Rosary School – Marj Elhamam

Business unit 1 practice

Name: _______________________ Grade 9 (   )

INSTRUCTIONS

- Answer all questions.
- Use a black or dark blue pen.
- You may use a calculator if needed.
- Write your name at the top of the page.
- Write each answer in the appropriate space provided.
- Do not use erasable pen or correction fluid.

1 Identify **two** benefits to a business of specialisation.

Benefit 1: ....

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Benefit 2: ....

.... [2]

[Total: 2]

2 Define ‘opportunity cost’.

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.... [2]

[Total: 2]

3 After identifying a gap in the soft drinks market, Jerome developed a low sugar drink. He borrowed \$5 000 from family and friends to start-up a business and to provide working capital. Jerome operates as a sole trader. To promote his product, Jerome handed out free samples in the town centre. In the first year, Jerome's business sold 10 000 units. This is 200 units more than his break-even output. Jerome is considering ways to increase added value.

Explain how each of the following can help Jerome increase added value:

Change the packaging: ....

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Use cheaper materials: ....

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.... [6]

[Total: 6]

4 What is meant by 'added value'?

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[Total: 2]

5 Define 'public sector'.

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[Total: 2]

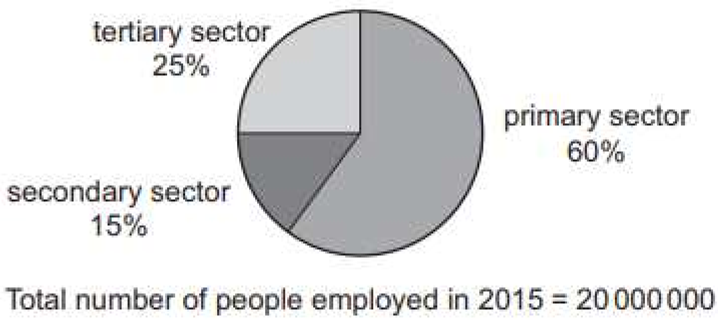
6 Identify **two** examples of business activity in the tertiary sector.

Example 1:..

Example 2:.. [2]

[Total: 2]

7 **Fig: Employment in country Y**



Calculate the number of people employed in secondary sector businesses in country Y.

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.... [2]

[Total: 2]

8 Identify **two** ways a business can grow.

Way 1: ....

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Way 2: ....

.... [2]

[Total: 2]

9 Identify **two** ways a business plan can help a business to reduce risk.

Way 1: ....

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Way 2: ....

.... [2]

[Total: 2]

10 Identify **two** limitations of using the number of employees to measure the size of a business.

Limitation 1: ....

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Limitation 2: ....

.... [2]

[Total: 2]

11 Identify **four** reasons why a new business might be at greater risk of failure than an established business.

Reason 1: ....

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Reason 2: ....

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Reason 3: ....

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Reason 4: ....

.... [4]

[Total: 4]

12 Pamela is a successful entrepreneur. She is the owner of a gift shop selling celebration cards, toys and candy (sweets). When Pamela started her business 30 years ago she had no help to manage the shop. She now has 5 employees. Pamela knows maintaining customer loyalty is important. She uses competitive pricing. Most of her marketing budget is spent on sales promotion. Pamela does not use e-commerce.

Do you think being a risk-taker is a more important characteristic of a successful entrepreneur than being creative? Justify your answer.

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[Total: 6]

13 Define 'business plan'.

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[Total: 2]

14 RJJ manufactures women's shoes. It sells the shoes to a niche market using e-commerce. RJJ is a public limited company and its shareholders benefit from limited liability. The Managing Director is planning to expand the business. RJJ could take over a competitor. Last year profit decreased by $50 000. The Finance Director has to decide on a source of finance to fund the expansion.

Do you think a takeover of a competitor is the best way for a large business to grow? Justify your answer.

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[Total: 6]

15 Define 'unincorporated business'.

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[Total: 2]

16 DNG provides electricity to 16 million customers. It is a limited company which means DNG's shareholders benefit from limited liability. DNG is planning to stop using coal to produce its electricity. Pressure groups had an influence on this decision. The Managing Director knows there will be an opportunity cost to making this change. She is considering the best way to communicate this important information to DNG's 6500 employees.

Outline how having limited liability might benefit DNG's shareholders.

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[Total: 4]

17 Tom wants to leave his job to become an entrepreneur. He and his sister plan to start a window cleaning business. Tom has been told that new businesses are at a greater risk of failure than established businesses. Tom has to decide whether a partnership is a suitable form of business organisation for the new business. He has calculated the business will need $700 as start-up capital. Tom knows that every decision he makes will have an opportunity cost.

Do you think a partnership is the best form of business organisation for a new business? Justify your answer.

