

# Multiple-Choice Question Bank

## Theme 1: Marketing and People

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# Teacher's Introduction

This two-set resource of multiple-choice test questions with answers has been written specifically for the Edexcel AS / A Level Business (8BS0/9BS0) specification and covers all functional areas for Theme 1. The resource is intended to test students' knowledge rather than to provide exact exam-style questions.

## Theme 1: Marketing and people

- Meeting customer needs
- Market
- Marketing mix and strategy
- Managing people
- Entrepreneurs and leaders

There are two sets of multiple-choice questions with answers: Set A and Set B. Each set contains 185 questions testing topics covered in the specification. The resource is written in such a way as to take into account the fact that different students have different levels of ability.

## Suggested use of Set A and Set B tests

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

- After covering a topic in class, say in specification number 1.1, the teacher could first go through Set A 1.1 questions and answers with the students in the classroom environment using a question and answer session. At a later time, Set B 1.1 questions could be used as a formal class test to check how much the students have learned and to identify areas of concern and areas that were well understood. (Set B could be used first, then Set A.)
- Alternatively, Set A 1.1 questions could first be given as a formal class test. Then, shortly afterwards, the teacher could go through Set B 1.1 questions and answers with the students in the classroom environment using a question and answer session. This would highlight areas of concern and areas that were well understood resulting from the test outcome. (Set B could be used first, then Set A.)
- Students could be given Set A 1.1 questions for homework, then, shortly afterwards, be given Set B 1.1 as a formal class test. The result could then be compared with the homework one, identifying areas of knowledge strength and knowledge weakness. (Set B could be used first, then Set A.)
- Set A 1.1 questions and Set B 1.1 questions could both be used as homework, for formal class tests and for question and answer discussions at different times.

*January 2023*

# 1.1: Meeting customer need

## 1.1.1: The market

1. Which one of these would be a mass-market target?
  - ☐ A Family motor cars
  - ☐ B High-powered supercars
  - ☐ C Luxury superyachts
  - ☐ D Fishing rods for canal fishing
2. What is meant by niche marketing?
  - ☐ A Targeting a very large general audience, e.g. for electricity supply
  - ☐ B Using only the Internet to sell goods and services
  - ☐ C Targeting a relatively small and highly specific audience, e.g. for club football
  - ☐ D Using 'cold calling' as a marketing tool
3. Why is product branding important to a manufacturer?
  - ☐ A To make their product or service available to customers
  - ☐ B To clearly differentiate their product or service from that of their competitors
  - ☐ C To improve the usefulness of their product or service
  - ☐ D It is not important at all
4. What are dynamic markets?
  - ☐ A Markets not impacted by consumer wants and needs
  - ☐ B Markets that never change
  - ☐ C Markets that always change for various reasons
  - ☐ D Markets not influenced by innovative technologies
5. Which one of these is **not** an advantage to the consumer of using online retailing?
  - ☐ A The wide variety of products available
  - ☐ B Numerous suppliers to choose from
  - ☐ C 24/7 shopping access
  - ☐ D The possibility of identity theft
6. Why is product or service innovation important to a business?
  - ☐ A It prevents the business growing their business
  - ☐ B It gives the business a competitive advantage
  - ☐ C It makes competitors aware of their existence
  - ☐ D It would be impossible to grow the business without being innovative
7. The following statements are made about market share.
 

Statement 1: Market share is the same thing as market power.

Statement 2: Market share is the same thing as market power.

Read statements 1 and 2. Which option from the following is correct?

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
8. What is meant by a market?
  - ☐ A When at least one supplier provides goods or services to customers
  - ☐ B When at least one supplier provides goods or services to a customer
  - ☐ C When at least one supplier provides goods or services to a group of customers
  - ☐ D When at least one supplier provides goods or services to a market
9. The following statements are made about market share.
 

Statement 1: It is the same thing as market power.

Statement 2: It is the same thing as market power.

Read statements 1 and 2. Which option from the following is correct?

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
10. What usually causes a business to fail?
  - ☐ A Correct strategy for the future event
  - ☐ B Statistical model for the future business
  - ☐ C External and internal factors
  - ☐ D Unexpected changes in the market

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## 1.1.2: Market research

1. Which of the following would a product-orientated business be most concerned with?
  - ☐ A The opinions of customers
  - ☐ B The needs of customers
  - ☐ C The physical attributes of the actual product
  - ☐ D The wants of customers
  
2. Which of these is a disadvantage to a business of being market-orientated?
  - ☐ A It is likely that it will meet its customers' specifically identified needs and wants
  - ☐ B It is likely that it will maintain the loyalty of its customers
  - ☐ C It is likely that it will enhance its image in its customers' eyes
  - ☐ D It is likely to make it highly reliant on accurate and up-to-date market research
  
3. The following statements relate to market research data.  
 Statement 1: Primary research data identifies customer needs and wants.  
 Statement 2: Secondary research data was once primary research data.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
  
4. Which of these statements about quantitative data is true?
  - ☐ A It is never presented as numerical data
  - ☐ B It is often presented as numerical data
  - ☐ C It is often over-descriptive in its presentation
  - ☐ D It does not use closed questions for its collection
  
5. Which of the following is **not** true about market research?
  - ☐ A It can be very costly for a business to undertake
  - ☐ B It can be a very time-consuming process for a business
  - ☐ C It is not always guaranteed to produce absolutely accurate results
  - ☐ D It provides practical solutions to business problems
  
6. Which of these statements about primary research is true?
  - ☐ A It has no impact on the business process
  - ☐ B It is a limited process
  - ☐ C It means that a business can only collect a small amount of data
  - ☐ D A sample size is not needed
  
7. Which of the following is a benefit of primary research?
  - ☐ A Attitude of customers
  - ☐ B Structure of the market
  - ☐ C Size of the market
  - ☐ D All of the above
  
8. Which of the following is a benefit of secondary research techniques?
  - ☐ A Websites
  - ☐ B Social media
  - ☐ C Databases
  - ☐ D Analogue sales data
  
9. What is the name of the process of breaking down a business's market into specifically targeted groups?
  - ☐ A Market dynamics
  - ☐ B Market segmentation
  - ☐ C Market research
  - ☐ D Marketing mix
  
10. Which one of the following is not a factor in demographic segmentation?
  - ☐ A Psychographic
  - ☐ B Behavioural
  - ☐ C Geographic
  - ☐ D Demographic

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### 1.1.3: Market positioning

1. How are the elements of a product marketing map displayed?
  - ☐ A In a diagram using two polar opposite features of the product
  - ☐ B In the form of a 3D bar graph
  - ☐ C In a scattergraph diagram
  - ☐ D By way of a pie chart
2. How might a business use market mapping?
  - ☐ A To launch a new product in a new market
  - ☐ B To geographically locate its head office
  - ☐ C To reposition one of its existing products in its market
  - ☐ D To motivate its employees
3. Which one of the following describes the business term 'competitive advantage'?
  - ☐ A The business practice of providing good customer service
  - ☐ B The business practice of employing an aggressive pricing policy
  - ☐ C The trading situation that allows for the employment of a competitive pricing policy
  - ☐ D The trading situation whereby a business attracts more customers than its rivals
4. What is the prime differentiation?
  - ☐ A To clearly distinguish a product from those of its rivals
  - ☐ B To help its business to outperform its rivals
  - ☐ C To make the business more profitable
  - ☐ D To ensure the business is profitable
5. Which one of the following is a term for the difference between the price of a product or service and the cost of its manufacture or service?
  - ☐ A Value added
  - ☐ B Added value
  - ☐ C Marginal cost
  - ☐ D Break-even

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## 1.2: Market

### 1.2.1: Demand

- Which one of the following defines effective consumer demand?
  - ☐ A The basic needs of consumers
  - ☐ B The luxury wants of consumers
  - ☐ C The ability of customers to buy and pay for a product or service at a particular price
  - ☐ D The combined needs and wants of consumers
- Which of the following might not cause a change in the general level of demand for a product or service?
  - ☐ A Changes in tastes and fashions
  - ☐ B Changes in consumer disposable income
  - ☐ C Changes in the availability of substitute products or services
  - ☐ D Changes in the price of the product or service
- How might repeat purchases by loyal consumers impact the level of demand enjoyed by a business?
  - ☐ A Keep it at least constant in the short term
  - ☐ B Cause it to rise instantly and significantly
  - ☐ C Cause it to fall in the short term
  - ☐ D Have no impact at all on the business's level of demand
- The following statements relate to demand for home heating oil.  
 Statement 1: Demand for it usually decreases in cold winter months.  
 Statement 2: Demand for it usually increases in warm summer months.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
- The following statements relate to products with high salt and high sugar content.  
 Statement 1: Recently, there has been a fall in the general level of demand for such products.  
 Statement 2: Recently, there has been an increase in the general level of demand for such products.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
- If the price of a loaf of bread falls from £0.60 to £0.50, which one of the following is likely **not** to be true?
  - ☐ A The demand for bread is likely to increase slightly
  - ☐ B The demand for bread is likely to decrease slightly
  - ☐ C The demand for bread is likely to increase significantly
  - ☐ D The demand for bread is likely to decrease significantly
- Which one of the following is likely to increase the level of customer loyalty?
  - ☐ A Sudden surge in sales
  - ☐ B High profits
  - ☐ C Repeat purchases
  - ☐ D New customers
- Which one of the following is likely to be a 'seasonally affected' product?
  - ☐ A Petrol for vehicles
  - ☐ B Christmas cards
  - ☐ C Asparagus
  - ☐ D Strawberries
- Which one of the following is likely to cause a demographic change in the level of demand for a product or service?
  - ☐ A Demographic changes are likely to impact the level of demand
  - ☐ B Demographic changes are likely to impact the level of demand
  - ☐ C Demographic changes are likely to impact the level of demand
  - ☐ D Demographic changes are likely to impact the level of demand
- External shocks can cause a change in the level of demand for a product or service. Which one of the following would **not** be considered an external shock that would negatively impact the demand for a service in the UK?
  - ☐ A World trade agreements
  - ☐ B Reduction in government spending
  - ☐ C Unexpected changes in consumer preferences
  - ☐ D An act of war

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## 1.2.2: Supply

1. What is the name given to the quantity of goods or services a business is willing to produce at a given price?
 

<input type="checkbox"/> A Demand	<input type="checkbox"/> C Equilibrium
<input type="checkbox"/> B Supply	<input type="checkbox"/> D Optimum production
  
2. Which of these factors is **not** likely to lead to a change in the short-term supply of goods or services?
 

<input type="checkbox"/> A Changes in production costs
<input type="checkbox"/> B The introduction and application of new technology
<input type="checkbox"/> C Sudden and unexpected world events
<input type="checkbox"/> D Static selling price
  
3. The following statements relate to the short-run law of supply.  
 Statement 1: More will be supplied at a higher selling price than at a lower one.  
 Statement 2: Less will be supplied at a higher selling price than at a lower one.  
 Read statements 1 and 2 and select the correct option from the following:
 

<input type="checkbox"/> A Statement 1 and Statement 2 are both false
<input type="checkbox"/> B Statement 1 and Statement 2 are both true
<input type="checkbox"/> C Statement 1 is true but Statement 2 is false
<input type="checkbox"/> D Statement 1 is false but Statement 2 is true
  
4. The following statements relate to 'Brexit' and the supply availability of non-UK labour.  
 Statement 1: Since Brexit, the supply of foreign labour on the UK labour market has fallen.  
 Statement 2: Since Brexit, the supply of foreign labour on the UK labour market has risen.  
 Read statements 1 and 2 and select the correct option from the following:
 

<input type="checkbox"/> A Statement 1 and Statement 2 are both true
<input type="checkbox"/> B Statement 1 and Statement 2 are both false
<input type="checkbox"/> C Statement 1 is false but Statement 2 is true
<input type="checkbox"/> D Statement 1 is true but Statement 2 is false
  
5. If the supply of a product that has no suitable substitute suddenly decreased, which of the following is likely to happen to its selling price?
 

<input type="checkbox"/> A It will increase
<input type="checkbox"/> B It will decrease
<input type="checkbox"/> C It will remain the same
<input type="checkbox"/> D The outcome will wholly depend on the product's quality
  
6. For which one of these reasons is the market supply of a product or service not likely to be affected by its market price?
 

