



Topic Tests for GCSE (9–1) AQA Business

Paper 1: Influences of operations and HRM on business activity

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Teacher's Introduction

This resource has been produced to support teaching and learning of AQA GCSE Business (8132 specification) **Paper 1: Influences of operations and HRM on business activity**. It is made up of a variety of end-of-topic test *time-restricted* questions, with suggested answers and a suggested marking scheme. Each topic test will cover the same level of skills and depth of knowledge as the most difficult and longest questions in an actual GCSE examination. This resource also provides a suggested answer structure and examination tips, and highlights common errors made by students.

Remember!

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

Note that this resource is NOT a practice examination paper.

This resource will cover:

- Business in the real world
- Influences on business
- Business operations
- Human resources

Each test will:

- Reduce your workload as a teacher with on-hand topic tests and answers accompanied by suggested answer outlines.
- Allow you as a teacher to diagnose students' knowledge, strengths and weaknesses after a specification topic has been taught.
- Help students develop good examination technique, as it uses exam-style command words that will be used in the actual examination.
- Encourage students to develop structured answers to meet the assessment objectives.
- Indicate how and why marks are awarded to each question.
- Make students aware of the 'time limit' aspect of the examination.

This resource can be used as:

- A very useful student revision guide, as all topics in the specification are addressed.
- A formal class test of a 40- or 60-minute duration.
- Multiple homeworks for students.
- An examination revision guide for students.
- A basis for an interactive teacher–student class review of a specification topic and how to approach answering an examination question on it in a structured way.

This resource focuses on **12** specific areas:

- Assessment objectives (AOs) – what they mean and how to address them.
- Command words and phrases – their importance, marks allocated and relationship with AOs.
- Linking words and phrases.
- Suggested outline for a structured answer – with mark allocation.
- How the topic test questions are structured.
- Tips for answering a question.
- Common mistakes made when answering a question.
- Important note on suggested answers.
- Possible answer templates for higher-value questions.
- Structure for answers – with feedback sheet.
- 'Levels' table for marking Section B questions in a topic test.
- Test questions with suggested answers.

April 2024

Exam Question Guidance

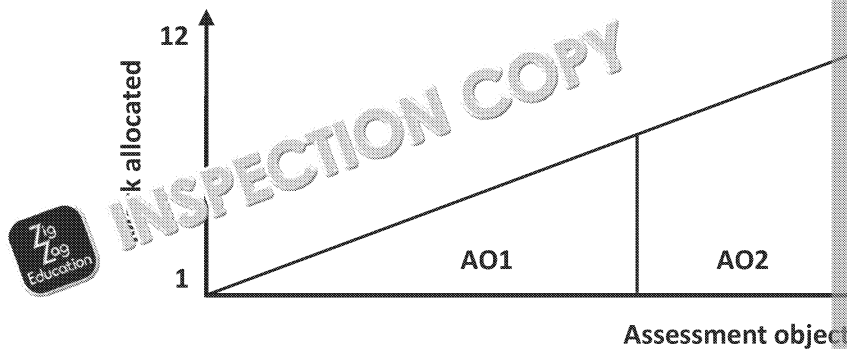
Assessment objectives (AOs)

What they mean and how to address them

Assessment objectives (AOs) are the target skills an examiner expects a candidate to demonstrate by the content and quality of their answer to a question. For GCSE level 'Business', there are three AOs:

AO1 Knowledge	Demonstrate knowledge and understanding by: <ul style="list-style-type: none"> • Simply showing knowledge by giving the correct answer to a question. • Showing knowledge and understanding of a specific business concept, say, by way of a relevant answer.
AO2 Understanding	Apply knowledge and understanding in a specific context by: <ul style="list-style-type: none"> • Making your answer specific to the stimulus material or the question and make specific reference to relevant material in the stimulus.
AO3 Analysis and evaluation	Demonstrate skills of analysis and evaluation by: <ul style="list-style-type: none"> • Considering both possible outcomes of a point made, i.e. benefits/drawbacks, advantages/disadvantages, etc., and developing its possible consequences. • Making a justified conclusion / final judgement / recommendation, clearly stating the circumstances on which it depends and how important for the business.

Relationship between AOs and marks allocated



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Command words and phrases – importance, marks allocated and relation

The command word is the key trigger word of the question. It indicates the answer requires and the examiner expects. It is also closely linked to the question's mark objective. Examples of command words and phrases are:

Stimulus item must be referenced	AO1	State one/two ... (1/2 marks) Define... (2 marks) Which... (1 mark) Identify... (1/2 marks) Identify and explain... (2 marks) Describe one ... (2 marks) Explain one/two (generic)... (2/4 marks) State and explain two ... (4 marks)
	AO1/AO2	State and calculate... (3/5 marks) Explain one/two (specific)... (2/4 marks)
	AO2	Give one ... (1 mark) Describe why... (2 marks) Calculate... (2/4/5 marks) Complete... (3 marks)
	AO2/AO3	Analyse one ... (6 marks) Advise... (9 marks) Recommend... (9 marks)
	AO1/AO2/AO3	Analyse and evaluate... (12 marks) Analyse and recommend... (12 marks)

These lists are not exhaustive.

Linking words and phrases

Answers should also make use of appropriate, use of linking words and phrases that join ideas together in a relevant and logical way. They are the of flow of logic through an answer. Examples of linking words and phrases are:

Linking word	Linking phrase
But	That is
Also	As a result
Thus	In addition
Finally	In contrast
Despite	For example
However	This is because
Whereas	This will lead to
Moreover	This will result in
Therefore	As a consequence
Nevertheless	On the other hand
Consequently	This will mean that
Subsequently	The outcome will be

These lists are not exhaustive.

