



# Topic Tests for GCSE (9–1) AQA Business

Paper 2: Influences of marketing and finance 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 2: Influences of marketing and finance 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
- Marketing
- Finance

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

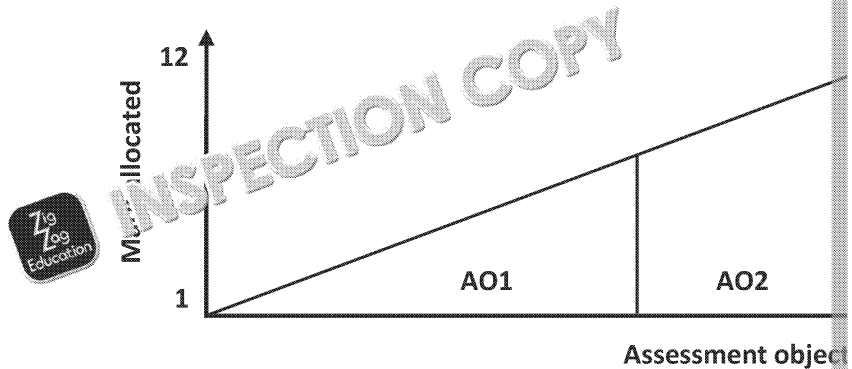
## Assessment objectives (AOs)

### 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:

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

### 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 <b>one/two</b> ... (1/2 marks) Define... (2 marks) Which... (1 mark) Identify... (1 mark), <b>two</b> ... (1/2 marks) Describe and explain... (2 marks) Describe <b>one</b> ... (2 marks) Explain <b>one/two</b> (generic)... (2/4 marks) State and explain <b>two</b> ... (4 marks)
	AO1/AO2	State and calculate... (3/5 marks) Explain <b>one/two</b> (specific)... (2/4 marks)
	AO2	Give <b>one</b> ... (1 mark) Describe why... (2 marks) Calculate... (2/4/5 marks) Complete... (3 marks)
	AO2/AO3	Analyse <b>one</b> ... (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 include extensive, but appropriate, use of linking words and phrases that link sentences together in a relevant and logical way. They are the oil that lubricates the 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 a

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

a fully justified and structured judgment must be made

- My (conclusion / final recommendation / evaluation)
- 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.

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

**AO2**

**Give one reason why... (1 mark)**

- Correctly apply knowledge and understanding. (1 mark)

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

- Show correct 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)


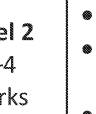


- Make at least two points. Each point must have a well-developed 'pro' (positive) or 'con' (negative/against) aspect to it. Each point should follow the following format: state the point, its likely outcome will be and the possible consequence of that outcome. You must use logically linked strands in 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 must 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 must 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 must 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 must 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 must be used throughout the answer.

<b>Level 3</b> 5-6 marks 	Very good analysis: <ul style="list-style-type: none"> <li>There are at least two well-developed points made.</li> <li>There are at least four application references (AO2) to the stimulus (AO3).</li> <li>Very good knowledge and understanding of business concepts and terminology used throughout.</li> <li>There is a very good use of correct business terminology.</li> <li>There is a very good linked and logically flowing analysis of each point.</li> <li>The question is fully addressed and the answer is very well structured.</li> </ul>
<b>Level 2</b> 3-4 marks 	Good analysis: <ul style="list-style-type: none"> <li>There are at least two good points made.</li> <li>Good attempt at analysis of business areas (AO3).</li> <li>A good application of knowledge and understanding of business concepts and terminology demonstrated (AO2).</li> <li>There is some use of correct and appropriate business terminology.</li> <li>There is reasonably good linked and logically flowing analysis of each point.</li> <li>The question is well addressed and the answer is well structured.</li> </ul>
<b>Level 1</b> 1-2 marks 	Very poor analysis: <ul style="list-style-type: none"> <li>Only one, one-sided, point made, without giving a contrary view.</li> <li>No real analysis of business areas (AO3).</li> <li>Very limited application of knowledge and understanding (AO2).</li> <li>Little use of correct and appropriate business terminology.</li> <li>Very little connecting flow between issues addressed in the answer.</li> <li>The question is very poorly addressed and the answer is very poorly structured.</li> </ul>
<b>Level 0</b> 0 marks 	No answer is given. <ul style="list-style-type: none"> <li>The question is not at all addressed.</li> <li>Nothing in the answer deserves a positive mark.</li> </ul>

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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 descriptor.