<input type="checkbox"/> A A low selling price is a disincentive for producers to supply goods to the market as it will mean making low profits
<input type="checkbox"/> B A high selling price is an incentive for producers to supply goods to the market in the hope of making high profits
<input type="checkbox"/> C A low selling price is an incentive for producers to supply goods to the market as it will mean making high profits
<input type="checkbox"/> D A low selling price is an incentive for producers to supply goods to the market as it will mean making low profits
  
7. The cost of producing a good falls, increasing the supply of goods. Given this fact, which of the following statements is true?
 

<input type="checkbox"/> A Low product prices and low selling prices would encourage market firms to supply more goods
<input type="checkbox"/> B Low product prices and high selling prices would encourage market firms to supply more goods
<input type="checkbox"/> C High product prices and high selling prices would encourage market firms to supply more goods
<input type="checkbox"/> D High product prices and low selling prices would encourage market firms to supply more goods
  
8. Which one of the following is not a factor that can increase the supply of goods produced?
 

<input type="checkbox"/> A Value added tax
<input type="checkbox"/> B A fall in the selling price of the goods
<input type="checkbox"/> C VAT is not a factor that can increase supply
<input type="checkbox"/> D A rise in the price of all the inputs to their market
  
9. Why might government intervention be necessary in the provision of services?
 

<input type="checkbox"/> A They are not profitable for businesses to produce
<input type="checkbox"/> B All businesses are required to supply more
<input type="checkbox"/> C They make a profit so they will supply more
<input type="checkbox"/> D Supplying a service is a prerequisite for government intervention
  
10. Which one of the following is not a supply side external factor that can have a positive impact on supply?
 

<input type="checkbox"/> A Natural disasters
<input type="checkbox"/> B Union strikes
<input type="checkbox"/> C Adverse weather
<input type="checkbox"/> D Unexpected changes in technology and improvements in production

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### 1.2.3: Markets

Consider **Diagram 1**, at the bottom of the page, and then answer questions 1 to 5.

- Which of the following is  $P_1$ ?  
☐ A An equilibrium price  
☐ B An equinox price  
☐ C An equal price  
☐ D An ideal price
- What would a shift from demand line 1 to demand line 2 indicate?  
☐ A Fall in demand  
☐ B Rise in demand  
☐ C Rise in supply  
☐ D Fall in supply
- How will the price level and shown in **Diagram 1** impact the quantity supplied?  
☐ A It will increase  
☐ B It will decrease  
☐ C It will remain the same  
☐ D The impact cannot be determined from the diagram
- How will a fall in demand impact demand lines 1 and 2 in **Diagram 1**?  
☐ A It will have no impact  
☐ B It will shift both to the right  
☐ C It will shift both to the left  
☐ D The impact cannot be shown on the diagram
- Why do the demand lines in **Diagram 1** slope downwards from left to right?  
☐ A A lesser quantity is demanded at a lower price than at a higher price  
☐ B A greater quantity is demanded at a higher price than at a lower price  
☐ C A greater quantity is demanded at a lower price than at a higher price  
☐ D None of the above are valid reasons

Study **Diagram 2**, right, and then answer questions 6 to 8.

- Why do all the supply lines in **Diagram 2** slope upwards from left to right?  
☐ A Suppliers make more goods available to the market at a high price than at a low price  
☐ B Suppliers make fewer goods available to the market at a high price than at a low price  
☐ C Suppliers make more goods available to the market at a low price than at a high price  
☐ D None of the above are valid reasons
- What does a shift from supply line 1 to supply line 2 imply?  
☐ A Rise in supply  
☐ B Fall in supply  
☐ C Fall in demand  
☐ D Rise in demand

- The following state supply line 1 to supply line 2.  
 Statement 1: The equilibrium price falls.  
 Statement 2: Both the equilibrium price and quantity supplied fall.

Read statements 1 and 2.  
 Which option from the following is correct?

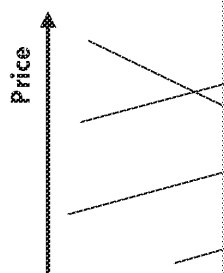
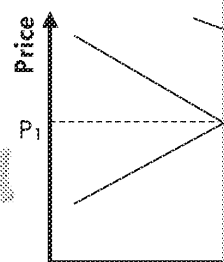
- ☐ A Statement 1 is true and Statement 2 is false.  
☐ B Statement 1 is false and Statement 2 is true.  
☐ C Both statements are true.  
☐ D Both statements are false.

- The following state demand and supply line 1 to demand line 2.  
 Statement 1: When the price is  $P_1$ , the quantity demanded is the same as the quantity supplied.  
 Statement 2: Change in demand causes a shift in the equilibrium price.

Read statements 1 and 2.  
 Which option from the following is correct?

- ☐ A Statement 1 is true and Statement 2 is false.  
☐ B Statement 1 is false and Statement 2 is true.  
☐ C Both statements are true.  
☐ D Both statements are false.

- If the demand for a good stays the same, which of the following is true?  
☐ A This would cause a shift in the demand line.  
☐ B The revenue from the sale of the good would fall.  
☐ C The price of the good would fall.  
☐ D The price of the good would rise.



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## 1.2.4: Price elasticity of demand

1. Which one of the following measures the responsiveness of demand to a change in price?
  - ☐ A Elasticity of demand
  - ☐ B Income elasticity of demand
  - ☐ C Price elasticity of demand
  - ☐ D Propensity to consume
2. What formula is used to calculate the price elasticity of demand?
  - ☐ A  $\% \text{ change in quantity demanded} \div \% \text{ change in price}$
  - ☐ B  $\text{Change in quantity demanded} \div \text{change in price}$
  - ☐ C  $\% \text{ change in price} \div \% \text{ change in quantity demanded}$
  - ☐ D  $\text{Change in price} \div \text{change in quantity demanded}$
3. Which one of the following refers to a product that is unresponsive to a change in its price?
  - ☐ A Price elastic
  - ☐ B Price neutral
  - ☐ C Price flexible
  - ☐ D Price inelastic
4. Which one of the following is most certainly likely to be true about a price inelastic product or service?
  - ☐ A It will be an 'everyday' product or service
  - ☐ B It will have very few or even no substitutes
  - ☐ C It will have many alternative substitutes
  - ☐ D It will always have an extortionate price tag
5. The following statements relate to price elasticity of demand (PED).  
 Statement 1: When calculated it is always a numerical negative.  
 Statement 2: When calculated it is always a numerical positive.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
6. If the price elasticity of demand calculation for a product is less than 1, what can you say about the product?
  - ☐ A It has many alternative substitutes
  - ☐ B It is elastic
  - ☐ C It is inelastic
  - ☐ D It has many substitute products
7. Which of the following is most likely to influence the price elasticity of demand for a product or service?
  - ☐ A Availability
  - ☐ B Regularity of purchase
  - ☐ C Proportion of income spent on its purchase
  - ☐ D The general state of the economy
8. The following statements relate to price elasticity of demand (PED) and price elasticity of supply (PES).  
 Statement 1: Computed with products that have many alternative substitutes.  
 Statement 2: Price elasticity of demand is always negative.  
 Statement 3: Price elasticity of supply is always positive.  
 Read statements 1, 2 and 3 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 3 are both true
  - ☐ C Statement 2 and Statement 3 are both true
  - ☐ D Statement 1, Statement 2 and Statement 3 are all true
9. If a product price falls from £3,000 to £2,100 and its quantity demanded rises from 3,000 to 2,100 units, what is its price elasticity of demand?
  - ☐ A +0.6
  - ☐ B (-)0.6
  - ☐ C +60%
  - ☐ D (-)60%
10. The following statements relate to price elasticity of demand (PED) and price elasticity of supply (PES).  
 Statement 1: If a product has many alternative substitutes, its PED will be high.  
 Statement 2: If a product has many alternative substitutes, its PED will be low.  
 Statement 3: If a product has many alternative substitutes, its PED will be negative.  
 Read statements 1, 2 and 3 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 3 are both true
  - ☐ C Statement 2 and Statement 3 are both true
  - ☐ D Statement 1, Statement 2 and Statement 3 are all true

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### 1.2.5: Income elasticity of demand

1. Which of these measures the responsiveness of demand to a change in income?  
☐ A Elasticity of demand  
☐ B Elasticity of income  
☐ C Income elasticity of demand  
☐ D Price elasticity of demand
2. Which formula calculates income elasticity of demand?  
☐ A  $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$   
☐ B  $\frac{\% \text{ change in quantity demanded} \times \% \text{ change in income}}{\% \text{ change in quantity demanded}}$   
☐ C  $\frac{(\% \text{ change in quantity demanded})}{(\% \text{ change in income})} \times 100$   
☐ D  $\frac{\% \text{ change in income}}{\% \text{ change in quantity demanded}}$
3. Which of the following defines a negative income elasticity of demand?  
☐ A The fall in demand for a product or service with a fall in consumer income  
☐ B The rise in demand for a product or service with a rise in consumer income  
☐ C The rise in demand for a product or service with a fall in consumer income  
☐ D The fall in demand for a product or service with a rise in consumer income
4. Which of these does not measure income elasticity of demand?  
☐ A Redundancy pay  
☐ B Whether the product is a necessity  
☐ C The level of income for a particular firm  
☐ D The product mix of an industry
5. How can the income elasticity of demand be used by a business?  
☐ A As a tool to help a business increase its sales  
☐ B As a tool to help a business decide which products are ideal products to produce and increase production of  
☐ C As a tool to help a business decide which products to produce within a business  
☐ D As a tool to help a business decide which products to produce

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## 1.3: Marketing mix and strategy

### 1.3.1: Product/service design

1. The three-aspect design mix of a product or service identifies and meets specific market needs. Which of the following is **not** one of the three-aspect design mix?  
☐ A Aesthetics  
☐ B Function  
☐ C Promotion  
☐ D Cost
2. The cost element of the design mix for an electric vehicle is negatively impacted most by which one of the following?  
☐ A Cost of manufacturing the battery power unit  
☐ B Cost of recharging the vehicle  
☐ C Cost of advertising the vehicle  
☐ D Cost of providing vehicle charging points
3. The following statements relate to the three-aspect design mix.  
*Statement 1: It has the same function as the marketing mix.*  
*Statement 2: Constituent elements that make up the three aspects of the mix cannot be changed.*  
  
Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true
4. The manufacturer of a new product is likely to consider aesthetics elements. Which of the following is the most likely to be an aesthetics element?  
☐ A Nail guns  
☐ B Microwave  
☐ C Remote hairbrush  
☐ D Car windscreen
5. Which one of these is a constituent element of the design mix to change?  
☐ A Concern about natural resources  
☐ B Impact of noise on the environment  
☐ C Impact of vehicle design on the environment  
☐ D Consumer expectations

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### 1.3.2: Branding and promotion

1. What is meant by product or service promotion?
  - ☐ A Advancement of a product or service in an economic sector
  - ☐ B Techniques used by businesses to produce goods or provide services
  - ☐ C Advancement of employees within an organisation's structure
  - ☐ D Techniques used by businesses to help sell their products or services
  
2. Which one of the following is true about promotion of a product or service?
  - ☐ A It informs and persuades customers about a product or service
  - ☐ B It guarantees that sales will always be maximised
  - ☐ C It guarantees that products will always be successful
  - ☐ D It guarantees that production costs will always be minimised
  
3. The following statements relate to product promotion.  
 Statement 1: Sponsorship is a type of product promotion.  
 Statement 2: Sponsorship is the only way for a business to raise its profile.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
  
4. What is meant by 'branding a product'?
  - ☐ A Physically marking a product with a tag
  - ☐ B Promoting a positive image of a product by widely advertising its uniqueness
  - ☐ C Selling a product in a new market
  - ☐ D Selling a product in a niche market
  
5. With regard to 'branding', which one of the following is true?
  - ☐ A Branding a product or business will definitely lead to its market failure
  - ☐ B Branding a product or business will ensure its success
  - ☐ C A branded product or business is clearly and easily identifiable
  - ☐ D A branded product or business is not clearly and easily identifiable
  
6. Which statement is true about promotion of a product or service?
  - ☐ A It should always be used
  - ☐ B It should be used only if it were not for the product
  - ☐ C It should be used only if it were not for the service
  - ☐ D It should be used only if it were not for the demand
  
