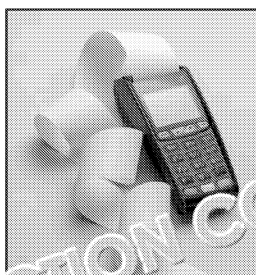
### Challenge

Payment by card is more common than by cash.

What issues arise from accepting card payments?

## B2: Payment methods – Activity 36

State three payment methods commonly accepted by enterprises.



### Challenge

Payment by card is more common than by cash.

What issues arise from accepting card payments?

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## B2: Payment methods – Activity 37

Are there any disadvantages to an enterprise of accepting electronic payments only (no cash)?

### Challenge

Are there advantages to a street food business of being able to accept electronic payments as well as cash?



## B2: Payment methods – Activity 37

Are there any disadvantages to an enterprise of accepting electronic payments only (no cash)?

### Challenge

Are there advantages to a street food business of being able to accept electronic payments as well as cash?



## B2: Payment methods – Activity 37

Are there any disadvantages to an enterprise of accepting electronic payments only (no cash)?



### Challenge

Are there advantages to a street food business of being able to accept electronic payments as well as cash?



## B2: Payment methods – Activity 37

Are there any disadvantages to an enterprise of accepting electronic payments only (no cash)?

### Challenge

Are there advantages to a street food business of being able to accept electronic payments as well as cash?



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## B2: Payment methods – Activity 38



What might be a consequence to the enterprise for not accepting cash payments?

### Challenge

An independent café owner puts the following notice on the door: 'Card payments preferred but cash accepted.' Why might this be?



## B2: Payment methods – Activity 38



What might be a consequence to the enterprise for not accepting cash payments?

### Challenge

An independent café owner puts the following notice on the door: 'Card payments preferred but cash accepted.' Why might this be?

## B2: Payment methods – Activity 38



What might be a consequence to the enterprise for not accepting cash payments?

### Challenge

An independent café owner puts the following notice on the door: 'Card payments preferred but cash accepted.' Why might this be?

## B2: Payment methods – Activity 38



What might be a consequence to the enterprise for not accepting cash payments?

### Challenge

An independent café owner puts the following notice on the door: 'Card payments preferred but cash accepted.' Why might this be?

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**B2: Payment methods – Activity 39**

What is the difference between a debit card and a credit card?

**Challenge**

Why is the increasing use of contactless payment / chip and PIN with debit cards a benefit to enterprises?

**B2: Payment methods – Activity 39**

What is the difference between a debit card and a credit card?

**Challenge**

Why is the increasing use of contactless payment / chip and PIN with debit cards a benefit to enterprises?

**B2: Payment methods – Activity 39**

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**B2: Payment methods – Activity 39**

What is the difference between a debit card and a credit card?

**Challenge**

Why is the increasing use of contactless payment / chip and PIN with debit cards a benefit to enterprises?



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## B2: Payment methods – Activity 40



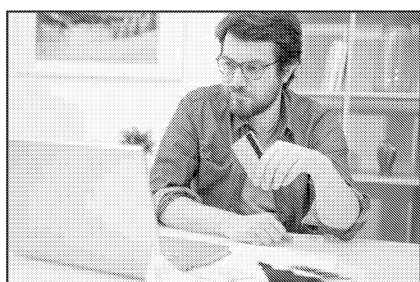
When is direct debit an appropriate payment method?

### Challenge

Why does there need to be trust between customers and businesses if a direct debit payment is set up?



## B2: Payment methods – Activity 40

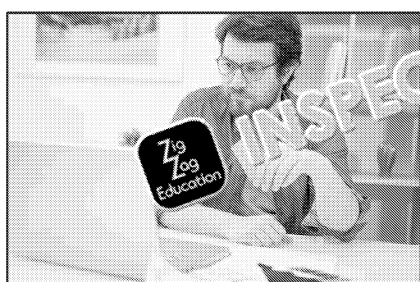


When is direct debit an appropriate payment method?

### Challenge

Why does there need to be trust between customers and businesses if a direct debit payment is set up?

## B2: Payment methods – Activity 40



When is direct debit an appropriate payment method?

### Challenge

Why does there need to be trust between customers and businesses if a direct debit payment is set up?

## B2: Payment methods – Activity 40



When is direct debit an appropriate payment method?

### Challenge

Why does there need to be trust between customers and businesses if a direct debit payment is set up?



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**B2: Payment methods – Activity 41**

What is the impact on customers of agreeing to make payments via direct debit?

**Challenge**

What are standing orders, and how are they different from direct debits?

**B2: Payment methods – Activity 41**

What is the impact on customers of agreeing to make payments via direct debit?

**Challenge**

What are standing orders, and how are they different from direct debits?

**B2: Payment methods – Activity 41**

What is the impact on customers of agreeing to make payments via direct debit?

**Challenge**

What are standing orders, and how are they different from direct debits?

**B2: Payment methods – Activity 41**

What is the impact on customers of agreeing to make payments via direct debit?

**Challenge**

What are standing orders, and how are they different from direct debits?



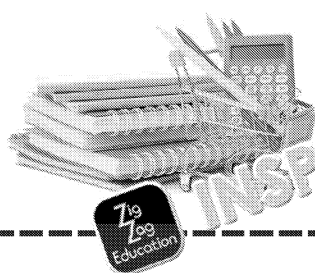
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## B2: Payment methods – Activity 42

An entrepreneur running a traditional stationery shop in a picturesque town is considering starting a website for online orders, but they investigate setting up a website for online orders.

Is this a good idea?



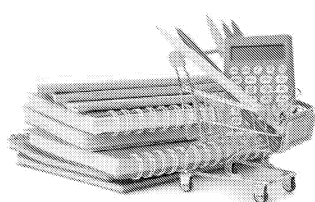
### Challenge

What type of enterprises would be suitable for making regular sales?

## B2: Payment methods – Activity 42

An entrepreneur running a traditional stationery shop in a picturesque town is considering starting a website for online orders, but they investigate setting up a website for online orders.

Is this a good idea?



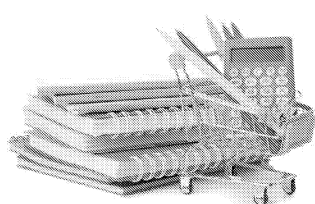
### Challenge

What type of enterprises would be suitable for making regular sales?

## B2: Payment methods – Activity 42

An entrepreneur running a traditional stationery shop in a picturesque town is considering starting a website for online orders, but they investigate setting up a website for online orders.

Is this a good idea?



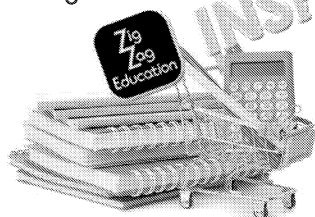
### Challenge

What type of enterprises would be suitable for making regular sales?

## B2: Payment methods – Activity 42

An entrepreneur running a traditional stationery shop in a picturesque town is considering starting a website for online orders, but they investigate setting up a website for online orders.

Is this a good idea?



### Challenge

What type of enterprises would be suitable for making regular sales?

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### B3: Revenue and costs – Activity 43

Define revenue/turnover.

#### Challenge

Is there a difference between turnover and profit?



### B3: Revenue and costs – Activity 43

Define revenue/turnover.

#### Challenge

Is there a difference between turnover and profit?



### B3: Revenue and costs – Activity 43

Define revenue/turnover.

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### B3: Revenue and costs – Activity 43

Define revenue/turnover.

