

Questions

1 Which one of the following types of business can sell shares on the stock exchange?

- A A partnership
- B A private limited company
- C A public limited company
- D A sole trader

Your answer

[1]

2 Which of the following is an internal stakeholder of business that repairs cars?

- A Mechanics who work at the garage
- B Motorists who bring their car to the garage to be repaired
- C Residents living near to the garage
- D The government that creates the laws the garage must obey

Your answer

[1]

3 The reward for enterprise is:

- A hard work
- B profit
- C risk
- D self-discipline

Your answer

[1]

4 A clothing manufacturer buys a multiscreen cinema.

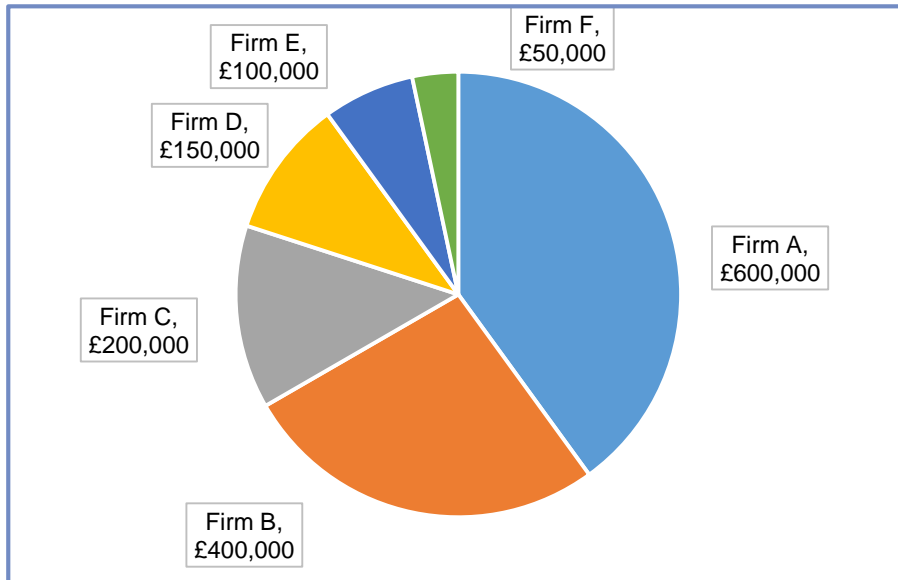
What is this an example of?

- A A diversification
- B A horizontal merger
- C A partnership
- D A vertical takeover

Your answer

[1]

- 5 Six firms operate in a market. The pie chart below shows the annual revenue for each of these six firms.



What is the market share of Firm D?

- A 1%
- B 10%
- C $41\frac{2}{3}\%$
- D 150%

Your answer

[1]

- 6 Which one of the following is **not** a reason to start your own business?

- A To be your own boss
- B To increase financial risk
- C To pursue personal interests
- D To satisfy customer needs

Your answer

[1]

- 7 A business makes jeans.

Which of the following is the role of its suppliers?

- A To advertise the jeans on national television
- B To buy large quantities of jeans
- C To deliver fabric and fastenings on time
- D To pay the wages of the sewing machinists

Your answer

[1]

7 The UK government requires sole traders to:

- A** advertise online
- B** employ staff
- C** operate from home
- D** pay tax on profits

Your answer

[1]

8 Which of the following would increase the market share of a company?

- A** Employing fewer staff
- B** Making its products more appealing
- C** Reducing output
- D** Spending less money

Your answer

[1]

9 Two toy shops in Southville have different objectives.

Which of the following could be a reason why these two businesses have different objectives?

- A** Central government sets specific objectives for every business
- B** Diversification is not allowed
- C** One business is a new start-up and the other is well established
- D** The law does not allow businesses to have identical objectives

Your answer

[1]

10 Which one of the following is a benefit of business planning?

- A** It increases business risk
- B** It increases the legal requirements on a business
- C** It reduces the amount of profit a business can make
- D** It reduces the chances of business failure

Your answer

[1]

11 A business which operates as a partnership:

- A** has at least two owners
- B** has no external stakeholders
- C** is controlled by shareholders
- D** is owned by the government

Your answer

[1]

12 Which of the following stakeholder groups is most likely to benefit from a night club owner's decision to close at 11pm instead of at 3am on weekdays?

- A** Customers
- B** Local residents
- C** Suppliers
- D** The government

Your answer

[1]

13 A business has set an objective to increase profit by 2% each year.

If the business made £50 000 profit in 2015, its profit objective for 2016 would be?