7. In what way might a product or service be built up?
  - ☐ A Using a unique selling point
  - ☐ B Avoiding special offers
  - ☐ C Avoiding the use of the brand name
  - ☐ D Only by using the brand name
  
8. The following statements relate to product promotion.  
 Statement 1: National promotion is a type of product promotion.  
 Statement 2: National promotion is the only way for a manufacturer to raise its profile.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
  
9. Emotional branding is a type of product promotion. Which of these is not a type of emotional branding?
  - ☐ A Kitchen maids
  - ☐ B Construction workers
  - ☐ C Pet insurance
  - ☐ D Car windshields
  
10. Which of these is not a type of viral marketing?
  - ☐ A Hoardings
  - ☐ B Social networking
  - ☐ C Email newsletters
  - ☐ D Filmnet

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### 1.3.3: Pricing strategies

1. The following statements relate to types of pricing strategy.  
*Statement 1: Cost plus pricing is never a viable commercial option.*  
*Statement 2: Price skimming is never a viable commercial option.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

2. The following statements relate to penetration and predatory pricing strategies.  
*Statement 1: Penetration pricing is a low pricing strategy that can be used to attract customers to a new product.*  
*Statement 2: Predatory pricing is extremely low pricing with the aim of eliminating competition.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

3. The following statements relate to competitive and psychological pricing strategies.  
*Statement 1: Competitive pricing is legal in the UK.*  
*Statement 2: Psychological pricing is illegal in the UK.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

4. Which one of the following will **not** determine the appropriate pricing strategy for a product or service for a particular situation?  
☐ A The 'brand strength' of a product or service  
☐ B Price elasticity of demand for a product or service  
☐ C The level and strength of competition the product or service faces  
☐ D The average education level of the population

5. Which one of the following pricing strategies would be most appropriate for the launch of a new product that has a strong brand identity but incurred very high research and development costs?  
☐ A Price skimming  
☐ B Penetration pricing  
☐ C Predatory pricing  
☐ D Competitive pricing

6. Which one of the following is a competitive pricing strategy?  
☐ A It operates on the principle that the price is charged is the same as the price charged by competitors.  
☐ B It is best used for a new product or service.  
☐ C It is usually used for a new product or service.  
☐ D It is not overpriced and aims to total the market.

7. The growth of which of the following has mostly encouraged online shopping and the use of comparison websites?  
☐ A Cost-plus pricing  
☐ B Competitive pricing  
☐ C Psychological pricing  
☐ D Penetration pricing

8. In which stage of the product life cycle is a product likely to have high sales volume and low profit margins?  
☐ A Introductory stage  
☐ B Growth stage  
☐ C Maturity stage  
☐ D Decline stage

9. Which one of the following is a factor to consider when choosing a pricing strategy for its product?  
☐ A Degree of competition  
☐ B Cost of production  
☐ C Stage in the product life cycle  
☐ D Management's attitude to the business

10. The following statements relate to price skimming pricing strategy.  
*Statement 1: Price skimming is a pricing strategy that involves setting a high initial price for a new product.*  
*Statement 2: Social trends can influence the success of price skimming.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false

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### 1.3.4: Distribution

1. What aspect of the 4P marketing mix does 'distribution' come under?  
☐ A Product  
☐ B Price  
☐ C Promotion  
☐ D Place
2. The following statements relate to distribution channels.  
*Statement 1: Long-chain distribution is also known as direct marketing.*  
*Statement 2: Short-chain distribution is also known as indirect marketing.*  
  
Read statements 1 and 2 and select the correct option from the following.  
☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true
3. Why is the correct choice of distribution channel so important to those who sell goods or services to the final consumer?  
☐ A Because it will guarantee increased profits  
☐ B Buyers want products or services to be convenient and available when and where they want them  
☐ C Buyers only buy products that are close to their home base  
☐ D It is not important
4. Which of the following is a justification for having a distribution channel?  
☐ A To speed up the process  
☐ B So each one can do their own part  
☐ C Because each one has their own part to play  
☐ D It is convenient
5. The recent growth of the internet has led to the development of a new distribution system – that is, a direct distribution system – that is, a system where the buyer – is mirrored by the development of the internet.  
☐ A Corner shop  
☐ B Supermarket  
☐ C Warehouse  
☐ D Social media

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### 1.3.5: Marketing strategy

1. What two aspects of a product are plotted against each other in a product life cycle diagram?
  - ☐ A Sales and time
  - ☐ B Sales and cost
  - ☐ C Cost and demand
  - ☐ D Cost and supply
2. Which one of the following is considered to be the 'cash cow stage' of a product's life cycle?
  - ☐ A Introduction
  - ☐ B Growth
  - ☐ C Maturity
  - ☐ D Decline
3. What is the most likely reason why manufacturers decide to use a product extension strategy before it goes into decline and subsequent death?
  - ☐ A Fear of that particular product
  - ☐ B Developing a brand-new product is both time-consuming and expensive
  - ☐ C They are certain to maximise their profits using extension strategies
  - ☐ D All of the above reasons
4. Which of these is **not** a valid product extension strategy?
  - ☐ A Production price reduction
  - ☐ B Product differentiation
  - ☐ C Developing and implementing a new advertising and sales promotion campaign
  - ☐ D The use of a predatory pricing strategy
5. Which one of the following is **not** an identifier in the Boston Matrix?
  - ☐ A Cash cows
  - ☐ B Stars
  - ☐ C Exclamation marks
  - ☐ D Dogs
6. How does the Boston Matrix help a business with its product portfolio analysis and management?
  - ☐ A By helping with long-term strategic planning
  - ☐ B By helping with short-term tactical planning
  - ☐ C By advising on labour relations in the business
  - ☐ D By advising on business model and styles
7. The following statements are made about TV businesses.
 

Statement 1: TV is a niche market.

Statement 2: TV is a mass market.

Read statements 1 and 2. Which option from the following is correct?

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
8. The following statements are made about target market classification.
 

Statement 1: It can be used to identify a business's target market.

Statement 2: It can be used to identify a business's competitors.

Read statements 1 and 2. Which option from the following is correct?

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
9. The following statements are made about B2B and B2C marketing strategies.
 

Statement 1: B2B marketing strategies are more complex than B2C marketing strategies.

Statement 2: B2C marketing strategies are more complex than B2B marketing strategies.

Read statements 1 and 2. Which option from the following is correct?

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
10. Which one of the following is **not** a way for a business to increase customer loyalty?
  - ☐ A Operate a reward scheme
  - ☐ B Actively encourage customer feedback
  - ☐ C Undertake price reductions
  - ☐ D Ensure excellent after-sales service

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## 1.4: Managing people

### 1.4.1: Approaches to staffing

1. The following statements relate to business staff.  
*Statement 1: Employees of a business can be regarded as an asset to that business.*  
*Statement 2: Employees of a business can be regarded as a business cost.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

2. Which one of the following statements is **not** true?

- ☐ A Employees can add value to a business  
☐ B Staff wages and salaries are business costs  
☐ C A business that invests in its staff will never be rewarded by increased employee productivity  
☐ D The provision of 'on-the-job' staff training is a business expense

3. The following statements relate to employee remuneration.

*Statement 1: Piece rate payment can cause wages to vary in total amount paid.*

*Statement 2: Salaries are usually pre-agreed fixed payments to employees.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

4. Which one of the following is **not** likely to immediately result from the UK government increasing the National Living Wage?

- ☐ A Reduced demand for some types of labour  
☐ B Increase in the business cost of employing labour  
☐ C A rise in the selling price of some products and services  
☐ D A massive influx of unskilled migrant workers to the UK

5. The following statements relate to flexible working.  
*Statement 1: Offering employees flexible working hours may reduce the rate of staff turnover for a business.*

*Statement 2: Flexible working hours will never impact the work-life balance of an employee.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

6. Which of these is the better feeling?

- ☐ A Full-time  
☐ B Part-time  
☐ C Zero-hours  
☐ D Casual contract

7. During the COVID-19 pandemic, many employees were permitted to work from home. What was the effect on the employer?

- ☐ A Overutilised resources and increased expenses  
☐ B Underutilised resources and increased expenses  
☐ C Increased productivity and reduced expenses  
☐ D Reduced productivity and increased expenses

8. The following statements relate to employee job security in the UK.  
*Statement 1: A business can dismiss an employee without notice.*  
*Statement 2: A business can dismiss an employee without notice.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false  
☐ B Statement 1 is false but Statement 2 is true  
☐ C Statement 1 and Statement 2 are both true  
☐ D Statement 1 and Statement 2 are both false

9. The following statements relate to redundancy.  
*Statement 1: A business can dismiss an employee without notice.*  
*Statement 2: A business can dismiss an employee without notice.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false  
☐ B Statement 1 is false but Statement 2 is true  
☐ C Statement 1 and Statement 2 are both true  
☐ D Statement 1 and Statement 2 are both false

10. Which one of the following is **not** a type of collective agreement?

- ☐ A Collective agreement between a trade union and an employer  
☐ B Collective agreement between a trade union and a government  
☐ C Collective agreement between a trade union and a business  
☐ D Collective agreement between a trade union and a local authority

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## 1.4.2: Recruitment, selection and training

1. The following statements relate to staff recruitment.  
*Statement 1: Staff should be recruited using only skills-based criteria.*  
*Statement 2: Staff should be recruited using a wide range of criteria.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false
- ☐ B Statement 1 and Statement 2 are both true
- ☐ C Statement 1 is false but Statement 2 is true
- ☐ D Statement 1 is true but Statement 2 is false

2. Which of the following is a disadvantage of internal recruitment?

- ☐ A It can cause an increase of resentment and bad feeling from unsuccessful 'internal' candidates
- ☐ B If a post is only advertised in-house then it is slightly less expensive than external recruitment
- ☐ C It will always bring 'new blood' and new ideas into the business
- ☐ D An internal trawl will provide a greater number of candidates than would external recruitment

3. Which one of the following might be considered an obstacle to a business when considering the implementation of a more effective recruitment, selection and training process?

- ☐ A The possibility of increasing its productivity
- ☐ B The likely reduction in its rate of labour turnover
- ☐ C The likelihood of having a more motivated workforce
- ☐ D The fact that it is likely to be a time-consuming and costly process

4. The following statements relate to staff training.

*Statement 1: Induction training should be given to all new employees with as little delay as possible.*  
*Statement 2: Health and safety training should be a compulsory programme.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

5. The following statements relate to staff training programmes.

*Statement 1: 'Off-the-job' training is more expensive than 'on-the-job' training.*  
*Statement 2: 'On-the-job' training is more expensive than 'off-the-job' training.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

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### 1.4.3: Organisational design

1. Which statement about a tall hierarchical organisational structure is true?
  - ☐ A Its managers normally have a very wide span of control
  - ☐ B It does not give employees much 'room' for promotion
  - ☐ C It has many levels of management
  - ☐ D It has very few levels of management
2. Which one of the following is used to pass instructions downwards to lower levels in a tall business structure?
  - ☐ A Chain of command
  - ☐ B Span of control
  - ☐ C Subordination
  - ☐ D Business matrix
3. Which of the statements about a management responsibility is **not** true?
  - ☐ A It cannot be delegated to subordinates
  - ☐ B It can be delegated to subordinates
  - ☐ C Strategic planning for long-term aims is the responsibility of senior management
  - ☐ D Not all stakeholders have a say in management decision-making
4. Which one of the options is the term for 'the number of subordinates for which a manager has direct responsibility'?
  - ☐ A Matrix leadership
  - ☐ B Delayering
  - ☐ C Chain of command
  - ☐ D Span of control
5. The following statements relate to business structure.  
 Statement 1: In a centralised management structure all major decisions are made only by the very top level of management.  
 Statement 2: In a decentralised management structure all major decisions are made only by the very top level of management.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false and Statement 2 is true
  - ☐ D Statement 1 is true and Statement 2 is false
6. In which of these organisational structures is the opportunity for promotion most likely?
  - ☐ A Matrix
  - ☐ B Flat
  - ☐ C Tall
  - ☐ D Horizontal
7. Which one of these organisational structures is most likely to be used by a global multinational company?
  - ☐ A Its managers have a very wide span of control
  - ☐ B Its managers have a very narrow span of control
  - ☐ C It has fewer levels of management than a tall structure
  - ☐ D It is very suited to global markets
8. In which of these organisational structures is it most likely that an employee will have more than one direct manager?
  - ☐ A Tall structure
  - ☐ B Matrix structure
  - ☐ C Flat structure
  - ☐ D Hierarchical structure
9. Which of these organisational structures is most likely to cause conflict?
  - ☐ A The clarity of roles causes conflict
  - ☐ B It always causes conflict
  - ☐ C It is ideal for the operation of the same team
  - ☐ D It is not ideal for the operation of the same team
10. How might a flat organisational structure impact on an employee?
  - ☐ A Demotivate them, as they are unlikely to change
  - ☐ B Highly motivate them, as they are unlikely to change
  - ☐ C Make them feel isolated, as they are a small cog in a large machine
  - ☐ D Make them feel 'connected', as they are 'connected' to their managers, consequently giving them a wider span of control