#### Challenge

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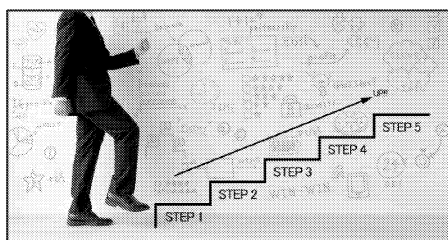


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### B3: Revenue and costs – Activity 44

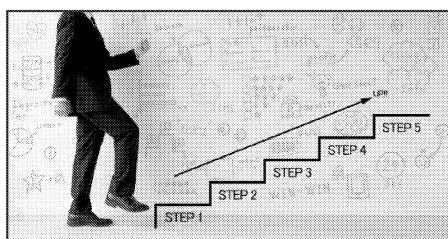


Why might high start-up costs for an entry for an entrepreneur?

#### Challenge

Do high start-up costs in an industry

### B3: Revenue and costs – Activity 44

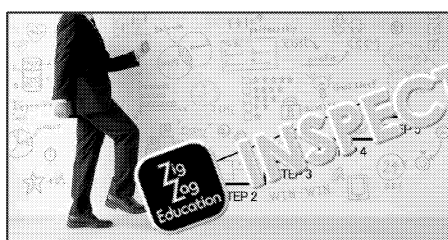


Why might high start-up costs for an entry for an entrepreneur?

#### Challenge

Do high start-up costs in an industry

### B3: Revenue and costs – Activity 44

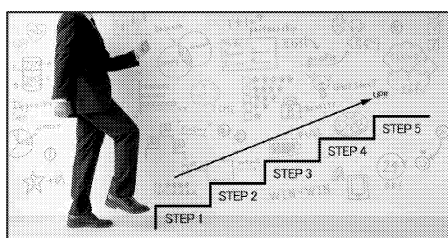


Why might high start-up costs for an entry for an entrepreneur?

#### Challenge

Do high start-up costs in an industry

### B3: Revenue and costs – Activity 44



Why might high start-up costs for an entry for an entrepreneur?

#### Challenge

Do high start-up costs in an industry

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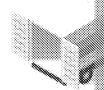
### B3: Revenue and costs – Activity 45

Which of these costs are start-up costs?

- A. Staff wages
- B. Recruitment costs for initial staffing
- C. The phone bill
- D. Installation of broadband to premises

#### Challenge

Why do so many enterprises rent or lease their premises, instead of buying them?



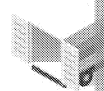
### B3: Revenue and costs – Activity 45

Which of these costs are start-up costs?

- A. Staff wages
- B. Recruitment costs for initial staffing
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- D. Installation of broadband to premises

#### Challenge

Why do so many enterprises rent or lease their premises, instead of buying them?



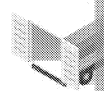
### B3: Revenue and costs – Activity 45

Which of these costs are start-up costs?

- A. Staff wages
- B. Recruitment costs for initial staffing
- C. The phone bill
- D. Installation of broadband to premises

#### Challenge

Why do so many enterprises rent or lease their premises, instead of buying them?



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### B3: Revenue and costs – Activity 46



Many small enterprises were originally the entrepreneur's hobby. This link to the problem of high start-up costs when

#### Challenge

Are all hobby-based enterprises likely to create income for the entrepreneur?



### B3: Revenue and costs – Activity 46



Many small enterprises were originally the entrepreneur's hobby. This link to the problem of high start-up costs when

#### Challenge

Are all hobby-based enterprises likely to create income for the entrepreneur?

### B3: Revenue and costs – Activity 46



Many small enterprises were originally the entrepreneur's hobby. This link to the problem of high start-up costs when

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### B3: Revenue and costs – Activity 46



Many small enterprises were originally the entrepreneur's hobby. This link to the problem of high start-up costs when

#### Challenge

Are all hobby-based enterprises likely to create income for the entrepreneur?



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### B3: Revenue and costs – Activity 47

State three running costs a small restaurant would have.



#### Challenge

A restaurant owner decides to reduce costs by sourcing cheaper ingredients.

Would you recommend this? Why or why not?



### B3: Revenue and costs – Activity 47

State three running costs a small restaurant would have.



#### Challenge

A restaurant owner decides to reduce costs by sourcing cheaper ingredients.

Would you recommend this? Why or why not?



### B3: Revenue and costs – Activity 47

State three running costs a small restaurant would have.



#### Challenge

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### B3: Revenue and costs – Activity 47

State three running costs a small restaurant would have.



#### Challenge

A restaurant owner decides to reduce costs by sourcing cheaper ingredients.

Would you recommend this? Why or why not?

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### B3: Revenue and costs – Activity 48



Why might entrepreneurs keep employees on a minimum?

#### Challenge

Why are zero-hours contracts helpful for enterprise?



### B3: Revenue and costs – Activity 48

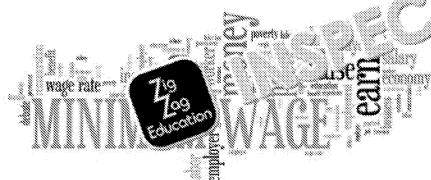


Why might entrepreneurs keep employees on a minimum?

#### Challenge

Why are zero-hours contracts helpful for enterprise?

### B3: Revenue and costs – Activity 48



Why might entrepreneurs keep employees on a minimum?

#### Challenge

Why are zero-hours contracts helpful for enterprise?

### B3: Revenue and costs – Activity 48



Why might entrepreneurs keep employees on a minimum?

#### Challenge

Why are zero-hours contracts helpful for enterprise?



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**B3: Revenue and costs – Activity 49**

Should the owner of a small outdoor activity centre always choose the cheapest public liability insurance policy?

**Challenge**

What other types of insurance policy are applicable to entrepreneurs and their enterprises?

**B3: Revenue and costs – Activity 49**

Should the owner of a small outdoor activity centre always choose the cheapest public liability insurance policy?

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**B3: Revenue and costs – Activity 49**

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**Challenge**

What other types of insurance policy are applicable to entrepreneurs and their enterprises?



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## B4: Financial statements – Activity 50

What is 'profit'?



### Challenge

For a sole trader entrepreneur, is the total profit the same as their income?

## B4: Financial statements – Activity 50

What is 'profit'?

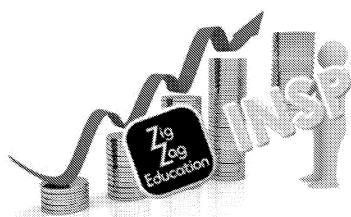


### Challenge

For a sole trader entrepreneur, is the total profit the same as their income?

## B4: Financial statements – Activity 50

What is 'profit'?



### Challenge

For a sole trader entrepreneur, is the total profit the same as their income?

## B4: Financial statements – Activity 50

What is 'profit'?



### Challenge

For a sole trader entrepreneur, is the total profit the same as their income?

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## B4: Financial statements – Activity 51

What is the difference between gross profit and net profit?

### Challenge

Why do entrepreneurs carry out calculations based on profit margins?



## B4: Financial statements – Activity 51

What is the difference between gross profit and net profit?

### Challenge

Why do entrepreneurs carry out calculations based on profit margins?



## B4: Financial statements – Activity 51

What is the difference between gross profit and net profit?

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## B4: Financial statements – Activity 51

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### Challenge

Why do entrepreneurs carry out calculations based on profit margins?



## B4: Financial statements – Activity 51

What is the difference between gross profit and net profit?

### Challenge

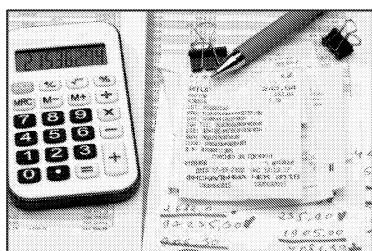
Why do entrepreneurs carry out calculations based on profit margins?