Note that when a question asks for:

- Advise (9 marks)
- Recommend (9 marks)
- Analyse, evaluate and recommend (12 marks)

a fully justified and structured answer, judgment must be made.

- My (conclusion / final recommendation / comment)
- because...
- As a consequence, therefore...
- However, this depends on...
- What is really important is...

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Suggested outline for a structured answer – with mark allocation

Stand-alone answers not requiring reference to the stimulus item:

AO1

State one/two... (1/2 marks)

- Correctly state, in context, what the question asks with **two** single words or phrases, or an answer of **one** sentence for **each** point made. (1 mark) × two correctly identified points = 2 marks

Define... (2 marks)

- Demonstrate knowledge by clearly stating a very short description. (1 mark)
- Show understanding by a short development with an example. (1 mark)

Which of the following... (1 mark)

- Multiple-choice question.
- Simply select **one** correct option from A, B, C or D. (1 mark)

Identify... / Identify two... (1/2 marks)

- Correctly identify what the question asks with **two** single words or phrases, or an answer of **one** sentence for **each** point made. (1 mark × two correctly identified points = 2 marks)
- It might even require indicating or highlighting **two** items on a diagram.

Identify and explain... (2 marks)

- Show knowledge by correctly identifying what the question asks with **one** single sentence. (1 mark)
- Show understanding by developing (explaining) the point made, ideally giving an example. (1 mark)

Describe one... (2 marks)

- Demonstrate knowledge by clearly stating **one** point. Pay careful attention to the question and refer only to that in your answer. (1 mark)
- Show understanding by fully developing (explaining) the point made, ideally giving an example. (1 mark)

Explain one... (generic)... (2/4 marks)

- Demonstrate knowledge with a very short description. (1 mark)
- Show understanding by a short development with an example. (1 mark)

Repeat the above for a **second** explanation.

State and explain two... (4 marks)

- Demonstrate knowledge by clearly stating **one** point. Pay careful attention to the question and refer only to that in your answer. (1 mark)
- Show understanding by fully developing (explaining) the point made, ideally giving an example. (1 mark)

Repeat the above for the **second** point made.

Answers that require reference to the stimulus item:

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AO1/AO2

State and calculate... (3/5 marks: AO1 – 1 mark, AO2 – 2/4 marks)

- State the correct formula. (AO1 – 1 mark)
- Correctly calculate and clearly identify the final answer(s). (AO2 – 2/4 marks)
- Show all your workings.
- Own figure rule applies.

Explain one/two (specific)... (2/4 marks: AO1 – 1 mark, AO2 – 1/2 marks)

- Make one appropriate point to demonstrate knowledge (AO1) and understand developed interconnections and linked points to show application (AO2) with a contextual example. Four linked points should suffice. Repeat if **two** explanations are required.

Level 2 3–4 marks	Good explanation: <ul style="list-style-type: none"> • AO1 – Demonstrates appropriate and sufficient knowledge and understanding of one point. • AO2 – Shows sufficient application of knowledge and understanding with a contextual example.
Level 1 1–2 marks	Poor explanation: <ul style="list-style-type: none"> • AO1 – Demonstrates some knowledge and understanding by making a point. • AO2 – Shows some basic application of knowledge and understanding with a contextual example.
Level 0 0 marks	<ul style="list-style-type: none"> • No answer is given. • The question is not at all addressed. • Nothing in the answer deserves a positive mark.

AO2

Give one reason why... (1 mark)

- Correctly apply knowledge and understanding. (1 mark)

Describe how/why... (2/4/5 marks)

- Show clear and relevant application of knowledge and understanding using appropriate examples.

Calculate... (2/4/5 marks)

- Usually 1 mark per correct calculation. (2/4/5 × 1 mark)
- Correctly calculate and clearly identify the final answer(s).
- Show all your workings.
- Own figure rule applies.

Complete... (3 marks)

- Fill in (complete) what the question requires on a table, graph, chart, etc.

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AO2/AO3

Analyse one reason why... (6 marks: AO2 – 3 marks, AO3 – 3 marks)


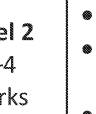


- Make at least two points. Each point must have a well-developed 'pro' (positive) or 'con' (negative/against) aspect to it. Each point should follow the following format: state the point, its likely outcome will be and the possible consequence of that outcome. You should use logically linked strands in your answer, as well as at least four direct references to the stimulus (giving contextual relevant examples), in order to gain full marks for Level 3. Linking words should be used throughout the answer. No conclusion, final judgement or justification is needed.

Advise whether or not it is a good idea... (6 marks: AO2 – 3 marks, AO3 – 3 marks)

- Make at least two points. Each point must have a well-developed 'pro' (positive) or 'con' (negative/against) aspect to it. Each point should follow the following format: state the point, its likely outcome will be and the possible consequence of that outcome. You should use logically linked strands in your answer, as well as at least four direct references to the stimulus (giving contextual relevant examples), in order to gain full marks. It is essential that a justified piece of advice is clearly given at the conclusion of the answer. Linking words should be used throughout the answer.