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<p><b>Level 4</b> 10–12 marks</p>	<p>Excellent answer:</p> <ul style="list-style-type: none"> <li>At least two points made with excellent logical development on both sides of the question.</li> <li>Excellent integrated analysis/evaluation of business issues and concepts (AO1).</li> <li>Excellent application of knowledge and understanding (AO2).</li> <li>Excellent knowledge and understanding of business concepts and issues (AO3).</li> <li>Excellent and appropriately relevant correct business terminology.</li> <li>Well-structured linkage between interdependent business areas and a logically flowing analysis.</li> <li>A logical, well-justified and fully supported final conclusion is clearly stated.</li> <li>The question is totally addressed; the answer is extremely logical and coherent.</li> </ul>
<p> <b>Level 3</b> 7–9 marks</p>	<p>Very good answer:</p> <ul style="list-style-type: none"> <li>At least two points made with very good development on both sides of the question.</li> <li>Very good analysis/evaluation of business issues and concepts (AO1).</li> <li>Very good application of knowledge and understanding (AO2).</li> <li>Very good knowledge and understanding of business concepts and issues (AO3).</li> <li>Very good use of correct business terminology throughout the answer.</li> <li>There is very good linkage between interdependent business areas and a logically flowing analysis.</li> <li>There is good attempt at a justified final conclusion.</li> <li>The question is very well addressed and the answer has a logical structure.</li> </ul>
<p><b>Level 2</b> 4–6 marks</p>	<p>Reasonably good answer:</p> <ul style="list-style-type: none"> <li>At least two points made with some consideration given to both sides of the question.</li> <li>Reasonably good analysis/evaluation of business issues and concepts (AO1).</li> <li>Reasonably good application of knowledge and understanding (AO2).</li> <li>Reasonably good knowledge and understanding of business concepts and issues (AO3).</li> <li>Appropriate use of correct business terminology.</li> <li>There is some attempt at a linked and logically flowing analysis.</li> <li>There is some attempt at a justified final conclusion.</li> <li>The question is reasonably well addressed and the answer has some structure.</li> </ul>
<p> <b>Level 1</b> 1–3 marks</p>	<p>Very weak response:</p> <ul style="list-style-type: none"> <li>Only one point made with consideration given only to a positive or negative side of the question.</li> <li>Limited analysis/evaluation of business issues and concepts (AO1).</li> <li>Very limited application of knowledge and understanding (AO2).</li> <li>Very limited knowledge and understanding of business concepts and issues (AO3).</li> <li>Infrequent and restricted use of correct business terminology.</li> <li>No attempt at a linked and logically flowing analysis.</li> <li>There is no attempt at a final conclusion.</li> <li>The question is poorly addressed and the answer is unstructured.</li> </ul>
<p><b>Level 0</b> 0 marks</p>	<ul style="list-style-type: none"> <li>No answer is given.</li> <li>The question is not at all addressed.</li> <li>Nothing in the answer deserves a positive mark.</li> </ul>

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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... (2 marks)
  - 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 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 stimulus material.
- 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 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 (AO2). Then award up to a further 3 marks for a fully developed analysis of the point.

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 (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.)

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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 of both options. Finally, award up to 3 marks for a clear, contextual, unambiguous and fully justified conclusion.

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. 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 of both options. Finally, award up to 3 marks for a clear, contextual, unambiguous and fully justified recommendation.

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 recommendation. 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	AO
Marks allocated			
Your mark awarded			

Answer ref. (line/paragraph/page)	Marked well	Marked
		
		
		

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## Test 1: Business in the real world

### Section A

- Which **one** of the following is **not** in the tertiary sector of the economy?
  - Bank
  - Insurance company
  - Farm
  - Law firm
- Which **one** of the following statements is **true**?
  - Businesses face a constantly changing environment
  - Businesses do not operate in a dynamic environment
  - All businesses exist only to make a profit
  - No business can exist without constant repeat purchases
- Which **one** of the following statements is **true** about a 'floated' company?
  - Its shares cannot be bought by the general public
  - Its shares cannot be offered to the general public
  - It is a failing company kept afloat only by government support
  - Its shares can be bought by the general public
- Which **one** of the following is **true** about a sole trader business entity?
  - Its owner is protected by limited liability
  - It does not enjoy the protection of limited liability
  - It cannot have more than one person working for it
  - It is the legal business entity of choice for a multinational corporation
- Which **one** of the following statements is **true** about a business objective?
  - It can be used to measure the level of success or failure of a business
  - It never changes over time
  - It is the very long-term goal that the business hopes to achieve
  - It will always have the same criteria irrespective of the type or size of business
- Which **one** of the following should **not** be an objective of any stakeholder of a business?
  - For the business to be awarded quality accreditations
  - For the business to be profitable
  - For the business to improve its environmental credentials
  - For the business to fail
- Which **one** of the following statements is the most likely to be **false**?
  - Economies of scale can never be gained by a business that sets up in a new market
  - No business of any type has competitors
  - A business likes to be located as near as possible to its direct competitors
  - An e-commerce business does not depend on a high volume of customers
- Which **one** of the following could result from an entrepreneur drawing up a business plan?
  - A guaranteed base of a loyal customer base
  - A business not coming into existence at all because it was deemed unviable
  - Potential competitors stealing the business idea and thwarting its set-up
  - Guaranteed profits in the first year of the business's life