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## B4: Financial statements – Activity 52



What is the difference between cost of sale

### Challenge

Why would an entrepreneur monitor their

## B4: Financial statements – Activity 52

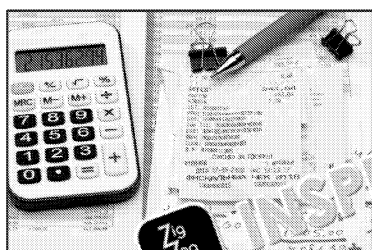


What is the difference between cost of sale

### Challenge

Why would an entrepreneur monitor their

## B4: Financial statements – Activity 52

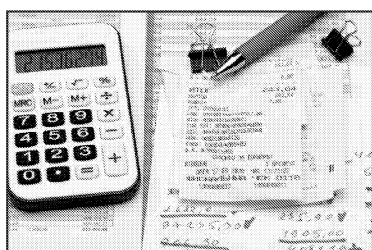


What is the difference between cost of sale

### Challenge

Why would an entrepreneur monitor their

## B4: Financial statements – Activity 52

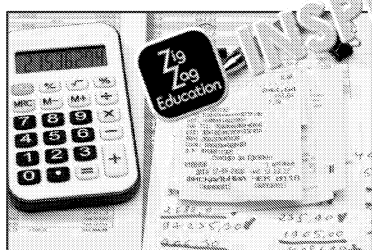


What is the difference between cost of sale

### Challenge

Why would an entrepreneur monitor their

## B4: Financial statements – Activity 52



What is the difference between cost of sale

### Challenge

Why would an entrepreneur monitor their

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**B4: Financial statements – Activity 53**

Why is a balance sheet often referred to as a 'snapshot' of the business's financial position?

**Challenge**

If the balance sheet is out of date, why is it used by potential investors when deciding to invest in the enterprise?

**B4: Financial statements – Activity 53**

Why is a balance sheet often referred to as a 'snapshot' of the business's financial position?

**Challenge**

If the balance sheet is out of date, why is it used by potential investors when deciding to invest in the enterprise?

**B4: Financial statements – Activity 53**

Why is a balance sheet often referred to as a 'snapshot' of the business's financial position?

**Challenge**

If the balance sheet is out of date, why is it used by potential investors when deciding to invest in the enterprise?

**B4: Financial statements – Activity 53**

Why is a balance sheet often referred to as a 'snapshot' of the business's financial position?

**Challenge**

If the balance sheet is out of date, why is it used by potential investors when deciding to invest in the enterprise?



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## B4: Financial statements – Activity 54



What is the difference between fixed and liquid assets?

### Challenge

Why should an entrepreneur aim to have as few fixed assets as possible?



## B4: Financial statements – Activity 54

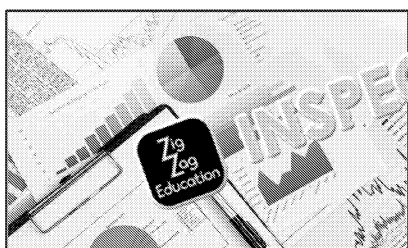


What is the difference between fixed and liquid assets?

### Challenge

Why should an entrepreneur aim to have as few fixed assets as possible?

## B4: Financial statements – Activity 54



What is the difference between fixed and liquid assets?

### Challenge

Why should an entrepreneur aim to have as few fixed assets as possible?

## B4: Financial statements – Activity 54



What is the difference between fixed and liquid assets?

### Challenge

Why should an entrepreneur aim to have as few fixed assets as possible?



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## B4: Financial statements – Activity 55

Why should entrepreneurs ensure they have enough working capital in their enterprise?

### Challenge

Is it possible to have too much working capital in an enterprise?



## B4: Financial statements – Activity 55

Why should entrepreneurs ensure they have enough working capital in their enterprise?

### Challenge

Is it possible to have too much working capital in an enterprise?



## B4: Financial statements – Activity 55

Why should entrepreneurs ensure they have enough working capital in their enterprise?

### Challenge

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## B4: Financial statements – Activity 55

Why should entrepreneurs ensure they have enough working capital in their enterprise?

### Challenge

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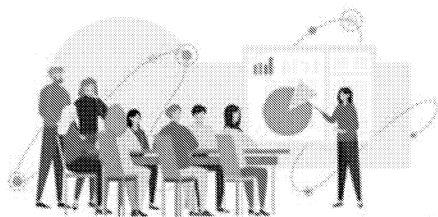
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## B4: Financial statements – Activity 56

What are 'stakeholders'?

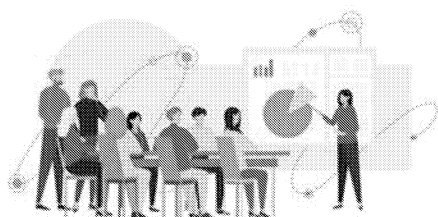


### Challenge

List three stakeholders of an enterprise with an accompanying guide.

## B4: Financial statements – Activity 56

What are 'stakeholders'?

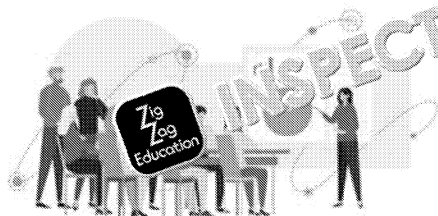


### Challenge

List three stakeholders of an enterprise with an accompanying guide.

## B4: Financial statements – Activity 56

What are 'stakeholders'?

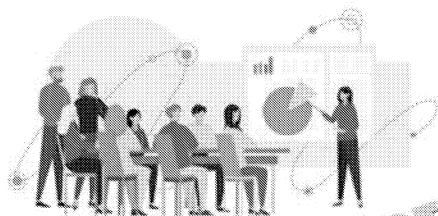


### Challenge

List three stakeholders of an enterprise with an accompanying guide.

## B4: Financial statements – Activity 56

What are 'stakeholders'?



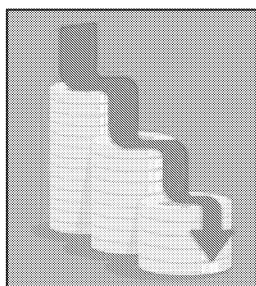
### Challenge

List three stakeholders of an enterprise with an accompanying guide.

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## B5: Profitability and liquidity – Activity 57



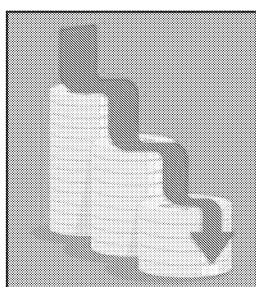
Does a cash flow forecast show an accurate profit?

### Challenge

Should an entrepreneur be concerned that their little profit?



## B5: Profitability and liquidity – Activity 57

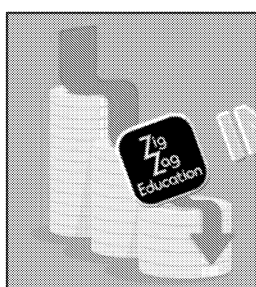


Does a cash flow forecast show an accurate profit?

### Challenge

Should an entrepreneur be concerned that their little profit?

## B5: Profitability and liquidity – Activity 57

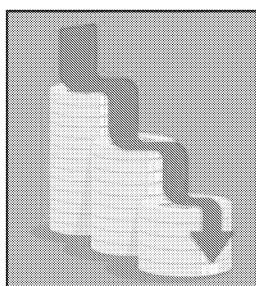


Does a cash flow forecast show an accurate profit?

### Challenge

Should an entrepreneur be concerned that their little profit?

## B5: Profitability and liquidity – Activity 57



Does a cash flow forecast show an accurate profit?