Recommend whether... (9 marks: AO2 – 3 marks, AO3 – 6 marks)

- Make at least two points. Each point must have a well-developed 'pro' (positive) or 'con' (negative/against) aspect to it. Each point should follow the following format: state the point, its likely outcome will be and the possible consequence of that outcome. You should use logically linked strands in your answer, as well as at least four direct references to the stimulus (giving contextual relevant examples), in order to gain full marks. It is essential that a justified recommendation is clearly made at the conclusion of the answer. Linking words should be used throughout the answer.

Level 3 5-6 marks 	Very good analysis: <ul style="list-style-type: none"> There are at least two well-developed points made. There are at least four application references (AO2) to the stimulus (AO3). Very good knowledge and understanding of business concepts and terminology throughout. There is a very good use of correct business terminology. There is a very good linked and logically flowing analysis of each point. The question is fully addressed and the answer is very well structured.
Level 2 3-4 marks 	Good analysis: <ul style="list-style-type: none"> There are at least two good points made. Good attempt at analysis of business areas (AO3). A good application of knowledge and understanding of business concepts and terminology demonstrated (AO2). There is some use of correct and appropriate business terminology. There is reasonably good linked and logically flowing analysis of each point. The question is well addressed and the answer is well structured.
Level 1 1-2 marks 	Very poor analysis: <ul style="list-style-type: none"> Only one, one-sided, point made, or no point at all (giving a contrary view). No real analysis of business areas (AO3). Very limited application of knowledge and understanding (AO2). Little use of correct and appropriate business terminology. Very limited connecting flow between issues addressed in the answer. The question is very poorly addressed and the answer is very poorly structured.
Level 0 0 marks 	No answer is given. <ul style="list-style-type: none"> The question is not at all addressed. Nothing in the answer deserves a positive mark.

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AO1/AO2/AO3

Analyse and evaluate... (12 marks: AO1 – 3 marks, AO2 – 3 marks, AO3 – 6 marks)

- AO1: Show excellent knowledge and understanding by developing at least two points.
- AO2: Show excellent application of knowledge and understanding of the point.
- AO3: Fully analyse each point using a linked and logically flowing chain of reasons.
- **Then:** Come to a final conclusion by making a specific justified final judgement on all relevant points for up to 3 marks.
- Make at least two points. Each point must have a well-developed 'pro' (positive) (negative/against) aspect to it. Each point should follow the following format: its likely outcome will be and the possible consequence of that outcome. You must use linked strands in your answer, as well as at least four direct references to the contextual relevant examples), in order to gain full marks. A justified structure must be given. Linking words or phrases must be used throughout the answer.

Analyse and recommend... (12 marks: AO1 – 3 marks, AO2 – 3 marks, AO3 – 6 marks)



- AO1: Show excellent knowledge and understanding by developing at least two points.
- AO2: Show excellent application of knowledge and understanding of the point.
- AO3: Fully analyse each point using a linked and logically flowing chain of reasons.
- **Then:** Come to a final conclusion by making a specific justified clear recommendation on all relevant points for up to 3 marks.
- Make at least two points. Each point must have a well-developed 'pro' (positive) (negative/against) aspect to it. Each point should follow the following format: its likely outcome will be and the possible consequence of that outcome. You must use linked strands in your answer, as well as at least four direct references to the contextual relevant examples), in order to gain full marks. A justified structure must be given. Linking words or phrases must be used throughout the answer.

See overleaf for level 1 and 2 descriptors.

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<p>Level 4 10–12 marks</p>	<p>Excellent answer:</p> <ul style="list-style-type: none"> At least two points made with excellent logical development on both sides of the issue. Excellent integrated analysis/evaluation of business issues and concepts (AO1). Excellent application of knowledge and understanding (AO2). Excellent knowledge and understanding of business concepts and issues. Excellent and appropriately relevant correct business terminology. Well-structured linkage between interdependent business areas and a logically flowing analysis. A logical, well-justified and fully supported final conclusion is clearly stated. The question is totally addressed; the answer is extremely logical and coherent.
<p> Level 3 7–9 marks</p>	<p>Very good answer:</p> <ul style="list-style-type: none"> At least two points made with very good development on both sides of the issue. Very good analysis/evaluation of business issues and concepts (AO1). Very good application of knowledge and understanding (AO2). Very good knowledge and understanding of business concepts and issues. Very good use of correct business terminology throughout the answer. There is very good linkage between interdependent business areas and a logically flowing analysis. There is good attempt at a justified final conclusion. The question is very well addressed and the answer has a logical structure.
<p>Level 2 4–6 marks</p>	<p>Reasonably good answer:</p> <ul style="list-style-type: none"> At least two points made with some consideration given to both sides of the issue. Reasonably good analysis/evaluation of business issues and concepts (AO1). Reasonably good application of knowledge and understanding (AO2). Reasonably good knowledge and understanding of business concepts and issues. Appropriate use of correct business terminology. There is some attempt at a linked and logically flowing analysis. There is some attempt at a justified final conclusion. The question is reasonably well addressed and the answer has some structure.
<p> Level 1 1–3 marks</p>	<p>Very weak response:</p> <ul style="list-style-type: none"> Only one point made with consideration given only to a positive or negative side of the issue. Limited analysis/evaluation of business issues and concepts (AO1). Very limited application of knowledge and understanding (AO2). Very limited knowledge and understanding of business concepts and issues. Infrequent and restricted use of correct business terminology. No attempt at a linked and logically flowing analysis. There is no attempt at a final conclusion. The question is poorly addressed and the answer is unstructured.
<p>Level 0 0 marks</p>	<ul style="list-style-type: none"> No answer is given. The question is not at all addressed. Nothing in the answer deserves a positive mark.