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### 1.4.4: Motivation in theory and practice

1. Which one of the following does **not** normally apply to a highly motivated workforce?
- ☐ A Usually more productive
  - ☐ B Less likely to seek alternative employment
  - ☐ C Loyalty to their place of employment
  - ☐ D Reluctance to come to work

2. Which one of these motivational theorists is regarded as the father of scientific management?
- ☐ A Frederick Taylor
  - ☐ B Elton Mayo
  - ☐ C Abraham Maslow
  - ☐ D Frederick Herzberg

3. The following statements relate to motivational theorists.
- Statement 1: The 'correlations theory' was proposed by Elton Mayo.
- Statement 2: The 'hierarchy of needs' was proposed by Abraham Maslow.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false
- ☐ B Statement 1 and Statement 2 are both true
- ☐ C Statement 1 is true but Statement 2 is false
- ☐ D Statement 1 is false but Statement 2 is true

4. The following statements relate to Frederick Herzberg's two-factor theory of motivation.
- Statement 1: One factor is what he describes as 'hygiene factors'.
- Statement 2: Another factor is what he describes as 'motivators'.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true
- ☐ B Statement 1 and Statement 2 are both false
- ☐ C Statement 1 is true but Statement 2 is false
- ☐ D Statement 1 is false but Statement 2 is true

5. Which one of the following is **not** a financial motivator?
- ☐ A Piecework
  - ☐ B Performance-related pay
  - ☐ C Empowerment
  - ☐ D Commission

6. Which one of the following is **not** a combination of non-financial motivational techniques used to improve employee performance?
- ☐ A Delegation and consultation
  - ☐ B Flexible working and teamworking
  - ☐ C Job enrichment and job rotation
  - ☐ D Bonus payments and performance-related pay schemes

7. The following statements relate to job enlargement and job enlargement.
- Statement 1: The job is made more challenging by adding additional tasks to it.
- Statement 2: The job is made more challenging by adding additional responsibilities to it.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

8. The following statements relate to incentive schemes.
- Statement 1: Effectiveness of incentive schemes depends on individual employee motivation.
- Statement 2: Employees are always motivated by incentive schemes.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

9. Which one of the following is **not** a technique used to improve employee performance?
- ☐ A Job enrichment
  - ☐ B Job rotation
  - ☐ C Job enlargement
  - ☐ D Job creation

10. Which one of the following is **not** a financial incentive?
- ☐ A Profit sharing
  - ☐ B Delegation of financial responsibilities
  - ☐ C Commission on sales
  - ☐ D Commission on profit

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### 1.4.5: Leadership

1. The following statements relate to management and leadership.  
*Statement 1: Management involves the application of administrative tasks to ensure the smooth day-to-day running of a business.*  
*Statement 2: Leadership involves the application of complex motivational techniques to keep employees focused on achieving the vision of the business mission.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

2. What leadership style is most likely to be employed by a senior consultant doctor in charge of a hospital's Accident and Emergency unit?

- ☐ A Autocratic  
☐ B Democratic  
☐ C Laissez-faire  
☐ D Paternalistic

3. The following statements relate to leadership styles.  
*Statement 1: Paternalistic leaders usually display excessively strong dictatorial characteristics.*  
*Statement 2: Autocratic leaders always behave like a caring parent.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

4. Which of the following is not a characteristic of leadership of a business?  
☐ A It is not the responsibility of the business.  
☐ B It helps to ensure the success of the business.  
☐ C It always involves making decisions.  
☐ D It encourages employees to make decisions.

5. For which of the following is the most appropriate approach to leadership?  
☐ A Public transport  
☐ B Atomic weapons  
☐ C Military service  
☐ D Research and development

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## 1.5: Entrepreneurs and leadership

### 1.5.1: Role of an entrepreneur

- Which one of the following best describes entrepreneurs?
  - ☐ A Optimistic risk-takers who set up their own business usually in the hope of financial reward
  - ☐ B Risk-averse managers of a business
  - ☐ C Pessimistic risk-takers who advise others on how best to set up a business
  - ☐ D Managers of only non-profit-making organisations
- Which one of these is **not** a major decision that must be made exclusively by an entrepreneur?
  - ☐ A The type of product or service to provide
  - ☐ B The most effective and efficient way to make the product or deliver the service
  - ☐ C How to successfully reach the target market
  - ☐ D How to carry out the recruitment and selection of employees for the enterprise
- An entrepreneur's basic role is to successfully combine all 'factors of production' to operate a successful enterprise. What are the factors of production?
  - ☐ A Product, price, promotion and place
  - ☐ B Land, labour, capital and enterprise
  - ☐ C Product, price, capital and enterprise
  - ☐ D Land, labour, promotion and place
- Which of these is the title associated with an employee within a business who is specifically responsible for product or service innovation?
  - ☐ A Team leader
  - ☐ B Manager
  - ☐ C Intrapreneur
  - ☐ D Entrepreneur
- The following statements relate to business risk.  
*Statement 1: Entrepreneurs bear all risks of business failure by themselves.*  
*Statement 2: Intrapreneurs bear all risks for failure of their innovation.*  
 Read statements 1 and 2 and select the correct option from the following.
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
- Which one of the following is **not** a major problem for a large business or organisation?
  - ☐ A Finance to grow
  - ☐ B The number of employees available to meet staff turnover
  - ☐ C Finance to pay taxes
  - ☐ D The fear of failure
- What are the most common forms of ownership for firms?
  - ☐ A Sole trader
  - ☐ B Partnership
  - ☐ C Public company
  - ☐ D Charity shop
- Which one of the following is **not** a barrier to becoming an entrepreneur?
  - ☐ A Lack of product
  - ☐ B Lack of self-belief
  - ☐ C Lack of entrepreneurial skills
  - ☐ D Lack of effective marketing for business
- The following statements relate to business uncertainty.  
*Statement 1: Entrepreneurs bear all business risks.*  
*Statement 2: Entrepreneurs bear all business uncertainty.*  
 Read statements 1 and 2 and select the correct option from the following.
  - ☐ A Statement 1 is true but Statement 2 is false
  - ☐ B Statement 1 is false but Statement 2 is true
  - ☐ C Statement 1 and Statement 2 are both true
  - ☐ D Statement 1 and Statement 2 are both false
- Which one of the following is **not** a business risk rather than business uncertainty?
  - ☐ A Interest rate
  - ☐ B Impact of price changes on profits
  - ☐ C Emergence of new products
  - ☐ D Future market demand

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## 1.5.2: Entrepreneurial motives and characteristics

- Which one of the following is **not** a characteristic of an entrepreneur?  
☐ A Problem-solving  
☐ B Hard-working  
☐ C Risk-taking  
☐ D Resilience
- Which one of the following is **not** an essential entrepreneurial skill?  
☐ A Numeracy  
☐ B Communication  
☐ C Teamworking  
☐ D Closed-mindedness
- Which of these is **not** likely to be a reason an entrepreneur starts their own 'for profit' business?  
☐ A Personal satisfaction  
☐ B Independence  
☐ C Aromatic reasons  
☐ D To make money
- The following statements relate to entrepreneurial characteristics.  
 Statement 1: Entrepreneurs are risk-takers.  
 Statement 2: Entrepreneurs are creative.  
 Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false
- The following statements relate to entrepreneurial motives.  
 Statement 1: To make money is always the primary motive.  
 Statement 2: To improve the world is never a motive.  
 Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false

## 1.5.3: Business objectives

- Which of these is a likely realistic short-term aim of a new business start-up?  
☐ A Immediate brand recognition  
☐ B Market dominance  
☐ C Survival  
☐ D Profit maximisation
- For what reason might profit maximisation **not** be the long-term aim of an enterprise?  
☐ A When it is an SME  
☐ B When it is a social enterprise  
☐ C When it is a multinational corporation  
☐ D When it is experiencing a long period of positive cash flow
- The following statements relate to business aims:  
 Statement 1: Profit maximisation is a long-term aim for most businesses.  
 Statement 2: Positive cash flow is a short-term aim for most businesses.  
 Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false
- Which one of the following, taken together, is essential for a business to be successful in both its production and its marketing?  
☐ A Effective communication and application  
☐ B Good industrial relations and services  
☐ C Relentless pursuit of a zero staff level  
☐ D An objective desire to please
- The following statements relate to business aims and objectives.  
 Statement 1: A business aim is a long-term aim that changes over time.  
 Statement 2: Business objectives are short-term aims that remain the same irrespective of legal status.  
 Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false

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## 1.5.4: Forms of business

- Which one of the following statements is **not** true?
  - ☐ A Some businesses change their legal format as they expand and develop
  - ☐ B A business never changes its legal format
  - ☐ C A private limited company does not float its shares on the stock exchange
  - ☐ D Company shareholders are protected by limited liability
- Which one of the following is the least likely determinant of if or when a private company should be transformed to a public company?
  - ☐ A Customers
  - ☐ B Nature of its product or service
  - ☐ C Size of its potential market
  - ☐ D Shareholders' desire to grow the business
- Why might someone start up a 'lifestyle business'?
  - ☐ A To be free from all responsibilities
  - ☐ B To ensure financial success
  - ☐ C To achieve their ideal work-life-income balance
  - ☐ D To avoid making money
- What does the term 'stock market floatation' mean?
  - ☐ A Transforming a private company to a public company by offering its shares for sale on the stock market to the general public
  - ☐ B Transforming a public company to a private company by offering its shares for sale on the stock market to the general public
  - ☐ C Offering the shares of a sole trader for sale to the general public
  - ☐ D Selling the shares of a sole trader privately
- The following statements relate to a sole trader.
 

Statement 1: A sole trader is not protected by limited liability.

Statement 2: A sole trader can have more than one employee.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false
- ☐ B Statement 1 and Statement 2 are both true
- ☐ C Statement 1 is true but Statement 2 is false
- ☐ D Statement 1 is false but Statement 2 is true

- Which of these statements about 'partnership' is **not** true?
  - ☐ A No partner can be protected
  - ☐ B Limited liability is up by professional solicitors and lawyers
  - ☐ C Any partner can be a partner
  - ☐ D Some partners have a 'deed of partnership'
- Which of these is **not** a reason for setting up a private limited company?
  - ☐ A They control the business
  - ☐ B They might not want to pay taxes
  - ☐ C High set-up costs
  - ☐ D Protection of the business
- The following statements relate to a sole trader.
 

Statement 1: A sole trader is not protected by limited liability.

Statement 2: A sole trader can have more than one employee.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

- Which one of the following is **not** a social enterprise?
  - ☐ A Its primary purpose is to maximise profit
  - ☐ B Its primary purpose is to maximise social impact
  - ☐ C It can be owned by a partnership
  - ☐ D It is solely owned by one person

- Which one of the following is **not** a method of raising funds in the execution of a business plan?
  - ☐ A Internet
  - ☐ B E-commerce
  - ☐ C Viral marketing
  - ☐ D Long-chain distribution

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### 1.5.5: Business choices & 1.5.6: Moving from entrepreneur to

1. Which of the following best defines the term 'opportunity cost'?
  - ☐ A The financial cost of taking a business opportunity
  - ☐ B The costs of all alternative choices that could have been made
  - ☐ C The value of the next-best foregone alternative choice that could have been made
  - ☐ D The value of the least-best foregone alternative choice that could have been made
2. Why is the concept of opportunity cost so important in business?
  - ☐ A It promotes good decision-making by emphasising the importance of examining all alternatives before reaching a final conclusion
  - ☐ B It reduces decision costs
  - ☐ C It highlights marketing opportunities for the business
  - ☐ D It will increase profit for the business
3. When does a 'trade-off' occur in business?
  - ☐ A When only one outcome is fully achievable and there are no alternatives to it
  - ☐ B When all outcomes cannot be fully achieved and a compromise must be made
  - ☐ C When all outcomes can be fully achieved without compromise
  - ☐ D A 'trade-off' never occurs in business
4. The following statements relate to the role of a leader and leadership.  
Statement 1: A leader should inspire employees.  
Statement 2: An entrepreneur should implement a market.  
  