### Challenge

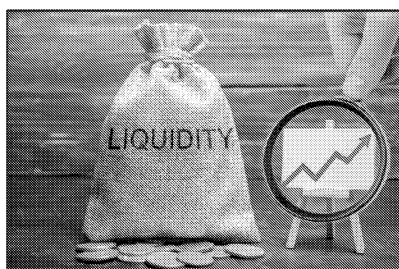
Should an entrepreneur be concerned that their little profit?



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## B5: Profitability and liquidity – Activity 58

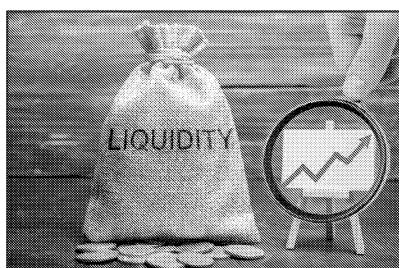


What does 'liquidity' refer to in con

### Challenge

Could an enterprise have too high a

## B5: Profitability and liquidity – Activity 58

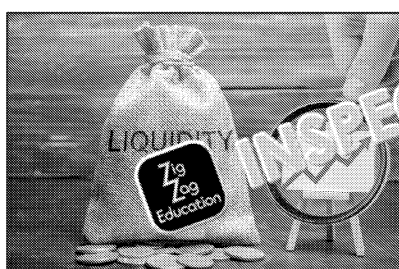


What does 'liquidity' refer to in con

### Challenge

Could an enterprise have too high a

## B5: Profitability and liquidity – Activity 58

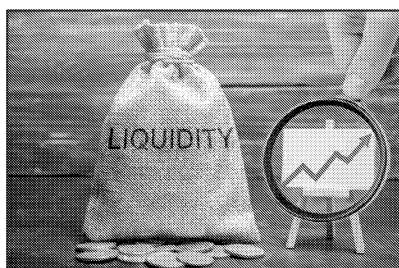


What does 'liquidity' refer to in con

### Challenge

Could an enterprise have too high a

## B5: Profitability and liquidity – Activity 58



What does 'liquidity' refer to in con

### Challenge

Could an enterprise have too high a

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## B5: Profitability and liquidity – Activity 59

At the end of the year, turnover for an enterprise is £18,500. The gross profit has been calculated as £7,200.

Calculate the gross profit margin (GPM). Show your answer to one decimal place.

### Challenge

During its second year of trading, the enterprise's figures change. Turnover is £20,000 and gross profit is £11,500.

1. Calculate the new GPM, showing your answer to one decimal place.
2. What is the percentage change in GPM from Year 1 to Year 2? Show your answer to one decimal place.

## B5: Profitability and liquidity – Activity 59

At the end of the year, turnover for an enterprise is £18,500. The gross profit has been calculated as £7,200.

Calculate the gross profit margin (GPM). Show your answer to one decimal place.

### Challenge

During its second year of trading, the enterprise's figures change. Turnover is £20,000 and gross profit is £11,500.

1. Calculate the new GPM, showing your answer to one decimal place.
2. What is the percentage change in GPM from Year 1 to Year 2? Show your answer to one decimal place.

## B5: Profitability and liquidity – Activity 59

At the end of the year, turnover for an enterprise is £18,500. The gross profit has been calculated as £7,200.

Calculate the gross profit margin (GPM). Show your answer to one decimal place.

### Challenge

During its second year of trading, the enterprise's figures change. Turnover is £20,000 and gross profit is £11,500.

1. Calculate the new GPM, showing your answer to one decimal place.
2. What is the percentage change in GPM from Year 1 to Year 2? Show your answer to one decimal place.

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**B5: Profitability and liquidity – Activity 60**

At the end of the year, turnover for an enterprise is £41,000. The net profit calculated as £19,000.

Calculate the net profit margin (NPM).

**Challenge**

Net profit margin has fallen in the enterprise for the past three consecutive years. What actions could be taken to improve this figure?

**B5: Profitability and liquidity – Activity 60**

At the end of the year, turnover for an enterprise is £41,000. The net profit calculated as £19,000.

Calculate the net profit margin (NPM).

**Challenge**

Net profit margin has fallen in the enterprise for the past three consecutive years. What actions could be taken to improve this figure?

**B5: Profitability and liquidity – Activity 60**

At the end of the year, turnover for an enterprise is £41,000. The net profit calculated as £19,000.

Calculate the net profit margin (NPM).

**Challenge**

Net profit margin has fallen in the enterprise for the past three consecutive years. What actions could be taken to improve this figure?

**B5: Profitability and liquidity – Activity 60**

At the end of the year, turnover for an enterprise is £41,000. The net profit calculated as £19,000.

Calculate the net profit margin (NPM).

**Challenge**

Net profit margin has fallen in the enterprise for the past three consecutive years. What actions could be taken to improve this figure?



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## B5: Profitability and liquidity – Activity 61



An enterprise has £14,000 in current assets and £7,000 in current liabilities.

Calculate the current ratio.

### Challenge

What does the current ratio show, and what should enterprises be aware of it?



## B5: Profitability and liquidity – Activity 61



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Calculate the current ratio.

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Calculate the current ratio.

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What does the current ratio show, and what should enterprises be aware of it?

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## B5: Profitability and liquidity – Activity 62

An entrepreneur operating a small engineering enterprise calculates their current ratio as 1:1.

Should the entrepreneur be concerned?

### Challenge

A friend of the entrepreneur recommends that they should apply the 'acid test' ratio to their business. What is this?



## B5: Profitability and liquidity – Activity 62

An entrepreneur operating a small engineering enterprise calculates their current ratio as 1:1.

Should the entrepreneur be concerned?

### Challenge

A friend of the entrepreneur recommends that they should apply the 'acid test' ratio to their business. What is this?



## B5: Profitability and liquidity – Activity 62

An entrepreneur operating a small engineering enterprise calculates their current ratio as 1:1.

Should the entrepreneur be concerned?

### Challenge

A friend of the entrepreneur recommends that they should apply the 'acid test' ratio to their business. What is this?



## B5: Profitability and liquidity – Activity 62

An entrepreneur operating a small engineering enterprise calculates their current ratio as 1:1.

Should the entrepreneur be concerned?

### Challenge

A friend of the entrepreneur recommends that they should apply the 'acid test' ratio to their business. What is this?



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## B5: Profitability and liquidity – Activity 63

Which stakeholders of an enterprise will be interested in this information?



### Challenge

Sole traders and partnerships are not required to appoint an accountant to produce their financial statements.

Would you recommend that they consider this?

## B5: Profitability and liquidity – Activity 63

Which stakeholders of an enterprise will be interested in this information?



### Challenge

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## B5: Profitability and liquidity – Activity 63

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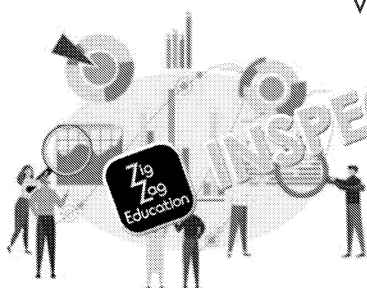
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## B5: Profitability and liquidity – Activity 63

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### Challenge

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Would you recommend that they consider this?

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## C1: Budgeting – Activity 64

What is a 'budget'?

### Challenge

An enterprise runs three projects – two of them are completed within budget, but the third requires an additional input of funds to complete. Is this a problem?



## C1: Budgeting – Activity 64

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## C1: Budgeting – Activity 65



Why is it easier to create a budget base for an existing enterprise than it is for a new enterprise based on predictions?

### Challenge

When might an existing enterprise reuse the previous year's data?



## C1: Budgeting – Activity 65



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### Challenge

When might an existing enterprise reuse the previous year's data?

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## C1: Budgeting – Activity 66

What is 'capital expenditure'?