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How a topic test question is structured

Part A – awarding 1–4 marks.

- Multiple-choice-questions requiring an answer to the *command word* ‘Which’
 - Which of the following is... (1 mark) – examining AO1.
- Short-answer questions requiring an answer to various *command words*; for example:
 - State **one/two**... (1/2 marks)
 - Define... (2 marks)
 - Identify **one**... / Identify **two**... (1/2 marks)
 - Identify and explain... (2 marks)
 - Describe **one**... (1 mark)
 - Explain **one/two** (generic)... (2/4 marks)
 - State and explain **two**... (4 marks)

Part B (with a specific stimulus item) – awarding from 1–12 marks.

- Stimulus item.
- Short-, medium- and long-answer questions to *command words* such as:
 - State and calculate... (3/5 marks)
 - Explain **one/two** (specific)... (2/4 marks)
 - Give **one**... (1 mark)
 - Describe... (2 marks)
 - Calculate... (2/4/5 marks)
 - Complete... (3 marks)
- Analyse **one**... (6 marks)
- Advise... (9 marks)
- Recommend... (9 marks)
- Analyse and evaluate... (12 marks)
- Analyse and recommend... (12 marks)

Tips for answering a question

- Read the question thoroughly and highlight its *command word* and any specific information.
- Carefully read the case study stimulus material and highlight business terms and information that it contains.
- Carefully read the question to get a clear understanding of what it is asking you to do; be specific and do not waffle.
- Mentally (think about) and/or physically (make bullet points on a spare sheet of paper) refer to the question’s *command word*, assessment objective(s) and the information given.
- Always answer the question using appropriate business vocabulary.
- Always apply your business knowledge by giving a relevant contextual example. Always use appropriate reference to relevant material in the stimulus case study scenario.
- If the answer requires calculations to be made, you must show all your working. Your final answer stands out clearly and distinctly.
- Only use a black ink pen to write your answer.
- If required to draw a diagram, graph or chart, use a straight edge then carefully label the constituent parts using a black ink pen. A rough outline should be first practised on a spare sheet of paper.
- Do not write in the margins of your answer page.
- Your handwriting and answer presentation must be clear, logical and legible. The examiner must be able to read and understand. You will do yourself no good if you have to spend ‘extra’ time trying to decipher your answer.
- Memorise all mathematical formulae required by the examination specification.
- Avoid any repetition in your answer, including not repeating the question itself.

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Common mistakes made when answering a question

- An incorrectly structured answer that does not correctly correspond to the assessment objective(s) being assessed.
- Writing too much for a short-answer question worth 1–5 marks.
- Writing too little for a medium- or long-answer question worth 6–12 marks.
- Not applying the answer to the question or the case study stimulus material.
- Not knowing formulae needed for calculation questions.
- Not completing the entire question in the allotted time.
- Not reading the question properly and consequently answering a question that is not the one that has been asked!
- Not writing in clear, properly constructed, linked sentences to form a meaningful answer.
- Not having a clear break between one paragraph and another.

Important note on suggested answers

Please note that there may be correct answers other than those provided. Candidates should decide whether any alternative answers given are worthy of credit.

Possible answer templates for higher-value questions

Analyse one... (6 marks)

Award up to 3 marks for the application of knowledge and understanding by the candidate (AO1). Then award up to a further 3 marks for a fully developed analysis of the point (AO2).

Note:

- The stimulus item must be referenced.
- There should be at least five logically linked strands in the answer.
- There should be at least four direct contextual references to the stimulus material.
- No conclusion, final judgement or justification is necessary.
- At least six well-developed sentences, with connecting words and phrases, should be used.

Suggested answer template:

- Make a point (AO1)
 - Discuss a positive outcome of the point – *as a result / this will / thus / because*
 - Discuss a positive consequence of that outcome – *consequently/therefore*
 Then
 - Discuss a negative consequence of that outcome – *however/consequently*
 (Repeat this format for each point that you make.)

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Advise... (9 marks)

Award up to 3 marks for the application of knowledge and understanding by the candidate (AO2). Then award up to a further 3 marks for a fully developed analysis of the stimulus material (AO3). Finally award up to 3 marks for a clear and well-justified final conclusion by way of specific and justified advice (AO4).

Note:

- The stimulus item must be referenced.
- There should be at least five logically linked strands in the answer.
- There should be at least four direct contextual references to the stimulus material.
- A conclusion or final judgement by way of a fully justified recommendation is required.
- At least six well-developed linked sentences, together with a conclusion by way of specific and justified advice. Appropriate connecting words and phrases should be used throughout.



Suggested answer template:

- Make a point. (AO2)
 - Discuss a positive outcome of the point – *as a result / this will / thus / because*
 - Discuss a positive consequence of that outcome – *consequently/therefore*
 Then
 - Discuss a negative consequence of that outcome – *however/consequently*
 (Repeat this format for each point that you make.)
- Finally, conclude with fully justified advice.
 - My advice is... *[your advice]*
 - Because... *[reason(s) why]* and therefore... *[consequences]*
(Link positive points together and maybe give an additional positive outcome.)
 - However, all this depends on... *[reason(s)]*

Recommend... (9 marks)

Award up to 3 marks for the application of knowledge and understanding by the candidate (AO2). Then award up to a further 3 marks for a fully developed analysis of the stimulus material (AO3). Finally award up to 3 marks for a clear and well-justified final conclusion by way of a specific recommendation (AO4).