Read statements 1 and 2 and select the best option from the following.
  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Statement 1 is correct and Statement 2 is correct
  - ☐ D Statement 1 is incorrect and Statement 2 is incorrect
5. When moving from entrepreneur to leader, what part of the entrepreneur's role is **not** required?
  - ☐ A Confidently making decisions
  - ☐ B Learning to motivate the team
  - ☐ C Listening to the team and maybe taking advice
  - ☐ D Lack of persistence

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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.

## 1.1: Meeting customer needs

### 1.1.1: The market

- Which one of these would **not** be a product targeted to a mass market?
  - ☐ A Family motor cars
  - ☐ B Bread
  - ☐ C Luxury superyachts
  - ☐ D Potatoes
- What is the overall name given to the practice whereby a business targets a relatively small and highly specific audience to which to sell a product or service?
  - ☐ A Niche marketing
  - ☐ B Mass marketing
  - ☐ C Target marketing
  - ☐ D Niche marketing
- Which one of the following techniques is the most effective way for a manufacturer to clearly differentiate their product or service from those of competitors?
  - ☐ A Substitutability
  - ☐ B Placement
  - ☐ C Pricing
  - ☐ D Branding
- Which one of the following specifically defines markets that are in a constant state of flux?
  - ☐ A Static markets
  - ☐ B Dynamic markets
  - ☐ C Mass markets
  - ☐ D Niche markets
- Which one of the following might the average shopper consider to be a possible disadvantage of using online shopping?
  - ☐ A It facilitates easy and quick price comparisons between products
  - ☐ B It gives a wide variety of choice
  - ☐ C It can easily facilitate excessive unnecessary purchases
  - ☐ D It saves them time
- Which one of the following is most likely to give a business a sustained competitive advantage over its rivals?
  - ☐ A Creating the morale of its employees
  - ☐ B Bringing 'new blood' into the business
  - ☐ C Conducting cut-price sale
  - ☐ D An ongoing programme of product or service innovation
- The following statements relate to market growth and market growth.
 

Statement 1: Market growth is the total market's sales growth over a period.

Statement 2: Market growth is the growth of a business's sales over a period.

Read statements 1 and 2 and select the correct option from the following.

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
- Which one of the following is not a situation when a business might choose to sell goods or services to customers at the same price?
  - ☐ A Business market
  - ☐ B Business competition
  - ☐ C Business process
  - ☐ D Business organisation
- The following statements relate to market growth and market growth.
 

Statement 1: There is no market growth when a business is starting and running.

Statement 2: A business can have market growth from an internal source or an external source.

Read statements 1 and 2 and select the correct option from the following.

  - ☐ A Statement 1 is correct and Statement 2 is incorrect
  - ☐ B Statement 1 is incorrect and Statement 2 is correct
  - ☐ C Both statements are correct
  - ☐ D Both statements are incorrect
- Which one of the following is not a business uncertainty?
  - ☐ A Business uncertainty developed
  - ☐ B Business uncertainty negative impact
  - ☐ C Business uncertainty
  - ☐ D Business uncertainty

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## 1.1.2: Market research

1. Which one of the following describes a manufacturing business whose prime focus is on how it can best achieve accentuating the very best physical and practical attributes of its product?  
☐ A Market-orientated  
☐ B Product-orientated  
☐ C Competitor-orientated  
☐ D Supplier-orientated
2. Which of these is **not** a disadvantage to a business of being market-orientated?  
☐ A Consumer wants and needs are fickle and are always difficult to forecast  
☐ B Being market-orientated is expensive and does not guarantee reduced prices resulting from customer loyalty  
☐ C Focusing on customer needs and wants is likely to be a costly and time-consuming experience  
☐ D A close focus on customer needs and wants is likely to increase its sales and profits
3. The following statements relate to primary and secondary research.  
*Statement 1: Primary research data is gathered from historical desk research.*  
*Statement 2: Secondary research data was never ever primary research data.*  
  
Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false
4. Which of these is an advantage of using quantitative data in market research?  
☐ A Its lack of numerical involvement  
☐ B Its descriptive qualities  
☐ C Its objectivity  
☐ D Its subjectivity
5. Which one of the following is **not** primarily intended to provide a practical working solution to a specific business problem?  
☐ A Break-even analysis  
☐ B Market mapping  
☐ C Stakeholder analysis  
☐ D Focus group research
6. Which one of the following describes a disadvantage of research?  
☐ A It can never be 100% accurate  
☐ B Sample size is always too small  
☐ C It always produces a biased result  
☐ D It doesn't allow for a range of responses
7. Which one of the following describes a disadvantage of research?  
☐ A The attitude of the researcher can influence the sampling bias  
☐ B The attitude of the researcher can influence the sampling bias  
☐ C The attitude of the researcher can influence the sampling bias  
☐ D The attitude of the researcher can influence the sampling bias
8. Which one of the following is a modern ICT tool for market research?  
☐ A Passive web  
☐ B Email  
☐ C Interactive web  
☐ D One-dimensional
9. When a business is using a focus group, what does this mean?  
☐ A Consolidating the data into a single mass  
☐ B Carrying out a series of interviews  
☐ C Flooding the market with a large number of products  
☐ D Breaking down the data into specific groups
10. Which one of the following is a category of demographic data?  
☐ A Income  
☐ B Personality  
☐ C Ethnicity  
☐ D Occupation

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### 1.1.3: Market positioning

1. Which one of the following uses a two-factor chart – for example, price and quality – to analyse competitors' products in order to help spot where there is a gap in the market?  
☐ A Product mix  
☐ B Marketing mix  
☐ C Product placement  
☐ D Marketing map
2. Which one of these is the most relatively inexpensive way for a business with a small product portfolio to increase its market share?  
☐ A Initiate and sustain a massive advertising and promotion campaign  
☐ B Continuous market research  
☐ C Reposition one of its existing products in its existing market  
☐ D Add one of its existing products in its existing market
3. Which one of the following is the best name for a situation whereby one business employs tactics that attract more customers to their product or service rather than those of its rivals?  
☐ A Competitive pricing  
☐ B Competitive advantage  
☐ C Competition policy  
☐ D Competitive selling
4. What is the name of a business clearly differentiating its offerings from those of its competitors?  
☐ A Product differentiation  
☐ B Product positioning  
☐ C Sales differentiation  
☐ D Sales promotion
5. Which one of the following is the best name for a product's 'added value' percentage?  
☐ A Total cost of ownership  
☐ B Selling price  
☐ C Selling price  
☐ D Total cost of ownership

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## 1.2: Market

### 1.2.1: Demand

- Which one of the following best defines 'the ability of customers to buy and pay for a product or service at a particular price'?
  - ☐ A Consumer demand
  - ☐ B Effective consumer demand
  - ☐ C Production supply
  - ☐ D Effective production supply
- How will a change in the price of a product or service impact a demand curve?
  - ☐ A It will cause movement along the demand curve
  - ☐ B It will shift it to the right
  - ☐ C It will shift it to the left
  - ☐ D It will cause it to be extended upwards to the right
- Which one of the following is most likely to keep the demand for a particular business's product or service relatively constant at least in the short run?
  - ☐ A Increase in the level of competition
  - ☐ B Decrease in the level of competition
  - ☐ C Dramatic fall in the real disposable income of consumers
  - ☐ D Repeat purchases by loyal consumers
- The following statements relate to demand for necessary goods such as bread.  
 Statement 1: If the selling price of bread fell by say 70% then its general level of demand would be most likely to increase by at least the same percentage.  
 Statement 2: If the selling price of bread fell by say 70% then its general level of demand would be most likely to increase, but by a much smaller percentage.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
- The following statements relate to the demand for petrol and diesel.  
 Statement 1: The demand for petrol and diesel is relatively inelastic.  
 Statement 2: The demand for both petrol and diesel is currently indeterminable.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
- If the selling price of a McLaren 720S fell, which of the following statements would be true?
  - ☐ A The demand curve would shift to the right significantly
  - ☐ B The demand curve would shift to the left significantly
  - ☐ C There would be no change in the demand curve whatsoever
  - ☐ D The impact on the demand curve would be negligible
- Which one of the following is most likely to indicate about the demand for a product?
  - ☐ A Good margins
  - ☐ B Customer loyalty
  - ☐ C Level of employment
  - ☐ D Degree of competition with employees
- Which one of the following is most likely to be 'seasonally affected'?
  - ☐ A Motor vehicles
  - ☐ B General foodstuffs
  - ☐ C Strawberries
  - ☐ D Mobile phones
- Which one of the following is most likely to be a demographic data point?
  - ☐ A It cannot be used to predict demand
  - ☐ B It cannot be used to predict supply
  - ☐ C It excludes certain groups of people
  - ☐ D It is statistical information
- Which one of the following is most likely to be an external economic factor affecting demand for a product?
  - ☐ A Worldwide technological advances
  - ☐ B Worldwide oil prices for Brent crude
  - ☐ C World wars
  - ☐ D An increase in the population

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## 1.2.2: Supply

1. Which one of the following correctly labels the general basic laws of supply and demand?
  - ☐ A Business law
  - ☐ B Management law
  - ☐ C Microeconomic law
  - ☐ D Macroeconomic law
2. Which one of the following options is the introduction and application of new technology in a specific manufacturing process most likely to cause?
  - ☐ A Change in the volume of goods demanded
  - ☐ B Change in the volume of goods supplied
  - ☐ C Change in the level of effective demand for that manufactured product
  - ☐ D Change to the original form of the product
3. Which one of the following statements is the general law of supply?
  - ☐ A Suppliers will supply more goods to their market at a higher selling price than at a lower one
  - ☐ B Suppliers will supply fewer goods to their market at a higher selling price than at a lower one
  - ☐ C Suppliers will supply the same quantity of goods to their market irrespective of the selling price
  - ☐ D Suppliers will not supply goods to their market if the selling price is too high
4. The following statements relate to the supply of foreign casual labour to the UK labour market.  
 Statement 1: Brexit has reduced the demand for foreign casual workers in the UK.  
 Statement 2: Brexit has caused a reduction in the number of foreign casual workers in the UK.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
5. Which one of the following is most likely to cause the selling price of a product or service to increase?
  - ☐ A Abundance of supply
  - ☐ B Scarcity of supply
  - ☐ C Abundance of substitute products
  - ☐ D Increase in demand
6. Which one of the following is most likely to cause a high selling price for goods a producer supplies to the market?
  - ☐ A A low selling price by other suppliers to the market
  - ☐ B A high selling price by other suppliers to the market
  - ☐ C A high selling price by other suppliers to the market
  - ☐ D A high selling price by other suppliers to the market
7. Which one of the following is most likely to cause a reduction in the quantity of goods supplied by a producer?
  - ☐ A Reduced price for the goods supplied
  - ☐ B Reduced price for the goods supplied
  - ☐ C Production of a different product
  - ☐ D High production costs
8. Which one of the following is most likely to cause a reduction in the quantity of goods supplied by a producer?
  - ☐ A Value added tax (VAT) on the goods supplied
  - ☐ B A rise in the selling price of the goods supplied
  - ☐ C VAT is a factor that will impact the quantity of goods supplied
  - ☐ D Value added tax (VAT) on the goods supplied
9. What is the most likely consequence of a dramatic increase in government subsidies for the production of a service within our market supply of services?
  - ☐ A Totally eliminate the service
  - ☐ B Keep the service at the same level
  - ☐ C Increase the quantity of the service supplied
  - ☐ D Decrease the quantity of the service supplied
10. Which one of the following is most likely to cause a reduction in the quantity of goods supplied by a producer?
  - ☐ A Unexpected increase in demand
  - ☐ B Decrease in the selling price of the goods supplied
  - ☐ C Higher production costs
  - ☐ D Reduction in the quantity of goods supplied

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### 1.2.3: Markets

Consider **Diagram 1**, at the bottom of the page, and then answer questions 1 to 5.