- A** £1000
- B** £51 000
- C** £52 000
- D** £60 000

Your answer

[1]

14 A young entrepreneur wishing to start her first business may choose to operate as a partnership because:

- A** a partnership is the simplest form of business to set up
- B** no planning is required
- C** she can keep all of the profit
- D** the responsibility for important decisions can be shared

Your answer

[1]

15 The owners of a business with limited liability:

- A** are not required to obey employment law
- B** can only sell goods to local markets
- C** do not have to pay business debts with personal funds
- D** must not change their business objectives

Your answer

[1]

16 Which of the following is **most** likely to describe the characteristics of a successful entrepreneur?

- A Determined and creative
- B Disorganised and inflexible
- C Inflexible and determined
- D Risk averse and disorganised

Your answer

[1]

17 Which one of the following is an example of organic growth?

- A Gaining new customers
- B Reducing market share
- C Merging with a similar business
- D Increasing selling prices

Your answer

[1]

18 Which of the following is most likely to help an established company obtain a bank loan?

- A A business plan
- B A job description
- C A person specification
- D An organisation chart

Your answer

[1]

19 Which one of the following is **not** a benefit to a business of setting objectives?

- A Business performance can be measured against targets
- B Can be used to motivate the workforce
- C Clear direction for decision makers
- D Increased manager workload

Your answer

[1]

Mark scheme

Question	Answer	Marks	Rationale
1	(c)	1	<p>(a) A partnership cannot issue shares.</p> <p>(b) A private limited company can issue shares, but it cannot sell them on the stock exchange.</p> <p>(c) Correct answer: A public limited company is listed on the stock exchange.</p> <p>(d) A sole trader cannot issue shares.</p>
2	(a)	1	<p>(a) Correct answer: Employees are internal stakeholders of a business.</p> <p>(b) Motorists are the garage's customers; they are external stakeholders.</p> <p>(c) Local residents are external stakeholders.</p> <p>(d) The government is an external stakeholder..</p>
3	(b)	1	<p>(a) Enterprise involves hard work but it is not the reward.</p> <p>(b) Correct answer: Profit is the reward for enterprise.</p> <p>(c) Enterprise involves taking risks, but the risk is not the reward.</p> <p>(d) Self-discipline is a characteristic likely to be needed for an entrepreneur to be successful, but it is not the reward.</p>
4	(a)	1	<p>(a) Correct answer: These two businesses are totally different, one is a manufacturer and one offers a service, and the products they deal with i.e. clothing and entertainment are totally different.</p> <p>(b) A horizontal merger would involve a clothing manufacturer joining with another clothing manufacturer, rather than a totally different type of business.</p> <p>(c) A partnership is a form of business ownership, not a business buyout.</p> <p>(d) The example is a buyout/takeover; however it does not involve buying a business in the same industry. Examples of a vertical takeover would be a clothing manufacturer buying clothing boutique (forwards) or buying fabric printers or cotton plantation (backwards).</p>

GCSE (9-1) BUSINESS

Question	Answer	Marks	Rationale
5	(b)	1	<p>(a) Candidate puts the decimal point in the incorrect place.</p> <p>(b) Correct answer: Total market size = £1,500,000. Firm D's market share = $\frac{£150,000}{£1,500,000} \times 100 = 10\%$</p> <p>(c) Candidate confuses the percentage with 360° and erroneously calculates $\frac{£150,000}{360} \times 100 = 41.66$.</p> <p>(d) Candidate erroneously assumes that the 150 in £150,000 equates to 150%.</p>
6	(b)	1	<p>(a) Many people start their own business in order to be their own boss.</p> <p>(b) Correct answer: Owning your own business increases, rather than reduces financial risk.</p> <p>(c) Pursuing personal interests is a good way to combine hobbies/beliefs with earning a living e.g. musician, fashion.</p> <p>(d) Satisfying customer needs is a reason to set up a business e.g. to provide designer clothing or a convenience store.</p>
7	(c)	1	<p>(a) This is not the role of a supplier.</p> <p>(b) The jeans are the finished product; those who buy the finished product are called customers not suppliers.</p> <p>(c) Correct answer: The role of a supplier is to supply raw materials and deliver them on time.</p> <p>(d) The jeans producer needs to pay the machinist's wages.</p>
8	(d)	1	<p>(a) Sole traders may choose to advertise online, but they do not have to.</p> <p>(b) A sole trader can choose whether or not to employ staff.</p> <p>(c) Many sole traders operate from home, but they do not have to.</p> <p>(d) Correct answer: One effect the government has on all businesses is that it requires payment of tax on any profit made.</p>
9	(b)		<p>(a) Market share measure the proportion of the market secured by a firm, the number of staff employed is irrelevant.</p> <p>(b) Correct answer: Making products more appealing should increase sales, and hence market share.</p> <p>(c) Reducing output is likely to reduce sales rather than increase market share.</p> <p>(d) Spending less money is likely to increase profit, but has no link with market share.</p>