Note:

- The stimulus item must be referenced.
- There should be at least five logically linked strands in the answer.
- There should be at least four direct contextual references to the stimulus material.
- A conclusion or final judgement by way of a fully justified recommendation is required.
- At least six well-developed linked sentences, together with a clear and justified recommendation. Appropriate connecting words and phrases should be used throughout.

Suggested answer template:

- Make a point. (AO2)
 - Discuss a positive outcome of the point – *as a result / this will / thus / because*
 - Discuss a positive consequence of that outcome – *consequently/therefore*
 Then
 - Discuss a negative consequence of that outcome – *however/consequently*
 (Repeat this format for each point that you make.)
- Finally, make a fully justified recommendation.
 - My recommendation is... *[your recommendation]*
 - Because... *[reason(s) why]* and therefore... *[consequences]*
(Link positive points together and maybe give an additional positive outcome.)
 - However, all this depends on... *[reason(s)]*



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Analyse and evaluate... (12 marks)

Award up to 3 marks for showing knowledge and understanding of the meaning a (AO1). Then award up to 3 marks for demonstrating appropriate application of knowledge of both options (AO2). Next, award up to a further 3 marks for fully analysing the impact. Finally, award up to 3 marks for a clear, contextual, unambiguous and fully justified

Note:

- The stimulus item must be referenced.
- There should be at least five logically linked strands in the answer.
- There should be at least four direct contextual references to the stimulus material.
- A conclusion or final judgement by way of a fully justified choice of option is required.
- At least six well-developed linked sentences, together with a clear and justified conclusion, should be used. Appropriate connecting words and phrases should be used throughout.

Suggested answer template:

- [First option] ... *thus / as a result / this will / this might / this can...* (AO1/AO2)
 - Positive impact/outcome ... *however / consequently / as a result / this will*
 - Negative impact/outcome ... *on the other hand / this could / this would / this might*
- [Second option] ... *thus / as a result / this will / this might / this can...* (AO1/AO2)
 - Positive impact/outcome ... *however / consequently / as a result / this will*
 - Negative impact/outcome ... *on the other hand / this could / this would / this might*
- And finally
 - I believe [Option X] is the right choice.
 - Because... [reason(s)] and therefore... [outcome(s) and consequence(s)]
(Link all positive points together and maybe give an additional positive point)
 - However, all this depends on... [determining factors]

Analyse and recommend... (12 marks)

Award up to 3 marks for showing knowledge and understanding of the meaning a (AO1). Then award up to 3 marks for demonstrating appropriate application of knowledge of both options (AO2). Next, award up to a further 3 marks for fully analysing the impact. Finally, award up to 3 marks for a clear, contextual, unambiguous and fully justified

Note:

- The stimulus item must be referenced.
- There should be at least five logically linked strands in the answer.
- There should be at least four direct contextual references to the stimulus material.
- A conclusion or final judgement by way of a fully justified choice of option is required.
- At least six well-developed linked sentences, together with a clear and justified conclusion, should be used. Appropriate connecting words and phrases should be used throughout.

Suggested answer template:

- [First option] ... *thus / as a result / this will / this might / this can...* (AO1/AO2)
 - Positive impact/outcome ... *however / consequently / as a result / this will*
 - Negative impact/outcome ... *on the other hand / this could / this would / this might*
- [Second option] ... *thus / as a result / this will / this might / this can...* (AO1/AO2)
 - Positive impact/outcome ... *however / consequently / as a result / this will*
 - Negative impact/outcome ... *on the other hand / this could / this would / this might*
- And finally
 - My recommendation is... [your recommendation]
 - Because... [reason(s)] and therefore... [outcome(s) and consequence(s)]
(Link all positive points together and maybe give an additional positive point)
 - However, all this depends on... [determining factors]




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For marking guidance reference pages 4 to 8. **NOTE:** Examples of assessment objectives are highlighted ONLY in suggested answers to Topic Test 1.

Feedback sheet

Question:	AO1	AO2	AO3
Marks allocated			
Your mark awarded			

Answer ref. (line/paragraph/page)	How well you did	Comments
		
		
		

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Test 1: Business in the real world

Section A

- Which **one** of the following is **not** a basic purpose of a business?
 - A Produce goods
 - B Provide local employment
 - C Supply a service
 - D Distribute goods
- Which **one** of the following is **not** a 'factor of production'?
 - A Labour
 - B Land
 - C Capital
 - D Entertainment
- Which **one** of the following business legal structures can raise capital by offering shares to the general public?
 - A Public limited company
 - B Private limited company
 - C Ordinary partnership
 - D Sole trader
- Which **one** of the following means that the owners of a business are liable only for the amount invested in it, irrespective of what its outstanding debts are?
 - A Equity
 - B Entity
 - C Limited liability
 - D Unlimited liability
- Which **one** of the following is **not** a reason why objectives set might differ between stakeholders?
 - A Business size
 - B Business name
 - C Business competitors
 - D Business purpose and function
- Which **one** of the following is **true**?
 - A There is never conflict between stakeholders of a business
 - B A sole trader has no stakeholders
 - C Not all stakeholders in a limited company are shareholders in it
 - D All stakeholders in a limited company are its shareholders
- Which **one** of the following is the most likely to be **false**?
 - A The prime objective of a trade union is to maximise a business's profit
 - B The prime objective of a business owner is to maximise the business's profit
 - C Employee objectives mainly focus on pay, job security and working conditions
 - D Customer stakeholder groups are mostly concerned with price and quality
- Which **one** of the following would most likely have the **biggest** influence on where a business is located?
 - A Availability of raw materials
 - B Proximity to a large level of possible customers
 - C Availability of road and rail infrastructure
 - D Reliability and efficiency of the local telecommunications infrastructure

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9. Which **one** of the following is **not** a reason why a business enterprise should to embarking on its launch?
- A It might help it raise finance
 - B It will help it appreciate the resources it needs
 - C It will guarantee business success
 - D It will allow the business to consider and review its financial viability

10. Which **one** of the following statements about the process of 'franchising' is **not** correct?
- A The franchisee is the buyer of the franchise
 - B The franchiser is ultimately responsible for all aspects of the work
 - C The franchisee is the owner of the franchise
 - D McDonald's, Subway and Burger King are examples of franchises that operate in the UK

11. Define the concept of 'enterprise'.

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12. Identify **two** forms of legal business ownership operating in the UK.