- Consider the word 'Quantity' in Diagram 1. Which of the following options below best represents the real meaning of that word?
  - ☐ A Potential quantity demanded by customers of that market
  - ☐ B Potential quantity supplied by suppliers to that market
  - ☐ C Actual quantity demanded by suppliers to that market
  - ☐ D Actual quantity both demanded by customers and supplied by producers to that market
- If demand suddenly shifted from demand line 2 to demand line 1, what would this indicate?
  - ☐ A Fall in supply
  - ☐ B Decrease in supply
  - ☐ C Increase in demand
  - ☐ D Increase in demand
- What impact will a move from demand line 1 to demand line 2 have on both the equilibrium price and the equilibrium quantity?
  - ☐ A It will cause both to increase
  - ☐ B It will cause both to decrease
  - ☐ C It will cause the equilibrium price to decrease and the equilibrium quantity to increase
  - ☐ D It will cause the equilibrium quantity to decrease and the equilibrium price to increase
- How will an increase in demand impact demand lines 1 and 2 in Diagram 1?
  - ☐ A It will shift both lines to the left
  - ☐ B It will shift both lines to the right
  - ☐ C It will shift line 1 to the right and line 2 to the left
  - ☐ D It will shift line 1 to the left and line 2 to the right
- Why do the demand lines in Diagram 1 **not** slope upwards from left to right?
  - ☐ A Because a lesser quantity is always supplied at a lower price than at a higher price
  - ☐ B Because a greater quantity will be demanded at a higher price than at a lower price
  - ☐ C Because a greater quantity will be demanded at a lower price than at a higher price
  - ☐ D Because a greater quantity is always supplied at a lower price than at a higher price

Study **Diagram 2**, right, and then answer questions 6 to 8.

- Why do the supply lines in Diagram 2 **not** slope downwards from left to right?
  - ☐ A Because customers buy more goods when the price is high than when it is low
  - ☐ B Because customers buy fewer goods when the price is low than when it is high
  - ☐ C Because suppliers make more goods available to the market at a low price than they do at a high price
  - ☐ D Because suppliers make more goods available to the market at a high price than they do at a low price

- What does a shift in line 3 imply?
  - ☐ A Increase in supply
  - ☐ B Decrease in supply
  - ☐ C Rise in demand
  - ☐ D Fall in demand

- The following statements refer to Diagram 1. Which statement is correct?
  - Statement 1: The equilibrium price is higher when demand is higher.
  - Statement 2: The equilibrium quantity is higher when demand is higher.

Read statements 1 and 2. Which option from the following is correct?

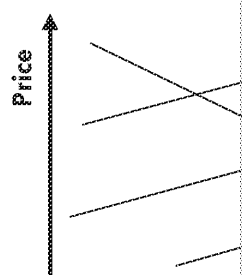
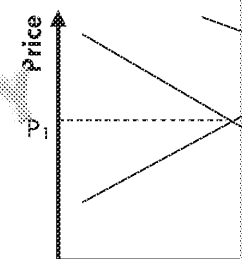
- ☐ A Statement 1 is correct and Statement 2 is incorrect
- ☐ B Statement 1 is incorrect and Statement 2 is correct
- ☐ C Both statements are correct
- ☐ D Both statements are incorrect

- The following statements refer to Diagram 1. Which statement is correct?
  - Statement 1: They are both correct.
  - Statement 2: They are both incorrect.

Read statements 1 and 2. Which option from the following is correct?

- ☐ A Statement 1 is correct and Statement 2 is incorrect
- ☐ B Statement 1 is incorrect and Statement 2 is correct
- ☐ C Both statements are correct
- ☐ D Both statements are incorrect

- If the demand for a product increases dramatically, what is the most likely outcome?
  - ☐ A The entire supply curve will shift to the right
  - ☐ B The supply curve will shift to the left
  - ☐ C The supply curve will remain unchanged
  - ☐ D The supply curve will shift to the right



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## 1.2.4: Price elasticity of demand

1. Which one of the following statements is **true** if the demand for a product falls by 80% as a result of a price increase of 5%?
  - ☐ A The product is price elastic
  - ☐ B The product is price inelastic
  - ☐ C The product is price neutral
  - ☐ D The product is price proportional
2. What does the formula 'percentage change in quantity demanded ÷ percentage change in price' calculate?
  - ☐ A Price elasticity
  - ☐ B Price elasticity of income
  - ☐ C Price elasticity of demand
  - ☐ D Price elasticity of supply
3. If a product is said to have a highly price 'inelastic', what does this mean?
  - ☐ A The product is extremely responsive to a change in its price
  - ☐ B The product is very unresponsive to a change in its price
  - ☐ C If the product's price changes there will be a more than proportional change in its demand
  - ☐ D The demand for the product will change in proportion to its price
4. Which of the following is most likely to be **true** about a product or service with few or no substitutes?
  - ☐ A It will tend to be price inelastic
  - ☐ B It will tend to be price elastic
  - ☐ C It will not be a usable product or service
  - ☐ D It will never have an extortionate price tag
5. The following statements relate to price elasticity of demand (PED).  
 Statement 1: It can be used by a business for 'pricing' decision-making.  
 Statement 2: It can be used by customers for 'buying' decision-making.  
  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
6. Which one of the following statements is **true** about a product or service with an inelastic demand?
  - ☐ A Its price elasticity of demand will be infinity
  - ☐ B Its price elasticity of demand will be equal to 1
  - ☐ C Its price elasticity of demand will be more than 1
  - ☐ D Its price elasticity of demand will be less than 1
7. Which one of the following factors does not influence the price elasticity of demand for a product or service?
  - ☐ A The availability of substitutes
  - ☐ B The availability of complementary products
  - ☐ C The level of income
  - ☐ D The level of advertising
8. Which one of the following is not a method of price discrimination?
  - ☐ A Competitive bidding
  - ☐ B Price skimming
  - ☐ C Price elasticity of demand
  - ☐ D The value of a product over time
9. If the price of a product falls from £25 per unit, and the quantity demanded falls from 5,000 to 4,000 units, what is the correct expression for PED?
  - ☐ A (-)1.6
  - ☐ B +1.6
  - ☐ C +1.6%
  - ☐ D (-)0.625
10. Which one of the following is not a characteristic of a product with a perfectly elastic demand curve?
  - ☐ A If a product has a perfectly elastic demand curve, its price will be zero
  - ☐ B If a product has a perfectly elastic demand curve, its price will be infinite
  - ☐ C A product with a perfectly elastic demand curve will have a PED of equal to 1
  - ☐ D A product with a perfectly elastic demand curve will have a PED of equal to infinity

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### 1.2.5: Income elasticity of demand

1. What does the income elasticity of demand measure?
  - ☐ A Responsiveness of employers to a demand for an increase in the wage rate
  - ☐ B Responsiveness of demand to a change in tastes and fashion
  - ☐ C Responsiveness of employees to a change in pay rates
  - ☐ D Responsiveness of demand to a change in income
2. If an income of £30,000 in year 1 generated a demand of 1,000 units of a product, and an income of £40,000 in year 2 generated a demand of 2,500 units of the same product, which one of the following statements is correct?
  - ☐ A The income elasticity of demand for that product is 4.5
  - ☐ B The income elasticity of demand for that product is 2.2
  - ☐ C The income elasticity of demand for that product is 33.33%
  - ☐ D The income elasticity of demand for that product is 150%
3. 'The fall in demand for a product as a result of a rise in consumer income' is an example of which of the following does this represent?
  - ☐ A Negative price elasticity
  - ☐ B Proportionate change
  - ☐ C Negative income elasticity
  - ☐ D Positive income elasticity
4. Which one of the following is not a measure of income elasticity of demand?
  - ☐ A The level of income
  - ☐ B The level of demand
  - ☐ C The degree of responsiveness of demand to a change in income for a particular firm
  - ☐ D Whether a product is a necessity or a luxury or not
5. Which one of the following is not a measure of income elasticity of demand?
  - ☐ A Elasticity of demand
  - ☐ B Rate of change of demand
  - ☐ C Cash flow
  - ☐ D Income elasticity

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## 1.3: Marketing mix and strategy

### 1.3.1: Product/service design

1. Which one of the following is **not** likely to result from a business getting its three-aspect design mix right?
- ☐ A Guaranteed profit maximisation
  - ☐ B Extension of the product's life cycle
  - ☐ C Lean product costing
  - ☐ D Good product image
2. When a product achieves the optimum design mix it will attract high sales. However, which of the following does it **not** want to attract?
- ☐ A Optimum market positioning
  - ☐ B Well-controlled costing process
  - ☐ C Good feedback of its floodings
  - ☐ D Development of a unique selling point
3. The following statements relate to the three-aspect design mix.
- Statement 1: One of its aims is to ensure that the final product is fully functional.*
- Statement 2: It performs the exact same function as a product positioning map.*
- Read statements 1 and 2 and select the correct option from the following:
- ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
4. With reference to which one of these put 'functionality' selling point prompts?
- ☐ A Antiperspirant
  - ☐ B Sunscreen
  - ☐ C Lipstick
  - ☐ D EV power
5. Which one of the following is **not** on the three-aspect design mix to a product?
- ☐ A Consideration of the elements of the product
  - ☐ B Prompt a change in the product
  - ☐ C Prompt a change in the element of the product
  - ☐ D Cause only a change in the product

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### 1.3.2: Branding and promotion

1. Which one of the following is a technique used by businesses to help sell their products or services?  
☐ A Demotion  
☐ B Promotion  
☐ C Prominence  
☐ D Pricing
2. Which one of the following can be both informative and persuasive?  
☐ A Management  
☐ B Motivation  
☐ C Production  
☐ D Advertising
3. The following statements relate to celebrity endorsement of a product or service.  
*Statement 1: Celebrity endorsement is a form of product or service promotion.*  
*Statement 2: Celebrity endorsers are not brand ambassadors.*  
  
Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true
4. Which one of the following activities aims to 'promote a positive image of a product by widely advertising its uniqueness'?  
☐ A Product branding  
☐ B Product engineering  
☐ C Product placement  
☐ D Product life cycle
5. For which one of the following reasons does the 'branding' of a product, service or business take place?  
☐ A To guarantee that the product, service or business maximises its potential  
☐ B To enable the product, service or business to clearly and easily blend in with others  
☐ C It is a legal business requirement that must be obeyed  
☐ D To make the product, service or business clearly and easily identifiable
6. Which one of the following is a measure of the elasticity of demand?  
☐ A Having a wide range of products  
☐ B Having a wide range of services  
☐ C Costs of production of the service  
☐ D Average level of demand
7. Which one of the following is a factor for a product or service to be successful at a selling point?  
☐ A It cannot use advertising  
☐ B It will not be sponsored  
☐ C Its brand image is built up  
☐ D It cannot use social media
8. The following statements relate to a promotion strategy.  
*Statement 1: National promotion is an ideal promotion strategy.*  
*Statement 2: National promotion is a local independent strategy.*  
*Statement 3: National promotion is a fairly good promotion strategy.*  
*Statement 4: National promotion is a national retail chain strategy.*  
  
Read statements 1 and 2 and select the correct option from the following:  
☐ A Statement 1 is true but Statement 2 is false  
☐ B Statement 1 is false but Statement 2 is true  
☐ C Statement 1 and Statement 2 are both true  
☐ D Statement 1 and Statement 2 are both false
9. What type of competition does an insurance company face?  
☐ A Geographic  
☐ B Private-label  
☐ C Cultural branding  
☐ D Emotional branding
10. Which one of the following is a factor for digital social media to be successful?  
☐ A They easily reach a wide audience  
☐ B They do not require a lot of money  
☐ C Most digital social media are interactive  
☐ D 'Influencers' are not part of the network

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### 1.3.3: Pricing strategies

1. The following statements relate to types of pricing strategy.  
*Statement 1: Cost plus pricing is a simplified form of competitive pricing.*  
*Statement 2: Price skimming is normally used for new products or services coming onto the market.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

2. The following statements relate to penetration and predatory pricing strategies.  
*Statement 1: Penetration pricing is a high pricing strategy used to attract customers to a new product or service.*  
*Statement 2: Predatory pricing is not illegal under UK competition law.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

3. The following statements relate to competitive and psychological pricing strategies.  
*Statement 1: Competitive pricing involves setting the price of a product or service very far below that of competitors.*  
*Statement 2: Setting the price of a product at £9.99 rather than £10.00 is an example of psychological pricing.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