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9. Which **one** of the following is **not** a way by which the size of a business can be measured?
- A Physical footprint by floor space and volume
  - B Its annual employee turnover
  - C Turnover by volume and value
  - D Number of people it directly and indirectly employs

10. Which **one** of the following statements about the 'average' unit cost of production is correct?
- A It can be used as a guide for setting a product's final market selling price
  - B It cannot be calculated
  - C A fall in the average cost of production is always passed on to customers
  - D A rise in the average cost of production is never charged to customers

11. Define the 'secondary sector' of the economy.

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12. Identify **two** advantages of being an ordinary shareholder in a profitable and limited company.

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

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14. Explain **two** reasons why the objectives of a business might change over time.

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**Changes**

Ellen, a mother of three children under the age of 10 years, has worked full-time for a 'alternative medicine' remedy shop. The shop is situated on a local high street and the shop enjoys good trade from that footfall as well as from Internet orders. Ellen is knowledgeable in her field.

The shop owners, Alvin and Michelle, are very understanding bosses and treat Ellen and other employees excellently and provide them with a good physical working environment that suits everyone's taste. Both bosses and employees have a reasonably good working relationship.

For some time now the bosses have been considering organically expanding their business. Ellen is playing a key role in this expansion process. However, Ellen has a notion of her own and open a small similar type of shop some miles away from her current employer.

The shop owners are well-experienced in the field of alternative medicine. Having spent a few years working in the UK before travelling to Sri Lanka to work and study. Ten years ago the couple returned to the UK and set up, what turned out to be, a successful business in central London.

Alvin and Michelle intend to expand their business organically and, as far as they are up for consideration:

- Option 1: Fully developing and selling a new product range they have in the pipeline.
- Option 2: Opening a new additional shop a few miles from their existing high street shop.

15. Give **one** aim of a 'not-for-profit' organisation

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16. Describe how the concept of 'limited liability' was responsible for the increase in the number of limited liability companies in the UK by the Limited Liability Act 1855.

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17. Explain **one** reason why the objectives of a large established business might be different to those of a new-entrant business into a market.

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18. Explain what is meant by the following **two** terms:

- Purchasing economies of scale
- Technical economies of scale

Give examples to support your answer.

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19. Ellen is considering becoming an entrepreneur rather than an employee. Advise her whether it is a good idea or not. Give reasons for your advice.

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## Test 1: Business in the real world

### Section A

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- Which **one** of the following could result from an entrepreneur drawing up a business plan before starting up the business?  
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B The business not coming into existence at all because it was deemed too risky  
C Protection from competitors stealing the business idea and thwarting its setting up  
D Guaranteed profits in the first year of the business's life

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11. Define the 'secondary sector' of the economy.
12. Identify **two** advantages of being an ordinary shareholder in a profitable and limited company.
13. Describe what is meant by the 'tertiary sector' of the economy.
14. Explain **two** reasons why the objectives of a business might change over time.



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**Changes**

Ellen, a mother of three children under the age of 10 years, has worked full-time for a 'alternative medicine' remedy shop. The shop is situated on a local high street and the shop enjoys good trade from that footfall as well as from Internet orders. Ellen is knowledgeable in her field.

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Alvin and Michelle intend to expand their business organically and, as far as they are up for consideration:

- Option 1: Fully developing and selling a new product range they have in the pipeline.
- Option 2: Opening a new additional shop a few miles from their existing high street shop.

15. Give **one** aim of a 'not-for-profit' organisation.
16. Describe how the concept of 'limited liability' was responsible for the increase in the number of limited companies introduced in the UK by the Limited Liability Act 1855.
17. Explain **one** reason why the objectives of a large established business might be different from those of a new-entrant business into a market.
18. Explain what is meant by the following **two** terms:
  - Purchasing economies of scale
  - Technical economies of scale

Give examples to support your answer.
19. Ellen is considering becoming an entrepreneur rather than an employee. Advise her on whether this is a good idea or not. Give reasons for your advice.
20. Alvin and Michelle are considering expanding their business. They are considering the following two options:
  - Option 1: Fully developing and selling a new product range they have in the pipeline.
  - Option 2: Opening a new additional shop a few miles from their existing high street shop.

Analyse the effect of each of the **two** options for Alvin and Michelle.  
Evaluate which of the **two** options is most appropriate for Alvin and Michelle.