### Challenge

What options are there for an enterprise that needs new machinery but cannot afford to purchase it?



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## C1: Budgeting – Activity 66

What is 'capital expenditure'?

### Challenge

What options are there for an enterprise that needs new machinery but cannot afford to purchase it?



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## C1: Budgeting – Activity 67

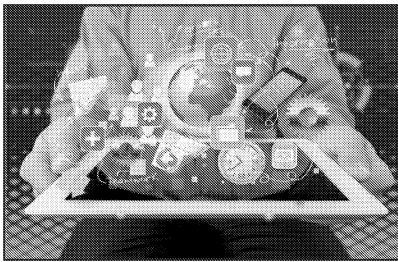


Why spend on marketing?

### Challenge

An enterprise needs to reduce costs. Is a good option?

## C1: Budgeting – Activity 67

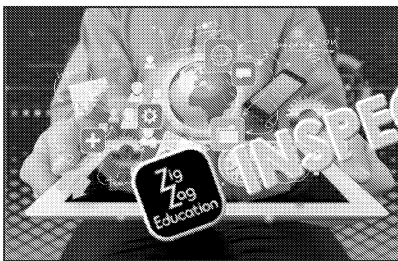


Why spend on marketing?

### Challenge

An enterprise needs to reduce costs. Is a good option?

## C1: Budgeting – Activity 67



Why spend on marketing?

### Challenge

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## C1: Budgeting – Activity 67



Why spend on marketing?

### Challenge

An enterprise needs to reduce costs. Is a good option?

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## C1: Budgeting – Activity 68

An entrepreneur realises the cost of materials for their product is higher than anticipated. Is it wise to find cheaper materials?

### Challenge

Should increases in costs always be passed on to the customer?



## C1: Budgeting – Activity 68

An entrepreneur realises the cost of materials for their product is higher than anticipated. Is it wise to find cheaper materials?

### Challenge

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## C1: Budgeting – Activity 68

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### Challenge

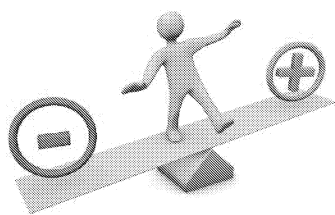
Should increases in costs always be passed on to the customer?



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## C1: Budgeting – Activity 69

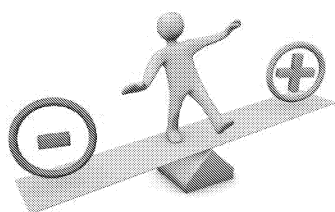


An enterprise expected to receive £13,000 in revenue but the actual figure was £15,000. Is this a positive or negative variance?

### Challenge

How might this variance impact the enterprise?

## C1: Budgeting – Activity 69

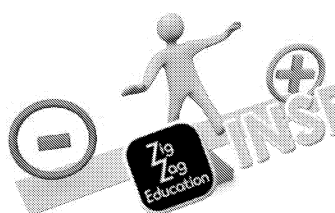


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## C1: Budgeting – Activity 69

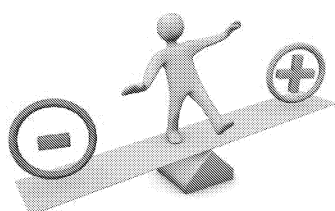


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## C1: Budgeting – Activity 69



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How might this variance impact the enterprise?

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## C1: Budgeting – Activity 70

An enterprise expected to spend £7,000 on vehicle costs for the year.  
The actual figure was £8,700.

Is this a positive or negative variance?

### Challenge

How might this variance impact the enterprise's budget setting for vehicle costs?



## C1: Budgeting – Activity 70

An enterprise expected to spend £7,000 on vehicle costs for the year.  
The actual figure was £8,700.

Is this a positive or negative variance?

### Challenge

How might this variance impact the enterprise's budget setting for vehicle costs?

## C1: Budgeting – Activity 70

An enterprise expected to spend £7,000 on vehicle costs for the year.  
The actual figure was £8,700.

Is this a positive or negative variance?

### Challenge

How might this variance impact the enterprise's budget setting for vehicle costs?

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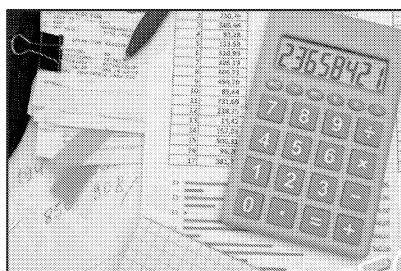
### Challenge

How might this variance impact the enterprise's budget setting for vehicle costs?

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## C2: Cash flow – Activity 71

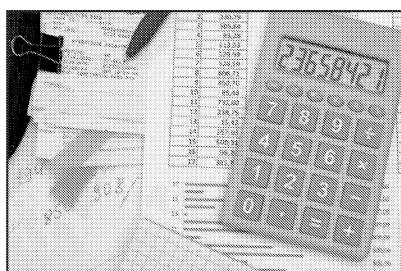


What is a cash flow forecast?

### Challenge

How can an entrepreneur find figures to a new enterprise that isn't yet trading?

## C2: Cash flow – Activity 71

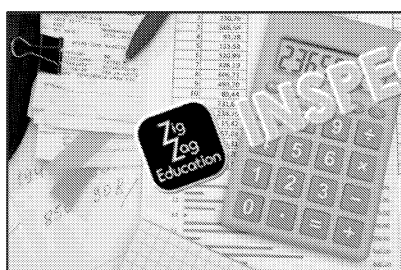


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## C2: Cash flow – Activity 71

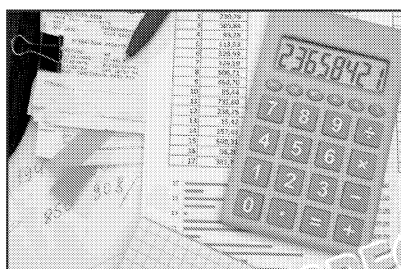


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## C2: Cash flow – Activity 71



What is a cash flow forecast?

### Challenge

How can an entrepreneur find figures to a new enterprise that isn't yet trading?

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## C2: Cash flow – Activity 72

What is the difference between a surplus and a deficit?

### Challenge

An enterprise supplying organic vegetable boxes to local customers has a surplus of vegetables due to good weather conditions.

What issues does this create?



## C2: Cash flow – Activity 72

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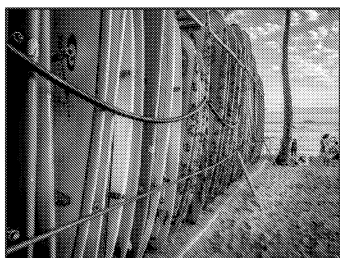
What issues does this create?



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## C2: Cash flow – Activity 73

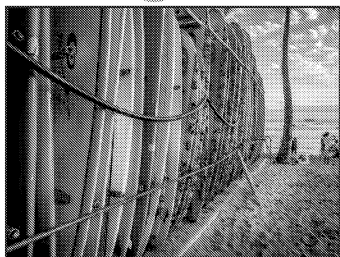


What is a 'seasonal' enterprise?

### Challenge

What impact does seasonality have on an enterprise?