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[Total: 6]

18 TJM is a private limited company. It is a food retailer and has 450 shops. In 2021 TJM's revenue increased by $500 million. The Finance Director is analysing TJM's financial statements. An extract is shown in table below. The directors are planning to expand TJM by opening 20 new shops. TJM will have to carry out a recruitment and selection process for 400 new employees.

Extract from TJM's financial statements for 2021 ($m)	
Non-current assets	400
Current assets	300
Current liabilities	240
Profit for the year	200

Outline **two** advantages of TJM being a private limited company.

Advantage 1: ....

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Advantage 2: ....

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.... [4]

[Total: 4]

19 Identify **two** features of a public limited company.

Feature 1: ....

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Feature 2: ....

.... [2]

[Total: 2]

20 Nadia started her successful hairdressing business 4 years ago. Maintaining quality has always been important to Nadia. She said: ‘I started with no experience of business plans, recruitment, cash flow or profit. I did not understand how economic issues such as inflation could affect a business. Now I have 5 hairdressing shops and 20 employees. Last year I made a profit of $100000.’Nadia is planning to expand her business. One way she could do this is by selling franchises.

Outline **one** advantage and **one** disadvantage to Nadia’s business of selling franchises toexpand.

Advantage:..

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Disadvantage:...

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[Total: 4]

21 DCN is a large chemical company. It has 8 000 employees across its 3 factories. DCN has agreed to set up a joint venture with a glass making business to develop a new type of environmentally friendly packaging. DCNs Managing Director said: There are disadvantages to a joint venture. The companies have different leadership styles and business objectives. We will need to look at ways to overcome possible communication barriers.

Explain **two** possible advantages to DCN of setting up a joint venture with the other business.

Advantage 1:..

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Explanation:..

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Advantage 2:..

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Explanation:..

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[Total: 6]

22 Paul is the Managing Director of a private limited company called PShirts. It manufactures and sells men's and women's shirts in country Y. Its products are priced lower than most of its competitors. Sales have fallen recently even though there has been an economic boom. Paul is thinking about starting to sell shirts in other countries. One of the directors is worried about legal controls in other countries.

Identify and explain **two** disadvantages to PShirts of being a private limited company

Disadvantage 1:..

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Explanation:..

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Disadvantage 2:..

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Explanation:..

.... [4]

[Total: 4]

23 Identify **two** objectives a new business might have.

Objective 1: ....

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Objective 2: ....

.... [2]

[Total: 2]

24 Identify **two** objectives for a business organisation in the public sector.

Objective 1: ....

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Objective 2: ....

.... [2]

[Total: 2]

25 Define 'stakeholder groups'.

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[Total: 2]

26 Do you think the shareholders are the most important stakeholder group to the success of a limited company? Justify your answer.

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[Total: 6]

27 KTF makes building materials, including cement and bricks. Last year KTF had sales of $25bn. KTF's objectives have often changed since it was started 60 years ago. The Managing Director wants KTF to expand. KTF is going to take over one of its main competitors. The newly expanded business will have combined sales of $40bn. The Managing Director said: 'Many stakeholder groups will be affected by this decision.' She knows there are many external factors that affect business activity including the business cycle, interest rates and legal controls to protect the environment.

Explain how **two** external stakeholder groups might be affected by the take over.

Stakeholder group 1: ....

Explanation: ....

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Stakeholder group 2: ....

Explanation:..

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[Total: 6]

28 DWT makes solar panels in country Y. This is a low-cost country which is experiencing rapid economic growth. DWT's production method makes use of specialisation. All 120 of DWT's employees know that ensuring quality production is important. DWT imports some of its raw materials. The Government of country Y plans to introduce import tariffs of 50%. DWT's Managing Director said: 'This decision will affect all of our stakeholders. Why do governments introduce trade restrictions such as import controls?'

Explain **one** objective of each of the following stakeholder groups of DWT.

Customers:..

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Pressure groups:..

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[Total: 6]

29 QCH is a multinational company which makes a range of luxury cars. Last year it made a profit of $700m. One of QCH's objectives is to enter new markets. QCH wants to start producing cars in 1 country C, a fast growing economy. The Finance Director said: 'Meeting customer needs is important. We could form a joint venture or set up our own factory. Both options will be expensive, costing $800m. I think QCH's expansion into country C could be good for other businesses there.'

Identify **two** advantages to QCH of having objectives

Advantage 1:..

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Advantage 2:..

.... [2]

[Total: 2]

30 What is meant by a 'social enterprise'?

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.... [2]

[Total: 2]

31 Zoff is a large engineering company. It manufactures a wide range of products from bicycles to washing machines, mainly using batch production methods. The company has grown rapidly but its profits are falling. Following the dismissal of the Managing Director, the company has announced that a new Managing Director will be recruited internally. A spokesperson said: 'Our objectives have to change. Rather than growth, we will focus on improving quality whilst at the same time try to improve our competitiveness.'

Do you think Zoff should change its objectives? Justify your answer.

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[Total: 6]