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13. Describe what is meant by the 'primary sector' of the economy.

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14. Explain **two** reasons why a business faces a constantly changing business environment.

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Highland Tours

Hamish-Duncan Macnaghten and his younger brother, Ewan, live just outside the Scotland. They are blessed with beautiful surrounding scenery, including stunning mountain, Ben Nevis, and they live within an hour's drive of the mystical Loch Nevis.

The brothers run a small, well-established and thriving tourist business, with two coaches and one small 20-seat petrol-driven minibus. Their business philosophy is based on providing a high quality touring experience. The business presently employs, in addition to the brothers, two office administrators, one full-time and one part-time. Their business, 'Highland Tours', is a private company that operates from a modern and well-equipped Portakabin in the substantial space available at the house where they live.



During the 'tourist season' they run these vehicles seven days a week. They take customers from within the UK but worldwide.

Ewan wants to expand the business as he believes their existing business can attract more customers if the appropriate advertising campaign. The business plan he has commissioned is currently being reviewed.

Ewan's idea of expansion is to buy one extra, new 56-seat electric-powered luxury motorhome powered by hydrogen, similar in size to the one they have, and employ an extra tour guide and the part-time office administrator full-time. In time, Ewan intends that the business should replace the diesel vehicles and replaces them with more environmentally friendly ones powered by battery-driven and hydrogen-fuelled ones.

Hamish-Duncan agrees with Ewan but wants to expand even further by offering walking tours of the area and possibly opening a souvenir gift shop next to the office. Both would operate during the tourist season. The walking tours could involve buying an extra diesel motorhome and employing three tour guides, one full-time and one part-time. The souvenir shop would be run by a part-time worker. Hamish-Duncan does not envisage more expansion or energy sources but for any aspect of the business, at least in the near future.



Hamish-Duncan has yet to draw up a formal business plan for his proposals, but he believes that in the future because it will be beneficial to the business.

Both brothers agree that any form of expansion will require a lot of funds, so, with Ewan's support, they are considering floating it on the stock exchange.

15. Give **one** aim of any established commercial enterprise such as Highland Tours.

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16. Describe **two** ways that Highland Tours could be impacted by 'the national government' stakeholder grouping.

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17. Explain **one** reason why physical location might be an important consideration for a tourist business.

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18. Using the Highland Tours business plan, explain **two** items that Hamish-Duncan mentions in his business plan which he eventually draws one up.



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19. The brothers are considering changing the legal status of Highland Tours Ltd to a public limited company, and so turning it into a public limited company in order to raise the money for the proposed expansion. Advise Ewan and Hamish-Duncan whether this is a good idea for your advice.



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cont

Test 1: Business in the real world

Section A

- Which **one** of the following is **not** a basic purpose of a business?
A Produce goods
B Provide local employment
C Supply a service
D Distribute goods
- Which **one** of the following is **not** a factor of production?
A Land
B Labour
C Capital
D Entertainment
- Which **one** of the following business legal structures can raise capital by offering shares to the general public?
A Public limited company
B Private limited company
C Ordinary partnership
D Sole trader
- Which **one** of the following means that the owners of a business are liable for the debts of the business invested in it, irrespective of what its outstanding debts are?
A Equity
B Entity
C Limited liability
D Unlimited liability
- Which **one** of the following is **not** a reason why objectives set might differ between stakeholders?
A Business size
B Business name
C Business competitors
D Business purpose and objectives
- Which **one** of the following is **true**?
A There is never conflict between stakeholders of a business
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C Not all stakeholders in a limited company are shareholders in it
D All stakeholders in a limited company are its shareholders
- Which **one** of the following is the most likely to be **false**?
A The prime objective of a trade union is to maximise a business's profit
B The prime objective of a business owner is to maximise the business's sales
C Employee objectives mainly focus on pay, job security and working conditions
D Customer stakeholder groupings are mostly concerned with price and quality
- Which **one** of the following would most likely have the **biggest** influence on what a business produces?
A Raw material availability
B Education level of possible customers
C Road and rail infrastructure
D Reliability and efficiency of the local telecommunications infrastructure
- Which **one** of the following is **not** a reason why a business enterprise should be cautious about embarking on its launch?
A It might help it raise finance
B It will help it appreciate the resources it needs
C It will guarantee better access to the market
D It will allow the business to consider and review its financial viability in the future
- Which **one** of the following statements about the process of 'franchising' is **not** true?
A The franchisee is the buyer of the franchise
B The franchiser is ultimately totally responsible for all aspects of the well-being of the franchisee
C The franchiser is the seller of the franchise
D McDonald's, KFC and Burger King are examples of franchises that operate in the food and drink industry

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11. Define the concept of 'enterprise'.
12. Identify **two** forms of legal business ownership operating in the UK.
13. Describe what is meant by the 'primary sector' of the economy.
14. Explain **two** reasons why a business faces a constant changing business environment.