## C2: Cash flow – Activity 73

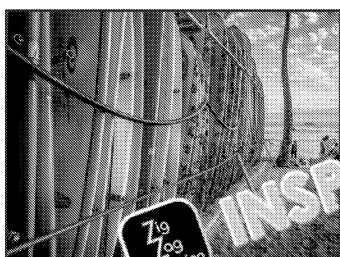


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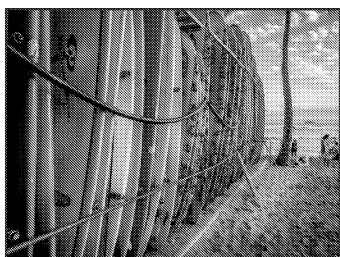


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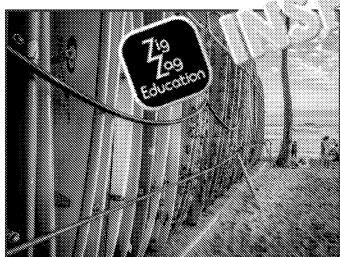


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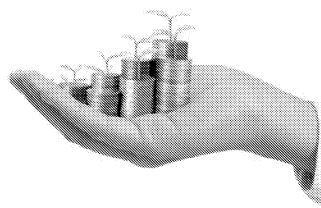
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## C2: Cash flow – Activity 74

Does an entrepreneur have any control over when money flows into and out of the enterprise?

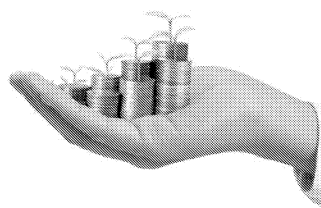


### Challenge

What issues does lack of control over the timing of cash flows create for the enterprise?

## C2: Cash flow – Activity 74

Does an entrepreneur have any control over when money flows into and out of the enterprise?

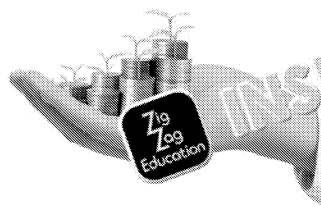


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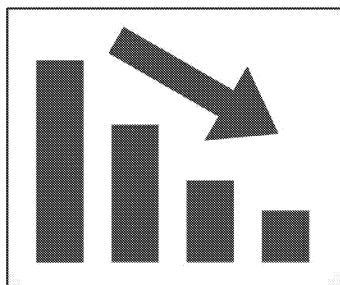


### Challenge

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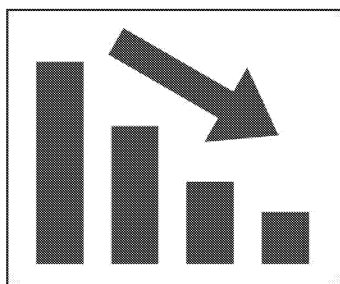


**C2: Cash flow – Activity 75**

The cash flow forecast shows losses for the final period. The entrepreneur wants to keep the enterprise afloat.

**Challenge**

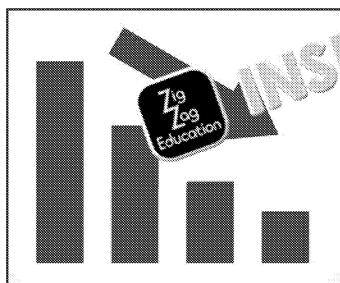
Should the entrepreneur aim to predict cash flow for the next period that are causing concern?

**C2: Cash flow – Activity 75**

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**Challenge**

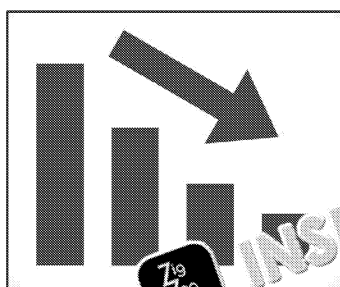
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**C2: Cash flow – Activity 75**

The cash flow forecast shows losses for the final period. The entrepreneur wants to keep the enterprise afloat.

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## C2: Cash flow – Activity 76

Once an entrepreneur has drawn up a cash flow forecast for a new enterprise, why is it important to adjust the figures to show fewer sales and higher costs?

### Challenge

Is it worth continuing with an enterprise that is only achieving 50 % of the predicted sales after trading for six months?



## C2: Cash flow – Activity 76

Once an entrepreneur has drawn up a cash flow forecast for a new enterprise, why is it important to adjust the figures to show fewer sales and higher costs?

### Challenge

Is it worth continuing with an enterprise that is only achieving 50 % of the predicted sales after trading for six months?



## C2: Cash flow – Activity 76

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### Challenge

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## C2: Cash flow – Activity 76

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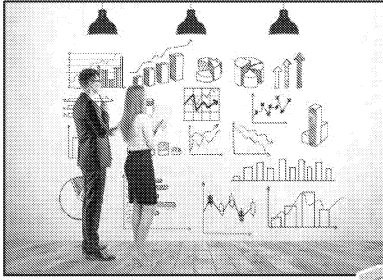
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## C2: Cash flow – Activity 77

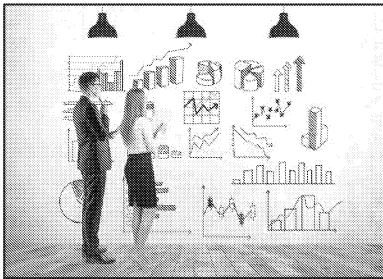


How realistic is it to base business decisions on original predictions?

### Challenge

Why should an entrepreneur monitor their original predictions on the cash flow?

## C2: Cash flow – Activity 77

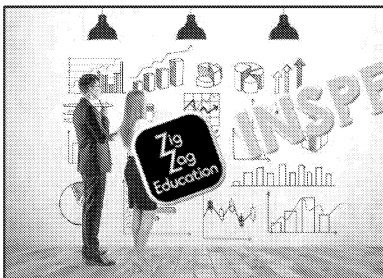


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## C2: Cash flow – Activity 77

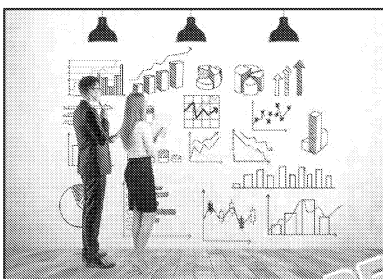


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## C2: Cash flow – Activity 77



How realistic is it to base business decisions on original predictions?

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Why should an entrepreneur monitor their original predictions on the cash flow?

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### C3: Suggesting improvements to cash flow problems

An enterprise records a sustained positive cash inflow. The entrepreneur approaches a bank for a term loan to invest in capital equipment. Is the bank manager likely to agree?

#### Challenge

An entrepreneur realises their costs are higher than their revenue, and predictions show this will not change. They want their business to survive.

How can costs be reduced? Give three suggestions.



### C3: Suggesting improvements to cash flow problems

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### C3: Suggesting improvements to cash flow problems



An entrepreneur realises they hold a...  
What do you recommend they do with...

#### Challenge

An entrepreneur pays employees the...  
hours contract. Should they use the st...



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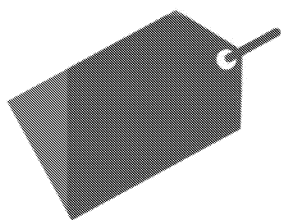
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### **C3: Suggesting improvements to cash flow problems**

How can an entrepreneur increase revenue by changing the selling price of the product?



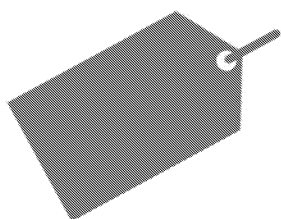
#### **Challenge**

Reducing the price per unit will also reduce revenue. Is it, therefore, a good idea for entrepreneurs to reduce the price per unit?



### **C3: Suggesting improvements to cash flow problems**

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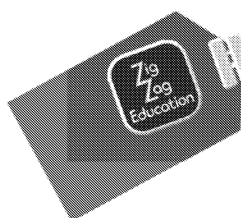


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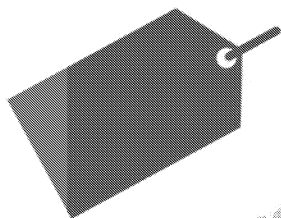


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### **C3: Suggesting improvements to cash flow problems**

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#### **Challenge**

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### C3: Suggesting improvements to cash flow problems

Do you agree with an entrepreneur selling off unused assets to raise finance?