4. Which of these factors is most likely to determine the appropriate pricing strategy for a 'necessary' product or service?  
☐ A Price elasticity of demand for that particular product or service  
☐ B Price elasticity of demand for luxury products or services  
☐ C The supply of non-essential goods and services  
☐ D The supply of effective entrepreneurs

5. Price skimming is most likely to be used for the following?

- ☐ A A well-established product identity  
☐ B A well-established brand identity  
☐ C A new product identity  
☐ D A new product identity

6. Which one of the following is most likely to be used when a low price is predicted for a service?  
☐ A Destroyer pricing  
☐ B Competitive pricing  
☐ C Predatory pricing  
☐ D Psychological pricing

7. Which one of the following is most likely to be used in competitive pricing?  
☐ A UK gross domestic product  
☐ B Billboard advertising  
☐ C Growth in the market  
☐ D The growing rate of increased use

8. The 'decline stage' of a product is most likely to support which pricing strategy?  
☐ A 'Low price' strategy  
☐ B 'High price' strategy  
☐ C 'Low price' strategy  
☐ D 'High price' strategy

9. Which one of the following is most likely to be a consideration when choosing a pricing strategy for its product in a home market?  
☐ A Stability in the market  
☐ B Foreign exchange rates  
☐ C Cost of materials for the service  
☐ D Rate of labour

10. Which one of the following is most likely to be a consideration when choosing a pricing strategy for its product in a foreign market?  
☐ A Celebrities endorsing the product  
☐ B Social media websites promoting the product's sale  
☐ C Using celebrities endorsing the product's sale  
☐ D Using celebrities endorsing the product's sale

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### 1.3.4: Distribution

1. Which one of the following statements is **not** true?
  - ☐ A Product distribution is not considered as part of the 4P marketing mix
  - ☐ B Product distribution is given consideration in the 'place' element of the 4P marketing mix
  - ☐ C Product distribution is not given consideration in the 'product' element of the 4P marketing mix
  - ☐ D Product distribution is the only purpose of SWOT analysis
2. The following statements relate to distribution channels.

Statement 1: Long-chain distribution systems are supported by the growth in digital and media platforms.

Statement 2: Digital and media platforms have played a role in the growth of short-chain distribution channels.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
3. 'Buyers always want products and services to be convenient and available when and where they want them.' Which one of the following statements does this most emphasise?
  - ☐ A The correct choice of distribution channel is absolutely essential for the seller
  - ☐ B The correct choice of distribution channel is absolutely essential for the buyer
  - ☐ C Let the buyer beware
  - ☐ D The impact of ecommerce on both buyer and seller
4. The fact that each of the following has its own particular advantages is which one of the following?
  - ☐ A Having many distribution channels
  - ☐ B Having few distribution channels
  - ☐ C Having intermediate distribution channels
  - ☐ D Having many distribution channels
5. The recent growth in the number of convenience stores has caused a corresponding decline in the number of the following?
  - ☐ A Long-chain distribution channels
  - ☐ B Short-chain distribution channels
  - ☐ C Town centre stores
  - ☐ D The growth in the number of town centre stores

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### 1.3.5: Marketing strategy

1. 'Sales' and 'Time' are plotted against each other in which one of these diagrams?
  - ☐ A Product positioning chart
  - ☐ B Stakeholder map
  - ☐ C Boston Matrix
  - ☐ D Product life cycle diagram
2. The 'maturity stage' of a product's life cycle is regarded as which one of the following?
  - ☐ A Question mark stage
  - ☐ B Cash cow stage
  - ☐ C Rising star stage
  - ☐ D Decline stage
3. Developing a brand-new product is a time-consuming and expensive process. Which one of these steps might a company take before their product goes into production and suffers market death?
  - ☐ A Undertake product extension strategies
  - ☐ B Launch a new alternative untested product
  - ☐ C Simply carry on and hope that sales will pick up in the future
  - ☐ D Decrease their advertising and promotion expenditure on that product
4. Which of these is a valid product extension strategy?
  - ☐ A The launch of a predatory pricing campaign
  - ☐ B Production price reduction
  - ☐ C Price hike
  - ☐ D Emphatically implying that the seller knows better than the customer
5. Which one of the following is an actual identifier in the Boston Matrix?
  - ☐ A Stakeholder influence
  - ☐ B Selling price
  - ☐ C Dogs
  - ☐ D Cats
6. Which one of these business planning tools involves comparing market share with market growth?
  - ☐ A Product design mix
  - ☐ B Marketing map
  - ☐ C Product life cycle
  - ☐ D Boston Matrix
7. The following statements relate to advertising available for business advertising.
 

Statement 1: Social media websites mainly target the young population.

Statement 2: Traditional TV advertising does not specifically aim to target small niche markets.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
8. The following statements relate to business strategy.
 

Statement 1: Marketing strategy is the type of product or service a business offers.

Statement 2: Marketing strategy is the target market class a business aims to serve.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 is true and Statement 2 is false
  - ☐ B Statement 1 is false and Statement 2 is true
  - ☐ C Statement 1 and Statement 2 are both true
  - ☐ D Statement 1 and Statement 2 are both false
9. Phasora is an Inner London start-up located in the City of London. It is an affordable sensor-based device that can be used to aid in the management of electricity distribution. Which of the following marketing strategies is most likely to be used by Phasora?
  - ☐ A B2A
  - ☐ B B2B
  - ☐ C B2C
  - ☐ D B2D
10. Which one of the following is a way for a business to increase customer loyalty?
  - ☐ A Undertake a price reduction
  - ☐ B Infrequently contact customers
  - ☐ C Actively encourage customers to make them
  - ☐ D Ignore any feedback

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## 1.4: Managing people

### 1.4.1: Approaches to staffing

1. The following statements relate to business employees.  
*Statement 1: It is illegal for an employee not to be a member of a trade union.*  
*Statement 2: Money is their only motivator.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

2. Which one of the following statements is **true**?

- ☐ A Employees give 'added value' to a product  
☐ B Wages and salaries are not a business cost  
☐ C Investment in staff training will never be rewarded by increased employee productivity  
☐ D The provision of staff training is an expense to a business

3. The following statements relate to employee payments.

*Statement 1: Piece rate is payment by employee unit output.*

*Statement 2: Bonus payment is paid in addition to the basic salary or wage.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false  
☐ B Statement 1 and Statement 2 are both true  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

4. Which one of the following is most likely to result from the UK government increasing the National Living Wage?

- ☐ A An increase in the demand for all types of labour  
☐ B An immediate and dramatic increase in the productivity level of all businesses  
☐ C A decrease in the selling price of all products and services  
☐ D An increase in the selling price of some products and services

5. The following statements relate to flexible working.  
*Statement 1: Flexible working entitlement might motivate employees to increase their productivity level.*  
*Statement 2: Offering flexible working hours to employees is not an illegal business practice in the UK.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

6. Which one of the following is **not** about offering a choice to an employee?

- ☐ A The employee who has a choice  
☐ B It ties the employee to the company more  
☐ C It should give the employee job security  
☐ D It will make the employee more productive in the job

7. During the COVID-19 pandemic, many employees were permitted their work from home. Which one of the following is **not** a negative impact?

- ☐ A Decreased productivity  
☐ B Increased stress  
☐ C Decreased job security  
☐ D Increase in isolation

8. The following statements relate to job rotation.  
*Statement 1: A job rotation system can easily be job rotated.*  
*Statement 2: A job rotation system is not involved in workplace safety.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false

9. The following statements relate to permanent full-time employment.  
*Statement 1: A permanent full-time employee can be sacked, under a notice period.*  
*Statement 2: A permanent full-time employee is not a stakeholder in the business.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true and Statement 2 is false  
☐ B Statement 1 is false and Statement 2 is true  
☐ C Statement 1 is true and Statement 2 is true  
☐ D Statement 1 is false and Statement 2 is false

10. Which one of the following is **not** a feature of 'collective bargaining'?

- ☐ A Collective bargaining is a process between representatives of employees and employers  
☐ B Collective bargaining is a process where a union represents employees  
☐ C Collective bargaining is a process where a 'take-it-or-leave-it' approach is used by employers  
☐ D Collective bargaining is a process where employers negotiate with employees

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## 1.4.2: Recruitment, selection and training

1. The following statements relate to the recruitment of employees.

*Statement 1: An employer can only recruit staff through a recruitment agency.*

*Statement 2: It is not a legal requirement for an employer to give written and detailed job descriptions to all their employees.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
2. Which one of the following is likely to be an advantage to the employer of filling a 'promotion vacancy' from an external pool of candidates rather than from the existing internal workforce?
- ☐ A Existing employees might become demotivated
  - ☐ B It might bring 'new blood' with new ideas into the business
  - ☐ C It is always less expensive and quicker to select from an external source
  - ☐ D Internal candidates would need intensive induction training to highlight the business's philosophy and values
3. What impact might an ineffective recruitment, selection and training process have on a business?
- ☐ A Make it more susceptible to competitors
  - ☐ B Make it more competitive
  - ☐ C Motivate its workforce
  - ☐ D Increase its labour productivity level

4. The following statements relate to employment regulations.
- Statement 1: Under employment regulations, induction training is a legal requirement for all new employees.*
- Statement 2: Induction training is an 'additional cost' for the employer.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
  - ☐ B Statement 1 is false but Statement 2 is true
  - ☐ C Statement 1 and Statement 2 are both true
  - ☐ D Statement 1 and Statement 2 are both false
5. The following statements relate to training programmes.
- Statement 1: 'Off-the-job' training takes place at a university or college.*
- Statement 2: 'On-the-job' training involves bad working practices.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

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### 1.4.3: Organisational design

1. Which one of the following types of business structure has many layers of management?
  - ☐ A Flat structure
  - ☐ B Hierarchical organisational structure
  - ☐ C Matrix structure
  - ☐ D Horizontal structure
2. Which one of the following is the main use for the 'chain of command' within an organisation?
  - ☐ A To prevent the upwards delegation of authority in a tall business structure
  - ☐ B To pass commands upwards to higher levels in a tall business structure
  - ☐ C To delegate ultimate responsibility downwards to lower-level employees
  - ☐ D To pass instructions downwards to lower levels in a tall business structure
3. Which one of the following statements is correct?
  - ☐ A All managers are by definition excellent leaders of their subordinates
  - ☐ B Senior managers cannot delegate their authority downwards to subordinates
  - ☐ C Strategic planning is the main remit of junior management
  - ☐ D Management responsibility cannot be delegated to subordinates
4. Which one of the following is the most accurate description of the term 'span of control'?
  - ☐ A The number of subordinates for which a manager has direct responsibility
  - ☐ B The degree to which a business has control over its market
  - ☐ C The chain of command in a hierarchical organisational structure
  - ☐ D The number of subordinates in a lower layer in a tall organisation
5. The following statements relate to business management structure.  
 Statement 1: In a decentralised management structure all major decisions are made only by the very top level of management.  
 Statement 2: Centralised management is commonly used in the business franchising environment.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
6. Which one of the following is not a feature of a hierarchically structured organisation?
  - ☐ A It does not have a clear line of authority
  - ☐ B It offers the opportunity for career progression
  - ☐ C It is difficult to change a manager's position
  - ☐ D It generates a family-type atmosphere
7. Which one of the following is not a feature of a matrix organisational structure?
  - ☐ A It is the preferred structure for multinational organisations
  - ☐ B It affords greater flexibility than a hierarchical structure
  - ☐ C It has no management by exception
  - ☐ D A manager has a wide range of control
8. Which one of the following is not a feature of a project organisation?
  - ☐ A They have a clear line of authority
  - ☐ B They do not have a permanent staff
  - ☐ C They will not have a project on which they are not working
  - ☐ D They are not 'a boss'
9. Which one of the following is the most ideal for the operation of more than one team of workers?
  - ☐ A Hierarchical structure
  - ☐ B Horizontal structure
  - ☐ C Matrix structure
  - ☐ D Flat structure
10. How might a flat structure impact an employee?
  - ☐ A Demotivate employees at lower levels of management to reach higher levels
  - ☐ B Highly motivate employees at lower levels of management to reach higher levels
  - ☐ C Make them feel that they are part of a very big work force
  - ☐ D Make them feel that they are part of a 'family-like' environment

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### 1.4.4: Motivation in theory and practice

1. When an employee is reluctant to come to work this could be a symptom of which one of the following?
- ☐ A Being proud of the business
  - ☐ B Being money motivated
  - ☐ C Being highly motivated
  - ☐ D Being highly demotivated

2. Which one of these is Frederick Taylor regarded as?

- ☐ A Father of the 'hierarchy of needs'
- ☐ B Father of 'scientific management'
- ☐ C Father of the 'human relations theory' of management
- ☐ D Father of 'contingency management'

3. The following statements are from two motivational theorists.

Statement 1: Development of the 'human relations theory' of motivation is attributed to Abraham Maslow.