Section B

Read the Case Study carefully before answering the questions below.

15. Give **one** example of any established commercial enterprise such as Highland Tours.
16. Describe **two** ways that Highland Tours could be impacted by 'the national government stakeholder grouping'.
17. Explain **one** reason why physical location might be an important consideration for a tourist business.
18. Using the Highland Tours scenario, explain **two** items that Hamish-Duncan Mather should include in his business plan when he finally draws one up.
19. The brothers are considering changing the legal status of Highland Tours Ltd to a public limited company, in order to raise the funds for the proposed expansion. Advise Ewan and Hamish-Duncan whether this is a good idea. Give your advice.
20. Highland Tours is considering re-examining its business. It is considering **two** options:
 - Ewan's option is to expand the existing business without changing its base.
 - Hamish-Duncan's option is to expand the existing business and to add two new services.

Analyse the effect of each of these **two** options on Highland Tours. Evaluate which of these **two** options is most appropriate for Highland Tours.

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Highland Tours

Hamish-Duncan Macnaghten and his younger brother, Ewan, live just outside the Scotland. They are blessed with beautiful surrounding scenery, including stunning mountain, Ben Nevis, and they live within an hour's drive of the mystical Loch Ne

The brothers run a small, well-established and thriving business, with two coaches and one small 20-seat petrol-driven minibus. Their business philosophy is based on their extensive touring experience. The business presently employs, in addition to the brothers, two office administrators, one being full-time. Their business, 'Highland Tours', is a private hire service that operates from a modern, well-equipped Portakabin in the substantial space available at the home they live.

During the 'tourist season' they run these vehicles seven days a week. They take bookings from within the UK but worldwide.

Ewan wants to expand the business as he believes their existing business can attract more customers through the appropriate advertising campaign. The business plan he has commissioned is currently under review.

Ewan's idea of expansion is to buy one extra, new 56-seat electric-powered luxury motorhome, powered by hydrogen, similar in size to the one they have, and employ an extra full-time office administrator full-time. In time, Ewan intends that the business will replace its current diesel vehicles and replaces them with more environmentally friendly ones powered by battery-driven and hydrogen-fuelled ones.

Hamish-Duncan agrees with Ewan but wants to expand even further by offering walking tours in the area and possibly opening a souvenir gift shop next to their office. Both would open during the tourist season. The walking tour would involve buying an extra diesel-powered motorhome, employing three tour guides, two full-time and one part-time. The souvenir shop would employ two part-time workers or one full-time worker. Hamish-Duncan does not envisage major changes in the energy source input for any aspect of the business, at least in the near future.

Hamish-Duncan has yet to draw up a formal business plan for his proposals, but he believes that the future because it will be beneficial to the business.

Both brothers agree that any form of expansion will require a lot of funds, so, with the exception of considering floating it on the stock exchange.

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Preview of Questions Ends Here

This is a limited inspection copy. Sample of questions ends here to avoid students previewing questions before they are set. See contents page for details of the rest of the resource.

Answers

Test 1: Business in the real world (a)

Note: Examples of AO accreditations are highlighted in suggested answers to Test 1 Section A

Section A

1. B [AO1 – Demonstrating knowledge]
2. D [AO1 – Demonstrating knowledge]
3. A [AO1 – Demonstrating knowledge]
4. C [AO1 – Demonstrating knowledge]
5. B [AO1 – Demonstrating knowledge]
6. C [AO1 – Demonstrating knowledge]
7. A [AO1 – Demonstrating knowledge]
8. D [AO1 – Demonstrating knowledge]
9. C [AO1 – Demonstrating knowledge]
10. B [AO1 – Demonstrating knowledge]

11. [AO1 (1 mark for demonstrating knowledge by making a point) + AO1 (1 mark for showing that point)]

The answer could consider:

Enterprise is the concept of not only having a business idea (AO1 – 1 mark for showing business acumen, personal drive, 'get-up-and-go' attitude and risk-taking propensity) but also developing an idea from concept to reality. For example, the traits possessed by some of the contestants (AO1 – 1 mark for development of your knowledge by showing understanding of knowledge)

12. [AO1 (1 mark for demonstrating knowledge by giving a correct form of business ownership)]

The answer could consider:

- Sole trader (AO1 – 1 mark for demonstrating knowledge)
- Partnership (AO1 – 1 mark for demonstrating knowledge)
- Private limited company (AO1 – 1 mark for demonstrating knowledge)
- Public limited company (PLC) (AO1 – 1 mark for demonstrating knowledge)
- Non-profit organisations (AO1 – 1 mark for demonstrating knowledge)

13. [AO1 (1 mark for demonstrating knowledge by making a point) + AO1 (1 mark for showing that point)]

The answer could consider:

The primary sector of the economy relates exclusively to the extractive industries in the economy (AO1 – 1 mark for demonstrating knowledge) + For example, the processes of farming, mining, fishing and quarrying (AO1 – 1 mark for showing understanding).

