

1.1 End of topic test



NAME

DATE OF TEST

SCORE AND FEEDBACK

TOTAL OUT OF 18 MARKS

Part 1 – multiple choice questions

Q1

Which **one** of the following could a small business use to add value?

(1)

Select **one** answer.

- ☐ **A** Locate in a convenient place
- ☐ **B** Pay a higher rate of taxation
- ☐ **C** Reduce its cash inflows
- ☐ **D** Use a long-term source of finance

Correct answer is A

Q2

Which **two** of the following are examples of a service?

(2)

Select **two** answers.

- ☐ **A** Birthday cake
- ☐ **B** Fitness class
- ☐ **C** Mobile phone
- ☐ **D** Newspaper
- ☐ **E** Train journey

Correct answers are B and E (award 1 mark per correct answer)

Q3

Part 2 – short answer questions

Explain **one** risk for an entrepreneur when starting a new business.

(3)

An entrepreneur may take a financial risk when starting a business (1). This is because a new business will need financial investment to start up (1). If the business fails then the entrepreneur could lose this money (1).

An entrepreneur may have to give up their job to start the business (1). This could lead to them losing regular income from wages/salary (1). This will lead to a lack of security in their lives (1).

Q4

Explain **one** way a small business could add value to a product.

(3)

One way that a business could add value is to improve the quality of its product (1). Customers would therefore be willing to pay a premium price for the product (1). This leads to a larger difference between the final price and costs of raw materials (1).

A business could add value through developing a unique selling point (1). This will differentiate the product from its rivals (1). Therefore, customers will pay extra for the product as they feel the product is better than the competition (1).

Part 3 – case study questions

Last Course Patisserie Ltd is a small private limited company based in Devon which produces hand-made desserts and puddings. The business was established in 1986. Its owners previously worked in the food industry but felt they could offer better value for money to customers. All of the desserts are made fresh to order which has provided *Last Course Patisserie* with a reputation for being flexible when meeting customer needs.

Getting the best ingredients for the desserts is a vital part of the business. *Last Course Patisserie* found excellent suppliers of free range eggs and dairy products close to its business location. This means all ingredients could be delivered quickly when needed.

Last Course Patisserie has recently employed a new head chef from Switzerland who has introduced a new range of products to the menu. This has proved to be very popular with customers and the business now struggles to keep up with demand. *Last Course Patisserie* is receiving increased orders for desserts but, due to the size of its business premises, struggles to meet this increase in demand. The owners have decided that it is the right time for *Last Course Patisserie* to expand and possibly relocate to new premises.



Q5

Outline **one** risk taken by the owners when starting *Last Course Patisserie*.

(2)

Award up to 2 marks for linked points outlining a suitable risk taken by the owners. Award a maximum of 1 mark if points are not linked.

The owners risked a loss of security (1) as they previously had jobs in the food industry (1).

The owners risked financial loss (1). There may not have been a demand for hand-made desserts (1).

Do not accept a risk that would not be appropriate for the owners. For example, she risked losing her personal possessions.

Ripple is an energy company aimed at providing green and renewable energy to homes and businesses across the UK. It is the country's first consumer-owned wind farm, generating green energy that does not have a damaging effect on the environment. Instead of customers paying *Ripple* to supply them with energy they become members of the business and buy a part of a wind farm located in a remote area of South Wales. Customers are then supplied with energy to their homes based on the amount of money they invested. The amount of money that customers can invest varies on their energy needs, but *Ripple* claims that it can supply energy cheaper than its competitors.

The process of becoming a member is very simple. Firstly, *Ripple* will ask customers a few questions to identify their energy needs. It will then create a green energy plan to establish how much each customer should invest into the wind farm. *Ripple* manages the wind farm and provides energy to each customer's home or business.

Ripple's business plan fits in with the UK government's cleaner energy strategy. This strategy includes plans for the country to have net zero carbon emissions by 2050 and to create 220,000 new jobs in the green energy sector of the economy.

Q6

Outline **one** benefit to customers from *Ripple* asking questions to identify its customer needs.

(2)

Award up to 2 marks for linked points outlining a benefit to customers of *Ripple*. Award a maximum of 1 mark if points are not linked.

Customers will receive the correct green energy plan (1). This will make sure they receive the correct amount of energy for their needs (1).

Customers will invest the correct amount of money into the wind farm (1). This will lead them to get the best return on their money (1).

Award any other valid answer. To award 2 marks there must linked development **and** evidence of application.

Part 4 – key terms

1 mark each correct definition

Q7 Products	Physical items you can touch (e.g. a book).
Q8 Enterprise	Business activities aimed at spotting opportunities, developing ideas, and satisfying customer needs
Q9 Added value	Making a product/service worth more to customers (e.g. branding, design, quality, convenience, USP).
Q10 Need	A basic good or service essential for human survival (e.g., food, water, shelter)
Q11 Obsolete	Products or services that are outdated or no longer used because they have been replaced by something newer