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## **Preview of Questions Ends Here**

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

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

Answer could consider:

The secondary sector of the economy is the sector that turns the raw materials provided into finished saleable goods. (AO1 – 1 mark for showing knowledge) + For example, the factory turns raw materials from the farm (primary sector) into crisps. (AO1 – 1 mark for development of your knowledge and understanding of knowledge and giving an example)

12. [AO1 (1 mark for demonstrating knowledge by giving a correct advantage)] × 2

Answer could consider:

- The shares can be resold to the general public. (AO1 – 1 mark for demonstrating knowledge)
- Dividend can be received. (AO1 – 1 mark for demonstrating knowledge)
- An ordinary shareholder is the owner of that company. (AO1 – 1 mark for demonstrating knowledge)
- An ordinary shareholder has voting rights at an AGM or extraordinary AGM. (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 tertiary sector of the economy exists to provide services for the other two sectors, i.e. it 'oils' the primary and secondary sectors. (AO1 – 1 mark for knowledge) + For example, a bank provides services to the other sectors. (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:

- They have been achieved – reached. (AO1 – 1 mark for showing knowledge) + For example, the company has reached 3% of market share in the first year of trading. (AO1 – 1 mark for showing understanding and developing this point and enhancing it with an example)
- The business has changed its legal structure. (AO1 – 1 mark for showing knowledge) + For example, the company has changed to a private limited company. (AO1 – 1 mark for showing understanding and developing this point and enhancing it with an example)
- The business has faced new direct competition. (AO1 – 1 mark for showing knowledge) + For example, the company has targeted an additional market. (AO1 – 1 mark for showing understanding and 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]

Answer could consider:

- To help individuals and the local community without making profit for its owner
- To reinvest any money it makes back into the organisation for the betterment of the community
- For example, a charity shop for Action Cancer or a social enterprise such as the Co-op

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

Answer could include:

- It reduced the risk of shareholders losing all their money if the company went into liquidation.
- Other businesses have converted to 'limited companies' to get protection under the Companies Act 2006.

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

Answer could include any **one** from:

- The large established business is most likely to target a different market size than a smaller new-entrant business into a market.
- The large established business is most likely to have achieved its basic objective faster than a smaller new-entrant business into a market.

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

Answer could include:

- Purchasing economies of scale  
Purchasing economies of scale result from the fact that larger businesses can get better prices from their suppliers because they can afford to buy in bulk. For example, large supermarkets get better prices from their suppliers in extremely large quantities and, therefore, can demand a substantial discount, lowering their unit costs and increasing their profit margins.
- Technical economies of scale  
Technical economies of scale result from the fact that larger businesses can afford to invest in modern, up-to-date machinery and technological aids available. For example, a large factory can use modern robotic devices to help increase its production efficiency and lower unit costs.

19. [Award up to 3 marks for the application of knowledge and understanding by the development of an analysis (AO2). Then award up to a further 3 marks for a fully developed analysis of each point (AO3). Finally award up to 3 marks for a clear and well-justified final conclusion by way of specific and unambiguous statements (AO4)]

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, after the analysis and evaluation, final justified conclusive advice must be given

The answer could consider:

- Advantages of being an entrepreneur:
  - Ellen will have her own working hours and environment.
  - She will be her own boss.
  - Ellen will face no competition.
  - She can control her own work team.
  - She will achieve a sense of fulfilment.
- Disadvantages of being an entrepreneur:
  - Ellen would risk job and income security.
  - She would find it an additional stress on a 24/7 basis.
  - Ellen might find getting start-up funding difficult.
  - Her responsibilities would increase massively.

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20. [Award up to 3 marks for showing knowledge and understanding of the meaning and Then award up to 3 marks for demonstrating appropriate application of knowledge and (AO2). Next, award up to a further 3 marks for fully analysing the impact on both opt 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, ...
- ✓ Next will be decided the answer's sub-marks and total mark to be awarded
- ✓ Finally note that, after the analysis and evaluation, a clear, contextual, unambiguous must be made!

The answer could consider:

**Option 1: Fully developing and selling a new product range they have in the pipeline**

*Advantages*

- It is effective because Alvin and Michelle will be using their own expertise
- The development should reflect the fact that the business ought to know what will sell.
- Their employees should know the philosophy of the business and be aware of the new product in-store.
- The business is well-established and popular so a new product should do well for

*Disadvantages*

- If the new product is unsuccessful then the business could be in trouble.
- It might take a while for the new product to get established in the market.
- Only using in-house development of a new product could stifle future new exte

**Option 2: Opening a new additional shop a few miles from their existing high-street**

*Advantages*

- Alvin and Michelle will extend their business's physical footprint.
- The business accesses additional new customers.
- It will create a positive image – an impression that the business is doing well – to expand.

*Disadvantages*

- The disadvantages of opening an additional new shop mainly revolve around the planning, design, restructuring, physically building and refurbishing, and the new start.

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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.