Statement 2: Frederick Herzberg did not propose the 'two-factor' theory of motivation.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both false
- ☐ B Statement 1 and Statement 2 are both true
- ☐ C Statement 1 is true but Statement 2 is false
- ☐ D Statement 1 is false but Statement 2 is true

4. The following statements relate to the 'two-factor' theory of motivation.

Statement 1: The factors are 'hygiene' and 'motivation'.

Statement 2: The factors are 'money' and 'power'.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true
- ☐ B Statement 1 and Statement 2 are both false
- ☐ C Statement 1 is true but Statement 2 is false
- ☐ D Statement 1 is false but Statement 2 is true

5. Which one of the following is a financial motivator?

- ☐ A Performance-related pay
- ☐ B Status upgrade
- ☐ C Empowerment
- ☐ D Praise

6. Which of the following is **true** about bonus payment and performance-related pay schemes?

- ☐ A They are non-financial motivators
- ☐ B They can facilitate job rotation
- ☐ C They are job enrichment schemes
- ☐ D They can act as financial motivators

7. The following statements relate to job rotation and job enlargement.

Statement 1: Job rotation.

Statement 2: Job rotation leads to increased employee demotivation.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

8. The following statements relate to employee incentive schemes.

Statement 1: Money is the only employee incentive.

Statement 2: Incentive schemes demotivate both employee and employer.

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 is true but Statement 2 is false
- ☐ B Statement 1 is false but Statement 2 is true
- ☐ C Statement 1 and Statement 2 are both true
- ☐ D Statement 1 and Statement 2 are both false

9. Which one of the following is **not** part of the process of 'job rotation'?

- ☐ A Allowing the employee to rotate between two employees
- ☐ B Moving an employee to a different part of the business
- ☐ C Deepening an employee's understanding of more challenges
- ☐ D Moving an employee to a different type of job or employment

10. Which one of the following is **not** a financial incentive?

- ☐ A Praise from the employer
- ☐ B Stock options
- ☐ C Profit-sharing
- ☐ D Commission

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### 1.4.5: Leadership

1. The following statements relate to leadership and management.  
*Statement 1: Leadership only involves the application of administrative tasks to ensure the smooth day-to-day running of a business.*

*Statement 2: Management must always involve the application of very complex motivational techniques to keep employees focused on reaching the 'mission vision' of a business.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is true but Statement 2 is false  
☐ D Statement 1 is false but Statement 2 is true

2. Which of the following situations would most necessarily require autocratic management?

- ☐ A Head teacher of a small country school  
☐ B Team leader of a 'think tank' for innovative ideas  
☐ C Lead surgeon in a hospital operating theatre  
☐ D Supermarket manager

3. The following statements relate to leadership styles.  
*Statement 1: Autocratic leaders usually display excessively strong dictatorial characteristics.*  
*Statement 2: Paternalistic leaders never behave like a guiding parent.*

Read statements 1 and 2 and select the correct option from the following:

- ☐ A Statement 1 and Statement 2 are both true  
☐ B Statement 1 and Statement 2 are both false  
☐ C Statement 1 is false but Statement 2 is true  
☐ D Statement 1 is true but Statement 2 is false

4. Which one of the following facilitates the decision-making process?

- ☐ A Laissez-faire  
☐ B Democratic  
☐ C Autocratic  
☐ D Paternalistic

5. Which one of the following leadership styles would be most suited to a development department?

- ☐ A Laissez-faire  
☐ B Democratic  
☐ C Autocratic  
☐ D Paternalistic

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## 1.5: Entrepreneurs and leadership

### 1.5.1: Role of an entrepreneur

- 'These are optimistic risk-takers who set up their own business usually in the hope of financial reward.' Which one of the following is this sentence describing?
  - ☐ A Business stakeholders
  - ☐ B Managers
  - ☐ C Entrepreneurs
  - ☐ D Employees
- The form of day-to-day recruitment, selection and retention process of employees in a business should **not** be a major decision taken by which one of the following?
  - ☐ A The head of the human resources department
  - ☐ B The entrepreneur who set up the business
  - ☐ C The head of the department in which the vacancy has arisen
  - ☐ D The employment agency hired by the business to oversee the recruitment process
- What are the individual elements of land, labour, capital and enterprise collectively known as?
  - ☐ A Factors of production
  - ☐ B Marketing mix
  - ☐ C Product mix
  - ☐ D Stakeholder mix
- What does the term 'intrapreneur' mean?
  - ☐ A The team leader of a production cell
  - ☐ B An employee within a business who is specifically responsible for product or service quality
  - ☐ C The submanager of a business
  - ☐ D An employee within a business who is specifically responsible for product or service innovation
- The following statements relate to risk-taking in the business environment.  
 Statement 1: A business risk can never be quantified.  
 Statement 2: Entrepreneurs are risk-averse.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
- The fear of a business failure is a major concern of which one of the following?
  - ☐ A The manager
  - ☐ B The employee
  - ☐ C The national government
  - ☐ D The supplier
- Which one of the following is not a feature of sole trader and partnership?
  - ☐ A They are the sole ownership of the business in the UK
  - ☐ B They are the joint ownership of the business in the UK
  - ☐ C They can be owned by the public
  - ☐ D They are bound by law
- Which one of the following is not a barrier to becoming an entrepreneur?
  - ☐ A Lack of self-confidence
  - ☐ B Age and gender
  - ☐ C Lack of personal resources
  - ☐ D Education level
- The following statements relate to risk-taking in the business environment.  
 Statement 1: Business risk can never be quantified.  
 Statement 2: Business risk can be quantified.  
 Statement 3: Business risk can be managed.  
 Statement 4: Business risk can be avoided.  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 3 and Statement 4 are both false
  - ☐ D Statement 3 and Statement 4 are both true
- Which one of the following is not a source of uncertainty?
  - ☐ A Tax rate changes
  - ☐ B Emergence of new technologies
  - ☐ C The impact of government policies on profits
  - ☐ D Future market demand

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## 1.5.2: Entrepreneurial motives and characteristics

- Which one of the following is a characteristic of an entrepreneur?
  - ☐ A Apathy
  - ☐ B Laziness
  - ☐ C Risk-adversity
  - ☐ D Risk-taking
- Which one of the following is an essential entrepreneurial skill?
  - ☐ A Initiative
  - ☐ B Personal drive
  - ☐ C Leadership
  - ☐ D Hard-working
- Which one of the following is the most common reason why an entrepreneur starts a business for profit?
  - ☐ A Financial reasons
  - ☐ B Personal reasons
  - ☐ C Altruistic reasons
  - ☐ D Religious reasons
- The following statements are made by successful entrepreneurs.
 

Statement 1: Entrepreneurs are always adapting to a developing market.

Statement 2: Entrepreneurs are always innovative and creative.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 is true and Statement 2 is false
  - ☐ B Statement 1 is false and Statement 2 is true
  - ☐ C Both statements are true
  - ☐ D Both statements are false
- The following statements are made by people who do not start enterprises.
 

Statement 1: To do wrongs they believe are right.

Statement 2: To be successful, one must be unethical and social.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 is true and Statement 2 is false
  - ☐ B Statement 1 is false and Statement 2 is true
  - ☐ C Both statements are true
  - ☐ D Both statements are false

## 1.5.3: Business objectives

- Which one of the following is most likely to have 'survival' as its prime short-term business objective?
  - ☐ A New business start-up
  - ☐ B Charity shop
  - ☐ C Nationalised industry
  - ☐ D Established multinational corporation
- For which one of the following reasons is profit maximisation an important long-term aim of a business?
  - ☐ A To keep its labour turnover rate very low
  - ☐ B To keep its cash flow positive
  - ☐ C To keep all shareholders happy with their dividend return rate
  - ☐ D To keep all stakeholders happy with their dividend return rate
- The following statements relate to the aims of a business.
 

Statement 1: All businesses, irrespective of size or type, always have the same aims.

Statement 2: The aims of a business never change once they are set.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 and Statement 2 are both true
  - ☐ B Statement 1 and Statement 2 are both false
  - ☐ C Statement 1 is true but Statement 2 is false
  - ☐ D Statement 1 is false but Statement 2 is true
- For which one of the following reasons does a business have a prime short-term objective?
  - ☐ A To make it profitable
  - ☐ B To meet social responsibilities
  - ☐ C It is a legal requirement for all businesses to have
  - ☐ D To ensure the business is successful at their market
- The following statements are made by business owners.
 

Statement 1: Business objectives are always the same for all businesses.

Statement 2: Business objectives are always the same for all businesses.

Read statements 1 and 2 and select the correct option from the following:

  - ☐ A Statement 1 is true and Statement 2 is false
  - ☐ B Statement 1 is false and Statement 2 is true
  - ☐ C Both statements are true
  - ☐ D Both statements are false

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### 1.5.4: Forms of business

1. Which one of the following statements is **not** true?
  - ☐ A All shareholders of a public limited company are protected by limited liability
  - ☐ B Any UK business has the potential to change its legal format
  - ☐ C A private limited company must not offer its shares for sale to the general public
  - ☐ D All external stakeholders of a limited company are protected by limited liability
2. Which one of the following is the most unlikely direct impact that customers of a company could have on it?
  - ☐ A Demand and cause a change in the legal entity status
  - ☐ B Demand and cause a change to its customer services provided
  - ☐ C Cause its profits to fall
  - ☐ D Cause it to be more environmentally aware
3. By which one of the following ways might an entrepreneur achieve an ideal work-life-income balance?
  - ☐ A By getting promotion in their existing place of employment
  - ☐ B By spending more time on a hobby than at work
  - ☐ C Turning their hobby into a 'lifestyle business'
  - ☐ D Taking on and developing a high-pressure enterprise
4. Which one of the following describes the process of transforming a private company to a public company by offering its shares for sale on the stock market to the general public?
  - ☐ A Stock market consolidation
  - ☐ B Stock market floatation
  - ☐ C Privatisation
  - ☐ D Nationalisation
5. The following statements relate to a sole trader.  
*Statement 1: A sole trader cannot have business partners.*  
*Statement 2: A sole trader cannot have more than one employee, excluding themselves.*  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 and Statement 2 are both false
  - ☐ B Statement 1 and Statement 2 are both true
  - ☐ C Statement 1 is false but Statement 2 is true
  - ☐ D Statement 1 is true but Statement 2 is false
6. Which one of the following is **not** a feature of a partnership?
  - ☐ A Any partner can bind the partnership
  - ☐ B Any partner can change the legal format of the partnership
  - ☐ C No partner can bind the partnership without a written document
  - ☐ D Partnerships are not subject to the same legal requirements as companies
7. Which one of the following is the most likely reason for a business to set up as a partnership?
  - ☐ A Setting up is inexpensive
  - ☐ B Setting up is expensive
  - ☐ C Not all stakeholders have got the same share of the profits
  - ☐ D Shareholders have got the profits
8. The following statements relate to the practice of franchising.  
*Statement 1: Buying a franchise is a way of starting up a business.*  
*Statement 2: The franchisor is the person who sells the franchise.*  
 Read statements 1 and 2 and select the correct option from the following:
  - ☐ A Statement 1 is true and Statement 2 is false
  - ☐ B Statement 1 is false and Statement 2 is true
  - ☐ C Statement 1 and Statement 2 are both true
  - ☐ D Statement 1 and Statement 2 are both false
9. Which one of the following is **not** a feature of a social enterprise?
  - ☐ A It is run like a business to make a profit
  - ☐ B Profits are reinvested in the social enterprise
  - ☐ C Any profits are shared between the shareholders
  - ☐ D It has stakeholders
10. Which one of the following is **not** a feature of the execution of a business plan?
  - ☐ A Internet
  - ☐ B Short-chain
  - ☐ C Viral marketing
  - ☐ D E-commerce

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## **Preview of Answers Ends Here**

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