GCSE (9-1) BUSINESS

Question	Answer	Marks	Rationale
10	(c)		<p>(a) Central government does not set business objectives; owners/directors/managers do this.</p> <p>(b) Diversification relates to the range of business activities undertaken, it does not explain the reason for different businesses having different objectives.</p> <p>(c) Correct answer: The objectives of a business change throughout the business' lifetime.</p> <p>(d) Copyright legislation stops one business copying another's designs etc, but it does not cover objectives. A business is free to choose objectives as it deems to be appropriate.</p>
11	(d)	1	<p>(a) Increased risk is not a benefit.</p> <p>(b) The legal requirements on a business remain unchanged irrespective of planning.</p> <p>(c) Planning should increase rather than reduce the amount of profit a business can make.</p> <p>(d) Correct answer: Careful planning should reduce the chances of business failure.</p>
12	(a)	1	<p>(a) Correct answer: Must have a minimum of two partners.</p> <p>(b) All businesses have external stakeholders e.g. suppliers, customers, government, local community.</p> <p>(c) Companies, rather than partnerships, have shareholders.</p> <p>(d) A partnership is a private enterprise and, is therefore, no government controlled.</p>
13	(b)	1	<p>(a) Customers generally prefer longer trading hours, shorter trading hours inconvenience customers.</p> <p>(b) Correct answer: Local benefits should benefit from less noise pollution/litter/traffic congestion.</p> <p>(c) Suppliers are likely to be unaffected or negatively affected by this decision (due to the potential reduction in custom).</p> <p>(d) The government is likely to be unaffected or negatively affected by this decision (due to the potential reduction in tax on profits).</p>
14	(b)	1	<p>(a) Candidate correctly calculates 2% of profit, but forgets to add back the original profit.</p> <p>(b) Correct answer: $£50,000/100 \times 2 = £1000$. New profit objective = $£50,000 + £1000 = £51,000$.</p> <p>(c) The candidate confuses 2% with £2000 and adds £2000 to profit to give £52,000.</p> <p>(d) The candidate makes a decimal place error to the calculation, effectively adding 20% to the profit figure.</p>

GCSE (9-1) BUSINESS

Question	Answer	Marks	Rationale
15	(d)	1	<p>(a) Setting up as a sole trader would be the simplest type of business to set up.</p> <p>(b) Planning is appropriate for all business start-ups.</p> <p>(c) Profits do need to be shared between both/all partners, whereas a sole trader can keep all profits.</p> <p>(d) Correct answer: Operating as a partnership provides a fellow owner with which to share important decisions. Hopefully, two heads are better than one.</p>
16	(c)	1	<p>(a) All businesses must obey employment law.</p> <p>(b) Candidate confuses limited liability with market limitations, in this case a geographical limitation.</p> <p>(c) Correct answer: Limited liability protects a business owner's personal funds from being used to pay business debts.</p> <p>(d) A business is always free to change its objectives; indeed a periodic review is advised.</p>
17	(a)	1	<p>(a) Correct answer: Determination and creativity are key characteristics of successful entrepreneurs.</p> <p>(b) Being disorganised and inflexible are not characteristics of successful entrepreneurs.</p> <p>(c) Determination is important, but inflexibility is likely to hinder the potential success of an entrepreneur.</p> <p>(d) Entrepreneurs are usually risk taking rather than risk averse. Being disorganised is only likely to hinder the potential success of an entrepreneur.</p>
18	(a)	1	<p>(a) Correct answer: Organic growth is business expansion from within the business. Gaining new customers is an example of organic growth.</p> <p>(b) When organic growth is achieved a business is likely to increase, rather than reduce, market share.</p> <p>(c) Merging with another business is an external (inorganic) method of business expansion.</p> <p>(d) Increasing selling price may increase revenue (if sales hold up); however this is not a form of organic growth.</p>

Question	Answer	Marks	Rationale
19	(a)	1	<p>(a) Correct answer: A business plan is often used as way to obtain finance.</p> <p>(b) A job description contains a list of the tasks and responsibilities of a particular job. It is most commonly used in recruitment.</p> <p>(c) A person specification lists the skills and quality required for a candidate to be suited to a job vacancy. It is most commonly used in the selection process.</p> <p>(d) An organisation chart is a human resource tool which is used to map the structure of an organisation. It may be included in a business plan, but it is not a crucial part in the obtaining of finance.</p>
20	(d)	1	<p>(a) Setting business objectives gives specific targets by which business performance can be measured.</p> <p>(b) Setting objectives can be used to motivate workers to achieve.</p> <p>(c) Setting objectives clarifies business direction and aids decision making.</p> <p>(d) Correct answer: Setting objectives may increase management workload, but this is not a benefit to a business. High workloads lead to inefficiency, mistakes, demotivation and stress.</p>

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