14. [AO1 (1 mark for demonstrating knowledge by making a point) + AO1 (1 mark for showing that point)] × 2

The answer could consider:

- Changes in technology (AO1 – 1 mark for showing knowledge) + (AO1 – 1 mark for developing this point and enhancing it with an example)
- The economic climate (AO1 – 1 mark for showing knowledge) + (AO1 – 1 mark for developing this point and enhancing it with an example)
- Government legislation (AO1 – 1 mark for showing knowledge) + (AO1 – 1 mark for developing this point and enhancing it with an example)
- Environmental considerations (AO1 – 1 mark for showing knowledge) + (AO1 – 1 mark for developing this point and enhancing it with an example)

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Section B

15. [AO2 – 1 mark for applying knowledge and understanding by giving **one** correct aim]

The answer could consider:

- To survive.
- To grow its market.
- To maximise its profits.
- To see off all competitors.
- To maintain a positive cash flow.
- To have positive customer feedback.
- To achieve its social and environmental goals. (1)

16. [AO2 – 1 mark for applying knowledge and understanding to a given scenario]

The answer could consider:

- Reduction in profit and income by increasing business and general taxation.
- Reduction in profit and income by increasing VAT on goods and services.
- Recruitment problems created by changes in employment legislation.
- Increased operating costs due to changes in environment legislation.

17. [AO1 (1 mark for demonstrating knowledge) + AO1 (1 mark for showing understanding)]

The answer could consider:

- The quality of the tourists' holiday experience depends on getting a good location.
- The good qualities of the location will draw customers to the tourist business.
- The 'ideal' location will cost the business but will generate revenue income for it.
- The location will need to have suitable potential employees, accommodation, and services.
- The location might have tourist businesses operating there already thus laying out the infrastructure.
- The location needs to have all the necessary relevant infrastructure in place.

18. [AO1 (1 mark for demonstrating knowledge and understanding) + AO2 (1 mark for showing understanding)]

Marking note:

- ✓ First will be determined the level of the answer – is it a Level 0, Level 1 or Level 2?
- ✓ Next will be decided the answer's sub-marks and total final mark to be awarded.

The answer could consider:

- Aims and objectives.
- Details of the workforce.
- Financial details.
- Legal status.
- Management structure.
- Marketing details.
- Physical location.
- Products and services on offer.
- Proposed future development plans.

19. [Award up to 3 marks for the application of knowledge and understanding by the development of an analysis and evaluation (AO2). Then award up to a further 3 marks for a fully developed analysis of each point (AO2). Then award up to a further 3 marks for a clear and well-justified final conclusion by way of a specific and unambiguous statement.]

Marking note:

- ✓ First will be determined the level of the answer – is it a Level 0, Level 1, Level 2 or Level 3?
- ✓ Next will be decided the answer's sub-marks and total final mark to be awarded.
- ✓ Finally note that for the analysis and evaluation, final justified conclusive advice must be given.

The answer could consider:

- Benefits of being a private limited company include:
 - Highland Tours has continuity of existence as a legal entity.
 - The brothers alone decide the path the business takes.
 - The brothers are protected by limited liability.
 - The business can raise capital for the proposed expansion by issuing shares.

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- Drawbacks to being a private limited company include:
 - Highland Tours cannot sell shares through a stock exchange to the general public, so the amount of capital it can raise for the proposed expansion.
- Benefits of becoming a public limited company include:
 - Highland Tours will still have continuity of existence as it is a legal business.
 - Highland Tours will be able to raise a substantial amount of capital as it can sell shares to the public.
 - Highland Tours will be able to borrow more easily from financial institutions.
- Drawbacks to being a public limited company include:
 - It will cost the brothers a significant amount of both time and money, to set up a PLC.
 - Highland Tours will likely have many shareholders, and so the brothers will have to share the responsibility for the future of the business.
 - The greater the number of shareholder-owners, the greater the likelihood of conflict.

20. [Award up to 3 marks for showing knowledge and understanding of the meaning and implications of the terms. Then award up to 3 marks for demonstrating appropriate application of knowledge and understanding of the terms (AO2). Next, award up to a further 3 marks for fully analysing the impact on both options (AO2). Finally, award up to a further 3 marks for a clear, contextual, unambiguous and fully justified final choice (AO3)].

Marking note:

- ✓ First will be determined the level of the answer – is it a Level 0, Level 1, Level 2, Level 3?
- ✓ Next will be decided the answer's sub-marks and total final mark to be awarded.
- ✓ Finally note that, after the analysis and evaluation, a clear, contextual, unambiguous and fully justified final choice must be made!

The answer could consider:

Ewan's option

Positives

- Expanding but staying with what they know best – selling tours, so not a radical change.
- Creating a greener environmental image – switching to electric or hydrogen coaches could attract even more customers.
- Creating more 'bums on seats' capacity – this should generate more revenue in the long term.
- Does not require a change in Highland Tours' basic business philosophy, which is to provide a high quality experience.

Drawbacks

- Requires a change in Highland Tours' practices – involving change in fleet energy sources.
- Involves 'putting all their eggs in one basket' – coach trips. What if this market dries up (e.g. 19 impact)?
- It will cost the business, in terms of both time and money, to implement now and in the future.

Hamish-Duncan's option

Positives

- It provides a diversity from the 'touring only' market – such alternatives might be needed in the event of unexpected events.
- It could provide a source of revenue income outside the traditional tourist season.

Drawbacks

- Changes Highland Tours' basic reason for being a coach touring company to a wholesaler/retailer – training will be needed for this change in business philosophy.
- Different skill sets need to be learned and implemented. These will take time to learn and implement.
- Staying with fossil fuel is problematic for the business in terms of environmental and government directives. This could prove detrimental to Highland Tours on so many levels.
- The 'extras' (over and above Ewan's proposal) could prove very expensive – and could impact on the core business.

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