#### Challenge

Why might assets held within an enterprise become 'unused'?



### C3: Suggesting improvements to cash flow problems

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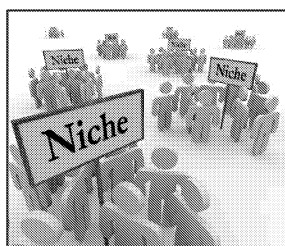
Why might assets held within an enterprise become 'unused'?



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### C3: Suggesting improvements to cash flow problems

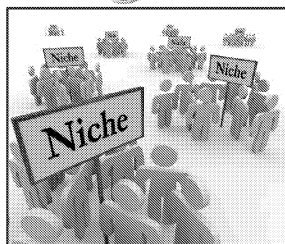


Do all enterprises aim to expand?

#### Challenge

Is expansion a suitable aim for an enterprise?

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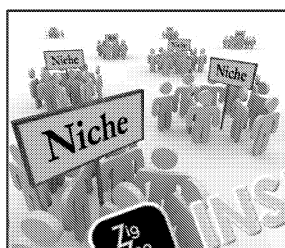


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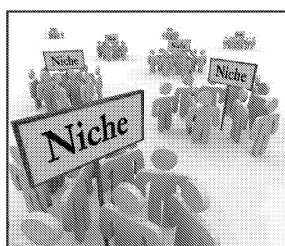


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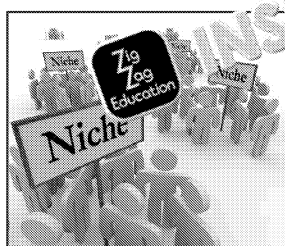


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How can delaying payment to creditors and reducing the credit period for customers help an enterprise improve their financial situation?

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Would it be a good idea for a medium-sized enterprise to employ someone in their office to deal with credit control?



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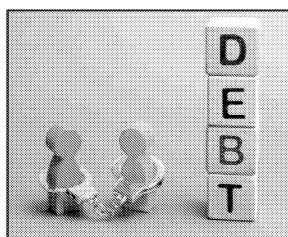
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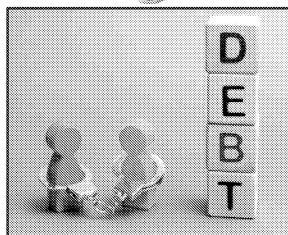


What are 'debtors'?

#### Challenge

Why should entrepreneurs ensure debtors

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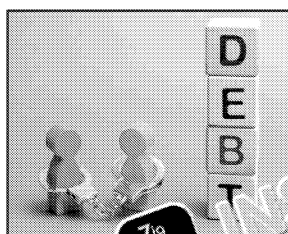


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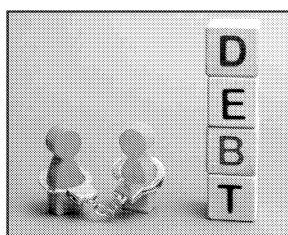


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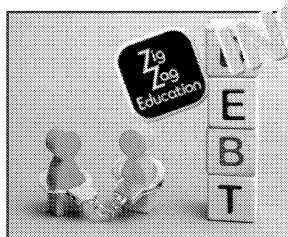


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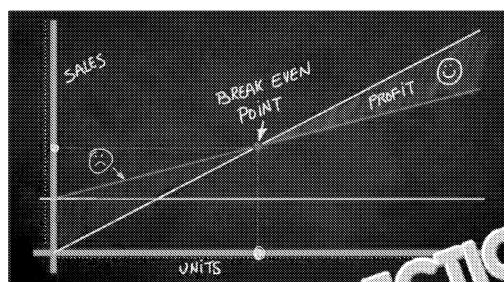
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#### C4: Break-even point and break-even analysis – A

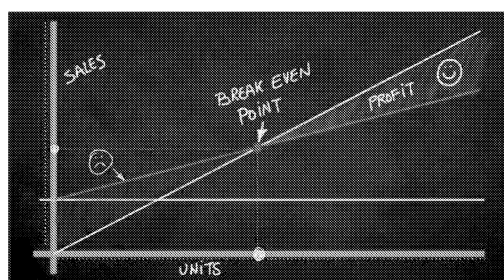


What is 'break even' and how do

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Should all entrepreneurs calculate before starting a new enterprise?

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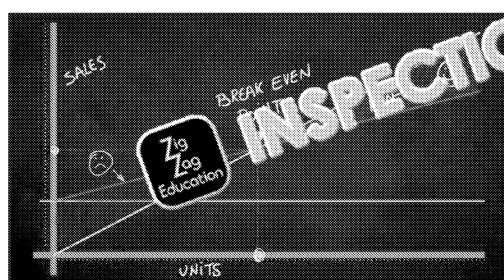


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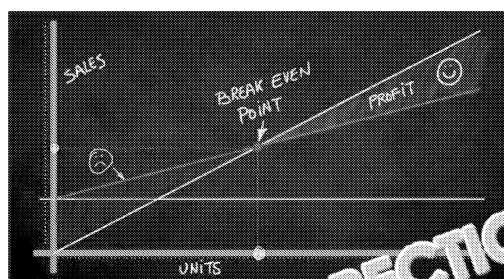


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#### C4: Break-even point and break-even analysis – Ac

Define fixed, variable and total



##### Challenge

Is it easier for an entrepreneur to reduce their variable costs?

#### C4: Break-even point and break-even analysis – Ac

Define fixed, variable and total

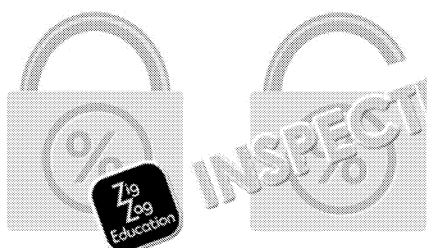


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## C4: Break-even point and break-even analysis – A

How do you calculate total revenue?

### Challenge

An enterprise sells a range of products at different prices. Sometimes they are discounted to encourage sales.

What method would you recommend to keep track of this revenue data?



## C4: Break-even point and break-even analysis – A

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## C4: Break-even point and break-even analysis – A



What is the 'margin of safety'?

### Challenge

An entrepreneur sells in a niche market. They are considering a new product. Their break-even calculations show that with the new product the margin of safety is very small. Would you invest in this new product?



## C4: Break-even point and break-even analysis – A



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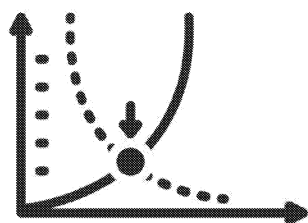
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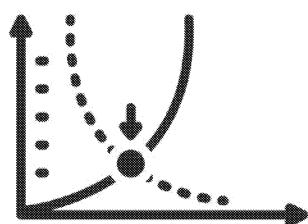


Where can you see profit and loss information

##### Challenge

Can a break-even chart be used to calculate break even?

#### C4: Break-even point and break-even analysis – A

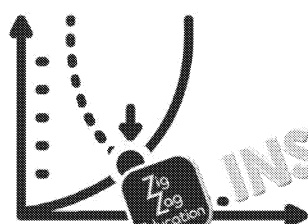


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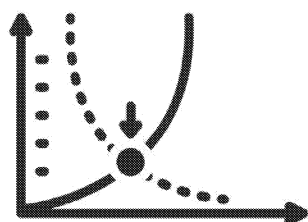


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#### C4: Break-even point and break-even analysis – A

State two advantages of carrying out a break-even calculation for a new enterprise.

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Should an entrepreneur use a range of scenarios (changes in revenue and costs) in break-even calculations before starting the enterprise?



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#### C4: Break-even point and break-even analysis – Ac



State two disadvantages of carrying on a new enterprise.

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Could an acceptable break-even calculation be made when setting up a new enterprise?



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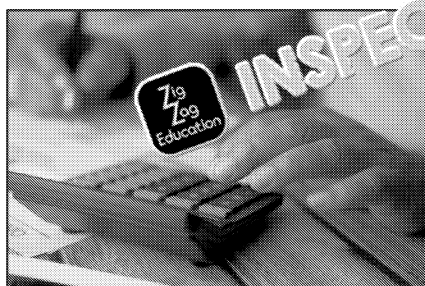


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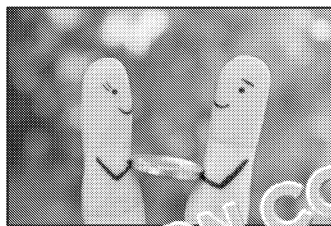
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## C5: Sources of business finance – Activity 92

State two internal sources of finance.

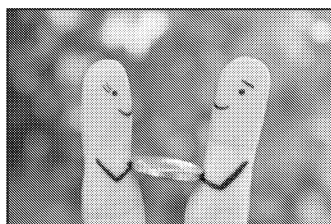


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Is it wise for an enterprise to raise new enterprise funds from friends and family?

## C5: Sources of business finance – Activity 92

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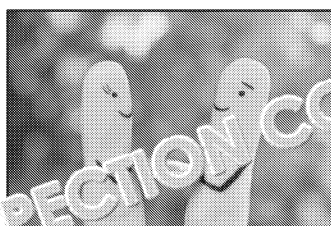


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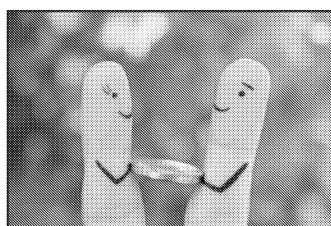


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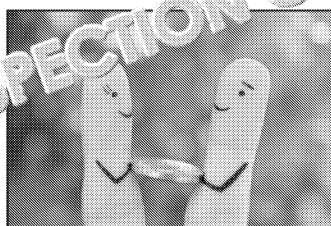


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## C5: Sources of business finance – Activity 93



Why might an enterprise retain profits at the end of a financial year?

### Challenge

Would an enterprise with a reputation for financial success find it difficult to get investors?



## C5: Sources of business finance – Activity 93

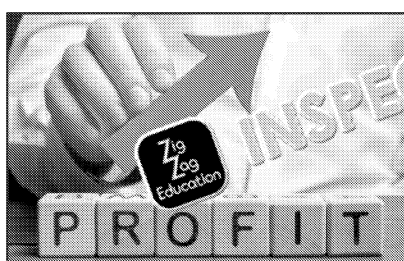


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### C5: Sources of business finance – Activity 94

If an enterprise chooses to raise funds by selling assets, what does this mean?

#### Challenge

Is selling assets a sensible method of raising money?



### C5: Sources of business finance – Activity 94

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### C5: Sources of business finance – Activity 94

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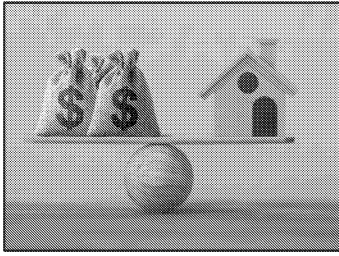
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## C5: Sources of business finance – Activity 95

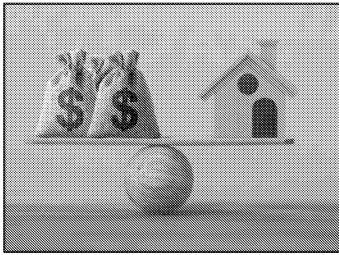


What is a mortgage?

### Challenge

Can an entrepreneur who sells online only use to invest in their enterprise?

## C5: Sources of business finance – Activity 95

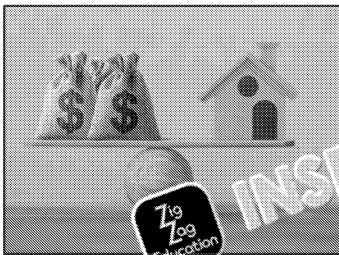


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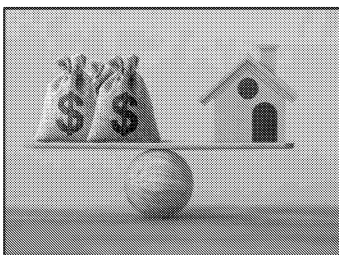


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## C5: Sources of business finance – Activity 96

Should a partnership take new partners in order to provide capital investment?



### Challenge

Can a partnership become too large to function?

## C5: Sources of business finance – Activity 96

Should a partnership take new partners in order to provide capital investment?

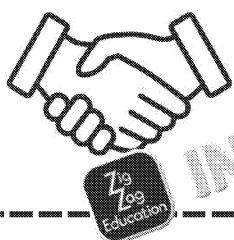


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**C5: Sources of business finance – Activity 97**

What is 'leasing' and why can it benefit enterprises?

**Challenge**

What is hire purchase (HP) and how is it different from leasing?

**C5: Sources of business finance – Activity 97**

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**C5: Sources of business finance – Activity 98**

Why might peer-to-peer (P2P) lending be suitable for a new enterprise?

**Challenge**

Is lending via P2P risky?

**C5: Sources of business finance – Activity 98**

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## C5: Sources of business finance – Activity 99

What is an overdraft?

**OVERDRAFT**

### Challenge

An overdraft should only be used as a short-term source of finance.  
Why is this?

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## C5: Sources of business finance – Activity 100

What is 'trade credit'?

### Challenge

How does qualifying for trade credit help an enterprise to manage its cash flow?



## C5: Sources of business finance – Activity 100

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**C5: Sources of business finance – Activity 101**

Could an enterprise qualify for a charitable grant to support its work?

**Challenge**

Why do social enterprises exist?

**C5: Sources of business finance – Activity 101**

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**C5: Sources of business finance – Activity 101**

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# Answers

## Activity 1

The market to which an enterprise wants to sell.

## Challenge

- A. Families, taxi businesses, hotels
- B. People living in cities who mainly drive locally
- C. Businesses involved in transport/logistics

## Activity 2

Any four from:

- Age
- Gender
- Ethnicity
- Education level
- Race
- Family size
- Income
- Socio-economic group

## Challenge

Generally, the higher the level of education achieved, the better the job that is obtained. The higher the socio-economic group a customer belongs to.

## Activity 3

Splitting a market into identifiable groups.

## Challenge

Very important if customers need to come to the business in person, or the entrepreneur is selling a service. Not so important if the business trades online.

## Activity 4

Any two from:

- Social class
- Lifestyle
- Attitudes
- Personality characteristics

## Challenge

Followers aspire to have the same lifestyle as the influencers they follow. Influencers need to have a particular lifestyle to keep and gain followers.

## Activity 5

Any two from:

- Spending
- Rate of usage
- Desired benefits
- Consumption
- Loyalty status

## Challenge

Yes – younger people with few commitments, and older people no longer financially supported by family. They have more money to spend as they choose.

Groups with commitments (e.g. mortgage, rent, children) will have less money to spend.

## Activity 6

Any two from:

- Business to business
- Niche
- Business to consumer
- Mass

## Challenge

Niche market. It would be difficult for a small business to compete with mass producers in terms of price and consistent quality.

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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.